

## **NORFOLK AIRPORT AUTHORITY**

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

***As of and for the Years Ended June 30, 2025 and 2024***

***And Report of Independent Auditor***

# NORFOLK AIRPORT AUTHORITY

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## Report of Independent Auditor

To the Board of Commissioners  
Norfolk Airport Authority  
Norfolk, Virginia

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the Norfolk Airport Authority (the "Authority"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2025 and 2024, and the changes in 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and *Specifications* are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 7, 2025

# **NORFOLK AIRPORT AUTHORITY**

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

**JUNE 30, 2025 AND 2024**

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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, 2025 and 2024. The following should be read in conjunction with the basic financial statements and notes thereto.

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

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

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

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

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

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

The notes to the basic financial statements explain and provide additional information on the data presented in the basic financial statements as of and for the years ended June 30, 2025 and 2024.

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

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

### **Financial and Activity Highlights**

FY 2025 was another record setting year, with passenger traffic continuing to grow at a high pace. The Airport continued to see success in attracting new flight options from airlines and these options have been well utilized by our passengers. In total, 4,866,945 and 4,765,412 passengers used the Airport during FY 2025 and FY 2024 respectively, which were an increase of 2.1% and 11.2% over the previous years, respectively. With the debut of JetBlue Airlines flights from the Airport in April 2025, nine airlines serve the market.

The airport has experienced a consistently high level of growth over the past 10 years. Since FY 2015, the Airport has added five airlines and has grown passenger traffic by 67.8%.

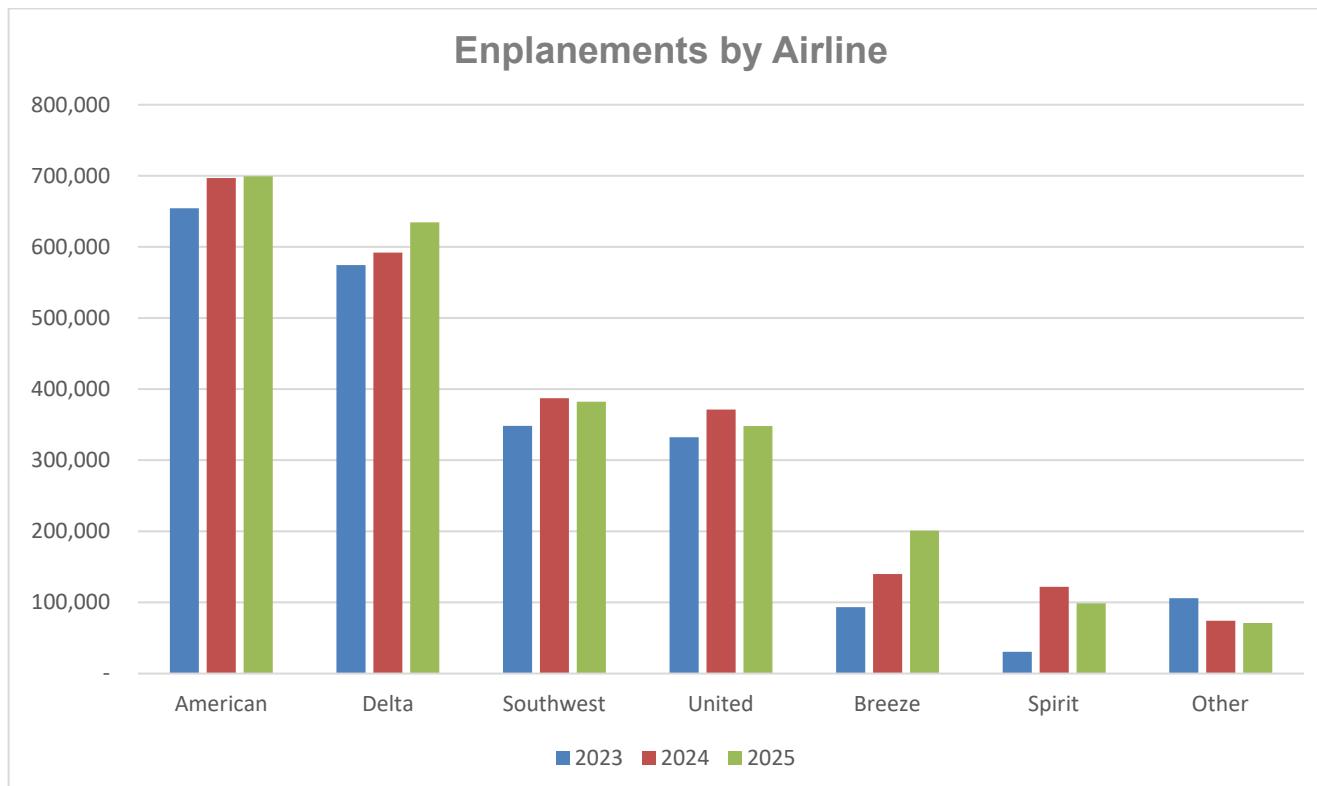
**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

JUNE 30, 2025 AND 2024

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

	<b>2025</b>			<b>2024</b>			<b>2023</b>	
American	699,283	28.7%	American	696,735	29.2%	American	654,412	30.6%
Delta	634,467	26.1%	Delta	592,028	24.8%	Delta	574,396	26.8%
Southwest	382,246	15.7%	Southwest	387,265	16.3%	Southwest	348,139	16.3%
United	347,985	14.3%	United	371,187	15.6%	United	332,299	15.5%
Breeze	200,707	8.2%	Breeze	139,887	5.9%	Breeze	93,170	4.4%
Spirit	98,552	4.0%	Spirit	121,740	5.1%	Spirit	30,335	1.4%
Frontier	40,338	1.7%	Frontier	36,709	1.5%	Frontier	57,407	2.7%
Allegiant	22,048	0.9%	Allegiant	35,617	1.5%	Allegiant	47,144	2.2%
JetBlue	7,174	0.3%	JetBlue	-	0.0%	JetBlue	-	0.0%
Other	1,468	0.1%	Other	1,837	0.1%	Other	1,360	0.1%
Total	<u>2,434,268</u>	<u>100.0%</u>	Total	<u>2,383,005</u>	<u>100.0%</u>	Total	<u>2,138,662</u>	<u>100.0%</u>

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



The Airport has experienced consistent growth over the last four fiscal years, with three of the six signatory airlines netting growth in passenger count each year.

As mentioned above, FY 2025 set the record for most passengers to ever utilize the Airport. This marks the fourth year in a row the Airport has set the record for annual passenger activity. In addition to the movement of passengers, the Airport contains the only air cargo facility within the metro area. Currently, there are two cargo airlines operating at the Airport, FedEx and UPS.

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

JUNE 30, 2025 AND 2024

**Revenues**

A summary of the major revenues for the years ended June 30, 2025 and 2024 are shown below:

	<b>Year</b>		<b>Percent Change</b>
	<b>2025</b>	<b>2024</b>	
<b>Operating Revenues:</b>			
Parking	\$ 28,417,325	\$ 25,400,835	11.9%
Landing fees	11,265,135	10,032,771	12.3%
Rent	18,335,606	15,888,765	15.4%
Rental cars	9,679,707	9,736,423	-0.6%
Concessions	5,618,021	4,668,475	20.3%
Other	1,916,361	1,725,624	11.1%
<b>Total Operating Revenues</b>	<b>75,232,155</b>	<b>67,452,893</b>	<b>11.5%</b>
<b>Nonoperating Revenues and Capital Contributions, Net:</b>			
Federal, State, and State grants interest	29,464,585	11,926,515	147.1%
Passenger facility charges and interest	9,837,846	10,056,982	-2.2%
Customer facility charges	9,364,541	4,962,370	88.7%
Interest income	4,119,389	3,603,810	14.3%
Other income	334,887	328,317	2.0%
<b>Total Nonoperating Revenues and Capital Contributions</b>	<b>53,121,248</b>	<b>30,877,994</b>	<b>72.0%</b>
<b>Total Revenues</b>	<b>\$ 128,353,403</b>	<b>\$ 98,330,887</b>	<b>30.5%</b>

Overall, the total operating revenues of the Authority were \$75.2 million in FY 2025, an increase of \$7.8 million, or 11.5% as compared with FY 2024. This was primarily driven by the increase in passenger traffic experienced at the Airport.

Parking fees are the largest single source of operating revenues for the Authority, which increased \$3.0 million or 11.9% due to increased passenger traffic and increased rates. Landing fees increased by \$1.2 million or 12.3% due to higher landing fee rates and an increased number of flights. Rent revenue increased \$2.4 million or 15.4% due to higher rates and higher use of common-use gates. Concessions revenue increased by \$0.9 million or 20.3% due to increased passenger traffic and a new contract with the FBO.

Total nonoperating revenues of \$53.1 million increased by \$22.2 million or 72.0%. This increase was primarily driven by an increase in federal and state grants and interest by \$18.0 million or 147.1%. Passenger Facility Charges ("PFCs") and interest decreased by \$0.2 million or 2.2% due to lower interest rates on specific holding accounts. Customer Facility Charges ("CFCs") increased \$4.4 million or 88.7% due to an increase in the CFC rate. Interest income increased by \$0.5 million or 14.3% due to higher balances earning interest.

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

JUNE 30, 2025 AND 2024

A summary of the major revenues for the years ended June 30, 2025 and 2024 are shown below:

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

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

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

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

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

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

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

JUNE 30, 2025 AND 2024

**Expenses**

A summary of the major expenses for the years ended June 30, 2025 and 2024 are shown below:

	Year		Percent Change
	2025	2024	
<b>Operating Expenses:</b>			
Salaries and fringe benefits	\$ 25,691,674	\$ 22,348,232	15.0%
City tax assessment	2,650,000	2,650,000	0.0%
Maintenance and repairs	3,134,819	3,080,859	1.8%
Depreciation and amortization	18,162,094	17,263,646	5.2%
Other expenses	15,272,946	13,586,611	12.4%
<b>Total Operating Expenses</b>	<b>64,911,533</b>	<b>58,929,348</b>	<b>10.2%</b>
<b>Nonoperating Expenses:</b>			
Interest expense	1,916,134	1,981,589	-3.3%
<b>Total Nonoperating Expenses</b>	<b>1,916,134</b>	<b>1,981,589</b>	<b>-3.3%</b>
<b>Total Expenses</b>	<b>\$ 66,827,667</b>	<b>\$ 60,910,937</b>	<b>9.7%</b>

Total operating expenses of the Authority were \$64.9 million in FY 2025, an increase of \$6.0 million or 10.2% compared with FY 2024. Salaries and fringe benefits increased by \$3.3 million or 15.0% due to pay rate increases for Authority employees and an expansion of the workforce. Depreciation and amortization expenses increased by \$0.9 million or 5.2% due to new capital assets being placed in service. Other expenses increased by \$1.7 million or 12.4% due to higher costs.

A summary of the major expenses for the years ended June 30, 2025 and 2024 are shown below:

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

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

JUNE 30, 2025 AND 2024

Total operating expenses of the Authority were \$58.9 million in FY 2024, an increase of \$2.6 million or 4.7% compared with FY 2023. Salaries and fringe benefits increased by \$2.7 million or 14.0% due to pay rate increases for Authority employees and an expansion of the workforce. Depreciation and amortization expenses increased by \$0.1 million or 0.4% due to new capital assets being placed in service. Maintenance and repairs decreased by \$0.6 million or 17.1% due to less required maintenance. Other expenses increased by \$0.5 million or 3.4% due to higher costs.

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

**Net Position**

A summary of the major components of the statements of net position as of June 30, 2025 and 2024 is as follows:

	Year		Percent Change
	2025	2024	
Current assets	\$ 115,590,643	\$ 84,616,706	36.6%
Restricted assets	13,424,964	20,406,986	-34.2%
Capital assets, net	364,188,190	327,121,435	11.3%
Other noncurrent assets	1,812,139	2,624,230	-30.9%
<b>Total Assets</b>	<b>495,015,936</b>	<b>434,769,357</b>	<b>13.9%</b>
Deferred Outflows of Resources	3,911,770	3,284,361	19.1%
Current liabilities	16,997,996	9,144,459	85.9%
Amounts payable from restricted assets	7,251,565	7,546,084	-3.9%
Long-term liabilities	78,230,181	85,810,106	-8.8%
<b>Total Liabilities</b>	<b>102,479,742</b>	<b>102,500,649</b>	<b>0.0%</b>
Deferred Inflows of Resources	5,543,006	6,373,847	-13.0%
Net investment in capital assets	284,587,930	241,510,373	17.8%
Restricted net position	13,424,964	20,406,986	-34.2%
Unrestricted net position	92,892,064	67,461,863	37.7%
<b>Total Net Position</b>	<b>\$ 390,904,958</b>	<b>\$ 329,379,222</b>	<b>18.7%</b>

Current assets as of June 30, 2025 were \$115.6 million, an increase of \$31.0 million, or 36.6%, which was driven by an increase in operating capital. Restricted assets were \$13.4 million, a decrease of \$7.0 million, or 34.2% due to timing of capital project spending. Capital assets, net were \$364.2 million, an increase of \$37.1 million or 11.3%. Other noncurrent assets of \$1.8 million, decreased \$0.8 million, or 30.9% due to leases receivable timing.

Deferred outflows of resources were \$3.9 million, an increase of \$0.6 million, or 19.1% due to actuarial adjustments related to the Authority's pension and other postemployment benefits ("OPEB") plans.

Current liabilities were \$17.0 million, an increase of \$7.9 million, or 85.9%. This increase was primarily due to an increase of payables related to construction activity. Long-term liabilities were \$78.2 million, a decrease of \$7.6 million or 8.8%. This decrease was driven by scheduled debt service payments.

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

JUNE 30, 2025 AND 2024

Deferred inflows of resources were \$5.5 million, a decrease of \$0.8 million, or 13.0% due to actuarial adjustments related to the Authority's pension and OPEB plans.

Net position was \$390.9 million, an increase of \$61.5 million or 18.7%. This increase was primarily driven by the operations of the Authority and the grants, PFCs, and CFCs received by the Authority during the year.

A summary of the major components of the statements of net position as of June 30, 2025 and 2024 is as follows:

	Year		Percent Change
	2024	2023	
Current assets	\$ 84,616,706	\$ 84,493,309	0.1%
Restricted assets	20,406,986	24,322,880	-16.1%
Capital assets, net	327,121,435	295,854,772	10.6%
Other noncurrent assets	2,624,230	3,891,003	-32.6%
<b>Total Assets</b>	<b>434,769,357</b>	<b>408,561,964</b>	<b>6.4%</b>
Deferred Outflows of Resources	3,284,361	3,133,531	4.8%
Current liabilities	9,144,459	13,221,046	-30.8%
Amounts payable from restricted assets	7,546,084	7,630,538	-1.1%
Long-term liabilities	85,810,106	89,395,598	-4.0%
<b>Total Liabilities</b>	<b>102,500,649</b>	<b>110,247,182</b>	<b>-7.0%</b>
Deferred Inflows of Resources	6,373,847	9,489,041	-32.8%
Net investment in capital assets	241,510,373	204,244,749	18.2%
Restricted net position	20,406,986	24,322,880	-16.1%
Unrestricted net position	67,461,863	63,391,643	6.4%
<b>Total Net Position</b>	<b>\$ 329,379,222</b>	<b>\$ 291,959,272</b>	<b>12.8%</b>

Current assets as of June 30, 2024 were \$84.6 million, an increase of \$0.1 million, or 0.1%, which was driven by an increase in operating capital. Restricted assets were \$20.4 million, a decrease of \$3.9 million or 16.1% due to timing of capital project spending. Capital assets, net were \$327.1 million, an increase of \$31.3 million or 0.6%. Other noncurrent assets of \$2.6 million, decreased \$1.3 million, or 32.6% due to leases receivable timing.

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

Current liabilities were \$9.1 million, a decrease of \$4.1 million, or 30.8%. This decrease was primarily due to timing of construction activity. Amounts payable from restricted assets were \$7.5 million, a decrease of \$0.1 million, or 1.1% due to the timing of debt service payments. Long-term liabilities were \$85.8 million, a decrease of \$3.6 million, or 4.0%. This decrease was driven by scheduled debt service payments.

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

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

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

JUNE 30, 2025 AND 2024

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### 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 Government Accounting Standards Board Statement No. 89 in FY 2018. Capital assets are net of related accumulated depreciation. Significant capital asset additions in the current period included the rehabilitation of the primary runway's south portion. A summary of capital assets by category and the associated accumulated depreciation as of June 30, 2025, 2024, and 2023, as well as a schedule of additions and retirements for the years ended June 30, 2025, 2024, and 2023, are included as follows:

	June 30		
	2025	2024	2023
<b>Summary of Capital Assets:</b>			
Land	\$ 15,771,497	\$ 15,771,497	\$ 15,771,497
Buildings, structures, and improvements	422,859,403	420,517,589	407,433,032
Roads and runways	101,237,000	100,987,606	87,094,059
Equipment	41,178,839	40,771,586	50,170,290
Construction in progress	102,834,650	50,774,263	31,822,231
Right-to-use IT subscription	454,729	371,947	371,947
	684,336,118	629,194,488	592,663,056
Accumulated depreciation and amortization	(320,147,928)	(302,073,053)	(296,808,284)
<b>Total</b>	<b>\$ 364,188,190</b>	<b>\$ 327,121,435</b>	<b>\$ 295,854,772</b>

Schedule of additions and retirements:

	June 30		
	2025	2024	2023
Capital assets, beginning of year	\$ 327,121,435	\$ 295,854,772	\$ 285,179,557
Additions	55,228,849	48,530,309	27,868,584
Depreciation and amortization	(18,162,094)	(17,263,646)	(17,193,369)
<b>Capital assets, end of year</b>	<b>\$ 364,188,190</b>	<b>\$ 327,121,435</b>	<b>\$ 295,854,772</b>

The major projects underway as of June 30, 2025 include the federal inspection services modernization, alpha concourse gate addition, road intersection improvement, rehabilitation of the primary runway's south portion, and the design of the future terminal redevelopment. Approval was granted within the FY 2026 budget for capital expenditures worth approximately \$246.5 million. Approximately 94% of these expenditures will be funded via bonds, PFCs, federal grants, state grants, and CFCs. See Note 5 within the notes to basic financial statements section for further information.

### Capital Financing and Debt Management

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

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

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

**JUNE 30, 2025 AND 2024**

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The Authority, through its Master Indenture of Trust, has agreed to maintain debt service coverage of not less than 1.25. Debt service coverage is calculated as defined in the Master Indenture of Trust. Historically, the Authority has maintained a coverage ratio significantly higher than its requirement. For FY 2025, the debt service coverage was 5.72. For FY 2024, the debt service coverage was 4.76. See Note 6 within the notes to basic financial statements section for further information.

**Economic Factors**

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

The strong growth of passenger traffic has continued into FY 2026, with Q1 passenger activity increasing 2.7% over FY 2025 Q1 results. Although Allegiant has ceased operations at the Airport effective September 2025, JetBlue began operations in April 2025 and Breeze will begin a weekly international flight in January 2026.

**Contacting the Authority's Financial Management**

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

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

JUNE 30, 2025 AND 2024

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 73,211,532	\$ 56,124,220
Investments	26,228,349	21,269,786
Accounts receivable, net	5,534,578	4,220,728
Lease receivable	1,267,374	1,738,244
Grants receivable	8,368,072	261,790
Prepaid expenses	980,738	1,001,938
Total Current Assets	<u>115,590,643</u>	<u>84,616,706</u>
Restricted Assets:		
Cash and cash equivalents	7,187,980	11,663,448
Investments	4,492,296	7,059,365
Passenger facility charges receivable	1,744,688	1,684,173
Total Restricted Assets	<u>13,424,964</u>	<u>20,406,986</u>
Capital Assets:		
Land	15,771,497	15,771,497
Buildings, structures, and improvements	422,859,403	420,517,589
Roads and runways	101,237,000	100,987,606
Equipment	41,178,839	40,771,586
Construction in progress	102,834,650	50,774,263
Right-to-use IT subscription	454,729	371,947
Total Capital Assets, Net	684,336,118	629,194,488
Less accumulated depreciation and amortization	<u>(320,147,928)</u>	<u>(302,073,053)</u>
Total Capital Assets	364,188,190	327,121,435
Lease receivable	<u>1,812,139</u>	<u>2,624,230</u>
<b>Total Assets</b>	<b><u>\$ 495,015,936</u></b>	<b><u>\$ 434,769,357</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred amount on refunding	\$ 7,441	\$ 11,155
Deferred outflows related to pensions	3,301,344	2,645,653
Deferred outflows related to OPEB plans	602,985	627,553
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 3,911,770</u></b>	<b><u>\$ 3,284,361</u></b>

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

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

JUNE 30, 2025 AND 2024

	<b>2025</b>	<b>2024</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 13,090,404	\$ 6,121,517
Current portion of accrued leave and wages	2,188,496	1,852,735
Other accrued expenses	1,293,959	982,397
Other liabilities	425,137	187,810
Total Current Liabilities	<u>16,997,996</u>	<u>9,144,459</u>
Amounts Payable from Restricted Assets:		
Accrued interest	1,704,596	1,795,751
Current portion of bonds payable	5,546,969	5,750,333
Total Amounts Payable from Restricted Assets	<u>7,251,565</u>	<u>7,546,084</u>
Long-Term Liabilities:		
Accrued leave and wages, less current portion	566,900	1,136,526
Bonds payable, less current portion	72,217,041	77,764,009
Net pension liability	3,308,613	4,441,155
Net OPEB liability	1,849,920	1,940,189
Other long-term liabilities	287,707	328,227
Total Long-Term Liabilities	<u>78,230,181</u>	<u>85,610,106</u>
<b>Total Liabilities</b>	<u><u>\$ 102,479,742</u></u>	<u><u>\$ 102,300,649</u></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred amount on refunding	\$ 139,095	\$ 182,763
Deferred inflows related to pensions	1,731,805	1,298,286
Deferred inflows related to OPEB plans	718,091	673,643
Deferred inflows for leases	2,954,015	4,219,155
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 5,543,006</u></u>	<u><u>\$ 6,373,847</u></u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$ 284,587,930	\$ 241,510,373
Restricted for:		
Capital projects	6,394,643	13,022,267
Debt service	7,030,321	7,384,719
Unrestricted	92,892,064	67,461,863
<b>Total Net Position</b>	<u><u>\$ 390,904,958</u></u>	<u><u>\$ 329,379,222</u></u>

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

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

**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>Operating Revenues:</b>		
Parking	\$ 28,417,325	\$ 25,400,835
Landing fees	11,265,135	10,032,771
Rent	18,335,606	15,888,765
Rental cars	9,679,707	9,736,423
Concessions	5,618,021	4,668,475
Other	<u>1,916,361</u>	<u>1,725,624</u>
<b>Total Operating Revenues</b>	<b><u>75,232,155</u></b>	<b><u>67,452,893</u></b>
<b>Operating Expenses:</b>		
Salaries and fringe benefits	25,691,674	22,348,232
Depreciation and amortization	18,162,094	17,263,646
Utilities	3,520,918	3,642,070
Maintenance and repairs	3,134,819	3,080,859
Administrative	997,341	1,003,646
Professional services	979,046	511,170
Advertising and promotion	1,118,205	999,149
Insurance	1,174,565	1,158,667
Security and other services	5,851,175	4,581,498
Sanitation	1,049,167	1,196,629
City tax assessment	2,650,000	2,650,000
Other	<u>582,529</u>	<u>493,782</u>
<b>Total Operating Expenses</b>	<b><u>64,911,533</u></b>	<b><u>58,929,348</u></b>
<b>Operating Income</b>	<b><u>10,320,622</u></b>	<b><u>8,523,545</u></b>
<b>Nonoperating Revenues (Expenses):</b>		
Federal grant revenues	-	50,500
State grant revenues	50,000	50,000
Passenger facility charges	9,805,889	9,783,076
Customer facility charges	9,364,541	4,962,370
State grant interest income	281,324	603,513
Passenger facility charges interest income	31,957	273,906
Interest income	4,119,389	3,603,810
Other income	334,887	328,317
Interest expense	<u>(1,916,134)</u>	<u>(1,981,589)</u>
<b>Total Nonoperating Revenues</b>	<b><u>22,071,853</u></b>	<b><u>17,673,903</u></b>
Change in net position before capital grants	32,392,475	26,197,448
Capital grants	<u>29,133,261</u>	<u>11,222,502</u>
Change in net position	61,525,736	37,419,950
Net position, beginning of year	<u>329,379,222</u>	<u>291,959,272</u>
Net position, end of year	<b><u>\$ 390,904,958</u></b>	<b><u>\$ 329,379,222</u></b>

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

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

YEARS ENDED JUNE 30, 2025 AND 2024

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Collections from customers	\$ 73,936,126	\$ 67,049,981
Payments to employees for services	(26,987,808)	(25,857,439)
Payments for city tax assessment	(2,650,000)	(2,650,000)
Payments to suppliers	<u>(17,734,913)</u>	<u>(14,910,690)</u>
Net cash flows from operating activities	<u>26,563,405</u>	<u>23,631,852</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on bonds	(4,355,000)	(4,235,000)
Acquisition of capital assets	(48,716,943)	(51,425,369)
Interest paid on debt	(3,398,908)	(3,575,511)
Deferred amount on refunding	(43,668)	(48,894)
Passenger facility charges	9,745,374	9,736,965
Customer facility charges	9,364,541	4,962,370
Federal and state grants received	<u>21,076,979</u>	<u>17,344,981</u>
Net cash flows from capital and related financing activities	<u>(16,327,625)</u>	<u>(27,240,458)</u>
<b>Cash flows from investing activities:</b>		
Interest income	4,767,557	4,809,546
Purchases of investments	(34,877,682)	(15,906,398)
Proceeds from maturities of investments	<u>32,486,189</u>	<u>13,779,508</u>
Net cash flows from investing activities	<u>2,376,064</u>	<u>2,682,656</u>
Net change in cash and cash equivalent and restricted cash and cash equivalent	12,611,844	(925,950)
Cash and cash equivalent and restricted cash and cash equivalent, beginning of year	<u>67,787,668</u>	<u>68,713,618</u>
Cash and cash equivalent and restricted cash and cash equivalent, end of year	<u>\$ 80,399,512</u>	<u>\$ 67,787,668</u>
<b>Cash and cash equivalents are presented in the accompanying statements of net position as follows:</b>		
Cash and cash equivalent	\$ 73,211,532	\$ 56,124,220
Restricted cash and cash equivalent	<u>7,187,980</u>	<u>11,663,448</u>
	<u>\$ 80,399,512</u>	<u>\$ 67,787,668</u>

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

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

YEARS ENDED JUNE 30, 2025 AND 2024

	<b>2025</b>	<b>2024</b>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating income	\$ 10,320,622	\$ 8,523,545
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	18,162,094	17,263,646
Decrease (increase) in operating assets:		
Accounts receivable	(1,313,850)	(458,936)
Leases receivable	17,821	56,024
Prepaid expenses	21,200	(678,825)
Other assets	(113,273)	(122,925)
Increase (decrease) in operating liabilities:		
Accounts payable	570,255	2,778,276
Accrued leave and wages	(233,865)	217,984
Other accrued expenses	311,562	(2,738,589)
Net pension liability	(1,354,714)	(1,027,670)
Net OPEB liability	(19,117)	39,068
Other liabilities	<u>194,670</u>	<u>(219,746)</u>
Net cash flows from operating activities	<u><u>\$ 26,563,405</u></u>	<u><u>\$ 23,631,852</u></u>
<b>Supplemental disclosure of noncash capital and related financing activities:</b>		
The Authority incurred noncash capital expenditures related to construction in progress that are included in accounts payable	<u><u>\$ 4,499,725</u></u>	<u><u>\$ 4,773,147</u></u>

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

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

JUNE 30, 2025 AND 2024

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

**(a) Organization and Purpose**

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

**(b) Basis of Accounting**

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

**(c) Revenue Recognition**

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

**(d) Cash and Cash Equivalents**

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

**(e) Accounts Receivable**

Accounts receivable are reported when earned, net of estimated uncollectible amounts. An allowance for doubtful accounts is established based on management estimates of uncollectible revenue billings, if any. As a customer's balance is deemed uncollectible, the receivable is offset against this allowance. Subsequent receipt of a receivable previously written off is applied to this allowance. There was no allowance for doubtful accounts as of June 30, 2025 or 2024.

**(f) Leases Receivable**

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

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

JUNE 30, 2025 AND 2024

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

**(g) Capital Assets**

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

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

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

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

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

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

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

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

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

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

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

JUNE 30, 2025 AND 2024

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

***(j) Operating Revenues and Expenses***

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

***(k) Use of Estimates***

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

***(l) Pensions***

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

***(m) OPEB Plans***

***(i) Group Life Insurance***

The VRS Group Life Insurance (“GLI”) Program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500, et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

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

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

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

JUNE 30, 2025 AND 2024

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

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

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

For purposes of measuring the net GLI, LODA, and VLDP Programs' corresponding OPEB liability, each individual plan's deferred outflows of resources and deferred inflows of resources related to the OPEB and OPEB expense, information about the fiduciary net position of the OPEB, and the additions to/deductions from the OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*(n) Fair Value*

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

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

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

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

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

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

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

JUNE 30, 2025 AND 2024

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

**(o) New Accounting Pronouncements – GASB Statement No. 101**

As of July 1, 2024, the Authority adopted the provisions of GASB No. 101, *Compensated Absences*, which requires the recognition of a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. There was no material impact on the Authority with the adoption of this standard. The following is a summary of the changes in the compensated absences liability:

	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
June 30, 2025	\$ 2,427,444	\$ (405,135)	\$ 2,022,309	\$ 1,455,409
June 30, 2024	\$ 2,254,852	\$ 172,592	\$ 2,427,444	\$ 1,290,918

The balance of the compensated absences liability is recorded in accrued leave and wages in the statement of net position.

**(2) Deposits and Investments**

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

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

**(a) Deposits**

The carrying values of the Authority's deposits with banks were \$80,399,512 and \$67,787,668 and the bank balances were \$80,338,700 and \$67,564,823 at June 30, 2025 and 2024, respectively. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). In accordance with the Act, the depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the Authority's deposits with a third party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event the banking institution fails, the Treasurer will take possession of the collateral, liquidate it, and reimburse the Authority up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

**(b) Investments**

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

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

**(c) Credit Risk**

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

As of June 30, 2025, the Standard & Poor's ratings on the Authority's rated securities included 63.3% of AAA, 30.3% of AA+, 0.9% of AA, 4.7% of AA-, and 0.8% of A.

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

**(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, 2025, the Authority's portfolio was invested as follows:

<u>Issuer</u>	<u>Percentage of Portfolio</u>
U.S. Treasury	82.7%
Corporate notes	17.3%
	100.0%

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

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

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

**(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, 2025, the carrying values and weighted average maturity of the Authority's investments were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity</b>
U.S. Treasury securities	\$ 25,274,551	2.60 years
Corporate notes	5,446,094	2.66 years
<b>Total investments</b>	<b>\$ 30,720,645</b>	

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

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

**(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, 2025 and 2024, all the Authority's investments were held in a bank's trust department in the Authority's name.

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

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

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

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the statement of net position as of June 30, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Deposits	\$ 80,399,512	\$ 67,787,668
Investments	30,720,645	28,329,151
	<hr/> <b>\$ 111,120,157</b>	<hr/> <b>\$ 96,116,819</b>
Current assets:		
Cash and cash equivalents	\$ 73,211,532	\$ 56,124,220
Investments	26,228,349	21,269,786
Restricted assets:		
Cash and cash equivalents	7,187,980	11,663,448
Investments	4,492,296	7,059,365
	<hr/> <b>\$ 111,120,157</b>	<hr/> <b>\$ 96,116,819</b>

**(h) Fair Value Measurements**

The Authority has the following recurring fair value measurements as of June 30, 2025 and 2024, respectively:

U.S. Treasury securities and corporate notes of \$30,720,645, \$28,329,151 are valued using a matrix pricing model (Level 2 inputs).

**(3) Restricted Assets**

The Authority received \$2,000,000 during FY 2025 and FY 2024 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.

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

The trust indenture securing the Series 2021 and Series 2019 bonds payable requires segregation of certain assets into restricted accounts. These restricted accounts include a construction account holding funds for the design and construction of capital improvements, a capitalized interest account, a debt service reserve account, and a cost of issuance account. The passenger facility charge cash and receivable accounts are also restricted assets, as there are federal restrictions on how these funds may be disposed. All cash and investments are held by the following financial institutions: US Bank, Truist, Fidelity, and the Virginia Department of the Treasury's LGIP. Restricted assets consist of the following as of June 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
State block grant account	\$ 4,419,924	\$ 8,935,474
Bond ordinance related	7,030,319	7,384,719
Passenger facility charges account	228,214	2,400,802
Passenger facility charges receivable	1,744,688	1,684,173
Other restricted assets	1,819	1,818
<b>Restricted assets</b>	<b>\$ 13,424,964</b>	<b>\$ 20,406,986</b>

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 \$196,597,049. As of June 30, 2025, the remaining collection authority was \$25,331,667 and expires August 2028. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA-approved projects. Unexpended PFC and related interest are included as restricted net position for projects that are approved by the FAA.

**(4) Leases**

The Authority leases portions of the Airport property to tenants. The leases are discounted between 1.54% to 6.42%. As the lessor, the Authority recognizes lease revenue and interest revenue in a systematic and rational manner over the terms of the underlying leases. Lease receivables are measured based on payments using the interest method during the respective lease terms. FY 2025 and FY 2024 amounts related to these leases are as follows:

	<b>2025</b>	<b>2024</b>
Operating revenues:		
Rent	\$ 275,122	\$ 417,321
Concessions	1,063,043	1,063,043
Nonoperating revenues:		
Investment income (interest revenue)	107,914	113,602
Other income	397,303	489,169

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**(4) Leases (continued)**

Leasing principal and interest payments to be received as of June 30, 2025 were as follows:

<b><u>Years Ending June 30,</u></b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 1,347,374	\$ 72,063
2027	948,892	48,642
2028	456,078	31,202
2029	257,263	19,500
2030	69,906	15,148
	<hr/>	<hr/>
	\$ 3,079,513	\$ 186,555

Additionally, the Authority has leases that are not recognized as receivables or within deferred inflows of resources as they meet the definition of a regulated lease. These leases are generally aeronautical in nature and are subject to certain regulations set forth by the FAA. The leases with the airlines are related to the main terminal buildings and are leased on a preferential use basis. Separate leases with cargo terminal operators, general aviation operators, and hangar leases are maintained on an exclusive use basis. The Authority recognized lease revenue during FY 2025 and FY 2024 related to these regulated leases of \$10,418,152 and \$8,703,314, respectively, which was recognized as rent revenue in the statement of revenues, expenses, and changes in net position.

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

<b><u>Years Ending June 30,</u></b>	
2026	\$ 10,429,565
2027	2,062,020
2028	1,682,917
2029	1,683,631
2030	1,684,360
2031-2035	8,199,706
2036-2040	8,058,323
2041-2045	6,440,342
Thereafter	50,991
	<hr/>
	\$ 40,291,855

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

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**(5) Capital Assets**

The following is a summary of the changes in capital assets for the years ended June 30, 2025 and 2024:

	<b>Balances, June 30, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2025</b>
Capital assets not being depreciated:				
Land	\$ 15,771,497	\$ -	\$ -	\$ 15,771,497
Construction in progress	50,774,263	54,416,648	(2,356,261)	102,834,650
	<u>66,545,760</u>	<u>54,416,648</u>	<u>(2,356,261)</u>	<u>118,606,147</u>
Capital assets being depreciated:				
Building, structures, and improvements	420,517,589	2,341,814	-	422,859,403
Roads and runways	100,987,606	249,394	-	101,237,000
Equipment	40,771,586	494,472	(87,219)	41,178,839
Right-to-use IT subscription	371,947	82,782	-	454,729
Less accumulated depreciation for:				
Building, structures, and improvements	(203,742,722)	(13,649,496)	-	(217,392,218)
Roads and runways	(68,161,654)	(2,292,447)	-	(70,454,101)
Equipment	(29,926,090)	(2,106,877)	87,219	(31,945,748)
Right-to-use IT subscription	(242,587)	(113,274)	-	(355,861)
	<u>260,575,675</u>	<u>(14,993,632)</u>	<u>-</u>	<u>245,582,043</u>
Capital assets, net	<u>\$ 327,121,435</u>	<u>\$ 39,423,016</u>	<u>\$ (2,356,261)</u>	<u>\$ 364,188,190</u>
	<b>Balances, June 30, 2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2024</b>
Capital assets not being depreciated:				
Land	\$ 15,771,497	\$ -	\$ -	\$ 15,771,497
Construction in progress	31,822,231	47,252,825	(28,300,793)	50,774,263
	<u>47,593,728</u>	<u>47,252,825</u>	<u>(28,300,793)</u>	<u>66,545,760</u>
Capital assets being depreciated:				
Building, structures, and improvements	407,433,032	13,607,838	(523,281)	420,517,589
Roads and runways	87,094,059	13,893,547	-	100,987,606
Equipment	50,170,290	2,076,892	(11,475,596)	40,771,586
Right-to-use IT subscription	371,947	-	-	371,947
Less accumulated depreciation for:				
Building, structures, and improvements	(190,927,952)	(13,338,051)	523,281	(203,742,722)
Roads and runways	(66,394,755)	(1,766,899)	-	(68,161,654)
Equipment	(39,365,915)	(2,035,771)	11,475,596	(29,926,090)
Right-to-use IT subscription	(119,662)	(122,925)	-	(242,587)
	<u>248,261,044</u>	<u>12,314,631</u>	<u>-</u>	<u>260,575,675</u>
Capital assets, net	<u>\$ 295,854,772</u>	<u>\$ 59,567,456</u>	<u>\$ (28,300,793)</u>	<u>\$ 327,121,435</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$18,162,094 and \$17,263,646, respectively.

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**(6) Bonds Payable**

Bonds payable comprise the following as of June 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Series 2019 bonds payable	\$ 49,975,000	\$ 51,535,000
Series 2021 bonds payable	<u>17,785,000</u>	<u>20,580,000</u>
	67,760,000	72,115,000
Unamortized premium	<u>10,004,010</u>	<u>11,399,342</u>
	\$ 77,764,010	\$ 83,514,342

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

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

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

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

Maturities of bond principal and interest to be provided for all bonds outstanding at June 30, 2025 were as follows:

<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2026	4,280,000	3,247,825
2027	3,960,000	3,063,800
2028	4,140,000	2,872,500
2029	4,350,000	2,660,250
2030	4,560,000	2,437,500
2031-2035	17,080,000	9,126,250
2036-2040	14,730,000	5,578,000
2041-2044	14,660,000	1,511,000
	<b>\$ 67,760,000</b>	<b>\$ 30,497,125</b>

Revenue bond activity for the year ended June 30, 2025 is as follows:

	<b>Balance, June 30, 2024</b>	<b>Issuance of Bonds</b>	<b>Amortization of Premium</b>	<b>Bond Payments</b>	<b>Balance, June 30, 2025</b>	<b>Current Portion</b>
Series 2021	\$ 23,323,259	\$ -	\$ (675,152)	\$ (2,795,000)	\$ 19,853,107	\$ 3,213,589
Series 2019	60,191,083	-	(720,180)	(1,560,000)	57,910,903	2,333,380
	<b>\$ 83,514,342</b>	<b>\$ -</b>	<b>\$ (1,395,332)</b>	<b>\$ (4,355,000)</b>	<b>\$ 77,764,010</b>	<b>\$ 5,546,969</b>

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

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

**Bond Covenant**

The bond indenture states the Authority will provide general revenues at least 125% of the debt service requirement on all related bonds secured by general revenues then outstanding for the sinking fund years ending on the next June 30. At June 30, 2025 and 2024, the rate covenant was met. The indenture further provides that in the event the coverage is not met for a single year, the Authority shall hire a consultant to study revenues, expenses, and debt coverage for the following year and to provide guidance on rates and charges and meeting the rate coverage calculation. A noncompliance with the covenant is not a default until it is not met for two consecutive years.

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

Other long-term liability activity for the year ended June 30, 2025 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
Right-to-use IT subscription liabilities	\$ 118,521	\$ 69,111	\$ 111,767	\$ 75,865	\$ 54,254
Deposits payable	209,706	2,136	-	211,842	-
	<b>\$ 328,227</b>	<b>\$ 71,247</b>	<b>\$ 111,767</b>	<b>\$ 287,707</b>	<b>\$ 54,254</b>

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

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

**(8) Airport Use Agreement**

Effective July 1, 2023, the Authority entered into a new Airline Use and Lease Agreement (the "ULA") with the signatory airlines operating scheduled passenger service at the Airport. The term of the ULA for the signatory carriers is through June 30, 2026. The agreement automatically renews for two (2) additional terms of one year each unless either party gives notice. The Agreement provides for airlines to pay rates and charges calculated based on established cost centers.

**(9) Defined Benefit Pension Plan**

**(a) Plan Description**

The Authority participates in the VRS, an agent multiple-employer, public employee retirement system, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time, salaried permanent (professional) employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the "System" or "VRS") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public services, active military service, certain periods of leave, and previously refunded service.

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

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

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

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

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

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

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

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

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

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

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	188
Inactive members:	
Vested inactive members	44
Nonvested inactive members	54
Inactive members active elsewhere in VRS	44
Total inactive members	142
Active members	187
Total covered employees	517

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

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

**(c) Contributions**

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

The Authority's actuarially required contribution rate for the years ended June 30, 2025 and 2024 was 13.74% of covered employee compensation. This rate was based on an actuarially determined rate from actuarial valuations as of June 30, 2021. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$2,265,868 and \$1,973,035 for the years ended June 30, 2025 and 2024, respectively.

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

***(d) Net Pension Liability***

The Authority's net pension liability as of June 30, 2025 was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2023.

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

***(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, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement, and rolled forward to the measurement dates of June 30, 2024.

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

**NORFOLK AIRPORT AUTHORITY**  
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**(9) Defined Benefit Pension Plan (continued)**

		<b>Mortality Assumptions</b>
	<b>General Employees</b>	<b>Public Safety Employees</b>
Preretirement: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Preretirement: (LODA)	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Postretirement: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Posretirement: (LODA)	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Post-disability: (GLI & VLDP)	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Post-disability: (LODA)	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and survivors: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Beneficiaries and survivors: (LODA)	Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality improvement: (GLI, VLDP, & LODA)	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The total pension liability for general employees and public safety employees in the Authority's Retirement Plan was based on an actuarial valuations as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement, and rolled forward to the measurement dates of June 30, 2023.

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

	<b>Mortality Assumptions</b>	
	<b>General Employees</b>	<b>Public Safety Employees</b>
Preretirement: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Preretirement: (LODA)	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Postretirement: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Postretirement: (LODA)	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Post-disability: (GLI & VLDP)	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Post-disability: (LODA)	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and survivors: (GLI & VLDP)	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Beneficiaries and survivors: (LODA)	Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality improvement: (GLI, VLDP, & LODA)	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Preretirement, postretirement, healthy, and disabled) (General Employees)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Mortality Rates (Preretirement, postretirement, healthy, and disabled) (Public Safety Employees)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates (General Employees)	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Retirement Rates (Public Safety Employees)	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates (General Employees)	Adjusted rates to better fit experience at each year age and service through nine years of service.
Withdrawal Rates (Public Safety Employees)	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

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

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

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summaries in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
MAPS - Multi-Asset Public Strategies	1.00%	8.00%	0.08%
PIP - Private Investment Partnership	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<b><u>100.00%</u></b>		<b><u>7.07%</u></b>
Expected arithmetic nominal return**			<b><u>7.07%</u></b>

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

**NORFOLK AIRPORT AUTHORITY**  
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JUNE 30, 2025 AND 2024

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

**(g) Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 66,321,004	\$ 61,879,849	\$ 4,441,155
Changes for the year:			
Service cost	1,876,796	-	1,876,796
Interest	4,486,619	-	4,486,619
Differences between expected and actual experience	1,165,828	-	1,165,828
Contributions – employer	-	1,972,985	(1,972,985)
Contributions – employee	-	729,052	(729,052)
Net investment income	-	5,997,907	(5,997,907)
Benefit payments	(3,458,747)	(3,458,747)	-
Administrative expenses	-	(39,320)	39,320
Other changes	-	1,161	(1,161)
Net changes	4,070,496	5,203,038	(1,132,542)
Balances at June 30, 2024	\$ 70,391,500	\$ 67,082,887	\$ 3,308,613

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**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

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

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

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

For the years ended June 30, 2025 and 2024, the following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's net pension liability (asset)	\$ 11,709,545	\$ 3,308,613	\$ (3,699,642)
The Authority's net pension liability (asset)			
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	\$ 12,501,797	\$ 4,441,155	\$ (2,220,973)

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

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

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

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense of \$911,104 and \$946,958, respectively. At June 30, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,035,476	\$ -
Differences between expected and actual experience	-	1,731,805
Employer contributions subsequent to the measurement date	<u>2,265,868</u>	<u>-</u>
	<u><u>\$ 3,301,344</u></u>	<u><u>\$ 1,731,805</u></u>

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,677,259
Change of assumptions	600,574	-
Differences between expected and actual experience	-	1,242,590
Employer contributions subsequent to the measurement date	<u>1,830,357</u>	<u>-</u>
	<u><u>\$ 2,430,931</u></u>	<u><u>\$ 2,919,849</u></u>

Deferred outflows of resources related to pensions totaling \$2,265,868 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2025, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. 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:

<b><u>Years Ending June 30,</u></b>	
2026	\$ (728,799)
2027	746,014
2028	(343,976)
2029	<u>(369,568)</u>
	<u><u>\$ (696,329)</u></u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**(k) Pension Plan Data**

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

**(10) OPEB Plans**

**(a) Plan Descriptions**

*(i) GLI plan*

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

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

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

The benefits payable under the GLI Program have several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits, and accelerated death benefit options. The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

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

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

*(i) LODA plan*

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

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

The LODA provides death and health insurance benefits for eligible individuals. The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows. \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. The benefit will be \$75,000 for approved presumptive deaths occurring on or after January 1, 2025. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

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

*(iii) VLDP plan*

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

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

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

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

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

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

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

***(b) Contributions***

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$91,622 and \$78,831 for the years ended June 30, 2025 and 2024, respectively.

The contribution requirements for the LODA Program are governed by Section 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2025 was \$1,015 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024, 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 entity were \$57,855 and \$46,536 for the years ended June 30, 2025 and 2024, respectively.

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

The contribution requirement for the VLDP Program for active Hybrid employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the years ended June 30, 2025 was 0.74% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VLDP were \$49,436 and \$36,421 for the years ended June 30, 2025 and 2024, respectively.

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

*(i) GLI plan*

At June 30, 2025, the Authority reported liabilities of \$660,068, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion was 0.05915% as compared to 0.05954% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized GLI OPEB expenses of \$8,946 and \$28,177, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

*(i) LODA plan*

At June 30, 2025, the Authority reported liabilities of \$1,213,469, for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024 and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the entity's proportion was 0.30835% as compared to 0.30828% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized LODA OPEB expense of \$148,799 and \$161,834, 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.

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

JUNE 30, 2025 AND 2024

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

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

*(i) VLDP plan*

At June 30, 2025, the Authority reported a net asset of \$23,617 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2024, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.65466% as compared to 0.65466% at June 30, 2023.

For the year ended June 30, 2025 and 2024, the Authority recognized VLDP OPEB expense of \$31,851 and \$24,863, 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, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI, LODA, and VLDP OPEB plans from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 59,649
Change of assumptions	227,464	277,670
Differences between expected and actual experience	149,137	317,527
Changes in proportionate share	27,471	63,245
Employer contributions subsequent to the measurement date	198,913	-
<b>Total as of June 30, 2025</b>	<b>\$ 602,985</b>	<b>\$ 718,091</b>
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ 24	\$ 32,311
Change of assumptions	289,835	305,217
Differences between expected and actual experience	140,912	260,482
Changes in proportionate share	34,994	75,633
Employer contributions subsequent to the measurement date	161,788	-
<b>Total as of June 30, 2024</b>	<b>\$ 627,553</b>	<b>\$ 673,643</b>

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

JUNE 30, 2025 AND 2024

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

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

*(i) VLDP plan (continued)*

Deferred outflows of resources related to OPEB plans totaling \$198,913 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2025, will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026. 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:

<b><u>Years Ending June 30,</u></b>	
2026	\$ (63,922)
2027	(16,393)
2028	(28,884)
2029	(30,671)
2030	(39,451)
Thereafter	<u>(134,698)</u>
	<u>\$ (314,019)</u>

***(d) Actuarial Assumptions***

The total GLI, LODA, and VLDP OPEB liabilities were based on actuarial valuations as of June 30, 2023, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increase, including inflation:	3.50% to 5.35%
General employees (GLI and VLDP)	
Medical cost trend rates assumption (LODA):	
Under age 65	7.00% to 4.75%
Ages 65 and older	5.25% to 4.75%
Investment rate of return (GLI and VLDP)	6.75%, net of investment expenses, including inflation
Year of ultimate trend rate (LODA):	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return (LODA)	3.86%, including inflation*

\* Since LODA is funded on a current disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

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

JUNE 30, 2025 AND 2024

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study for general employees include updating the mortality table, adjusting retirement rates to better fit experience, changing the final retirement age, and adjusting withdrawal rates to better fit experience. Changes to the actuarial assumptions, as a result of the experience study for hazardous duty employees include updating the mortality table, adjusting retirement rates to better fit experience and decreasing withdrawal rates.

**(e) Net OPEB Liability**

The net OPEB liability represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts are as follows (dollar amounts in thousands):

	June 30, 2024		
	GLI	LODA	VLDP
Total OPEB liability	\$ 4,196,055	\$ 398,395	\$ 12,230
Plan fiduciary net position	3,080,133	4,841	15,837
Employers' net OPEB liability (asset)	\$ 1,115,922	\$ 393,554	\$ (3,607)
Plan fiduciary net position as a percentage of the total OPEB liability	73.41%	1.22%	129.49%

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**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

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

The net OPEB liability represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts are as follows (dollar amounts in thousands):

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

The total OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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

The long-term expected rate of return on VRS' investments for the GLI and VLDP plans was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
MAPS - Multi-Asset Public Strategies	1.00%	8.00%	0.08%
PIP - Private Investment Partnership	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<u>100.00%</u>		<u>7.07%</u>
Expected arithmetic nominal return**			7.07%

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2025 AND 2024

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

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

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

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

***(g) Discount Rate***

The discount rate used to measure the total GLI and VLDP OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions 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, 2024, the rate contributed by the entity for the GLI and VLDP OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue 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 3.97%. 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, 2024, 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.

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

JUNE 30, 2025 AND 2024

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

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

The following presents the Authority's proportionate share of the net OPEB liability using the current discount rates, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2025 and June 30, 2024, respectively:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's proportionate share of the GLI net OPEB liability	\$ 1,026,491	\$ 660,068	\$ 364,046
The Authority's proportionate share of the VLDP net OPEB (asset)	(17,174)	(23,617)	(29,286)
	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
The Authority's proportionate share of the LODA net OPEB liability	\$ 1,345,288	\$ 1,213,526	\$ 1,100,226
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's proportionate share of the GLI net OPEB liability	\$ 1,058,477	\$ 714,071	\$ 435,617
The Authority's proportionate share of the VLDP net OPEB (asset)	(5,121)	(9,774)	(13,851)
	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
The Authority's proportionate share of the LODA net OPEB liability	\$ 1,385,729	\$ 1,235,892	\$ 1,109,132

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

JUNE 30, 2025 AND 2024

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

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

Because the LODA plan contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the healthcare trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.25% decreasing to 4.25%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate for the years ended June 30, 2025 and June 30, 2024, respectively:

	Healthcare		
	1% Decrease (6.00% decreasing to 3.75%)	Trend Rates (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,033,763	\$ 1,213,526	\$ 1,434,098
	Healthcare		
	1% Decrease (6.00% decreasing to 3.75%)	Trend Rates (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,048,078	\$ 1,235,892	\$ 1,468,623

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

Detailed information about the GLI, LODA, and VLDP fiduciary net position is available in the separately issued VRS 2023 ACFR. A copy of the 2024 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

**JUNE 30, 2025 AND 2024**

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**(11) Employee Contribution Plan**

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

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

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

**(12) Concentration of Credit Risk**

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

**(13) Risk Management**

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

The Authority participates in a risk management self-insurance plan through the Commonwealth of Virginia administered by the Division of Risk Management. Through this plan, the Authority obtains public officers, law enforcement, and medical malpractice liability coverage of \$1,000,000 per occurrence. The ACFR of the Commonwealth of Virginia contains disclosure of the Commonwealth's estimated claims payable and estimated losses for self-insurance plans at June 30, 2025 and 2024.

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

**JUNE 30, 2025 AND 2024**

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**(13) Risk Management (continued)**

Through commercial insurance carriers, the Authority has property insurance coverage of \$501.7 million annually, airport liability coverage of \$300.0 million annually, pollution coverage of \$10.0 million, terrorism coverage for 80% of the loss, business auto coverage of \$1.0 million per occurrence, cyber-attack coverage of \$5.0 million, crime insurance coverage of \$1.0 million per occurrence, watercraft coverage of \$1.0 million, and workers' compensation coverage for bodily injury of \$1.0 million per occurrence.

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

**(14) 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.

**(15) Commitments and Contingencies**

Prior to July 1, 1998, the Authority had an agreement with the City of Norfolk, Virginia (the "City") whereby the Authority had use of the Airport property free of charge. As of July 1, 1998, the City reacquired title to all property. On January 18, 2000, the City executed a deed conveying title to the Authority, reserving a right of reversion if the Airport property is no longer used as an airport. In consideration of the conveyance of the property, the Authority agreed to compensate the City for the loss of tax revenue on the Airport property. Beginning in FY 2016, the adjusted annual payment was set by the City's tax assessor; in no event shall the payment exceed stated tax rates on the fair value of the Airport property. Advance payments are due annually on July 1. Payment in the amount of \$2.65 million was required for FY 2025 and FY 2024. This amount is due each year through the July 1, 2024 payment.

As of June 30, 2025 and 2024, the Authority had entered into contracts totaling \$200.6 million and \$77.0 million, of which \$91.9 million and \$45.7 million was outstanding, respectively.

The Authority receives funding through capital grants and operating assistance grants from the federal and state agencies. Expenditures financed by capital and operating assistance grants are subject to audit and acceptance by the granting agency. Any disallowed expenditure may need to be repaid to the granting agency; however, it is management's opinion that no material liabilities will result from any such audits.

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, 2025 or 2024.

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

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**(16) 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, 2025 and 2024, there were three series of revenue bonds outstanding with an aggregate principal amount of approximately \$8.3 million and \$11.8 million, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

# NORFOLK AIRPORT AUTHORITY

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

JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios:										
Total Pension Liability:										
Service cost	\$ 1,876,796	\$ 1,829,175	\$ 1,586,837	\$ 1,507,543	\$ 1,528,644	\$ 1,420,679	\$ 1,414,966	\$ 1,373,319	\$ 1,346,523	\$ 1,300,433
Interest	4,486,619	4,226,986	4,115,054	3,810,696	3,631,931	3,419,644	3,151,550	3,053,266	2,880,450	2,688,486
Differences between expected and actual experience	1,165,828	1,032,307	(1,243,533)	(1,383,443)	353,978	1,367,730	1,816,734	(429,688)	237,910	484,660
Changes of assumptions				1,935,184		1,462,450		(222,799)		
Benefit payments, including refunds of employee contributions	(3,388,256)	(3,108,814)	(2,936,638)	(2,931,301)	(2,682,147)	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)
Refunds of contributions	(70,491)	(11,779)	(27,672)	-	(118,923)	(16,096)	-	-	-	-
Other	-	-	-	-	-	-	-	(313)	-	-
Net Change in Total Pension Liability	4,070,496	3,967,875	1,494,048	2,938,679	2,713,483	5,039,214	3,907,888	1,509,055	2,737,453	2,738,524
Total pension liability – beginning	66,321,004	62,353,129	60,859,081	57,920,402	55,206,919	50,167,705	46,259,817	44,750,762	42,013,309	39,274,785
Total Pension Liability – Ending (a)	<u>70,391,500</u>	<u>66,321,004</u>	<u>62,353,129</u>	<u>60,859,081</u>	<u>57,920,402</u>	<u>55,206,919</u>	<u>50,167,705</u>	<u>46,259,817</u>	<u>44,750,762</u>	<u>42,013,309</u>
Plan Fiduciary Net Position:										
Contributions – employer	1,972,985	1,831,950	1,631,522	1,568,710	1,366,885	1,335,367	1,208,422	1,170,578	1,223,465	1,179,412
Contributions – employee	729,052	670,283	613,815	593,589	611,117	593,189	577,112	564,624	553,205	522,626
Net investment income	5,997,907	3,813,587	(60,437)	12,931,550	899,668	2,992,190	3,148,504	4,691,484	671,007	1,669,448
Benefit payments, including refunds of employee contributions	(3,388,256)	(3,108,814)	(2,936,638)	(2,838,514)	(2,682,147)	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)
Administrative expense	(39,320)	(37,499)	(36,884)	(31,995)	(30,745)	(29,605)	(27,217)	(27,108)	(23,348)	(22,585)
Refunds of contributions	(70,491)	(11,779)	(27,672)	(92,787)	(118,923)	(16,096)	-	-	-	-
Other	1,161	1,532	1,380	1,222	(1,069)	(1,890)	(2,799)	(4,170)	(173)	(663)
Net Change in Plan Fiduciary Net Position	5,203,038	3,159,260	(814,914)	12,131,775	44,786	2,257,962	2,428,660	4,130,678	696,726	1,613,183
Plan fiduciary net position – beginning	61,879,849	58,720,589	59,535,503	47,403,728	47,358,942	45,100,980	42,672,320	38,541,642	37,844,916	36,231,733
Plan Fiduciary Net Position – Ending (b)	<u>67,082,887</u>	<u>61,879,849</u>	<u>58,720,589</u>	<u>59,535,503</u>	<u>47,403,728</u>	<u>47,358,942</u>	<u>45,100,980</u>	<u>42,672,320</u>	<u>38,541,642</u>	<u>37,844,916</u>
Authority's Net Pension Liability – Ending (a)-(b)	<u>\$ 3,308,613</u>	<u>\$ 4,441,155</u>	<u>\$ 3,632,540</u>	<u>\$ 1,323,578</u>	<u>\$ 10,516,674</u>	<u>\$ 7,847,977</u>	<u>\$ 5,066,725</u>	<u>\$ 3,587,497</u>	<u>\$ 6,209,120</u>	<u>\$ 4,168,393</u>
Plan Fiduciary Net Position as a Percentage of the total pension liability (b) / (a)										
Covered payroll (c)	95.30%	93.30%	94.17%	97.83%	81.84%	85.78 %	89.90 %	92.24 %	86.13 %	90.08 %
Authority's net pension liability as a percentage of covered payroll [(a)-(b)] / (c)	\$ 15,159,322	\$ 13,981,234	\$ 12,819,953	\$ 12,330,340	\$ 12,677,884	\$ 12,300,841	\$ 11,882,270	\$ 11,725,164	\$ 10,903,311	\$ 10,406,965
of covered payroll [(a)-(b)] / (c)	21.83%	31.77%	28.34%	10.73%	82.95 %	63.80 %	42.64 %	30.60 %	56.95 %	40.05 %

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

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

**YEAR ENDED JUNE 30, 2025**

<b>For the Year Ended June 30</b>	<b>Contributions in Relation to</b>			<b>Contributions</b>		
	<b>Actuarially Determined Contribution</b>	<b>Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>as a % of Covered Payroll</b>	
2025	\$ 2,265,868	\$ 2,265,868	\$ -	\$ 17,619,685	12.86	
2024	1,973,035	1,973,035	-	15,159,822	13.01	
2023	1,830,357	1,830,357	-	13,981,234	13.09	
2022	1,630,080	1,630,080	-	12,819,953	12.72	
2021	1,568,710	1,568,710	-	12,330,340	12.72	
2020	1,368,135	1,368,135	-	12,677,884	10.79	
2019	1,338,260	1,338,260	-	12,300,841	10.88	
2018	1,207,848	1,207,848	-	11,882,270	10.17	
2017	1,156,652	1,156,652	-	11,725,164	9.86	
2016	1,223,500	1,223,465	35	10,903,311	11.22	
2015	1,180,959	1,179,412	1,547	10,406,956	11.33	

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

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

**YEAR ENDED JUNE 30, 2025**

Year	Contributions in Relation to Contractually Required Contribution			Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)			
<b>2025</b>						
GLI Plan:	\$ 91,622	\$ 91,622	\$ -	\$ 17,619,685		0.52%
LODA Plan:	57,855	57,855	-	17,619,685		0.33%
VLDP Plan:	49,436	49,436	-	6,866,081		0.72%
<b>2024</b>						
GLI Plan:	78,831	78,831	-	15,159,822		0.52%
LODA Plan:	46,536	46,536	-	15,159,822		0.31%
VLDP Plan:	36,421	36,421	-	5,058,427		0.72%
<b>2023</b>						
GLI Plan:	72,702	72,702	-	13,981,234		0.52%
LODA Plan:	40,910	40,910	-	13,981,234		0.29%
VLDP Plan:	26,662	26,662	-	3,703,097		0.72%
<b>2022</b>						
GLI Plan:	66,663	66,663	-	12,819,953		0.52%
LODA Plan:	42,321	42,321	-	12,819,953		0.33%
VLDP Plan:	20,238	20,238	-	2,810,841		0.72%
<b>2021</b>						
GLI Plan:	64,117	64,117	-	12,330,340		0.52%
LODA Plan:	41,604	41,604	-	12,330,340		0.34%
VLDP Plan:	17,554	17,554	-	2,438,139		0.72%
<b>2020</b>						
GLI Plan:	65,925	65,925	-	12,677,885		0.52%
LODA Plan:	42,346	42,346	-	12,677,885		0.33%
VLDP Plan:	16,704	16,704	-	2,319,957		0.72%
<b>2019</b>						
GLI Plan:	64,000	64,000	-	12,273,178		0.52%
LODA Plan:	42,000	42,000	-	12,273,178		0.34%
VLDP Plan:	15,000	15,000	-	2,047,146		0.73%
<b>2018</b>						
GLI Plan:	62,000	62,000	-	11,445,288		0.54%
LODA Plan:	35,000	35,000	-	11,445,288		0.31%
VLDP Plan:	9,000	9,000	-	977,098		0.92%

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

# NORFOLK AIRPORT AUTHORITY

## SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY (UNAUDITED)

YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
<b>GLI Plan:</b>								
Authority's Proportion of the Net GLI OPEB Liability	0.05915%	0.05954%	0.05918%	0.05978%	0.06162%	0.06261%	0.06224%	0.06204%
Authority's Proportionate Share of Net GLI OPEB Liability	\$ 660,068	\$ 714,071	\$ 712,584	\$ 696,001	\$ 1,028,337	\$ 1,018,831	\$ 945,000	\$ 933,000
Employer's Covered Payroll	15,159,822	13,981,234	12,819,953	12,330,340	12,677,885	12,273,178	11,445,288	11,841,567
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	4.35%	5.11%	5.56%	5.64%	8.11%	8.30%	8.26%	7.88%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
<b>LODA Plan:</b>								
Authority's Proportion of the Net LODA OPEB Liability	0.30835%	0.30828%	0.30953%	0.30219%	0.31160%	0.31552%	0.32493%	0.31564%
Authority's Proportionate Share of Net LODA OPEB Liability	1,213,469	1,235,892	1,171,433	1,332,633	1,305,029	1,132,042	1,019,000	829,000
Employer's Covered Payroll	15,159,822	13,981,234	12,819,953	12,330,340	12,677,885	12,273,178	11,445,288	11,841,567
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	8.00%	8.84%	9.14%	10.81%	10.29%	9.22%	8.90%	7.00%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.22%	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%
<b>VLDP Plan:</b>								
Authority's Proportion of the Net VLDP OPEB Liability	0.65466%	0.65466%	0.60746%	0.59998%	0.62229%	0.66244%	0.58676%	0.53211%
Authority's Proportionate Share of Net VLDP OPEB Liability/(Asset)	(23,617)	(9,774)	(3,528)	(6,144)	6,212	13,420	4,000	3,000
Employer's Covered Payroll	5,058,427	3,703,097	2,810,841	2,438,139	2,319,957	2,047,146	977,098	1,430,793
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.47%	-0.26%	-0.13%	-0.25%	0.27%	0.66%	0.41%	0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	129.49%	116.89%	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

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

# **NORFOLK AIRPORT AUTHORITY**

## **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**YEAR ENDED JUNE 30, 2025**

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### **(1) Changes of Benefit Terms**

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

### **(2) Changes of Assumptions**

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

### **(3) Years Presented in Schedules**

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

## **COMPLIANCE SECTION**

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

To the Board of Commissioners  
Norfolk Airport Authority  
Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), the financial statements of Norfolk Airport Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2025.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 7, 2025