

**VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF
WASHINGTON COUNTY, VIRGINIA
AUDITED FINANCIAL REPORT
June 30, 2021**

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF WASHINGTON COUNTY, VIRGINIA

AUDITED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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LIST OF AUTHORITY MEMBERS

Frank Sims, Chairman and Assistant Treasurer

Andy Puckett, Vice-Chairman and Treasurer

Dr. James Baker, Secretary

Dr. Ellison Conrad, Assistant Secretary

Steve Quilty, Member

Danny Ruble, Member

Ben Jenkins, Member

Thomas M. Hicok, CPA, CVA, MAFF¹
David B. Brown, CPA
Juan J. Garcia, CPA
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MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Virginia Highlands Airport Authority's performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2021. Please read this information in conjunction with the Authority's financial statements.

The Virginia Highlands Airport Authority presents three basic financial statements. These are: (1) a Statement of Net Position (2) a Statement of Revenues, Expenditures, and Changes in Net Position and (3) a Statement of Cash Flows.

Our financial position is measured in terms of resources we own and obligations we owe on a given date. This information is reported on the Statement of Net Position, which reflects the Authority's assets in relation to its debts to its suppliers, employees, and other creditors. The excess of our assets over liabilities is our net position.

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenditures and Changes in Net Position. This statement shows how much our overall net assets increased or decreased during the year as a result of our operations.

Our Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, purchases of new property, etc.).

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A summary of the Authority's Statement of Net Position for 2021 and 2020 is presented below:

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 3,473,582	\$ 3,437,403
Property and Equipment	<u>46,835,529</u>	<u>36,584,989</u>
Total Assets	<u>\$ 50,309,111</u>	<u>\$ 40,022,392</u>
Current and Other Liabilities	\$ 2,905,827	\$ 3,271,287
Long Term Liabilities	<u>2,115,827</u>	<u>1,878,892</u>
Total Liabilities	<u>5,021,654</u>	<u>5,150,179</u>
Net Position		
Invested in Capital Assets	44,251,073	33,977,085
Unrestricted	<u>1,036,384</u>	<u>895,128</u>
Total Net Position	<u>45,287,457</u>	<u>34,872,213</u>
Total Net Position and Net Assets	<u>\$ 50,309,111</u>	<u>\$ 40,022,392</u>

The financial position of the Virginia Highlands Airport Authority is good.

A summary of the Virginia Highlands Airport Authority's Statements of Revenues, Expenditures, and Changes in Net Position for 2021 and 2020 are presented below.

Condensed Statements of Revenues, Expenditures and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Operating Income	\$ 1,354,080	\$ 1,473,173
Operating COGS & Expenses	<u>1,499,799</u>	<u>1,748,548</u>
Operating Income (loss)	(145,719)	(275,375)
Net Non-Operating Income	<u>10,561,132</u>	<u>5,887,943</u>
Changes in Net Position	<u>\$ 10,415,413</u>	<u>\$ 5,612,568</u>

Operating income is defined as the amount of revenue received from providing customer services. Of this amount, 75% of the operating income was from fuel and inventory sales.

Operating expenses are comprised of the direct expenses of operating the Airport. These expenses include fuel purchases, salaries and benefits, repairs and maintenance, occupancy, supplies, travel and depreciation. (See the full Statement of Revenues, Expenditures, and Changes in Net Position for a complete breakdown of these expenses for 2021).

Non-operating income is comprised of interest, County appropriations, interest expense, and federal and state capital grants. During the current year the Airport had several projects in progress where there were federal and state grant reimbursements.

Net Position increased \$10,415,413 in 2021.

A summary of the Virginia Highlands Airport Authority's Statements of Cash Flows for 2021 and 2020 are presented below:

Condensed Statement of Cash Flows

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities	\$ 128,981	\$ (82,102)
Cash Flows From Non-Capital Activities	9,635	215,408
Cash Flows From Capital and Financing Activities	184,305	(327,978)
Cash Flows From Investing Activities	<u>1,808</u>	<u>13,545</u>
Net Change in Cash	324,729	(181,127)
Cash Beginning of Year	<u>952,621</u>	<u>1,133,748</u>
Cash Ending of Year	<u><u>\$ 1,277,350</u></u>	<u><u>\$ 952,621</u></u>

Cash flows from operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the operating loss is decreased by the amount of any non-cash transactions and adjusted for changes in assets and liabilities. (See the full Statement of Cash Flows for a full listing of these transactions).

Cash flows from non-capital transactions are comprised of income received as operating grants. Cash flows from capital and financing activities are comprised of all the capital assets purchased by the Authority and the payment of the Authority's debt and interest. Cash flows from investing activities are comprised of interest income. During 2021 there was an increase of \$324,729 in cash.

Capital Assets

At the end of 2021, the Virginia Highlands Airport Authority had \$46,835,529 in net property and equipment. Fixed assets are the largest asset of the Authority. This is comprised of \$58,245,386 in fixed assets less \$11,409,857 in accumulated depreciation. (See Note 3). The Airport has started a major project involving the extension of its runway.

Debt

Virginia Highlands Airport Authority had \$2,584,456 in debt outstanding at year-end. A loan was obtained from the Commonwealth of Virginia to assist with Airport expansion (see Note 9).

Contacting the Airport's Financial Management

This financial report is designed to provide the taxpayers, customers, and our funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions or need additional financial information, contact the Airport Manager.

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INDEPENDENT AUDITOR'S REPORT

To the Board
Virginia Highlands Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Highlands Airport Authority, which comprise the statement of net position as of June 30, 2021 and the related statement of revenues, expenditures and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Highlands Airport Authority as of June 30, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and schedules related to pension and OPEB funding on pages 2 and pages 50-54 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

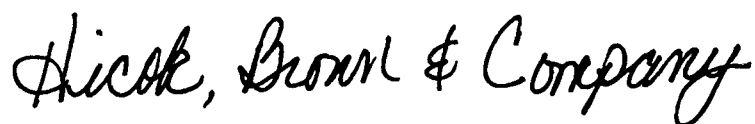
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Virginia Highlands Airport Authority's basic financial statements. The supporting statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated October 30, 2021, on our consideration of Virginia Highlands Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Virginia Highlands Airport Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The signature is written in a cursive, flowing style.

HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 29, 2021

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INDEPENDENT AUDITOR'S REPORT 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
Virginia Highlands Airport Authority

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 financial statements of the business-type activities of The Virginia Highlands Airport Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Virginia Highlands Airport Authority's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

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

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

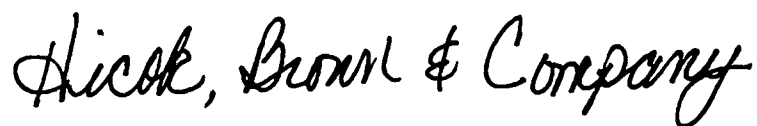
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The signature is written in a cursive, flowing style.

HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 29, 2021

Thomas M. Hicok, CPA, CVA, MAFF¹
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

To the Board
Virginia Highlands Airport Authority

Report on Compliance for Each Major Program

We have audited the Virginia Highlands Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Virginia Highlands Airport Authority's major federal programs for the year ended June 30, 2021. Virginia Highlands Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Virginia Highlands Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Virginia Highlands Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Virginia Highlands Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

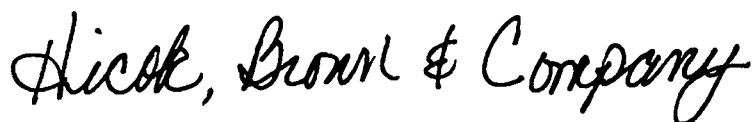
Report on Internal Control over Compliance

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

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

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

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



HICOK, BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Abingdon, Virginia
October 29, 2021

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Net Position
At June 30, 2021

Exhibit 1

Assets		Amount
Current Assets		
Cash on hand and in bank	\$ 1,277,350	
Accounts receivable	58,683	
Grant receivable	2,019,404	
Prepaid insurance	26,275	
Inventory	<u>30,724</u>	
Total Current Assets		\$ 3,412,436
Property, Plant and Equipment		
Land	13,625,418	
Buildings	5,493,439	
Improvements other than buildings	13,572,076	
Construction in progress	24,727,182	
Equipment	771,080	
Furniture & fixtures	<u>56,191</u>	
	58,245,386	
Less: Accumulated Depreciation	<u>(11,409,857)</u>	
Total Property, Plant, & Equipment		<u>46,835,529</u>
Other Assets		
Net pension asset		<u>1,496</u>
Total Assets		<u>\$ 50,249,461</u>
Deferred Outflows of Resources		
Pension related items	\$ 51,943	
OPEB related items	<u>7,707</u>	
Total Deferred Outflows of Resources		<u>\$ 59,650</u>

The Notes to Financial Statement are an integral part of this statement.

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Net Position
At June 30, 2021

Exhibit 1

Liabilities and Net Position	Amount
Current Liabilities	
Accounts payable	\$ 2,234,701
Accrued wages and taxes	17,456
Accrued interest	7,779
Deferred revenue	55,155
Current portion of long-term debt	<u>507,150</u>
Total Current Liabilities	\$ 2,822,241
Long - Term Liabilities	
Loans payable less short-term portion	2,077,306
Accrued vacation	15,992
Pension liability	-
OPEB liability	<u>22,529</u>
Total Long - Term Liabilities	<u>2,115,827</u>
Total Liabilities	<u>\$ 4,938,068</u>
Deferred Inflows of Resources	
Pension related items	\$ 82,784
OPEB related items	<u>802</u>
Total Deferred Inflows of Resources	<u>\$ 83,586</u>
Net Position	
Invested in capital assets, net of related debt	44,251,073
Unrestricted	<u>1,036,384</u>
Total Net Position	<u>\$ 45,287,457</u>

The Notes to Financial Statement are an integral part of this statement.

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Revenues, Expenditures and Changes in Net Assets
For Period Ending June 30, 2021

Exhibit 2

	<u>Amount</u>
Operating Revenues:	
Fuel sales	\$ 1,031,488
Rental income	288,366
Miscellaneous income	<u>34,226</u>
Total Operating Revenues	\$ 1,354,080
Cost of Goods Sold:	
Beginning inventory at July 1, 2020	35,811
Add: Purchases	<u>561,919</u>
Goods available for resale	597,730
Less: Ending inventory at June 30, 2021	<u>30,724</u>
Total Cost of Goods Sold	<u>567,006</u>
Gross Profit	787,074
Total Operating Expenses	<u>932,793</u>
Net Income (Loss) Before Non-Operating Revenues (Expenses) and Capital Contributions	(145,719)
Non-Operating Revenues (Expenses)	
Interest income	1,808
Washington County funds	-
Operating grants	9,635
Interest expense	<u>(32,128)</u>
Total Non-Operating Revenues (Expenses)	<u>(20,685)</u>
Income (Loss) Before Capital Contributions	(166,404)
Capital Contributions	<u>10,581,817</u>
Change in net position	10,415,413
Net position at beginning of year, as restated	<u>34,872,044</u>
Net position at end of year	<u>\$ 45,287,457</u>

The Notes to Financial Statements are an integral part of this statement

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2021

Exhibit 3

	<u>Amount</u>
Cash Flows from Operating Activities	
Cash received from customers and others	\$ 1,365,198
Cash payments to suppliers for goods and services	(784,984)
Cash payments to employees for services and benefits	<u>(451,233)</u>
Net Cash Flows Provided (Used) By Operating Activities	\$ 128,981
Cash Flows From Non-Capital Financing Activities	
Cash received from operating grants and contributions	9,635
Cash Flows From Capital and Related Financing Activities	
Interest paid	(34,473)
Repayment of principle on debt	(366,280)
Proceeds from debt	342,831
Capital projects & assets purchased	(10,633,604)
Capital contributions received	<u>10,875,831</u>
Net Cash Flows Provided (Used) By Capital And Related Financing Activities	184,305
Cash Flows From Investing Activities	
Interest Received	<u>1,808</u>
Increase (Decrease) In Cash and Cash Equivalents	324,729
Cash and Cash Equivalents At Beginning of Year	<u>952,621</u>
Cash and Cash Equivalents At End of Year	<u><u>\$ 1,277,350</u></u>
Reconciliation Of Operating Income to Net Cash Provided By Operating Activities	
Net loss from operations	\$ (145,719)
Depreciation and amortization	233,246
Net pension obligation	4,855
Net OPEB obligation	(9,595)
Changes in operating assets and liabilities	
Receivables	(15,545)
Inventory and prepaids	6,435
Payables and other liabilities	<u>55,304</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 128,981</u></u>

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Financial Statements of the Virginia Highlands Airport Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income, financial position, and cash flows. The proprietary fund of the Authority is an Enterprise Fund which includes all of the Authority's operations.

Enterprise Fund

The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Reporting Entity

The Authority has been included in the general purpose financial statements of Washington County, Virginia as a component unit, in accordance with Statement 61 of the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The Enterprise Fund uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Inventory

The Inventory is valued at lower of cost or market using the first in, last out method.

Cash and Cash Equivalent

Virginia Highlands Airport Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

Property, Plant, and Equipment

Property, plant, and equipment purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

Buildings	30-40 years
Improvements other than buildings	15-25 years
Equipment	5-20 years

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
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NOTE 2 - CASH AND INVESTMENTS

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia or covered by federal depository insurance. The Authority has no investments as of or for the year ended June 30, 2021.

NOTE 3 - CHANGES IN FIXED ASSETS

A summary of the changes in fixed assets follows:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Land	\$ 13,625,418	\$ -	\$ -	\$ 13,625,418
Buildings	5,493,439	-	-	5,493,439
Improvements	13,572,076	-	-	13,572,076
Equipment	762,820	8,260	-	771,080
Furniture & Fixtures	56,191	-	-	56,191
Construction in Progress	14,251,656	10,475,526	-	24,727,182
Totals	47,761,600	<u>\$ 10,483,786</u>	<u>\$ -</u>	58,245,386
Accumulated Depreciation	<u>(11,176,611)</u>			<u>(11,409,857)</u>
Net	<u>\$ 31,043,051</u>			<u>\$ 46,835,529</u>

Depreciation expense for the year ending June 30, 2021 was \$233,246.

NOTE 4 – COMPENSATED ABSENCES:

In accordance with GASB Statement 16 “Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences”, the Authority has accrued the liability arising from outstanding claims and judgments and compensated absences.

The Authority employees earn 12 days of vacation after they have been employed with the Authority for one year. Vacation time accrues monthly up to a maximum of 80 hours without prior approval from management. At June 30, 2021 the Authority had outstanding accrued leave of \$15,992.

NOTE 5 - LEASES

Lease Revenue

The Authority has various operating lease agreements for buildings currently rented in their operation. The rental agreements have various rates and terms.

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NOTE 5 – LEASES (CONTINUED)

The following is a schedule of future minimum rental payments required to be received under operating lease terms in excess of one year as of June 30, 2021.

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$ 122,144
2023	25,542
2024	24,335
2025	24,335
2026	13,335
2027-2031	62,889
2032-2036	65,810
2042-2046	<u>26,682</u>
Totals	<u>\$ 365,072</u>

NOTE 6 - CONTINGENT LIABILITIES

In the normal course of operations, the Authority receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material. The Authority is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year.

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NOTE 7 - DEFINED BENEFIT PENSION PLAN

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relating 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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) 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 are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an Optional Retirement Plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may</p>

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<p>contributions to provide funding for the future benefit payment.</p>		<p>choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer </p>
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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

		<p>contributions.</p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the</p>

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of</p>

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<p>service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<ul style="list-style-type: none"> • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p>Defined Contribution Component: Not applicable.</p>

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NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		
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NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>4</u>
Inactive members:	
Vested inactive members	1
Non-vested	0
LTD	0
Inactive members active elsewhere in VRS	<u>0</u>
Total inactive members	1
Active members	<u>7</u>
Total covered employees	<u>12</u>

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2021 was 1.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$3,481 and \$14,780 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2020. The total position liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

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

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled): Update to a more mortality table – RP-2014 projected to 2020.

Retirement Rates: Lowered rates at older ages and changed final retirement from 70 to 75.

Withdrawal Rates: Adjusted rates to better fit experience at each year age and service through 9 years of service.

Disability Rates: Lowered rates.

Salary Scale: No change.

Line of Duty Disability: Increase rate from 14% to 15%.

Discount Rate: Decrease from 7.00% to 6.75%.

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

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS-Multi-Asset Public Strategy	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a medium return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocations. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

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

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	\$ 709,632	\$ 628,522	\$ 81,110
Changes for the year:			
Service Cost	11,653	-	11,653
Interest	47,119	-	47,119
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(101,284)	-	(101,284)
Contributions - employer	-	14,982	(14,982)
Contributions - employee	-	13,409	(13,409)
Net investment income	-	12,118	(12,118)
Benefit payments, including refunds of employee contributions	(23,158)	(23,158)	(46,316)
Administrative expenses	-	(400)	400
Other changes	-	(15)	15
Net changes	<u>(65,670)</u>	<u>16,936</u>	<u>(82,606)</u>
Balance at June 30, 2020	\$ 643,962	\$ 645,458	\$ (1,496)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00 % Increase (7.75%)
Authority's Net Pension Liability	\$ 95,111	\$ (1,496)	\$ (78,539)

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Authority recognized pension expense of \$(491). At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,999	\$ 81,385
Change in assumptions	\$ 12,305	\$ 1,399
Net difference between projected and actual earnings on pension plan investments	\$ 19,158	\$ -
Employer contributions subsequent to the measurement date	\$ 3,481	\$ -
Total	<u>\$ 51,943</u>	<u>\$ 82,784</u>

\$51,943 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amortization</u>
2022	\$ (8,536)
2023	(3,452)
2024	(6,740)
2025	(13,805)
2026	(1,789)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://varetire.org/Pdf/publications/2020-annual-report.pdf> or by writing to the System's CFO at P.O. Box 2500, Richmond, VA 23218.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Payables to the Pension Plan

At June 30, 2021, the Authority reported a payable of \$2,392 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN)

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

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.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit options

Reduction in Benefit Amounts

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

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The minimum benefit adjusted for COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,373 and \$3,640 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2021, the entity reported a liability of \$22,529 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2020. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer’s proportion was 0.00135% as compared to 0.00136% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$1,109. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,445	\$ 204
Net difference between projected and actual earnings on GLI OPEB program investments	677	-
Change in assumptions	1,127	470
Change in proportion	1,085	128
Employer contributions subsequent to the measurement date	<u>3,373</u>	<u>-</u>
Total	<u>\$ 7,707</u>	<u>\$ 802</u>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

\$3,373 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Amortization</u>
FY 2022	\$ 589
FY 2023	780
FY 2024	954
FY 2025	962
FY 2026	243
Thereafter	4

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.50% - 5.35%

Investment rate of return 6.75, net of investment expenses, including inflation*

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

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled): Updated to a more current mortality table - RP2014 projected to 2020

Retirement Rates: Lowered retirement rates at older ages and extended final retirement age from 70 to 75

Withdrawal Rates: Adjusted termination rates to better fit experience at each age and service year

Disability Rates: Lowered disability rates

Salary Scale: No change

Line of Duty Disability: Increased rate from 14% to 15%

Discount Rate: Decreased from 7.00% to 6.75%

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NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers' Net GLI PPEB Liability (Asset)	<u>\$ 1,668,835</u>

Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	52.64%
--	--------

The total GLI 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s 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:

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS-Multi Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

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

NOTE 8 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00 % Increase (7.75%)</u>
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 29,074	\$ 22,131	\$ 16,501

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, the Authority reported a payable of \$260 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – NOTES PAYABLE

	Interest Rate	Payment Amount	Balance 6/30/2020	New Issues	Principle Repayment	Balance 6/30/2021	Due Within One Year	Maturity Date
VRA	4.87%	\$19,666 Semi-Annual	\$ 331,909	\$ -	\$ 23,449	\$ 308,460	\$ 24,605	3/1/2031
FB&T	2.75%	Interest Only	826,530	-	342,830	483,700	483,700	11/20/2021
Comm of Virginia	0.00%	Payment begins by 12-2021	1,449,465	342,831	-	1,792,296	342,831	12/31/2027
Total			<u>\$2,607,904</u>	<u>\$ 342,831</u>	<u>\$ 366,279</u>	<u>\$2,584,456</u>	<u>\$ 851,136</u>	

During the year the Airport entered into a bridge loan with the Commonwealth of Virginia. This is a 0.00% loan which payments are set to begin no later than December 31, 2021 and the loan is to be paid in full by December 31, 2027.

Scheduled principal and interest payments are as follows:

Year Ended June 30	Principle	Interest
2022	\$ 851,136	\$ 38,612
2023	368,649	14,726
2024	369,921	13,513
2025	371,257	12,240
2026	107,967	23,961
2027-2031	<u>515,526</u>	<u>1,391</u>
Total	<u>\$ 2,584,456</u>	<u>\$ 104,443</u>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflow is pension expense of \$51,943 and OPEB related expense of \$7,707.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflow is changes in the net pension liability of \$82,784 and changes in OPEB liability of \$802.

NOTE 11 – RELATED PARTIES

In the normal course of operations the Authority leases hanger and office rental space. At various times, Hanger space is rented to board members and the lease terms are comparable to other leases entered into by the Authority.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2021, the date which the financial statements were available to be issued.

Prior to the issuance of these statements, but after the report date, the Authority was a target in a cyber/e-mail scam and theft. The amount of the theft was \$124,275. The Authority has contacted and is working with the local law enforcement agencies, their insurance company, and other entities also effected with the theft. As of the date of the report, the final outcome of this event is unknown.

NOTE 13 – NET ASSETS - RESTATED

Beginning net assets were restated in the amount of \$405,850 to correctly record loan proceeds from a prior audit year.

NOTE 14 – RISK AND UNCERTAINTIES

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact grant and operating revenues of the Authority. Other financial impacts could occur, though such potential impact is unknown at this time.

NOTE 15 – UPCOMING PRONOUNCEMENTS

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTE 15 – UPCOMING PRONOUNCEMENTS (CONTINUED)

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Virginia Highlands Airport Authority
Schedule of Changes in the Net Pension Liability and Related Ratios
At June 30, 2021

Exhibit A

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 11,653	\$ 14,282	\$ 13,361	\$ 14,056	\$ 13,370	\$ 16,723	\$ 15,722
Interest	47,119	43,374	40,453	39,056	37,116	34,484	32,821
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(101,284)	21,321	11,292	5,413	3,242	12,187	-
Changes in assumptions	-	21,223	-	(12,371)	-	-	-
Benefit payments, including refunds of employee contributions	(23,158)	(20,398)	(26,359)	(26,031)	(26,000)	(25,585)	(23,975)
Net change in total pension liability	<u>(65,670)</u>	<u>79,802</u>	<u>38,747</u>	<u>20,123</u>	<u>27,728</u>	<u>37,809</u>	<u>24,568</u>
Total pension liability - beginning	709,632	629,830	591,083	570,960	543,232	505,423	480,855
Total pension liability - ending	<u>\$ 643,962</u>	<u>\$ 709,632</u>	<u>\$ 629,830</u>	<u>\$ 591,083</u>	<u>\$ 570,960</u>	<u>\$ 543,232</u>	<u>\$ 505,423</u>
Plan fiduciary net position							
Contributions - employer	\$ 14,982	\$ 14,572	\$ 11,829	\$ 11,223	\$ 8,471	\$ 8,503	\$ 13,899
Contributions - employee	13,409	12,972	12,022	11,630	11,206	11,248	11,583
Net investment income	12,118	39,625	40,322	59,680	8,328	21,563	64,337
Benefit payments, including refunds of employee contributions	(23,158)	(20,398)	(26,359)	(26,031)	(26,000)	(25,585)	(23,975)
Administrative expense	(400)	(373)	(344)	(341)	(303)	(297)	(343)
Other	(15)	(25)	(36)	(53)	(4)	(5)	4
Net change in total pension liability	<u>16,936</u>	<u>46,373</u>	<u>37,434</u>	<u>56,108</u>	<u>1,698</u>	<u>15,427</u>	<u>65,505</u>
Total pension liability - beginning	628,522	582,149	544,715	488,607	486,909	471,482	405,977
Total pension liability - ending	<u>\$ 645,458</u>	<u>\$ 628,522</u>	<u>\$ 582,149</u>	<u>\$ 544,715</u>	<u>\$ 488,607</u>	<u>\$ 486,909</u>	<u>\$ 471,482</u>
Political subdivision's net pension liability - ending	\$ (1,496)	\$ 81,110	\$ 47,681	\$ 46,368	\$ 82,353	\$ 56,323	\$ 33,941
Plan fiduciary net position as a percentage of the total pension liability	100.23%	88.57%	92.43%	92.16%	85.58%	89.63%	93.28%
Covered - employee payroll	\$ 251,603	\$ 277,933	\$ 266,652	\$ 240,435	\$ 232,595	\$ 224,111	\$ 224,954
Political subdivision's net pension liability as a percentage of covered-employee payroll	-0.59%	29.18%	17.88%	19.29%	35.41%	25.13%	15.09%

Virginia Highlands Airport Authority
 Schedule of Employer Contributions
 For the Years Ended June 30, 2015 through June 30, 2021

Exhibit B

Date	Contractually Required Contribution	Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2021	\$ 3,481	\$ 3,481	\$ -	\$ 251,603	1.38%
2020	14,982	14,982	-	277,933	5.39%
2019	14,781	14,781	-	266,652	5.54%
2018	11,829	11,829	-	240,435	4.92%
2017	10,975	10,975	-	232,595	4.72%
2016	8,471	8,471	-	224,111	3.78%
2015	10,975	10,975	-	232,595	4.92%

Virginia Highlands Airport Authority
 Schedule of Authority's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2017 through 2020

Exhibit C

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
2020	0.00136%	\$ 22,529	\$ 251,603	8.95%	52.64%
2019	0.00136%	22,131	277,933	7.96%	52.00%
2018	0.00126%	19,000	266,652	7.13%	51.22%
2017	0.00125%	19,000	240,435	7.90%	48.86%

Schedule is intended to show information for 10 years. Information prior to 2017 valuation is not available. However, additional years will be included as they become available.

Virginia Highlands Airport Authority
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2018 through June 30, 2021

Exhibit D

<u>Date</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2021	\$ 3,481	\$ 3,373	\$ -	\$ 251,603	1.38%
2020	3,641	3,641	-	277,933	1.31%
2019	3,493	3,493	-	266,652	1.31%
2018	3,149	3,149	-	240,435	1.31%

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation

Change of assumptions - The following changes in the actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table -RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

VIRGINIA HIGHLANDS AIRPORT AUTHORITY

SUPPORTING INFORMATION

JUNE 30, 2021

Virginia Highlands Airport Commission
A Component Unit of Washington County, Virginia
Schedule of Operating Expenses
For the Year Ended June 30, 2021

Schedule 1

	<u>Amount</u>
Operating Expenses:	
Advertising	\$ 3,223
Professional fees	27,499
Salaries	360,651
Travel and meetings	5,393
Dues and fees	15,355
Retirement and benefits	47,028
Utilities	47,617
Supplies	14,334
Insurance	40,284
Payroll taxes	32,163
Merchant processing fees	15,657
Depreciation	233,246
Repairs and maintenance	88,033
Miscellaneous	2,310
	<hr/>
Total Operating Expenses	<u>\$ 932,793</u>

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Department of Transportation		
Direct Payments:		
Airport Improvement Program	20.106 *	<u>\$ 9,930,502</u>
Total		<u>\$ 9,930,502</u>

* Denotes Major Program

Notes to the Schedule of Expenditures of Federal Awards

Note A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia Highlands Airport Authority under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Virginia Highlands Airport Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Highlands Airport Authority.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Virginia Highlands Airport Authority did not elect to use the 10% de minimus cost rate as it typically only requests direct costs for reimbursement.
- (4) No awards were passed through to subrecipients

Note B - SUBRECIPIENTS

No subrecipients for the year ended June 30, 2021.

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of Auditors' report issued:	Unmodified
Internal control over financials reporting: Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Section 200.516?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Identification of Federal Programs:

CFDA #	NAME OF FEDERAL PROGRAM OR CLUSTER
20.106	Airport Improvement Program