



Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Financial Report

June 30, 2026

Chesapeake Airport Authority

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Independent Auditor's Report

To the Board of Directors of
Chesapeake Airport Authority
Chesapeake, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Chesapeake Airport Authority, a component unit of the City of Chesapeake, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Chesapeake Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Chesapeake Airport Authority, as of June 30, 2026, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2026, the Chesapeake Airport Authority adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the pledged revenue coverage schedule but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2026, on our consideration of the Chesapeake 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 the Chesapeake 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 the Chesapeake Airport Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 5, 2026



Financial Statements

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Statement of Net Position

June 30, 2026

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 700,601
Grants receivable	1,835
Accounts receivable, other	32,246
Total current assets	<u>734,682</u>

RESTRICTED ASSETS

Bond escrows, cash and cash equivalents (Note 3)	<u>510,022</u>
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CAPITAL ASSETS (Note 4)

Improvements	32,333,495
Land and easements	3,495,338
Construction in progress	83,777
Equipment	<u>319,992</u>
	36,232,602
Accumulated depreciation	<u>(21,207,942)</u>
Net capital assets	<u>15,024,660</u>
	<u>\$ 16,269,364</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 13,167
Hangar security deposits	27,355
Office space security deposits	200
Accrued interest	69,353
Unearned revenue	37,976
Current portion of compensated absences (Note 6)	21,594
Current portion of bonds payable (Note 5)	<u>187,849</u>
Total current liabilities	<u>357,494</u>

NONCURRENT LIABILITIES

Compensated absences, less current portion (Note 6)	32,090
Bonds payable, less current portion (Note 5)	<u>3,601,892</u>
Total noncurrent liabilities	<u>3,633,982</u>

NET POSITION

Net investment in capital assets	11,234,919
Restricted	510,022
Unrestricted	<u>532,947</u>
Total net position	<u>12,277,888</u>
	<u>\$ 16,269,364</u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2026

OPERATING REVENUES

Rental income	\$ 665,709
Reimbursements and fees collected	98,693
Other income	11,648
Total operating revenues	<u>776,050</u>

OPERATING EXPENSES

Salaries and wages	281,237
Maintenance	166,591
Storm water management fees	102,795
Payroll taxes and employee benefits	83,445
Waste disposal costs	73,188
Utilities	58,092
Insurance	51,817
Professional fees	43,698
Supplies	21,397
Telephone	10,847
Grant expense	10,521
Advertising	7,688
Conference and meetings	5,137
Other expenses	928
Total operating expenses	<u>917,381</u>
Operating loss before depreciation	<u>(141,331)</u>

DEPRECIATION

Operating loss	<u>(898,807)</u>
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NONCAPITAL SUBSIDIES

City appropriations (Note 8)	457,948
Grant revenue	28,965
Total noncapital subsidies	<u>486,913</u>
Operating loss and noncapital subsidies	<u>(411,894)</u>

OTHER NONOPERATING REVENUES (EXPENSES)

Capital contributions, grants	705,617
Interest income	15,363
Interest expense	(135,145)
Total other nonoperating revenues (expenses)	<u>585,835</u>
Change in net position	173,941

NET POSITION

Beginning of year	<u>12,103,947</u>
End of year	<u><u>\$ 12,277,888</u></u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Statement of Cash Flows

Year Ended June 30, 2026

OPERATING ACTIVITIES

Cash receipts from customers	\$ 903,670
Cash payments to employees for services	(287,819)
Cash payments for other operating expenses	(1,120,575)
Net cash used in operating activities	<u>(504,724)</u>

NONCAPITAL FINANCING ACTIVITIES

City appropriations	457,948
Interest income	15,363
Grant revenue	28,965
Net cash provided by noncapital financing activities	<u>502,276</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of bonds payable	(181,201)
Acquisition of property and equipment	(25,326)
Capital contributions	706,964
Interest expense	(144,770)
Net cash provided by capital and related financing activities	<u>355,667</u>
Net increase in cash and cash equivalents	<u>353,219</u>

CASH AND CASH EQUIVALENTS

Beginning of year	857,404
End of year	<u><u>\$ 1,210,623</u></u>

**CASH AND CASH EQUIVALENTS, AS SHOWN ON
THE STATEMENT OF NET POSITION**

Cash and cash equivalents, current assets	\$ 700,601
Cash and cash equivalents, restricted assets	510,022
	<u><u>\$ 1,210,623</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (898,807)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	757,476
Change in current assets and liabilities:	
Accounts receivable, other	98,960
Accounts payable	(9,817)
Due to City	(475,000)
Hangar and office space security deposits	386
Unearned revenue	28,660
Compensated absences	(6,582)
Net cash used in operating activities	<u><u>\$ (504,724)</u></u>

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Note 1 – Organization and Nature of Business

Chesapeake Airport Authority (the “Authority” or “CAA”) was created on March 10, 1966, by Chapter 133 of the Acts of Assembly of 1966 of the Commonwealth of Virginia to construct, operate, and maintain an airport to serve the needs of the City of Chesapeake (the “City”).

Note 2 – Summary of Significant Accounting Policies

Reporting Authority

The Authority is considered a component unit of the City for governmental accounting standards purposes. The criteria for including the Authority within the City’s reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 and Statement No. 61 (which amends Statement No. 14), *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either the ability to impose the primary government’s will or the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. Specifically, the Authority is considered a component unit because of the City Council’s ability to appoint the Board members and the Authority’s financial dependency on the City; this gives the City the potential to impose its will on the Authority.

Basis of Accounting

The Authority utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred.

The Authority follows the reporting requirements for special purpose governments involved in business-type activities, which provide an Authority-wide perspective in the financial statement presentation. These standards require presentation of Management’s Discussion and Analysis as required supplementary information, and presentation of a statement of net position, statement of revenues, expenses, and changes in net position using a specified format which distinguishes between operating and nonoperating revenues and expenses, and statement of cash flows using the direct method.

The statement of net position presents the Authority’s assets and liabilities, with the difference reported as net position. Net position is categorized into three components:

Net Investment in Capital Assets - represents the Authority’s total investment in capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position - results when constraints placed on net position use are either externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - consists of net position which does not meet the definition of the two preceding categories.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash - Bond Escrows

Upon the issuance of the Series 1999 Bonds, and pursuant to the Master Indenture to those bonds, the Authority and the bond trustee established (1) a Debt Service Account for the monthly accumulation of funds for the annual payment of the principal amount and the semi-annual payment of the interest amount of the annual debt service of the bonds and (2) a Debt Service Reserve Account in which the Authority is required to deposit amounts sufficient to maintain the Debt Service Reserve in an amount equal to the annual Debt Service Requirement. This requirement is equal to the maximum amount of required payments for principal and interest on the Series 1999 Bonds including mandatory sinking fund redemptions with respect to the Bonds, scheduled to come due in any year.

With the refunding of the Series 1999 Bonds, this requirement of the Master Indenture continues to apply to the Series 2022 Bond. As of June 30, 2026, the Authority was in compliance with the above requirements.

Capital Assets

Capital assets, which include property, plant and equipment, are generally defined by the Authority as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year and are stated at cost. Assets acquired by grant or bequest are recorded at their fair value on the date of transfer. When assets are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently.

Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Improvements	5 – 40 years
Equipment	5 – 10 years

Maintenance and ordinary repairs are charged to expenses as incurred. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

Grants Receivable

Grants receivable represent the amount of allowable expenditures incurred for which funding has been approved but not yet been received. Since this balance consists of amounts owed by the federal and state governments, it is considered fully collectible at year-end, and as such, no allowance has been recorded.

Compensated Absences

Authority employees accrue annual leave and sick leave each pay period at amounts based on years of service and at fixed rates, respectively. Employees may accumulate, subject to certain limitations, unused annual and sick leave earned and, upon retirement, termination, or death, may be compensated for certain amounts at specified rates. A liability is recognized for the amount of leave that has been earned for services already rendered and is estimated to be used or

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

taken, at current pay rates at year-end, plus salary-related payments such as the employer share of Social Security and Medicare taxes.

Operating and Nonoperating Classification

The Authority's operations are accounted for as a proprietary fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are those identified by GASB Statement No. 103 and are limited to (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Included within nonoperating revenues and expenses are noncapital subsidies which support operations and keep current and future fees lower such as noncapital grants.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported during that period. Actual results could differ from those estimates and assumptions.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. Deductibles and coverage limits at June 30, 2026, are as follows:

	<u>Deductibles</u>
Property:	
Blanket building, each building	\$ 5,000
Blanket personal property	5,000
Airport operator's liability:	
Each occurrence or offense deductible	As endorsed
Aggregate deductible	As endorsed
Hangarkeepers limit any one aircraft	1,000
Hangarkeepers limit any one occurrence	1,000
Workers' compensation	None

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

	<u>Liability Coverage Limits</u>
Property:	
Blanket building	\$ 20,586,583
Airport operator's liability:	
Bodily injury	5,000,000
Products-completed operations	5,000,000
Malpractice	5,000,000
Fire damage	50,000
Medical expense	1,000
Hangarkeepers limit any one aircraft	5,000,000
Hangarkeepers limit any one occurrence	5,000,000
Non-owned aircraft liability	5,000,000
Automobile:	
Liability	1,000,000
Uninsured motorist	1,000,000
Workers' compensation	Statutory

There have been no significant reductions in insurance coverage from the prior year, and any settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Adoption of New Accounting Standard

Effective for the fiscal year beginning July 1, 2025, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. Statement No. 103 was implemented to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Note 3 – Cash, Cash Equivalents, and Investments

Deposits

The Authority follows a deposit policy in accordance with statutes of the Commonwealth of Virginia. All of the Authority's deposits were insured by federal depository insurance and also insured under the provisions of the Commonwealth of Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions. The carrying amount of the Authority's deposits was \$681,161 at June 30, 2026, and the associated bank balance was \$694,524. Of this amount, \$444,524 was in excess of FDIC limits but was covered by the Act at June 30, 2026. The differences between the Authority's carrying value of deposits and the bank balance were due to outstanding checks, deposits in transit, and other reconciling items. The Authority also had bond escrows invested in open-ended money market funds of \$510,022 at June 30, 2026.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Investment Policy

Statutes authorize local governments and other public bodies 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 and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, 2026, the Authority had an investment of \$19,440 in Virginia’s LGIP money market funds and is included in cash and cash equivalents on the statement of net position.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority’s portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. Government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. Government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. Government or Agency securities.

Interest Rate Risk

The Authority is exposed to little interest rate risk since all investments had maturities of less than one year at June 30, 2026.

Note 4 – Capital Assets

A summary of changes in capital assets for the Authority follows:

	<u>July 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2026</u>
Capital assets not being depreciated:				
Construction in progress	\$ 97,698	\$ -	\$ (13,921)	\$ 83,777
Land and easements	3,490,588	4,750	-	3,495,338
Total capital assets not being depreciated	<u>\$ 3,588,286</u>	<u>\$ 4,750</u>	<u>\$ (13,921)</u>	<u>\$ 3,579,115</u>
Other capital assets:				
Equipment	\$ 319,992	\$ -	\$ -	\$ 319,992
Improvements	32,298,998	34,497	-	32,333,495
Total other capital assets at historical cost	<u>32,618,990</u>	<u>34,497</u>	<u>-</u>	<u>32,653,487</u>
Less accumulated depreciation:				
Equipment	(257,007)	(17,831)	-	(274,838)
Improvements	(20,193,459)	(739,645)	-	(20,933,104)
Total accumulated depreciation	<u>(20,450,466)</u>	<u>(757,476)</u>	<u>-</u>	<u>(21,207,942)</u>
Total capital assets being depreciated, net	<u>12,168,524</u>	<u>(722,979)</u>	<u>-</u>	<u>11,445,545</u>
Capital assets, net	<u>\$ 15,756,810</u>	<u>\$ (718,229)</u>	<u>\$ (13,921)</u>	<u>\$ 15,024,660</u>

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Note 5 – Bonds Payable

The Authority issued Airport Revenue Bonds dated January 1, 1999, in the amount of \$2,500,000. The bonds were to finance the costs incurred in connection with the acquisition and equipping of airplane hangars and related facilities at the Chesapeake Municipal Airport. Interest payments, of 2.74% per annum, were due semiannually beginning August 1, 1999, and principal payments were due annually beginning December 1, 2000. The bonds were collateralized by the net operating revenues of the Authority and the bond escrows. To take advantage of historically low interest rates, the Authority refunded the Series 1999 Bond through the issuance of a Series 2011 Bond which matured August 2024. The Series 1999 Bond was retired on November 30, 2011.

The Authority issued a Series 2022 Airport Revenue Bond in June 2022 in the amount of \$4,500,000. The purpose of the bond is to finance the construction and equipping of airplane hangars and related facilities for administrative and flight school purposes at the Chesapeake Municipal Airport. Interest payments only, of 3.66% per annum, were due annually in January 2024 and 2025 and semiannual principal and interest payments were due beginning July 2025. The bond is collateralized by the net operating revenues of the Authority and the bond escrow and matures July 2042.

Activity in Series 2022 bonds payable for fiscal year 2026 is as follows:

Description	Balance July 1, 2025	Issued	Retired	Balance June 30, 2026	Amount Due Within One Year
Total bonds outstanding	\$ 3,970,942	\$ -	\$ 181,201	\$ 3,789,741	\$ 187,849

Future maturities for the Series 2022 bond are as follows at June 30, 2026:

Year Ending	Principal	Interest	Total
2027	\$ 187,849	\$ 137,003	\$ 324,852
2028	194,787	130,065	324,852
2029	201,981	122,870	324,851
2030	209,441	115,410	324,851
2031	217,177	107,674	324,851
2032-2036	1,212,298	411,959	1,624,257
2037-2041	1,453,338	170,919	1,624,257
2042	112,870	2,066	114,936
	<u>\$ 3,789,741</u>	<u>\$ 1,197,966</u>	<u>\$ 4,987,707</u>

Note 6 – Compensated Absences

The following is a summary of changes in compensated absences reported in the statement of net position for the fiscal year ended June 30, 2026:

Compensated absences - July 1, 2025	\$ 60,266
Net change	(6,582)
Balance - June 30, 2026	53,684
Less current portion	(21,594)
Long-term compensated absences - June 30, 2026	<u>\$ 32,090</u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Note 7 – Regulated Leases

The Authority has one land lease agreement with a business who owns the structure located on the land and uses the location to serve as Flight Based Operators (FBO) and Specialized Aeronautical Services Operators (SASO) that offer flight training, aircraft maintenance, and other aviation services.

In 2025, the Authority entered into a long-term lease agreement with a business who uses the premises to serve as FBO that offer flight training, aircraft maintenance, and other aviation services. The lease includes non-aeronautical components for retail space leased, which are estimated to be immaterial to the lease as a whole, so this lease has not been reported in accordance with GASB Statement No. 87, *Leases*.

In 2026, the Authority entered into a long-term lease agreement of a hangar with a business which allows them to use the premises for the purpose of aircraft assembly, light manufacturing of aircraft, and related maintenance, repair, and inspection to be performed on the business' aircraft.

Total regulated lease-related inflows of resources were \$115,677 for the year ended June 30, 2026, and are included in rental income on the statement of revenues, expenses, and changes in net position. Total variable payments were \$31,878 for the year ended June 30, 2026, and are included in reimbursements and fees collected on the statement of revenues, expenses, and changes in net position.

Expected future minimum lease payments to be received under this lease are as follows:

<u>Year Ending</u>	
2027	\$ 145,043
2028	163,043
2029	73,043
2030	50,737
2031	3,371
2032-2036	16,855
2037-2040	12,360
	<u><u>\$ 464,452</u></u>

Note 8 – Related Party Transactions

The Airport received direct financial support from the City in the form of annual appropriated funds for payroll and benefits for Airport personnel in the amount of \$457,948.

Note 9 – Contingencies

State and Federal Grants

In connection with various grants awarded by the Commonwealth of Virginia and the Federal Aviation Administration (FAA), the Authority is required to operate an airport facility in the public interest for a period of 20 years commencing on the execution date of such grants. Should the Authority terminate the agreement, the State (or Federal government) shall be entitled to reimbursement of a proportionate share of the original grant. Management has no intentions of terminating this agreement and, accordingly, no liability has been established at June 30, 2026.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2026

Note 10 – Commitments

At June 30, 2026, the Authority has contractual commitments of approximately \$241,000 for work remaining to be performed under outstanding contracts for capital projects.

Note 11 – Pension Plan

Plan Description

The Authority joined the City's Employees' Pension Plan, an agent multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Annually, the City appropriates funding to cover the operating costs of the Authority in its entirety, including payroll and related benefits. Any unused funding is returned to the City, while deficiencies are shown as amounts due to the Authority. As part of this arrangement, the City has assumed any post-retirement liabilities of the Authority, including pensions and other post-employment benefits. While the Authority funds its portion of its participation in the City's pension plan, that expense is wholly reimbursed by the City. As a result, there are no pension or other post-employment benefits liabilities on the Authority's financial statements.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the City of Chesapeake in total and, as such, a separate report for the Authority is not provided. A copy of the City of Chesapeake's report may be obtained by writing to VRS at P.O. Box 2500, Richmond, Virginia 23218.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate was 18.04% of annual payroll for full-time employees for 2026.

Annual Pension Cost

The Authority's contributions to the VRS for 2026 was \$48,675, which equaled the required contributions for each year and are included in payroll taxes and employee benefits on the statement of revenues, expenses and changes in net position.



Compliance Section

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 of Directors of
Chesapeake Airport Authority
Chesapeake, 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 Chesapeake Airport Authority, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Chesapeake Airport Authority's basic financial statements, and have issued our report thereon dated October 5, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chesapeake Airport Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chesapeake Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Chesapeake 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 or significant deficiencies may exist that were not identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chesapeake Airport Authority's financial statements are free of 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 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 Chesapeake Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 5, 2026

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Summary of Compliance Matters

June 30, 2026

As more fully described in the 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*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia:

Cash and Investment Laws

Conflicts of Interest Act

Uniform Disposition of Unclaimed Property Act

Procurement Laws



Other Information

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Pledged Revenue Coverage
Year Ended June 30, 2026

SERIES 2022 AIRPORT REVENUE BOND

Gross revenues	\$ 1,249,361
Less operating expenses	<u>(917,381)</u>
Net revenues available for debt service (a)	<u>\$ 331,980</u>
Debt service:	
Principal	\$ 181,201
Interest	<u>135,145</u>
Total debt service (b)	<u>\$ 316,346</u>
Debt service coverage (a) / (b)	105%