WINCHESTER REGIONAL AIRPORT AUTHORITY

SERVING THE TOP OF VIRGINIA

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2020 AND 2019

Table of Contents

WINCHESTER REGIONAL AIRPORT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD MEMBERS

Gene E. Fisher, Chairman

Gerald F. Smith, Jr., Secretary/Treasurer

Paul G. Anderson, Jr., Vice Chairman

Joseph H. Bailey

John W. Crawford

Archie A. Fox

Frank Haun

William W. Pifer

David C. Reichert

Executive Director: Nicholas Sabo

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | CONSULTANTS

Independent Auditors' Report

To the Honorable Members of the Board of Directors
Winchester Regional Airport Authority
Winchester, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Winchester Regional Airport Authority, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Winchester Regional Airport Authority, as of June 30, 2020 and 2019 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary 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 4-7 and 34-39 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winchester Regional Airport Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information 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 our report dated March 5, 2021, on our consideration of Winchester Regional Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Winchester Regional Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winchester Regional Airport Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 5, 2021

As management of the Winchester Regional Airport Authority we offer this narrative overview and analysis of the financial performance and overview of the Authority's financial activities for the fiscal years ended June 30, 2020 and 2019.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. earned but unused vacation leave).

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. The Required Supplementary Information can be found in Exhibits 4-9 on pages 49 through 55.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Authority's budgetary basis revenues and expenditures and capital revenues and expenses which can be found on pages 56 and 57.

Financial Highlights FY2020:

The assets and deferred outflows of resources of the Winchester Regional Airport Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $25,068,411.

Total direct operating expenses increased to $1,053,061 in FY2020 from $1,045,175 in FY2019. Capital contributions decreased to $500,521 in FY2020 from $607,615 in FY2019

Statement of Net Position:

The following table reflects the condensed Statements of Net Position:

Table 1
Summary of Statements of Net Position
As of June 30, 2020, 2019, and 2018

	June 30, 2020	June 30, 2019	June 30, 2018
Current assets	$ 199,108	$ 178,643	$ 212,849
Capital assets	26,740,114	25,970,481	26,896,483
Total assets	$ 26,939,222	$ 26,149,124	$ 27,109,332
Deferred outflows of resources	$ 127,045	$ 83,831	$ 64,698
Total assets and deferred outflows	$ 27,066,267	$ 26,232,955	$ 27,174,030
Current liabilities	$ 187,719	$ 143,541	$ 536,600
Long-term liabilities	1,769,599	457,247	494,298
Total liabilities	$ 1,957,318	$ 600,788	$ 1,030,898
Deferred inflows of resources	$ 40,538	$ 36,999	$ 57,524
Net position:			
Net investment in capital assets	$ 25,227,454	$ 25,730,218	$ 26,610,489
Unrestricted (deficit)	(159,043)	(135,050)	(524,881)
Total net position	$ 25,068,411	$ 25,595,168	$ 26,085,608
Total liabilities, deferred inflows of resources and net position	$ 27,066,267	$ 26,232,955	$ 27,174,030

The Authority's combined net position for 2020 (which is the Authority's bottom line) decreased $526,757 during the year. The Authority's combined net position for 2019 decreased $490,440 during the prior year.

Statements of Changes in Net Position:

The following table shows the revenues and expenses of the Authority for the past three fiscal years:

Table 2
Changes in Net Position
For the Fiscal Years Ended June 30, 2020, 2019, and 2018

	June 30, 2020	June 30, 2019	June 30, 2018
Operating revenues:			
Gross profit on sale of fuel, oil, and merchandise	$ 322,468	$ 369,318	$ 387,158
Rental accounts	547,917	453,048	397,794
Land leases	45,249	61,054	59,291
Contributions from participant localities	159,486	159,617	173,155
Other operating revenues	89,285	63,868	73,299
Total operating revenues	$ 1,164,405	$ 1,106,905	$ 1,090,697
Capital contributions	$ 500,521	$ 607,615	$ 2,358,767
Total revenues and contributions	$ 1,664,926	$ 1,714,520	$ 3,449,464
Direct operating expenses:			
Salaries and wages	$ 525,986	$ 521,490	$ 521,178
Fringe benefits	254,315	200,003	191,126
Professional services	24,380	41,568	30,827
Maintenance services	7,471	26,543	17,223
Contractual services	19,348	34,816	30,644
Utilities	84,010	81,287	80,835
Insurance	41,953	37,389	36,213
Materials and supplies	42,080	37,885	38,955
Other operating expenses	53,518	64,194	46,217
Total direct operating expenses	$ 1,053,061	$ 1,045,175	$ 993,218
Depreciation	1,082,770	1,146,356	1,032,108
Nonoperating expenses	24,150	6,014	815,372
Interest expense	31,702	7,415	8,684
Total expenses	$ 2,191,683	$ 2,204,960	$ 2,849,382
Increase in net position	$ (526,757)	$ (490,440)	$ 600,082
Net position, beginning of year	25,595,168	26,085,608	25,485,526
Net position, end of year	$ 25,068,411	$ 25,595,168	$ 26,085,608

Revenues:

For the fiscal year ended June 30, 2020, revenues and contributions decreased to $1,664,926 from $1,714,520. The most significant is the decrease in capital contributions of $107,094, due to a decrease in federal and state reimbursements for completion of the Northside Connector Construction. Operating revenues increased $104,350.

Expenses:

For the fiscal year ended June 30, 2020, operating expenses increased $7,886 and total expenses decreased $13,277. Depreciation in the amount of $1,082,770 represents 49% of total expenses. For the fiscal year ended June 30, 2019, operating expenses increased $51,957 and total expense decreased $644,422. The largest decrease in expense was legal fees which decreased $809,358. Depreciation in the amount of $1,146,356 for 2019 represented 52% of total expenses.

Capital Assets:

At the end of fiscal year 2020, the Authority has invested $26,740,114 in capital assets (net of accumulated depreciation). During the year the Buildings increased $1,282,785, which represents the purchase of hanger. The following table shows the change in capital assets for the fiscal year ended June 30, 2020:

Table 3
Governmental Funds
Change in Capital Assets

	Balance June 30, 2019	Net Additions/ Deletions	Balance June 30, 2020
Capital Assets:			
Land	$ 5,563,034	$ -	$ 5,563,034
Buildings	6,021,735	1,282,785	7,304,520
Improvements other than buildings	29,035,277	-	29,035,277
Furniture, fixtures and equipment	604,851	112,187	717,038
Construction in progress	234,816	457,431	692,247
Totals	$ 41,459,713	$ 1,852,403	$ 43,312,116

Additional information on capital assets can be found in Note 5.

Long-term Obligations:

The Authority increased its long-term obligations by $1,324,265 during the year due to issuance of $1,550,00 of VRA bonds to purchase a hanger. Interest costs during the year totaled $31,702 compared to $7,415 in the prior year, an increase of $31,702.

Additional information on long-term debt can be found in Note 6.

Economic Factors and Future Projects:

During the current year the Authority saw sales of fuel, oil and other merchandise decreased from $843,684 to $794,218, a decrease of $49,466 or 5.86%. Avgas sales decreased 8,919 gallons while Jet-A fuel sales de- 11,423 gallons.

Contacting the Authority's Financial Management:

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Authority's Executive Director, 491 Airport Road, Winchester, Virginia 22602.

- Basic Financial Statements -

Statements of Net Position
As of June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73,672	$ 63,264
Accounts receivable	39,696	32,157
Due from other governments	38,418	32,908
Inventory	45,637	48,622
Prepaid items	1,685	1,692
Total current assets	$ 199,108	$ 178,643
Noncurrent assets:		
Capital Assets (net of depreciation):		
Land	$ 5,563,034	$ 5,563,034
Construction in progress	692,247	234,816
Buildings	3,994,142	2,896,654
Improvements other than buildings	16,360,362	17,239,752
Furniture, fixtures and equipment	130,329	36,225
Total capital assets	$ 26,740,114	$ 25,970,481
Total noncurrent assets	$ 26,740,114	$ 25,970,481
Total assets	$ 26,939,222	$ 26,149,124
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	$ 117,834	$ 78,289
Group life deferrals	9,211	5,542
Total deferred outflows of resources	$ 127,045	$ 83,831
Total assets and deferred outflows of resources	$ 27,066,267	$ 26,232,955
LIABILITIES		
Current liabilities:		
Accounts payable	$ 122,630	$ 90,365
Long-term obligations, current portion	65,089	53,176
Total current liabilities	$ 187,719	$ 143,541
Noncurrent liabilities:		
Long-term obligations, noncurrent portion	$ 1,769,599	$ 457,247
Total liabilities	$ 1,957,318	$ 600,788
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	$ 38,120	$ 33,798
Group life deferrals	2,418	3,201
Total deferred inflows of resources	$ 40,538	$ 36,999
NET POSITION		
Net investment in capital assets	$ 25,227,454	$ 25,730,218
Unrestricted (deficit)	(159,043)	(135,050)
Total net position	$ 25,068,411	$ 25,595,168
Total liabilities, deferred inflows of resources and net position	$ 27,066,267	$ 26,232,955

The accompanying notes to financial statements are an integral part of this statement.

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Sales--fuel, oil and other merchandise	$ 794,218	$ 843,684
Less cost of goods sold	(471,750)	(474,366)
Gross profit on sales	$ 322,468	$ 369,318
Other operating revenues:		
Rental accounts	$ 547,917	$ 453,048
Land leases	45,249	61,054
Other services, fees, commissions	59,151	51,431
Contributions from participant localities	159,486	159,617
Operating grants	22,834	11,286
CARES Act	1,207	-
Miscellaneous	6,093	1,151
Total other operating revenues	$ 841,937	$ 737,587
Total operating revenues	$ 1,164,405	$ 1,106,905
Operating expenses:		
Salaries	$ 525,986	$ 521,490
Fringe benefits	254,315	200,003
Professional services	24,380	41,568
Repair and maintenance	7,471	26,543
Other contractual services	19,348	34,816
Utilities	84,010	81,287
Insurance	41,953	37,389
Materials and supplies	42,080	37,885
Other direct operating expenses	53,518	64,194
Total operating expenses	$ 1,053,061	$ 1,045,175
Operating income (loss) before depreciation	$ 111,344	$ 61,730
Depreciation	$ 1,082,770	$ 1,146,356
Operating income (loss)	$ (971,426)	$ (1,084,626)
Nonoperating revenues (expenses):		
Interest expense	$ (31,702)	$ (7,415)
Nonoperating expenses	(24,150)	(6,014)
Total nonoperating revenues (expenses)	$ (55,852)	$ (13,429)
Net income (loss) before capital contributions	$ (1,027,278)	$ (1,098,055)
Capital contributions	500,521	607,615
Change in net position	$ (526,757)	$ (490,440)
Net position - beginning of year	25,595,168	26,085,608
Net position - end of year	$ 25,068,411	$ 25,595,168

The accompanying notes to financial statements are an integral part of this statement.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

		2020		2019
Cash flows from operating activities:				
Receipts from customers and users	$	1,628,616	$	1,595,041
Payments to employees		(768,108)		(752,441)
Payments to suppliers		(701,531)		(821,943)
Net cash provided by (used for) operating activities	$	158,977	$	20,657
Cash flows from capital and related financing activities:				
Intergovernmental capital contributions	$	495,011	$	574,707
Nonoperating expenses		(24,150)		(6,014)
Interest expense		(31,702)		(7,415)
Purchase of property, equipment and construction in progress		(1,860,125)		(228,076)
Proceeds from issuance of debt		1,319,417		-
Retirement of indebtedness		(47,020)		(45,731)
Net cash provided by (used for) capital and related financing activities	$	(148,569)	$	287,471
Cash flows from noncapital and financing activities:				
Changes in bank overdraft	$	-	$	(244,864)
Net increase (decrease) in cash and cash equivalents	$	10,408	$	63,264
Cash and cash equivalents at beginning of year		63,264		-
Cash and cash equivalents at end of year	$	73,672	$	63,264
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$	(971,426)	$	(1,084,626)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation		1,082,770		1,146,356
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable		(7,539)		13,269
Due from other governments		-		501
Inventory		2,985		35,197
Prepaid items		7		(70)
Deferred outflows of resources - pension related		(39,545)		(17,181)
Deferred outflows of resources - OPEB related		(3,669)		(1,952)
Increase (decrease) in:				
Accounts payable		39,987		(59,022)
Compensated absences		8,120		(14,714)
Deferred inflows of resources - pension related		4,322		(20,052)
Deferred inflows of resources - OPEB related		(783)		(473)
Net OPEB liability		3,282		1,642
Net pension liability		40,466		21,782
Net cash provided by (used for) operating activities	$	158,977	$	20,657

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1 - BASIS OF PRESENTATION:

A. Organization and Purpose

The Winchester Regional Airport Authority was created by the City of Winchester and the Counties of Frederick, Clarke, Warren and Shenandoah to operate as a regional airport as provided in Chapter 3, Title 5.136 *Code of Virginia* (1950), as amended. On July 1, 1987 the City of Winchester executed and delivered a deed of quitclaim, discharge, transfer, and release to the Winchester Regional Airport Authority, all right, title, and interest of the City of Winchester in and to its several parcels of land owned by the City of Winchester and situated in Frederick County, Virginia, together with all improvements thereon and appurtenances there unto appertaining. The City also assigned all of the rights, title, and interest of the City in and to all franchises, leases, or other rights of whatsoever nature in connection therewith by agreement. Excepted from the conveyances is the property leased by Powlen Equipment Company. The City also conveyed to the Authority all of its rights, title, and interest in and to such personal property situated on the airport.

The Virginia Aviation Commission approved the transfer of the Commission's operator's license to the Authority. The Authority hired all of the Commission's employees and day-to-day operation of the airport was unchanged.

B. Financial Reporting Entity

The Authority has determined that it is a related organization to the City of Winchester and the Counties of Frederick, Clarke, Warren and Shenandoah in accordance with Governmental Accounting Standards Board Statements. However, the Authority is a legally separate organization whose board members consist of two members from the City of Winchester, four members from Frederick County, and one member from the Counties of Clarke, Warren and Shenandoah, respectively. Since neither the City nor any County can impose its will on the Authority and since there is no potential financial benefit or burden relationship, the City and the Counties are not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of either the City or any participating locality.

C. Deficit Funding

Pursuant to a “memorandum of understanding” dated December 13, 1994 between the County of Frederick and the City of Winchester, funding of the Authority’s operating deficits are to be shared by the County and City based on population, and capital costs are to be shared equally for years 1994 and 1995 and based on population in subsequent years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Management’s Discussion and Analysis:

The financial statements are required to be accompanied by a narrative introduction and analytical overview of the Authority’s financial activities in the form of “Management’s Discussion and Analysis” (MD&A).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Enterprise Fund Financial Statements:

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements consist of:

-- Enterprise fund financial statements
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

A. Financial Statement Presentation

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

B. Inventory

Fuel and oil inventory of the general aviation terminal is valued at cost using the first-in, first-out method of valuation.

C. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

D. Capital Assets

Capital assets are defined by the entity as assets with an initial, individual cost of at least $3,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is computed on the straight-line method over the following estimated lives:

Improvements other than buildings	25 years
Buildings	40 years
Furniture, fixtures and equipment	3 to 10 years

Depreciation expense is generally not computed on assets in their year of acquisition, and a full year is charged to operations in the year the asset is disposed of or removed from service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Cash and Cash Equivalents

For purposes of the statement of cash flows the Authority considers all highly liquid investments (including amounts in demand deposit as well as short-term investments) with a maturity of three months or less when purchased to be cash equivalents.

F. Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There is no allowance for uncollectible accounts at June 30, 2020 and 2019.

G. Budgetary Schedules

The supporting schedules as disclosed in the table of contents compare budget and actual data for operations and capital activity. A review of the budgetary comparisons presented herein will disclose how accurately the governing body was able to forecast the revenues and expenses of the Authority.

H. Revenue Recognition

Revenue from sales of fuel and services are recorded when earned. Rental revenues result from short-term lease agreements and similar arrangements. Contributions from localities are recognized when appropriated by the respective governing bodies of the participant localities. Federal and state grants are recorded on the basis of allowable reimbursable grant expenditures.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Compensated Absences

The Authority has a policy which allows for the accumulation and vesting of limited amounts of vacation leave until termination or retirement.

K. Operating and Nonoperating Income and Expenses

Operating revenues and expenses result from providing services in connection with air transportation. The principal operating revenues of the Authority are charges to customers for sales and services.

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's 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.

O. Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

The Authority's fiscal agent, the County of Frederick, Virginia, provides certain accounting and cash management functions for the Authority. As a part of this arrangement, the Authority participates in the County's common cash pool for its operating and capital cash requirements. At June 30, 2020 and 2019, the Authority's cash held by the County totaled overdrafts of $0 and ($244,864), respectively.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2020 and 2019, the Authority had no investments.

NOTE 4 - DUE FROM OTHER GOVERNMENTS:

Receivables due from other governmental units at year end are as follows:

	2020	2019
Commonwealth of Virginia Department of Aviation	$ 31,853	$ 1,333
Federal Aviation Administration	2,965	14,998
County of Frederick	1,640	12,433
City of Winchester	1,960	4,144
Total	$ 38,418	$ 32,908

NOTE 5 - CAPITAL ASSETS:

A summary of capital assets at June 30, 2020 and 2019 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	$ 5,563,034	$ -	$ -	$ 5,563,034
Construction in progress	234,816	457,431	-	692,247
Total capital assets not being depreciated	$ 5,797,850	$ 457,431	$ -	$ 6,255,281
Capital assets being depreciated:				
Buildings	$ 6,021,735	$ 1,282,785	$ -	$ 7,304,520
Improvements other than buildings	29,035,277	-	-	29,035,277
Furniture, fixtures and equipment	604,851	112,187	-	717,038
Total capital assets being depreciated	$ 35,661,863	$ 1,394,972	$ -	$ 37,056,835
Accumulated depreciation:				
Buildings	$ 3,125,081	$ 185,297	$ -	$ 3,310,378
Improvements other than buildings	11,795,525	879,390	-	12,674,915
Furniture, fixtures and equipment	568,626	18,083	-	586,709
Total accumulated depreciation	$ 15,489,232	$ 1,082,770	$ -	$ 16,572,002
Total capital assets being depreciated, net	$ 20,172,631	$ 312,202	$ -	$ 20,484,833
Capital assets, net	$ 25,970,481	$ 769,633	$ -	$ 26,740,114

NOTE 5 - CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 5,563,034	$ -	$ -	$ 5,563,034
Construction in progress	195,748	209,119	170,051	234,816
Total capital assets not being depreciated	$ 5,758,782	$ 209,119	$ 170,051	$ 5,797,850
Capital assets being depreciated:				
Buildings	$ 6,021,735	$ -	$ -	$ 6,021,735
Improvements other than buildings	28,865,226	170,051	-	29,035,277
Furniture, fixtures and equipment	593,616	11,235	-	604,851
Total capital assets being depreciated	$ 35,480,577	$ 181,286	$ -	$ 35,661,863
Accumulated depreciation:				
Buildings	$ 2,971,854	$ 153,227	$ -	$ 3,125,081
Improvements other than buildings	10,809,816	985,709	-	11,795,525
Furniture, fixtures and equipment	561,206	7,420	-	568,626
Total accumulated depreciation	$ 14,342,876	$ 1,146,356	$ -	$ 15,489,232
Total capital assets being depreciated, net	$ 21,137,701	$ (965,070)	$ -	$ 20,172,631
Capital assets, net	$ 26,896,483	$ (755,951)	$ 170,051	$ 25,970,481

Depreciation expense for the years 2020 and 2019 was $1,082,770 and $1,146,356, respectively.

Details of construction in progress at June 30, 2020 and June 30, 2019 are as follows:

Project	2020	2019
New Terminal Building	$ 255,402	$ 69,101
Taxiway A Relocation	431,380	163,215
Other projects	5,465	2,500
Total	$ 692,247	$ 234,816

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Authority for the years ended June 30, 2020 and June 30, 2019:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Current Portion
Direct Placements and Direct Borrowings:					
Note payable	$ 240,263	$ -	$ 47,020	$ 193,243	$ 48,361
VRA Bond	-	1,319,417	-	1,319,417	9,767
Compensated absences	61,493	8,120	-	69,613	6,961
Net pension liability	173,967	217,552	177,086	214,433	-
Net OPEB liability	34,700	11,502	8,220	37,982	-
Total long-term obligations	$ 510,423	$ 1,556,591	$ 232,326	$ 1,834,688	$ 65,089

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Current Portion
Direct Placements and Direct Borrowings:					
Note payable	$ 285,994	$ -	$ 45,731	$ 240,263	$ 47,027
Compensated absences	76,207	-	14,714	61,493	6,149
Net pension liability	152,185	195,047	173,265	173,967	-
Net OPEB liability	33,058	8,445	6,803	34,700	-
Total long-term obligations	$ 547,444	$ 203,492	$ 240,513	$ 510,423	$ 53,176

Details of Long-term Obligations:

	2020	2019
Direct Borrowings and Direct Placements:		
Note Payable:		
$1,770,014 Series 2004 VRA Airports Revolving fund loan dated April 1, payable in variable monthly installments from May 1, 2004 through April 1, 2024, interest at 4.907%. On March 16, 2017, the rate was readjusted to 2.8%.	$ 193,243	$ 240,263
VRA Bond:		
$1,550,000 Series 2019 VRA Airports Revolving fund loan dated September 30, 2019, payable in interest only payments until all loan amounts have been drawn, then variable monthly installments through October 1, 2044, interest at 2.9515%. Amount drawn on the bond as of June 30, 2020 was $1,319,417.	$ 1,319,417	$ -
Total long-term obligations	$ 1,512,660	$ 240,263

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest on balances of debt outstanding at June 30, 2020 are as follows:

	Direct Borrowings and Direct Placements			
	VRA Series 2004		VRA Series 2019	
	Principal	Interest	Principal	Interest
2021	$ 48,361	$ 4,785	$ 9,767	$ 38,919
2022	49,733	3,414	39,797	38,119
2023	51,143	2,003	40,988	36,928
2024	44,006	563	42,214	35,702
2025	-	-	43,477	34,439
2026	-	-	44,778	33,138
2027	-	-	46,118	31,799
2028	-	-	47,497	30,419
2029	-	-	48,918	28,998
2030	-	-	50,382	27,534
2031	-	-	51,889	26,027
2032	-	-	53,441	24,475
2033	-	-	55,040	22,876
2034	-	-	56,687	21,229
2035	-	-	58,383	19,533
2036	-	-	60,130	17,787
2037	-	-	61,929	15,988
2038	-	-	63,781	14,135
2039	-	-	65,689	12,227
2040	-	-	67,655	10,261
2041	-	-	69,679	8,237
2042	-	-	71,763	6,153
2043	-	-	73,910	4,006
2044	-	-	76,122	1,795
2045	-	-	19,383	97
Totals	$ 193,243	$ 10,765	$ 1,319,417	$ 540,821

NOTE 7 - COMPENSATED ABSENCES:

The Authority has accrued the liability arising from outstanding compensated absences.

Authority employees earn vacation and sick leave at a rate of 14-24 hours per month, based on years of service. The Authority has outstanding accrued vacation and sick pay and related benefits totaling $69,613 and $61,493 at June 30, 2020 and 2019, respectively.

NOTE 8 - PENSION PLAN:

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment, through the County of Frederick, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through County of Frederick, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

NOTE 8 - PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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.

NOTE 8 - PENSION PLAN: (CONTINUED)

Contributions: (Continued)

The Authority's contractually required contribution rate for the year ended June 30, 2020 was 11.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 $48,332 and $45,366 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

At June 30, 2020, the Authority reported a liability of $214,433 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2019 and 2018 as a basis for allocation. At June 30, 2019 and 2018, the Authority's proportion was 0.94% and 1.05%, respectively.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan 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 pension liabilities.

NOTE 8 - PENSION PLAN: (CONTINUED)

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.

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, 2018 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 and VRS Board action are as follows:

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

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 rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 8 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. 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 pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, 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 valuations, whichever was greater. From July 1, 2019 on, participating

NOTE 8 - PENSION PLAN: (CONTINUED)

Discount Rate: (Continued)

employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the Authority's proportionate share of the 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:

		Rate	
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	$ 457,118	$ 214,433	$ 22,361

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

For the year ended June 30, 2020, the Authority recognized pension expense of $56,030. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,733	$ 4,210
Change in assumptions	41,769	4,607
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	15,583
Net difference between projected and actual earnings on pension plan investments	-	13,720
Employer contributions subsequent to the measurement date	48,332	-
Total	$ 117,834	$ 38,120

NOTE 8 - PENSION PLAN: (CONTINUED)

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

$48,332 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30		
2021	$	11,680
2022		(569)
2023		12,329
2024		7,942
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity $2,275 and $2,130 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (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 Plan OPEB

At June 30, 2020, the entity reported a liability of $37,982 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.002090% as compared to 0.002285% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $1,365. 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, 2020, 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
Differences between expected and actual experience	$ 2,526	$ 493
Net difference between projected and actual earnings on GLI OPEB program investments	-	780
Change in assumptions	2,398	1,145
Changes in proportion	2,012	-
Employer contributions subsequent to the measurement date	2,275	-
Total	$ 9,211	$ 2,418

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (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 Plan OPEB: (Continued)

$2,275 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, 2021. 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:

Year Ended June 30		
2021	$	622
2022		621
2023		952
2024		1,117
2025		948
Thereafter		258

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-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 9 - GROUP LIFE INSURANCE (GLI) PLAN (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, 2018 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 and VRS Board action are as follows:

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%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Plan
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability: (Continued)

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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.

NOTE 9 - GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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 ended June 30, 2019, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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.

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

The following 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 49,898	$ 37,982	$ 28,318

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10 - LITIGATION:

As of June 30, 2020, management has no knowledge of any pending legal action against the Authority.

NOTE 11 - RISK MANAGEMENT:

The Authority contracts with commercial insurance carriers for property and liability coverages. Health insurance is provided through the County of Frederick's Health Insurance Fund, a public entity risk pool. Unemployment insurance is fully self-insured.

The amount of claims incurred but not reported as of June 30, 2020, relative to the Authority's participation in the County's health insurance plan is not available. The amount of unemployment claims unpaid and/or not reported at June 30, 2020 is insignificant.

There have been no reductions in insurance coverages or settlements in excess of insurance coverages in the past three fiscal years.

NOTE 12 - UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

NOTE 12 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

NOTE 13 – COVID-19 PANDEMIC:

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, which has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. Management is monitoring the situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

- Required Supplementary Information -

Schedule of Authority's Proportionate Share of the Net Pension Liability - Pension Plan
For the Measurement Dates of June 30, 2014 through 2019

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2019	0.9428%	$ 214,433	$ 409,575	52.35%	87%
2018	1.0531%	173,967	425,559	40.88%	90%
2017	1.0321%	152,185	394,832	38.54%	90%
2016	1.0913%	254,815	399,753	63.74%	88%
2015	1.1540%	181,119	417,580	43.37%	88%
2014	1.1361%	161,047	346,305	46.50%	89%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2014 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 48,332	$ 48,332	$ -	$ 438,753	11.02%
2019	45,366	45,366	-	409,575	11.08%
2018	45,705	45,705	-	425,559	10.74%
2017	42,405	42,405	-	394,832	10.74%
2016	48,570	48,570	-	399,753	12.15%
2015	59,645	59,645	-	417,580	14.28%
2014	44,777	44,777	-	346,305	12.93%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 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 and VRS Board action are as follows:

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

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 rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2019	0.0021%	$ 37,982	$ 409,637	9.27%	52.00%
2018	0.0023%	34,700	434,447	7.99%	52.00%
2017	0.0022%	33,058	413,440	8.00%	48.86%

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

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
Years Ended June 30, 2017 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	$ 2,275	$ 2,275	$ -	$ 439,336	0.52%
2019	2,130	2,130	-	409,637	0.52%
2018	2,259	2,259	-	434,447	0.52%
2017	2,075	2,075	-	413,440	0.50%

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

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 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 and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and	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% to 6.75%

- Other Supplementary Information -

Schedule of Revenues and Expenses--Budget and Actual
Budgetary Basis
Year Ended June 30, 2020

	Original Budget	Budget as Amended	Actual	Variance From Amended Budget Positive (Negative)
Operating revenues:				
Revenue from local sources:				
Sales--fuel, oil and other merchandise	$ 1,577,070	$ 1,617,070	$ 794,218	$ (822,852)
Rental accounts	-	-	547,917	547,917
Land leases	-	-	45,249	45,249
Other services, fees, commissions	-	-	59,151	59,151
Miscellaneous	-	10,000	6,093	(3,907)
Contributions from participant localities	159,486	196,486	159,486	(37,000)
Total revenue from local sources	$ 1,736,556	$ 1,823,556	$ 1,612,114	$ (211,442)
Revenue from the Commonwealth:				
Operating grants	$ 20,000	$ 20,000	$ 22,834	$ 2,834
Revenue from the Federal Government:				
CARES Act	$ -	$ -	$ 1,207	$ 1,207
Total operating revenues	$ 1,756,556	$ 1,843,556	$ 1,636,155	$ (207,401)
Operating expenses:				
Salaries	$ 514,940	$ 543,958	$ 525,986	$ 17,972
Fringe benefits	245,576	251,038	254,315	(3,277)
Professional services	28,000	28,000	24,380	3,620
Repair and maintenance	26,650	28,731	7,471	21,260
Other contractual services	15,000	15,000	19,348	(4,348)
Utilities	78,020	86,720	84,010	2,710
Insurance	39,650	43,031	41,953	1,078
Materials and supplies	80,500	82,200	42,080	40,120
Merchandise for resale	551,470	569,549	471,750	97,799
Equipment rental	31,500	31,500	28,638	2,862
Other operating expenses	85,984	55,063	24,880	30,183
Total operating expenses	$ 1,697,290	$ 1,734,790	$ 1,524,811	$ 209,979
Nonoperating expenses:				
Interest expense	$ 59,266	$ 108,766	$ 31,702	$ 77,064
Total expenses	$ 1,756,556	$ 1,843,556	$ 1,556,513	$ 287,043
Excess (deficiency) of revenues over (under) expenses	$ -	$ -	$ 79,642	$ 79,642

Schedule of Capital Revenues and Expenses--Budget and Actual
Budgetary Basis
Year Ended June 30, 2020

	Original Budget	Revised Budget	Actual	Variance From Amended Budget Positive (Negative)
Capital Contributions:				
Capital revenues from local sources:				
Clarke County	$ -	$ -	$ 2,500	$ 2,500
Shenandoah County	-	-	5,000	5,000
Warren County	-	-	-	-
Frederick County	409,164	409,164	53,756	(355,408)
City of Winchester	140,994	140,994	19,884	(121,110)
Total capital revenues from local sources	$ 550,158	$ 550,158	$ 81,140	$ (469,018)
Capital revenues from the Commonwealth:				
General aviation terminal building study	$ 1,616,842	$ 1,616,842	$ 149,040	$ (1,467,802)
Apron Design	-	-	19,717	19,717
Taxiway A relocation	-	-	1,702	1,702
Fuel farm corrosion control	-	-	7,970	7,970
Total capital revenues from the Commonwealth	$ 1,616,842	$ 1,616,842	$ 178,429	$ (1,438,413)
Capital revenues from the Federal Government:				
Taxiway A relocation	$ -	$ -	$ 19,143	$ 19,143
Apron Design	468,000	468,000	221,811	(246,189)
Total capital revenues from the Federal Government	$ 468,000	$ 468,000	$ 240,954	$ (227,046)
Total capital contributions	$ 2,635,000	$ 2,635,000	$ 500,523	$ (2,134,477)
Capital expenses:				
Professional services-legal	$ 8,205	$ 8,205	$ -	$ 8,205
Machinery and equipment	341,510	341,510	95,529	245,981
State eligible maintenance repairs	55,000	55,000	40,808	14,192
LG Corp Hanger	1,270,285	1,270,285	1,270,285	-
General Rennovations	1,500,000	1,500,000	-	1,500,000
Relocate Taxiway A	528,187	528,187	268,165	260,022
Terminal Building and design	695,000	695,000	186,300	508,700
Acquire land	-	-	2,965	(2,965)
Total capital expenses	$ 4,398,187	$ 4,398,187	$ 1,864,052	$ 2,534,135
Excess (deficiency) of capital revenues over (under) expenses	$ (1,763,187)	$ (1,763,187)	$ (1,363,529)	$ 399,658

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' 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 Honorable Members of the Board of Directors
Winchester Regional Airport Authority
Winchester, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Winchester Regional Airport Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Winchester Regional Airport Authority's basic financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winchester Regional Airport Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Winchester Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winchester Regional 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 Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Winchester Regional 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
March 5, 2021