NORFOLK AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTAL SCHEDULES, AND AUDIT OF
FEDERAL AWARDS PERFORMED IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

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NORFOLK AIRPORT AUTHORITY
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Commissioners
Norfolk Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Norfolk Airport Authority (the "Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Norfolk Airport Authority, as of June 30, 2019, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Financial Statements

The financial statements of the Authority, as of and for the year ended June 30, 2018, were audited by other auditors whose report, dated November 20, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplemental Information as listed in the table of contents and 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 Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

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

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 31, 2019

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 years ended June 30, 2019 and 2018. The following should be read in conjunction with the basic financial statements and notes thereto.

Basic Financial Statements

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 present 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 report 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 report 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, 2019 and 2018.

The Authority and Airport Activity Highlights

The Norfolk Airport Authority (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 ("CSA"). 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.

Fiscal year 2019 was one of significant growth for the Authority, and demonstrates the success of the Authority's focus on growing the core business, increasing non-airline revenues, and containing costs. Driving this success was an increase in passengers using the Airport, with a total of 3,864,633 passengers traveling through the Airport during 2019, which was an increase of 11.0% over 2018. This is a continuation of the Authority's recent success, and represents an increase of 33.0% from FY15's total passenger count. In addition to the growth of the airlines already serving the Airport, FY19 also brought the addition of a new airline when Frontier Airlines launched their first flights from the Airport in August 2018. This year also brought the first ever scheduled direct flights from the Airport to the U.S. west coast when Southwest Airlines launched seasonal service to San Diego in June 2019. New destinations during the year of Nashville and San Diego from Southwest; Cincinnati and Cleveland from Allegiant; and Tampa, Las Vegas, and Phoenix from Frontier brought the total number of destinations served by the Airport to 30.

A summary of the market share by enplanements of each of the scheduled air carriers operating at the Airport for the years ended June 30, 2019, 2018, and 2017 is shown below:

2019		2018		2017	
American	31.5%	American	33.3%	American	32.7%
Delta	29.7%	Delta	29.5%	Delta	31.0%
United	17.3%	Southwest	19.5%	Southwest	20.3%
Southwest	15.8%	United	16.0%	United	16.0%
Frontier	3.1%	Allegiant	1.7%		
Allegiant	2.6%				
Total	100%	Total	100%	Total	100%

Revenues

A summary of the major revenues for the years ended June 30, 2019, 2018, and 2017 are shown below:

	2019	2018	2017
Operating revenues:			
Parking	$ 16,927,094	$ 15,465,667	$ 15,135,831
Landing fees	6,175,569	7,699,906	8,991,845
Rent	6,377,792	7,010,567	7,580,914
Rental cars	7,246,770	6,792,428	6,602,430
Concessions	3,329,957	3,249,504	2,922,036
Other	1,163,852	646,989	488,010
Total Operating Revenues	41,221,034	40,865,061	41,721,066
Nonoperating revenues, net:			
Federal and state grants and interest	4,813,239	11,465,136	3,385,362
Passenger facility charges and interest	8,198,961	7,280,020	6,558,879
Customer facility charges	2,739,307	1,432,100	1,031,792
Interest income	873,150	441,259	188,538
Other income	281,822	337,694	158,530
Total Nonoperating Revenues	16,906,479	20,956,209	11,323,101
Total Revenues	$ 58,127,513	$ 61,821,270	$ 53,044,167

2019 versus 2018 Financial Highlights

Operating revenues during fiscal year 2019 increased by $355,973 compared to the previous year to $41,221,034, as the Authority experienced higher passenger generated revenues, which were partially offset by lower rates and charges to the airlines for landing fees and rent. Parking revenue increased $1,461,427 to $16,927,094 due to higher passenger activity. Landing fees decreased by $1,524,337 to $6,175,569 and rent decreased by $632,775 to $6,377,792 as a result of lower rates charged to the airlines. Rental car revenue increased $454,342 to $7,246,770 due to increases in rental car activity. Concessions revenue increased $80,453 to $3,329,957 due to higher passenger activity and other operating revenue increased $516,863 to $1,163,852 primarily due to increased usage of transportation network companies (TNCs) in addition to rate increases on TNCs.

Nonoperating revenues during fiscal year 2019 decreased by $4,049,730 compared to the previous year to $16,906,479, primarily driven by a decrease in federal grants. Federal and state grants and interest decreased by $6,651,897 as a result of a decrease in grants reimbursing the Authority for capital projects. Passenger facility charges (PFCs) increased by $918,941 to $8,198,961 due to higher passenger activity and Customer Facility Charges (CFCs) increased by $1,307,207 to $2,739,307 due to an increase in the CFC rate and higher rental car activity. Interest income increased by $431,891 to $873,150 due to higher interest rates and other income decreased by $55,872 to $281,822.

2018 versus 2017 Financial Highlights

Operating revenues during fiscal year 2018 decreased by $856,005 compared to the previous year to $40,865,061, as the Authority was able to reduce the rates charged to the airlines for landing fees and rent. Parking revenue increased $329,836 to $15,465,667 due to higher passenger activity. Landing fees decreased by $1,291,939 to $7,699,906 and rent decreased by $570,347 to $7,010,567 as the result of lower fees charged to the airlines. Rental car revenue increased $189,998 to $6,792,428. Concessions revenue increased $327,468 to $3,249,504 due to higher passenger activity and other income increased $158,979 to $646,989 primarily due to increased fees collected from TNCs.

Nonoperating revenues during fiscal year 2018 increased by $9,633,108 compared to the previous year to $20,956,209, due to an increase in federal and state grants. Federal and state grants and interest increased by $8,079,774 as a result of an increase in grants reimbursing the Authority for capital projects. PFCs increased by $721,141 to $7,280,020 and CFCs increased by $400,308 to $1,432,100. The increase in PFCs was due to higher passenger activity and the increase in CFCs was due to a CFC rate increase along with higher passenger activity. Interest income and other income increased by $252,721 and $179,164 to $441,259 and $337,694, respectively.

Expenses

A summary of the major expenses for the years ended June 30, 2019, 2018, and 2017 are shown below:

	2019	2018	2017
Operating Expenses:			
Salaries and fringe benefits	$ 17,041,382	$ 16,119,948	$ 16,069,061
City tax assessment	2,500,000	2,500,000	2,500,000
Maintenance and repairs	2,993,527	3,662,659	3,505,388
Depreciation	12,673,096	10,951,169	10,029,660
Other expenses	10,949,898	11,097,024	12,566,263
Total Operating Expenses	46,157,903	44,330,800	44,670,372
Nonoperating Expenses:			
Bond issuance costs	591,587	-	-
Interest expense	1,668,332	1,746,874	764,513
Total Nonoperating Expenses	2,259,919	1,746,874	764,513
Total Expenses	$ 48,417,822	$ 46,077,674	$ 45,434,885

2019 versus 2018 Financial Highlights

Operating expenses during fiscal year 2019 increased by $1,827,103 compared to the previous year to $46,157,903. Salaries and fringe benefits increased by $921,434 due to pay rate increases. Maintenance and repairs decreased by $669,132 to $2,993,527. Depreciation increased by $1,721,927 to $12,673,096 due to new capital asset acquisitions. Other expenses decreased by $147,126 to $10,949,898.

Nonoperating expenses during fiscal year 2019 increased by $513,045 compared to the previous year to $2,259,919, due to the debt issuance costs attributable to the Series 2019 debt issuance. This was partially offset by lower interest expense due to normal debt service payments.

2018 versus 2017 Financial Highlights

Operating expenses during fiscal year 2018 decreased by $339,572 compared to the previous year to $44,330,800. Salaries and fringe benefits increased by $50,887 due to normal pay rate increases. Maintenance and repairs increased by $157,271 to $3,662,659. Depreciation increased by $921,509 to $10,951,169 due to new capital asset acquisitions. Other expenses decreased by $1,469,239, primarily as a result of a one-time impairment charge to capitalized assets in 2017, in the amount of $1,424,535.

Nonoperating expenses during fiscal year 2018 increased by $982,361 compared to the previous year to $1,746,874, due to the adoption of Governmental Accounting Standards Board ("GASB") Statement 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period,* which resulted in the cessation of capitalizing interest into capital assets.

Net Position

A summary of the major components of the statements of net position as of June 30, 2019, 2018, and 2017 is as follows:

	2019	2018	2017
Current assets	$ 46,763,512	$ 45,482,174	$ 42,528,042
Restricted assets	89,828,848	31,069,080	24,078,889
Capital assets, net	199,623,748	185,716,491	181,313,276
Other noncurrent assets	1,156,844	949,687	1,005,929
Total Assets	337,372,952	263,217,432	248,926,136
Deferred Outflows of Resources	3,012,030	1,572,687	2,643,406
Current liabilities	7,829,836	7,290,216	5,525,054
Amounts payable from restricted assets	3,464,789	3,406,677	3,389,652
Long-term liabilities	111,380,480	45,658,185	49,387,121
Total Liabilities	122,675,105	56,355,078	58,301,827
Deferred Inflows of Resources	831,875	1,266,730	-
Net investment in capital assets	154,275,070	142,841,719	136,918,892
Restricted net position	28,069,339	31,069,081	23,034,014
Unrestricted net position	34,533,593	33,257,511	33,314,809
Total Net Position	$ 216,878,002	$ 207,168,311	$ 193,267,715

2019 Versus 2018 Results

Current assets as of June 30, 2019 were $46,763,512, an increase of $1,281,338, which was driven by an increase in operating capital due to operations. Restricted assets of $89,828,848 had increased by $58,759,768 as a result of the issuance of the Series 2019 debt.

Deferred outflows of resources as of June 30, 2019 were $3,012,030, an increase of $1,439,343. Deferred inflows of resources as of June 30, 2019 were $831,875, a decrease of $434,855. The primary driver of these changes was actuarial adjustments related to the Authority's pension and other post employment benefits (OPEB) plans.

Current liabilities as of June 30, 2019 were $7,829,836, an increase of $539,620. This increase was primarily due to timing of payables. Long-term liabilities as of June 30, 2019 of $111,380,480 increased by $65,722,295 as a result of the issuance of the Series 2019 debt.

Net position as of June 30, 2019 was $216,878,002, an increase of $9,709,691. This increase was primarily driven by the capital grants, PFCs and CFCs received by the Authority during the year, partially offset by the year's operating loss.

2018 Versus 2017 Results

Current assets as of June 30, 2018 were $45,482,174, an increase of $2,954,132, while restricted assets of $31,069,080 had increased by $6,990,191. These increases reflected an overall increase of cash and cash equivalents due to operations.

Deferred outflows of resources as of June 30, 2018 were $1,572,687, a decrease of $1,070,719. Deferred inflows of resources as of June 30, 2018 were $1,266,730, an increase of $1,266,730. The primary driver of these changes was the Authority's participation in the Virginia Retirement System (VRS), and the resulting pension balances. Additionally, the Authority adopted GASB 75 during the year which lead to additional balances within deferred outflows and inflows of resources.

Current liabilities as of June 30, 2018 were $7,290,216, an increase of $1,765,162. This increase was primarily due to the increase in the surplus payable due back to the airlines. Long-term liabilities as of June 30, 2018 of $45,658,185 decreased by $3,728,936 as a result of the decrease in the actuarially determined net pension liability as well as continued debt service payments, partially offset by the addition of new OPEB liabilities resulting from the adoption of GASB 75.

Net position as of June 30, 2018 was $207,168,311, an increase of $13,900,596. This increase was primarily driven by the capital grants, PFCs and CFCs received by the Authority during the year, partially offset by the year's operating loss.

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 89. Capital assets are net of related accumulated depreciation. Significant capital asset additions in the current period included refurbishing a portion of the primary runway along with replacing its centerline lights, the first phase of replacement of all of the passenger loading bridges, and design work of the new parking garage D. A summary of capital assets by category and the associated accumulated depreciation as of June 30, 2019, 2018, and 2017, as well as a schedule of additions and retirements for the years ended June 30, 2019, 2018, and 2017, are included as follows:

	June 30		
	2019	2018	2017
Summary of Capital Assets:			
Land	$ 14,722,494	$ 14,722,494	$ 14,722,494
Buildings, structures, and improvements	281,956,415	275,431,417	249,325,175
Roads and runways	82,205,192	67,095,173	64,256,390
Equipment	45,210,166	45,175,179	39,655,210
Construction in progress	13,900,580	10,030,730	29,182,628
	437,994,847	412,454,993	397,141,897
Accumulated depreciation	(238,371,099)	(226,738,502)	(215,828,621)
Total	$ 199,623,748	$ 185,716,491	$ 181,313,276

Schedule of additions and retirements:

	June 30		
	2019	2018	2017
Capital assets, beginning of year	$ 185,716,491	$ 181,313,276	$ 184,625,975
Additions	26,580,353	15,354,384	8,156,442
Retirements	-	-	(1,439,481)
Depreciation	(12,673,096)	(10,951,169)	(10,029,660)
Capital assets, end of year	$ 199,623,748	$ 185,716,491	$ 181,313,276

The Authority is continuing its major rehabilitation effort on the primary runway, which is expected to last for several years and total approximately $90 million. The funding for this project is expected to come from various sources, including federal grants, state grants, PFCs, and approximately $3 million in Authority funding. The new parking Garage D is currently under construction, and will be funded via the proceeds of the previously issued Series 2019 debt along with approximately $11 million in Authority funds set aside for construction. Additionally, during fiscal year 2020, approximately $12 million in various other projects are planned, which will be funded by a mix of federal grants, state grants, and approximately $3 million in Authority funding.

Capital Financing and Debt Management

The Authority finances capital projects through a combination of revenues, federal and state grants, PFCs, CFCs, and revenue bonds. During 2019, the Authority issued its first new money bond since 2001. The Series 2019 bonds were issued in order to finance construction of a new parking garage (Garage D). Construction of Garage D will enable future airside expansion by relocating spaces from the current parking lot to Garage D.

The Authority's Series 2019 bonds are rated A by Standard & Poor's and A3 by Moody's. Both ratings have a stable outlook. The Authority's Series 2011 bonds are rated A3 by Moody's with a stable outlook.

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 2019, 2018 and 2017 the Authority's debt service coverage was 3.30, 2.84, and 2.55, respectively.

Economic Factors

The Virginia Beach-Norfolk CSA 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 three Fortune 500 companies.

The region's growth appears to be positive. Federal government expenditures directly within the region are forecast to increase approximately 8% from 2018 to 2019 per Old Dominion University's Dragas Center for Economic Analysis and Policy. The Port of Virginia – already the third largest port on the United States east coast – is currently undergoing a $670 million expansion which will increase capacity approximately 60% by 2020.

Air travel is particularly sensitive to regulatory changes and operating costs changes (especially fuel costs), which can cause significant fluctuations in passenger counts. Other economic risks to the Authority include federal government spending or tourism declines.

The outlook for fiscal year 2020 is positive. The first quarter of FY20 set the record for most passengers in the Airport's history, with total passengers increasing 9.44% over the first quarter of FY19. Additionally, Allegiant Airlines has announced a new route to Fort Myers/Punta Gorda, FL, with service beginning in November 2019. The number of airlines operating at the Airport has held steady from the prior year, with six passenger airlines and two cargo airlines operating at the Airport.

Contacting the Authority's Financial Management

This financial report is designed to provide interested parties with a general overview of the Authority finances. Should you have any questions about this report or need additional information, please contact the Norfolk Airport Authority, Attention: Jarred M. Roenker, Director of Finance, 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.

NORFOLK AIRPORT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 28,466,576	$ 27,634,941
Investments	12,850,283	12,182,244
Accounts receivable, net	2,793,650	3,021,106
Accrued interest receivable	-	23,334
Grants receivable	54,614	78,940
Prepaid expenses	2,598,389	2,541,609
Total Current Assets	46,763,512	45,482,174
Restricted Assets:		
Cash and cash equivalents	83,975,907	25,376,674
Investments	4,510,000	4,465,000
Passenger facility charges receivable	1,342,941	1,227,406
Total Restricted Assets	89,828,848	31,069,080
Capital Assets:		
Land	14,722,494	14,722,494
Buildings, structures, and improvements	281,956,415	275,431,417
Roads and runways	82,205,192	67,095,173
Equipment	45,210,166	45,175,179
Construction in progress	13,900,580	10,030,730
	437,994,847	412,454,993
Less accumulated depreciation	(238,371,099)	(226,738,502)
Total Capital Assets, Net	199,623,748	185,716,491
Other assets	1,131,089	912,001
Bond insurance costs, net	25,755	37,686
Total Assets	$ 337,372,952	$ 263,217,432
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	79,134	106,563
Differences between expected and actual pension experience	1,233,636	122,276
Deferred pension contributions	1,338,260	1,207,848
Deferred outflows related to OPEB plans	361,000	136,000
Total Deferred Outflows of Resources	$ 3,012,030	$ 1,572,687

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

JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 2,267,984	$ 1,953,142
Accrued leave and wages	2,156,275	2,063,101
Other accrued expenses	618,510	116,134
Surplus payable to airlines	2,787,067	3,157,839
Total Current Liabilities	7,829,836	7,290,216
Amounts Payable from Restricted Assets:		
Accrued interest	899,525	954,200
Current portion of bonds payable	2,565,264	2,452,477
Total Amounts Payable from Restricted Assets	3,464,789	3,406,677
Long-Term Liabilities:		
Bonds payable, less current portion	103,748,289	39,612,344
Net pension liability	5,066,725	3,587,497
Net OPEB liability	1,968,000	1,765,000
Other liabilities	597,466	693,344
Total Long-Term Liabilities	111,380,480	45,658,185
Total Liabilities	$ 122,675,105	$ 56,355,078
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on pension plan investments	$ 392,656	$ 627,877
Changes of pension plan assumptions	76,221	149,510
Differences between expected and actual pension experience	146,998	288,343
Deferred inflows related to OPEB plans	216,000	201,000
Total Deferred Inflows of Resources	$ 831,875	$ 1,266,730
NET POSITION		
Net investment in capital assets	$ 154,275,070	$ 142,841,719
Restricted for:		
Capital projects	20,268,230	26,441,792
Debt service	7,801,109	4,627,289
Unrestricted	34,533,593	33,257,511
Total Net Position	$ 216,878,002	$ 207,168,311

The accompanying notes to the basic 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, 2019 AND 2018

	2019	2018
Operating revenues:		
Parking	$ 16,927,094	$ 15,465,667
Landing fees	6,175,569	7,699,906
Rent	6,377,792	7,010,567
Rental cars	7,246,770	6,792,428
Concessions	3,329,957	3,249,504
Other	1,163,852	646,989
Total operating revenues	41,221,034	40,865,061
Operating expenses:		
Salaries and fringe benefits	17,041,382	16,119,948
Depreciation	12,673,096	10,951,169
Utilities	2,780,341	2,734,661
Maintenance and repairs	2,993,527	3,662,659
Administrative	761,721	810,716
Professional services	547,797	623,101
Advertising and promotion	972,555	987,631
Insurance	732,597	987,936
Security and other services	3,957,952	3,874,357
Sanitation	773,408	696,342
City tax assessment	2,500,000	2,500,000
Other	423,527	382,280
Total operating expenses	46,157,903	44,330,800
Operating loss	(4,936,869)	(3,465,739)
Nonoperating revenues (expenses):		
Federal grant revenues	2,645,036	9,299,601
State grant revenues	2,000,000	2,001,500
Passenger facility charges	7,934,573	7,201,183
Customer facility charges	2,739,307	1,432,100
State grant interest income	168,203	164,035
Passenger facility charges interest income	264,388	78,837
Other income	281,822	337,694
Interest income	873,150	441,259
Bond issuance costs	(591,587)	-
Interest expense	(1,668,332)	(1,746,874)
Net nonoperating revenues	14,646,560	19,209,335
Change in net position	9,709,691	15,743,596
Total net position, beginning of the year	207,168,311	191,424,715
Total net position, end of the year	$ 216,878,002	$ 207,168,311

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

NORFOLK AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Collections from customers	$ 41,448,490	$ 41,156,310
Payments to employees for services	(16,665,231)	(16,598,838)
Payments for city tax assessment	(2,500,000)	(2,500,000)
Payments to suppliers	(15,293,238)	(13,094,477)
Net cash provided by operating activities	6,990,021	8,962,995
Cash flows from capital and related financing activities:		
Principal payments on bonds	(2,452,461)	(2,344,777)
Issuance of bonds	66,876,110	-
Acquisition of capital assets	(25,689,266)	(15,374,394)
Proceeds from the sale of equipment	31,050	21,250
Interest paid on debt	(1,858,564)	(1,966,586)
Passenger facility charges	7,819,038	7,059,286
Customer facility charges	2,739,307	1,432,100
Federal and State grants received	4,669,362	11,326,468
Bond issuance costs	(591,587)	-
Net cash provided by capital and related financing activities	51,542,989	153,347
Cash flows from investing activities:		
Investment income	1,610,897	1,094,839
Purchases of investments	(63,012,257)	(29,650,714)
Proceeds from maturities of investments	62,299,218	71,484,713
Net cash provided by investing activities	897,858	42,928,838
Net increase in cash and restricted cash	59,430,868	52,045,180
Cash and restricted cash, beginning of year	53,011,615	966,435
Cash and restricted cash, end of year	$ 112,442,483	$ 53,011,615
Cash and cash equivalents are presented in the accompanying statements of net position as follows:		
Cash	$ 28,466,576	$ 27,634,941
Restricted cash	83,975,907	25,376,674
	$ 112,442,483	$ 53,011,615

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

NORFOLK AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2019 AND 2018

		2019		2018
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	$	(4,936,869)	$	(3,465,739)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		12,673,096		10,951,169
Gain on disposal of capital assets		(31,050)		(21,250)
Decrease (increase) in operating assets:				
Accounts receivable		227,456		291,249
Prepaid expenses		(56,780)		19,125
Other assets		(219,088)		42,132
Increase (decrease) in operating liabilities:				
Accounts payable		(576,245)		592,294
Accrued leave and wages		93,174		104,571
Other accrued expenses		502,376		(189,514)
Surplus payable to airlines		(370,772)		1,277,821
Net pension liability		(212,399)		(380,947)
Net OPEB liability		(7,000)		(13,000)
Other liabilities		(95,878)		(244,916)
Net cash provided by operating activities	$	6,990,021	$	8,962,995

Supplemental disclosure of noncash capital and related financing activities:

The Authority incurred noncash capital expenditures related to construction in progress in the amount of $1,891,141 and $1,000,054 that are included in accounts payable as of June 30, 2019 and 2018, respectively.

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

(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 (“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. Leases are accounted for as operating leases and generally require rentals based on the volume of business, with specified minimum rentals. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on 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, 2019 and 2018.

(f) Capital Assets

Capital assets with an initial individual cost of $10,000 or more are capitalized at cost. 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.

(g) 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.

(h) 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 post employment 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 pension, and OPEB plans. Deferred outflows 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.

(i) Bond Insurance Costs

Bond insurance costs are amortized on the effective-interest method over the life of the debt to which it relates.

(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 contributes to the 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 §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 Line of Duty Act Program was established pursuant to §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.

(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 net fiduciary 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.

(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 Statements of Net Position as 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 $112,442,483 and $53,011,615 and the bank balances were $115,304,535 and $55,866,282 at June 30, 2019 and 2018, 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 that 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-l" 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, 2019, the Standard & Poor's ratings on the Authority's investments included 68.0% of "AAAm", 0.1% of "AAA", 26.2% of "AA+", 0.7% of "AA", 2.8% of "AA-", and 2.2% of "A-1".

(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, 2019, the Authority's portfolio was invested as follows:

Issuer	Percentage of portfolio
U.S. Treasury	77.2 %
Commercial paper	10.6
Corporate notes	12.2
	100.0 %

(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.

As of June 30, 2019, the carrying values and weighted average maturity of the Authority's investments were as follows:

Investment type	Fair value	Weighted average maturity in years
U.S. Treasury securities	$ 13,392,188	0.13
Commercial paper	1,846,091	0.11
Corporate notes	2,122,004	0.42
Total investments	$ 17,360,283	

(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, 2019, all of the Authority's investments were held in a bank's trust department in the

Authority's name.

(g) Summary of Deposits and Investments

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the statements of net position at June 30, 2019 and 2018 is as follows:

	2019	2018
Deposits	$ 112,442,483	$ 53,011,615
Investments	17,360,283	16,647,244
	$ 129,802,766	$ 69,658,859
Current Assets:		
Cash and cash equivalents	$ 28,466,576	$ 27,634,941
Investments	12,850,283	12,182,244
Restricted Assets:		
Cash and cash equivalents	83,975,907	25,376,674
Investments	4,510,000	4,465,000
	$ 129,802,766	$ 69,658,859

(h) Fair Value Measurements

The Authority has the following recurring fair value measurements as of June 30, 2019:

U.S. Treasury securities, commercial paper, and corporate notes of $17,360,283 are valued using a matrix pricing model (Level 2 inputs).

(3) Restricted Assets

The Authority received $2,000,000 during both fiscal years 2018 and 2017 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.

The trust indenture securing the Series 2011 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. All cash and investments are held by the following financial institutions: US Bank, SunTrust Bank, and the Virginia Department of the Treasury's LGIP. Restricted assets consist of the following at June 30, 2019 and 2018:

	2019	2018
State block grant account	$ 4,527,348	$ 16,231,662
Bond ordinance related	69,560,618	4,627,289
Passenger facility charges account	14,359,290	8,966,616
Passenger facility charges receivable	1,342,941	1,227,406
Other restricted assets	38,651	16,107
Restricted assets	$ 89,828,848	$ 31,069,080

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 $134,247,810 and expires on January 1, 2022. 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) Capital Assets

The following is a summary of the changes in capital assets for the years ended June 30, 2019 and 2018:

	Balances, June 30, 2018	Increases	Decreases	Balances, June 30, 2019
Capital assets not being depreciated:				
Land	$ 14,722,494	$ -	$ -	$ 14,722,494
Construction in progress	10,030,730	26,275,614	(22,405,764)	13,900,580
	24,753,224	26,275,614	(22,405,764)	28,623,074
Other capital assets:				
Building, structures, and improvements	275,431,417	7,117,370	(592,372)	281,956,415
Roads and runways	67,095,173	15,110,019	-	82,205,192
Equipment	45,175,179	483,114	(448,127)	45,210,166
Less accumulated depreciation for:				
Building, structures, and improvements	(137,728,035)	(8,840,019)	592,372	(145,975,682)
Roads and runways	(57,720,641)	(1,846,767)	-	(59,567,408)
Equipment	(31,289,826)	(1,986,310)	448,127	(32,828,009)
	160,963,267	10,037,407	-	171,000,674
Capital assets, net	$185,716,491	$ 36,313,021	$ (22,405,764)	$199,623,748

	Balances, June 30, 2017	Increases	Decreases	Balances, June 30, 2018
Capital assets not being depreciated:				
Land	$ 14,722,494	$ -	$ -	$ 14,722,494
Construction in progress	29,182,628	15,552,834	(34,704,732)	10,030,730
	43,905,122	15,552,834	(34,704,732)	24,753,224
Other capital assets:				
Building, structures, and improvements	249,325,175	26,106,242	-	275,431,417
Roads and runways	64,256,390	2,838,783	-	67,095,173
Equipment	39,655,210	5,561,257	(41,288)	45,175,179
Less accumulated depreciation for:				
Building, structures, and improvements	(130,033,736)	(7,694,299)	-	(137,728,035)
Roads and runways	(56,264,822)	(1,455,819)	-	(57,720,641)
Equipment	(29,530,063)	(1,801,051)	41,288	(31,289,826)
	137,408,154	23,555,113	-	160,963,267
Capital assets, net	$181,313,276	$ 39,107,947	$ (34,704,732)	$185,716,491

Depreciation expense for the years ended June 30, 2019 and 2018 was $12,673,096 and $10,951,169, respectively.

(5) Bond Insurance Costs

At June 30, 2019, the gross carrying amount and accumulated amortization of bond insurance costs was $678,110 and $652,355, respectively. At June 30, 2018, the gross carrying amount and accumulated amortization of bond insurance costs was $678,110 and $640,424, respectively. Amortization expense for the years ended June 30, 2019 and 2018 was $11,931 and $14,110, respectively.

(6) Bonds Payable

Bonds payable comprise the following at June 30, 2019 and 2018:

	2019	2018
Series 2011 Bonds payable	$ 38,775,000	$ 41,140,000
Series 2019 Bonds payable	54,435,000	-
VRA Bonds payable	105,605	193,063
	93,315,605	41,333,063
Unamortized premium	12,997,948	731,758
	$ 106,313,553	$ 42,064,821

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 will be used to construct the Authority's new 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 beginning on July 1, 2022 through July 1, 2043. Interest is payable on the bonds on January 1 and July 1 of each year, beginning on January 1, 2020, 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.

In June 2011, the Authority completed the sale of $18,300,000 Airport Revenue Bonds Series 2011A (Non-AMT) and $25,025,000 Airport Revenue Bonds Series 2011B (AMT). In October 2011, the Authority completed the sale of $25,960,000 Airport Revenue Bonds Series 2011C (Non-AMT). Proceeds of the Series 2011 Bonds were used to defease and refund its previously outstanding Series 2001 Bonds. The Series 2011 Bonds are payable from general revenues and PFC revenues of the Authority and certain funds and accounts established under the indenture. Principal payments on the Series 2011 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 3.00% to 5.25% 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 January 2001, the Authority entered into a financing agreement with Virginia Resources Authority (VRA) in which VRA agreed to use a portion of the proceeds from the issuance of its Airport Revolving Fund Revenue Bonds, Series 2001B to acquire from the Authority the Airport Fixed-Base Operations Revenue Bond, Series 2001 (VRA Bonds) in the principal amount of $1,273,267. The VRA Bonds are payable from construction fund reserves established under the agreement. Principal payments plus interest at 3.14% are due monthly through 2021.

Maturities of bond principal and interest to be provided for all bonds outstanding at June 30, 2019 were as follows:

Years ending June 30:	Principal	Interest
2020	$ 2,565,264	$ 3,194,782
2021	2,595,341	4,357,435
2022	2,715,000	4,228,575
2023	4,265,000	4,064,675
2024	4,645,000	3,850,688
2025–2029	23,770,000	15,736,144
2030–2034	20,830,000	10,086,500
2035–2039	14,030,000	6,297,000
2040–2044	17,900,000	2,325,000
	$ 93,315,605	$ 54,140,799

Revenue bond activity for the years ended June 30, 2019 and 2018 is as follows:

	Balance, June 30, 2018	Issuance of bonds	Amortization of premium	Bond payments	Balance, June 30, 2019	Current portion
Series 2019	$ -	66,876,110	(21,040)	-	66,855,070	$ -
Series 2011	41,871,755	-	(153,877)	(2,365,000)	39,352,878	2,475,000
VRA Bonds	193,066	-	-	(87,461)	105,605	90,264
	$ 42,064,821	66,876,110	(174,917)	(2,452,461)	106,313,553	$ 2,565,264

	Balance, June 30, 2017	Issuance of bonds	Amortization of premium	Bond payments	Balance, June 30, 2019	Current portion
Series 2011	$ 44,306,675	-	(174,920)	(2,260,000)	41,871,755	$ 2,365,000
VRA Bonds	277,843	-	-	(84,777)	193,066	87,477
	$ 44,584,518	-	(174,920)	(2,344,777)	42,064,821	$ 2,452,477

Bond Covenant

The bond indenture states that 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, 2019, and 2018, the rate covenant was met. The indenture further provides that the Authority (in the event that the coverage is not met for a single year) 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.

(7) Airport Use Agreement

Effective July 1, 2013, the Authority entered into an Airline Use and Lease Agreement (the “Agreement”) with the commercial airlines operating scheduled passenger service at the Airport, which was renewed effective August 28, 2018. The current term of the Agreement for all signatory carriers is through June 30, 2021. The Agreement provides for airlines to pay rates and charges calculated based on established cost centers. The Agreement provides for the Authority to share surplus revenues with the signatory airlines (the Airlines) after all operating and maintenance expenses, debt service (including coverage), and required deposits to various reserve funds have been made. Surplus revenues are accrued at the end of the year and refunded to the Airlines and a deficit in revenues may be billed to the Airlines. At June 30, 2019 and 2018, there was a surplus of $2,787,067 and $3,157,839, respectively, payable to the Airlines, which is reflected as a reduction of operating revenues in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018.

(8) Defined Benefit Pension Plan

(a) Plan Description

The Authority contributes to the VRS, an agent and 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:

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, creditable service, 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 creditable service 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, creditable service, 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 creditable service 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, creditable service 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 creditable service 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 1.7% 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.

The System issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/pdf/publications/ 2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(b) Employees Covered by Benefit Terms

As of the June 30, 2017 and 2016 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	Number	
	2017	2016
Inactive members or their beneficiaries currently receiving benefits	141	130
Inactive members:		
Vested inactive members	22	25
Nonvested inactive members	53	58
Inactive members active elsewhere in VRS	40	38
Total inactive members	115	121
Active members	204	199
Total covered employees	460	450

(c) Contributions

The contribution requirement for active employees is governed by §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, 2019 and 2018 was 11.21% and 10.43% of covered employee compensation, respectively. These rates were based on an actuarially determined rate from actuarial valuations as of June 30, 2017 and June 30, 2015. These rates, when combined with employee contributions, were 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 $1,338,260 and $1,207,848 for the years ended June 30, 2019 and 2018, respectively.

(d) Net Pension Liability

The Authority's net pension liability as of June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and 2016, and rolled forward to the measurement dates of June 30, 2018 and 2017.

(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, 2017 and 2016, 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, 2018 and 2017.

	General employees	Public safety employees
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*	7.00 %	7.00 %
Cost-of-living adjustment	2.25%-2.50%	2.25%-2.50%

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

	Mortality assumptions	
	General employees	**Public safety employees**
Deaths assumed to be service related:	15.0 %	45.0 %
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of Rates; females 105% of rates	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of Rates; females set forward 1 year
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years

	Mortality assumptions	
	General employees	**Public safety employees**
Post-disablement:	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates (General Employees)	Lowered rates at older ages and changed final retirement from 70 to 75
Retirement Rates (Public Safety Employees)	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates (General Employees)	Lowered rates
Disability Rates (Public Safety Employees)	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability (General Employees)	Increase rate from 14% to 15%
Line of Duty Disability (Public Safety Employees)	Decrease rate from 60% to 45%

(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 weighing 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:

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	40.00%	4.54%	1.82%
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00%		4.80
		Inflation	2.50
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 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

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2017	$ 46,259,817	$ 42,672,320	$ 3,587,497
Changes for the year:			
Service cost	1,414,966	-	1,414,966
Interest	3,151,550	-	3,151,550
Differences between expected and actual experience	1,816,734	-	1,816,734
Contributions – employer	-	1,208,422	(1,208,422)
Contributions – employee	-	577,112	(577,112)
Net investment income	-	3,148,504	(3,148,504)
Benefit payments, including refunds of employee contributions	(2,475,362)	(2,475,362)	-
Administrative expenses	-	(27,217)	27,217
Other changes	-	(2,799)	2,799
Net changes	3,907,888	2,428,660	1,479,228
Balances at June 30, 2018	$ 50,167,705	$ 45,100,980	$ 5,066,725

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2016	$ 44,750,762	$ 38,541,642	$ 6,209,120
Changes for the year:			
Service cost	1,373,319	-	1,373,319
Interest	3,053,266	-	3,053,266
Differences between expected and actual experience	(429,688)	-	(429,688)
Changes of assumptions	(222,799)	-	(222,799)
Contributions – employer	-	1,170,578	(1,170,578)
Contributions – employee	-	564,624	(564,624)
Net investment income	-	4,691,484	(4,691,484)
Benefit payments, including refunds of employee contributions	(2,264,730)	(2,264,730)	-
Administrative expenses	-	(27,108)	27,108
Other changes	(313)	(4,170)	3,857
Net changes	1,509,055	4,130,678	(2,621,623)
Balances at June 30, 2017	$ 46,259,817	$ 42,672,320	$ 3,587,497

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

The following presents the net pension liability of the Authority using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
The Authority's Net Pension Liability:			
As of June 30, 2019	$ 10,971,115	$ 5,066,725	$ 94,071
As of June 30, 2018	$ 9,147,901	$ 3,587,497	$ (1,092,512)

(j) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of $1,126,435 and $841,140, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 392,656
Change of assumptions	-	76,221
Differences between expected and actual experience	1,233,636	146,998
Employer contributions subsequent to the measurement date	1,338,260	-
Total as of June 30, 2019	$ 2,571,896	$ 615,875

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 627,877
Change of assumptions	-	149,510
Differences between expected and actual experience	122,276	288,343
Employer contributions subsequent to the measurement date	1,207,848	-
Total as of June 30, 2018	$ 1,330,124	$ 1,065,730

Deferred outflows of resources related to pensions totaling $1,338,260 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as decreases to pension expense as follows:

Years ending June 30	
2020	$ 518,474
2021	540,962
2022	(404,346)
2023	(37,329)
Total	$ 617,761

(9) 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 OBEB plans, 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 creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,279.

(ii) 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 are paid employees and volunteers in hazardous duty positions in Virginia localities and 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. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance 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. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

(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.

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 of 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 §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to the GLI Program from the Authority were $64,000 and $62,000 for the years ended June 30, 2019 and 2018, respectively.

The contribution requirements for the LODA Program are governed by §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, 2019 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 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 $42,000 and $35,000 for the years ended June 30, 2019 and 2018, respectively.

The contribution requirement for the VLDP Program for active Hybrid employees is governed by §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 year ended June 30, 2019 was 0.72% 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, 2017. 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 $15,000 and $9,000 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019 and June 30, 2018, the Authority reported liabilities of $945,000 and $933,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 year ended June 30, 2018 and June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Authority's proportion was 0.06224% as compared to 0.06204% at June 30, 2017.

For the years ended June 30, 2019 and 2018, the Authority recognized GLI OPEB expenses of $16,000. 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, 2019 and June 30, 2018, the Authority reported liabilities of $1,019,000 and $829,000, respectively, for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 and June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the Authority's proportion was 0.32493% as compared to 0.31564% at June 30, 2017.

For the years ended June 30, 2019 and June 30, 2018, the Authority recognized LODA OPEB expense of $83,000 and $72,000, 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, 2019 and June 30, 2018, the Authority reported liabilities of $4,000 and $3,000, respectively, for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 and June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Authority's proportion of the VLDP was 0.58676% as compared to 0.53211% at June 30, 2017.

For the years ended June 30, 2019 and June 30, 2018, the Authority recognized VLDP OPEB expense of $10,000 and $5,000, 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.

At June 30, 2019 and 2018, 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:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 34,000
Change of assumptions	-	157,000
Differences between expected and actual experience	192,000	17,000
Changes in proportionate share	48,000	8,000
Employer contributions subsequent to the measurement date	121,000	-
Total as of June 30, 2019	$ 361,000	$ 216,000

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 36,000
Change of assumptions	-	135,000
Differences between expected and actual experience	-	21,000
Changes in proportionate share	30,000	9,000
Employer contributions subsequent to the measurement date	106,000	-
Total as of June 30, 2018	$ 136,000	$ 201,000

Deferred outflows of resources related to OPEB plans totaling $121,000 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2018 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020. 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	
2020	$ (4,000)
2021	(3,000)
2022	(3,000)
2023	6,000
2024	8,000
Thereafter	20,000
Total	$ 24,000

The total GLI, LODA and VLDP OPEB liabilities were based on actuarial valuations as of June 30, 2017, 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, 2018.

(d) Actuarial assumptions

Inflation	2.5 percent
Salary increases, including inflation:	
General employees (GLI & VDLP)	3.5–5.35 percent
Hazardous duty employees (GLI & LODA)	3.5–4.75 percent
Medical cost trend rates assumption (LODA):	
Under age 65	7.75 percent decreasing to 5.00%
Ages 65 and older	5.75 percent decreasing to 5.00%
Investment rate of return (GLI & VLDP)	7.0 percent, net of investment expenses, including inflation*
Year of ultimate trend rate (LODA)	Fiscal year ended 2024
Investment rate of return (LODA)	3.89 percent, net of investment expenses, including inflation**

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would

provide an assumed investment return rate for GASB purposes of slightly more than the assumed rate. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% (GLI & VLDP) to simplify preparation of the OPEB liabilities.

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

	Mortality assumptions	
	General employees	**Hazardous duty employees**
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years
Post-disablement:	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study for general employees include updating to a more current mortality table, lowering retirement rates at older ages and extending final retirement ages, adjusting termination rates, lowering disability rates, and increasing line of duty disability. Changes to the actuarial assumptions as a result of the experience study for hazardous duty employees include updating to a more current mortality table, increasing age 50 retirement rates at older ages, adjusting termination rates, adjusting disability rates, and decreasing line of duty disability rates.

(e) Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA

Program if and when sufficient experience develops.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.

(f) Net OPEB Liability

The net OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts are as follows (dollar amounts in thousands):

	June 30, 2018		
	GLI	**LODA**	**VLDP**
Total OPEB liability	$ 3,113,508	$ 315,395	$ 1,588
Plan fiduciary net position	1,594,773	1,889	816
Employers' net OPEB liability	$ 1,518,735	$ 313,506	$ 772
Plan fiduciary net position as a percentage of the total OPEB liability	51.22 %	0.60 %	51.39 %

	June 30, 2017		
	GLI	**LODA**	**VLDP**
Total OPEB liability	$ 2,942,426	$ 266,252	$ 914
Plan fiduciary net position	1,437,586	3,461	351
Employers' net OPEB liability	$ 1,504,840	$ 262,791	$ 563
Plan fiduciary net position as a percentage of the total OPEB liability	48.86 %	1.30 %	38.40 %

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 GAAP in the VRS' notes to the financial statements and required supplementary information.

(g) 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:

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	40.00%	4.54%	1.82%
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00%		4.80
Inflation			2.50
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% 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, 2018.

(h) Discount rate

The discount rate used to measure the total GLI and VLDP OPEB liabilities was 7.00%. 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 ending June 30, 2018, 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. From July 1, 2018 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 3.89%. 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 ending June 30, 2018, 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.

(i) Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability 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:

		1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
As of June 30, 2019:				
The Authority's proportionate share of the GLI Net OPEB Liability	$	1,235,000	945,000	709,000
The Authority's proportionate share of the VLDP Net OPEB Liability	$	5,000	4,000	4,000
As of June 30, 2018:				
The Authority's proportionate share of the GLI Net OPEB Liability	$	1,207,000	933,000	711,000
The Authority's proportionate share of the VLDP Net OPEB Liability	$	3,000	3,000	2,000

		1% Decrease (2.89%)	Current discount rate (3.89%)	1% Increase (4.89%)
As of June 30, 2019				
The Authority's proportionate share of the LODA Net OPEB Liability	$	1,167,000	1,019,000	899,000
As of June 30, 2018				
The Authority's proportionate share of the LODA Net OPEB Liability	$	940,000	829,000	736,000

(j) Sensitivity of the Authority's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care 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 health care trend rate of 7.75% decreasing to 5.00%, as well as what the Authority's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

		1.00% Decrease (6.75% decreasing to 4.00%)		Health Care Trend Rates (7.75% decreasing to 5.00%)		1.00% Increase (8.75% decreasing to 6.00%)
As of June 30, 2019						
The Authority's proportionate share of the LODA Net OPEB Liability	$	868,000	$	1,019,000	$	1,207,000
As of June 30, 2018						
The Authority's proportionate share of the LODA Net OPEB Liability	$	704,000	$	829,000	$	985,000

(k) VRS OPEB programs Fiduciary Net Positions

Detailed information about the GLI, LODA, and VLDP Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(10) 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 are receiving annual payments equal to 75% of their final salary less any benefits received under the VRS. During the year ended June 30, 2019, the plan expense was $19,824, which is net of payments of $75,305. During the year ended June 30, 2018, the plan benefit was $171,086, which is net of payments of $73,829. Whole life insurance policies have been purchased to assist in funding this liability. The Authority is owner and beneficiary of each of these policies. The cash surrender value of these policies was $1,131,089 and $912,001 at June 30, 2019 and 2018, respectively, and is included as other noncurrent assets in the accompanying statements of net position. The ESRP accrued liability totaling $365,334 and $420,815 as of June 30, 2019 and 2018, respectively, is included in other long-term liabilities in the accompanying Statements of Net Position.

(11) Employee Contribution Plan

The Authority maintains a deferred compensation plan through ICMA Retirement Corporation (“ICMA”). 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. ICMA charges fees to employees if they are enrolled in a managed account. ICMA also has the authority to annually deduct a certain percentage of the daily average net asset balance to cover administrative and other various costs.

(12) Rental Income from Operating Leases

The Authority has entered into various operating leases with tenants for the use of space at Authority facilities. The lease terms include a minimum fixed fee, as well as contingent fees, based on the tenant’s volume of business. Substantially all the leases provide for a periodic review and redetermination of the rental amounts.

Minimum future rentals and concessions expected to be received on operating leases for each of the succeeding five years approximate:

Years ending June 30		
2020	$	15,011,928
2021		14,990,535
2022		9,745,426
2023		9,742,309
2024		9,289,869

The above amounts do not include contingent rentals and fees in excess of minimums, which amounted to $2,052,411 and $2,312,780 in fiscal years 2019 and 2018, respectively.

(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 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 CAFR of the Commonwealth of Virginia contains disclosure of the Commonwealth's estimated claims payable and estimated losses for self-insurance plans at June 30, 2019 and 2018.

Through commercial insurance carriers, the Authority has property insurance coverage of $357,000,000 annually, general liability coverage of $50,000,000 per occurrence, airport liability coverage of $300,000,000 annually, pollution coverage of $10,000,000, terrorism coverage of $12,000,000, business auto coverage of $1,000,000 per occurrence, cyber-attack coverage of $1,000,000, crime insurance coverage of $1,000,000 per occurrence, watercraft coverage of $1,000,000, and workers' compensation coverage for bodily injury of $1,000,000 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 fiscal year 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 $2,500,000 was required for both fiscal years 2019 and 2018. The Authority's fiscal year 2020 annual payment of $2,500,000 was made in June 2019 and is reflected as a prepaid expense as of June 30, 2019. Beginning with the July 1, 2020 payment, the amount will increase to $2,650,000 per year. This amount will be due each year thereafter through the July 1, 2024 payment.

As of June 30, 2019 the Authority had entered into contracts totaling $93.2 million, of which $84.6 million remains outstanding.

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, 2019, or June 30, 2018.

(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, 2019, there were nine series of revenue bonds outstanding with an aggregate principal amount of approximately $28,100,000. As of June 30, 2018, there were nine series of revenue bonds outstanding with an aggregate principal amount of approximately $29,800,000.

REQUIRED SUPPLEMENTARY INFORMATION

NORFOLK AIRPORT AUTHORITY

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

JUNE 30, 2019

	2019	2018	2017	2016	2015
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios:					
Total pension liability:					
Service cost	$ 1,414,966	$ 1,373,319	$ 1,346,523	$ 1,300,433	$ 1,278,926
Interest	3,151,550	3,053,266	2,880,450	2,688,486	2,530,135
Differences between expected and actual experience	1,816,734	(429,688)	237,910	484,660	-
Changes of assumptions	-	(222,799)	-	-	-
Benefit payments, including refunds of employee contributions	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Other	-	(313)	-	-	-
Net change in total pension liability	3,907,888	1,509,055	2,737,453	2,738,524	2,450,315
Total pension liability – beginning	46,259,817	44,750,762	42,013,309	39,274,785	36,824,470
Total pension liability – ending (a)	50,167,705	46,259,817	44,750,762	42,013,309	39,274,785
Plan fiduciary net position:					
Contributions – employer	1,208,422	1,170,578	1,223,465	1,179,412	1,260,523
Contributions – employee	577,112	564,624	553,205	522,626	512,028
Net investment income	3,148,504	4,691,484	671,007	1,669,448	4,930,757
Benefit payments, including refunds of employee contributions	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Administrative expense	(27,217)	(27,108)	(23,348)	(22,585)	(25,970)
Other	(2,799)	(4,170)	(173)	(663)	260
Net change in plan fiduciary net position	2,428,660	4,130,678	696,726	1,613,183	5,318,852
Plan fiduciary net position – beginning	42,672,320	38,541,642	37,844,916	36,231,733	30,912,881
Plan fiduciary net position – ending (b)	45,100,980	42,672,320	38,541,642	37,844,916	36,231,733
Authority's net pension liability – ending (a)-(b)	$ 5,066,725	$ 3,587,497	$ 6,209,120	$ 4,168,393	$ 3,043,052
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	89.90 %	92.24 %	86.13 %	90.08 %	92.25 %
Covered payroll (c)	$ 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)	42.64 %	30.60 %	56.95 %	40.05 %	29.70 %

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

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

NORFOLK AIRPORT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS (UNAUDITED)

JUNE 30, 2019

For the year ended June 30	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
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, 2019

Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
GLI Plan:					
2019	$ 64,000	$ 64,000	-	$ 12,273,178	0.52%
LODA Plan:					
2019	42,000	42,000	-	12,273,178	0.34%
VLDP Plan:					
2019	15,000	15,000	-	2,047,146	0.73%
GLI Plan:					
2018	62,000	62,000	-	11,445,288	0.54%
LODA Plan:					
2018	35,000	35,000	-	11,445,288	0.31%
VLDP Plan:					
2018	9,000	9,000	-	977,098	0.92%
GLI Plan:					
2017	58,000	58,000	-	11,841,567	0.49%
LODA Plan:					
2017	35,000	35,000	-	11,841,567	0.30%
VLDP Plan:					
2017	3,000	3,000	-	1,430,793	0.21%

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, 2019

	2019	2018
GLI Plan:		
Authority's Proportion of the Net GLI OPEB Liability	0.06224%	0.06204%
Authority's Proportionate Share of Net GLI OPEB Liability	$ 945,000	$ 933,000
Employer's Covered Payroll	12,273,178	11,445,288
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.70%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%
LODA Plan:		
Authority's Proportion of the Net LODA OPEB Liability	0.32493%	0.31564%
Authority's Proportionate Share of Net LODA OPEB Liability	$ 1,019,000	$ 829,000
Employer's Covered Payroll	12,273,178	11,445,288
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	8.30%	7.24%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%	1.30%
VLDP Plan:		
Authority's Proportion of the Net VLDP OPEB Liability	0.58676%	0.53211%
Authority's Proportionate Share of Net VLDP OPEB Liability	$ 4,000	$ 3,000
Employer's Covered Payroll	2,047,146	977,098
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.20%	0.31%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.39%	38.40%

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

(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 following changes in pension and OPEB actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates for pension and OPEB general employees. Adjusted disability rates for OPEB hazardous duty employees to better match experience.
- Increased line of duty disability from 14% to 15% for pension and OPEB general employees. Decreased line of duty disability from 60% to 45% for OPEB hazardous duty employees.

(3) Years Presented in Schedules

The Schedule of Changes in the Authority's Net Pension Liability and Related Ratios and the Schedule of Pension Contributions are required to be presented for the last ten fiscal years. However, the Authority has only presented the required supplementary information for the last five years as fiscal year 2015 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.

The schedule of Authority's Share of Net OPEB liability and the Schedule of OPEB Contributions are required to be presented for the last ten fiscal years. However, the Authority has only presented the required supplementary information for the last two years as fiscal year 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, 2019

Federal Grantor/Program Title	CFDA Number	Project Number		Expenditures
Department of Transportation:				
Federal Aviation Administration:				
Airport Improvement Program	20.106	3-51-0036-65	$	39,846
Airport Improvement Program	20.106	3-51-0036-67		617,301
Airport Improvement Program	20.106	3-51-0036-68		67,364
Airport Improvement Program	20.106	3-51-0036-69		1,769,025
Total Airport Improvement Program			$	2,493,536

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

(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

Cherry Bekaert LLP
CPAs & Advisors

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

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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the Norfolk Airport Authority, as of and for the year ended June 30, 2018, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the 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 may exist that have not been identified.

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
October 31, 2019

Cherry Bekaert LLP
CPAs & Advisors

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

Report on Compliance for 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

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, 2019.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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
October 31, 2019

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 programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **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:

CFDA Number	Name of Federal Program and Cluster
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 Section 530 of 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, Contacts, and Grants

None reported

F. Status of Prior Year Findings

None reported

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for 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

Report on Compliance for the Passenger Facility Charge Program

We have audited the Norfolk Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration (FAA), that could have a direct and material effect on the Authority's Passenger Facility Charge Program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Passenger Facility Charge Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's Passenger Facility Charge Program based on our audit of the types of compliance requirements referred to above. 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. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a the Passenger Facility Charge Program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Passenger Facility Charge Program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Passenger Facility Charge

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 Passenger Facility Charge Program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge Program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 the Passenger Facility Charge Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Passenger Facility Charge 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 the passenger facility charge 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
October 31, 2019

NORFOLK AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2019 AND EACH QUARTER DURING THE YEAR ENDED JUNE 30, 2019

	Cumulative Total – June 1998 to June 30, 2018	Quarter Ended September 30, 2019	Quarter Ended December 31, 2019	Quarter Ended March 31, 2019	Quarter Ended June 30, 2019	Year ended June 30, 2019	Cumulative Total – June 1998 to June 30, 2019
Revenues:							
Passenger facility charge revenues received[1]	$ 107,710,834	2,011,649	2,431,183	1,218,052	2,158,153	7,819,037	$ 115,529,871
Interest earned[2]	7,441,849	45,752	59,751	74,217	84,669	264,389	7,706,238
Total revenues	115,152,683	2,057,401	2,490,934	1,292,269	2,242,822	8,083,426	123,236,109
Expenditures:							
Bond financing and interest costs and capital expenditures	106,138,523	1,819,630	382,345	7,406	515,029	2,724,410	108,862,933
Collected and unexpended PFCs	$ 9,014,160						$ 14,373,176

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).

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

2 The FAA requires that the PFC revenue does not include net quarterly interest losses. As such, only the net quarterly gains are reflected above as interest earned.