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FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2026

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FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fort Monroe Authority
Fort Monroe, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Fort Monroe Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Fort Monroe Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Fort Monroe Authority, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions* (the Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fort Monroe 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 opinions.

Responsibilities of Management for the Financial Statements

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

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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 Fort Monroe 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.

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Specifications we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fort Monroe 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 Fort Monroe Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules relating to pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Monroe Authority's basic financial statements. The Schedule of Planning and Development Expenditures- General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the Schedule of Planning and Development Expenditures – General Fund 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 September 28, 2026, on our consideration of Fort Monroe 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 Fort Monroe 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 Fort Monroe Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 28, 2026

The management of Fort Monroe Authority (Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority, as of and for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes.

Financial Highlights

- The Authority's consolidated net position increased during the fiscal year by $1.26 million (M). The increase resulted from a net increase from governmental activities of $2.28M offset by a net deficit of $1.02M from business-type activities.
- The net operating surplus, prior to transfers, from governmental activities decreased versus the prior fiscal year by $1.9M. Total General revenues decreased by $226 thousand (K) compared to the prior fiscal year, while operating expenses increased by $1.66M compared to the prior year.
- The net operating deficit, prior to transfers, from business-type activities decreased by $1.5M. Revenues for the fiscal year increased by $166K while expenses decreased by $1.7M compared to the prior year.
- For the fiscal year, the Authority had $19.37M in total revenues compared to $19.43M in the prior year. Governmental activities accounted for $11.4M in revenue. The revenues came from state General Fund appropriations ($8.23M), intergovernmental transfers and other grants ($3.01M), and other income ($139.3K). Business-type charges for services for the fiscal year, principally rental income, accounted for $7.98M in revenue compared to $7.81M in the prior year.
- Consolidated operating expenses of the Authority for the fiscal year totaled $18.11M compared to $14.74M in the prior year. Operating expenses and transfers for governmental activities (reuse and redevelopment planning) were $7.81M compared to $6.14M in the prior year. Operating expenses and transfers related to business-type activities (property leasing and maintenance, utility operations, and special events) were $10.32M compared to $8.60M in the prior year.
- For fiscal years 2026 and 2025, the Authority's capital assets were $6.51M and $4.41M, net of accumulated depreciation, respectively.
- As of June 30, 2026 and 2025, the Authority had no outstanding debt.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and required and other supplementary information.

The Authority's financial statements present two types of statements, each with a different snapshot of the Authority's finances. This focus is on both the Authority as a whole (government-wide) as well as on the individual funds. The government-wide financial statements provide both long and short-term information about the Authority's overall financial status. The fund financial statements (government and enterprise) focus on the individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis for comparison (year-to-year or entity-to-entity), and enhance the Authority's accountability to its public stakeholders.

Government-Wide Financial Statements

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The focus of the Statement of Net Position is to report the entity's net position and how it may have changed from year to year. Net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the Authority's financial health or financial position. Over time, increases or decreases in an entity's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The Statement of Activities is focused on both the gross and net cost of various functions, which are supported by program revenues. All the current-year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. This statement summarizes and simplifies the user's analysis of the cost of governmental activities.

Component Unit of the Commonwealth of Virginia

Established by an Act of the 2010 General Assembly (FMA Act) on July 1, 2010, the Authority became the successor in interest by law to the Fort Monroe Federal Area Development Authority (FMFADA). Building on the work of the FMFADA, the Authority continues to focus on the preservation of the historic buildings, structures, and viewsheds at Fort Monroe; the education and interpretation of the history of the property; and the creation of business revenue through adaptive reuse of existing structures at Fort Monroe to reduce the future financial burden on the Commonwealth of Virginia (Commonwealth).

The FMA Act (Virginia Code Section 2.2-2336 et seq.) established the Authority as a public body corporate and political subdivision of the Commonwealth to perform essential governmental functions of the Commonwealth. The FMA Act establishes the organization of the Board of Trustees of the Authority and also sets out certain powers and duties of the Authority. The FMA Act allows the Authority to manage its own financial activities subject to certain provisions, including the requirement that the accounts of the Authority be audited annually by the Auditor of Public Accounts. Since the Authority was created to serve as the Commonwealth's management agent, since the Governor of the Commonwealth appoints a majority of the Authority's Board of Trustees, and since the Authority is largely dependent on General Fund appropriations to meet its obligations, the Authority is determined to be a component unit of the Commonwealth. The information contained in these audited financial statements will be discretely presented in the Commonwealth's annual financial reports.

Beginning in fiscal year 2011, the Authority first engaged in business-type activities, notably the sub-leasing of 118 apartments and 30 single-family residential units leased from the United States Army (Army). During fiscal year 2012, the Authority expanded its business-type activities by leasing an additional 147 residential units and approximately 200,000 square feet of commercial and community space from the Army. During fiscal year 2013, with the consent of the U.S. Army Corps of Engineers, the Authority deconstructed the 118 apartment units after significant damage was caused by Hurricane Sandy. The Authority continued to lease and manage 177 residential units and lease commercial space to governmental and private tenants.

Beginning in fiscal year 2013, the Authority was required to present the Fort Monroe Foundation as a blended component unit.

On June 14, 2013, the Army transferred 312.75± acres of reversionary property and all improvements to Commonwealth ownership. A portion of the reversionary property totaling 38.18± acres was not transferred due to potential environmental hazards covered under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

Beginning fiscal year 2014, the Authority took responsibility for the natural gas, water, and sewer master-metered accounts and began processing utility invoices to third party tenants at Fort Monroe. As a result, the Fort Monroe utility sub-fund was created as an additional business-type activity.

On August 25, 2015, the Commonwealth donated 121.1± acres and all the improvements thereon to the U.S. Department of the Interior as part of the Fort Monroe National Monument.

On April 14, 2017, the U.S. Army transferred 73.81± acres and all improvements to the Authority under the terms of the Economic Development Conveyance Agreement (EDC) between the parties executed on January 10, 2017. The Authority simultaneously deeded the property to the Commonwealth. A portion of the EDC property totaling 9.37± acres was not transferred due to potential environmental hazards covered under CERCLA.

During fiscal year 2018, the Fort Monroe Foundation made changes to its governance and by-laws. As a result, the Authority is no longer required to report the Fort Monroe Foundation financial statements as a blended component unit of the Authority.

During 2018, the Army completed remedial investigations and, in certain cases, remedial actions to address any environmental concerns governed by CERCLA. After approval of the remedial actions by the Virginia Department of Environmental Quality, the Army transferred 4.21± acres of reversionary property and all improvements to the Commonwealth by deed signed on January 24, 2019. On March 12, 2019, the Army transferred 9.37± acres of EDC property and all improvements to the Fort Monroe Authority. On April 15, 2019, the Army transferred 33.97± acres of reversionary property and all improvements to the Commonwealth of Virginia.

On July 15, 2020, the Commonwealth and the Authority executed a Deed of Confirmation to transfer the 9.37± acre EDC environmental parcel to the Commonwealth and to establish consistency of title in the name of Commonwealth of Virginia, Fort Monroe Authority as provided by § 2.2-1148 of the Code of Virginia.

On December 9, 2021, the Army transferred 4.97± acres of reversionary land and improvements to the Commonwealth. This deed for this parcel transferred responsibility for the long-term ground lease for the former Chamberlin Hotel to the Commonwealth.

As of June 30, 2023, the Commonwealth has received all expected reversionary and non-reversionary property transfers from the Army. As of this date, the Commonwealth owns 317.98± acres of land at Fort Monroe and all the improvements thereon (the buildings and infrastructure) and therein (the underground utility systems).

The United States Department of the Interior, acting through the National Park Service, owns 121.1± acres of property at Fort Monroe. The U.S. Coast Guard retains ownership of the .057-acre parcel on which the Old Point Comfort Lighthouse is located. The Army retains ownership of 122.29± acres of federal surplus land that will be transferred directly to the Department of the Interior as part of the Fort Monroe National Monument once the environmental remediation process is complete.

Fund Financial Statements

General Fund – The General Fund is used to account for the financial resources appropriated for the planning and implementation of the reuse plan for the Commonwealth-owned property at Fort Monroe. The General Fund will also include operating and compliance costs associated with the natural gas, water, sewer, and stormwater infrastructure. The operation of the Casemate Museum and the Visitor and Education Center are accounted for as part of the General Fund.

Enterprise Fund – The Enterprise Fund is used to account for the financial resources generated from business-type activities.

- The 318± acres at Fort Monroe owned by the Commonwealth include 81 residential buildings comprising 178 residential units containing approximately 417.8K square feet and 32 associated garage buildings containing approximately 41.9K square feet. The revenue generated by the leasing of these residential homes to the public on short-term leases and the associated operating costs is accounted for in the residential leasing sub-fund.
- The Commonwealth property at Fort Monroe includes 132 non-residential buildings and structures containing approximately 1.47M square feet of commercial and administrative space. The leasing revenue and operating expenses for these buildings are accounted for in the commercial leasing sub-fund.
- With the June 2013 transfer of a portion of the Army property to Commonwealth ownership, which included the underground utility infrastructure, the Authority took responsibility for natural gas, water, and sewer utility systems and accounts. In November 2013, the Authority began billing third-party users for natural gas, water, and sewer consumption. To track the utility revenue and costs, the Authority established a utility sub-fund. In April 2021, the electric utility contract agreement with Dominion Energy was transferred to the Authority. The Authority reports the billing for electric consumption in the utility fund as well.
- The Authority also provides free and ticketed special event activities and event venue rentals to public and private parties. These activities are reported in a separate sub-fund of the Enterprise Fund.

These four sub-funds are reported on a consolidated basis in the Enterprise Fund section of these financial statements.

Financial Analysis of the Authority as a Whole

Net Position:

The following table reflects the condensed net position of the Authority (in thousands):

Table 1 – Net Position
At June 30, 2026 and 2025

	Governmental Activities		Business-Type Activities		Government-Wide Activities	
	2026	2025	2026	2025	2026	2025
Current and Other Assets	$ 8,868.2	$ 9,819.8	$ 15,624.0	$ 17,800.4	$ 24,492.2	$ 27,620.2
Capital Assets	6,095.5	4,037.3	416.8	375.3	6,512.3	4,412.7
Total Assets	14,963.7	13,857.2	16,040.8	18,175.7	31,004.5	32,032.9
Deferred Outflows of Resources	655.9	551.5	105.6	88.8	761.5	640.2
	15,619.6	14,408.7	16,146.4	18,264.5	31,766.0	32,673.2
Current and Other Liabilities	5,121.9	6,205.5	1,595.0	1,688.4	6,717.0	7,893.9
Total Liabilities	5,121.9	6,205.5	1,595.0	1,688.4	6,717.0	7,893.9
Deferred Inflows of Resources	379.8	367.0	12,177.5	13,176.3	12,557.4	13,543.3
	5,501.8	6,572.5	13,772.6	14,864.8	19,274.3	21,437.2
Net Position:						
Net investment in Capital Assets	6,017.6	3,721.3	416.8	375.3	6,434.4	4,096.7
Restricted	1,076.8	1,082.7	18.7	16.3	1,095.5	1,099.0
Unrestricted	3,023.4	3,032.2	1,938.3	3,008.1	4,961.8	6,040.3
Total Net Position	$ 10,117.8	$ 7,836.2	$ 2,373.8	$ 3,399.7	$ 12,491.7	$ 11,235.9

As of June 30, 2026, the Authority had total assets and deferred outflows of resources of $31.76M compared to $32.67M as of June 30, 2025. Total liabilities and deferred inflows of resources as of June 30, 2026, were $19.30M compared to $21.43M at the end of the prior fiscal year. As of June 30, 2026, the Authority's combined net position was $12.46M compared to $11.24M as of June 30, 2025.

During the fiscal year, the Authority's total assets and deferred outflows of resources decreased by $1M. Current and other assets, which consist of cash, cash equivalents, restricted cash, and receivables, decreased by $3.1M over the prior year. The majority of this category is the lease receivable accrual resulting from the implementation of Government Accounting Standards Board (GASB) Statement No. 87 *Leases* (See Note 12) beginning on July 1, 2022. Capital assets, net of depreciation, which includes tangible assets, capitalized leasing commissions, and construction in process increased by $2.09 M over the prior year. Deferred outflows of resources, which are related to the Authority's pension and postemployment benefit (OPEB) obligations increased by $121K.

During the fiscal year, the Authority's total liabilities and deferred inflows of resources decreased by $2.1M. For the fiscal year, current and other liabilities decreased by $1.1M compared to the prior fiscal year-end. Deferred inflows of resources, which are related to the Authority's pension, postemployment benefit (OPEB), and lease liabilities decreased by $1.0M. The majority of the deferred inflows is related to the implementation of GASB 87 for lease accounting.

Changes in Net Position:

The following table reflects revenues and expenses for the current and prior fiscal years (in thousands):

Table 2 – Changes in Net Position
Years Ended June 30, 2026 and 2025

	Governmental Activities		Business-Type Activities		Government-Wide Activities	
	2026	2025	2026	2025	2026	2025
Revenues:						
Program Revenue:						
Charges for Services	$ -	$ -	$ 7,397.7	$ 7,207.6	$ 7,397.8	$ 7,207.6
Capital Grants and Contributions	3,012.1	3,573.4	-	-	3,012.1	3,573.4
General Revenues:						
Operating Appropriations	8,231.6	7,903.2	-	-	8,231.6	7,903.2
Other Revenues	139.3	132.7	584.7	608.6	723.9	741.3
Total Revenues	11,383.0	11,609.2	7,982.4	7,816.2	19,365.5	19,425.4
Expenses/Transfers:						
Planning and Development	7,811.0	6,142.0	-	-	7,811.0	6,142.0
Property Admin and Maintenance	-	-	10,298.7	8,600.6	10,298.7	8,600.6
Total Expenses	7,811.0	6,142.0	10,298.7	8,600.6	18,109.7	14,742.6
Change before Transfers	3,572.1	5,467.2	(2,316.3)	(784.4)	1,255.8	4,682.8
Transfers	(1,290.4)	(572.9)	1,290.4	572.9	-	-
Change in Net Position	2,281.6	4,894.3	(1,025.9)	(211.5)	1,255.8	4,682.8
Net Position - Beginning of Year	7,836.2	2,941.9	3,399.7	3,611.2	11,235.9	6,553.1
Net Position - End of Year	$ 10,117.9	$ 7,836.2	$ 2,373.8	$ 3,399.7	$ 12,491.7	$ 11,235.9

Revenues:

Government-wide revenue for the fiscal year totaled $19.37M compared to $19.42M in the prior fiscal year. Governmental activity revenue for the fiscal year totaled $11.34M compared to $11.61M in the prior year. The majority of revenues attributable to governmental activities result from state appropriations from the Commonwealth of Virginia's General Fund. For the year ended June 30, 2026, General Fund appropriations were $8.2M compared to $7.9M in the prior fiscal year. Grants and other governmental transfers for the fiscal year were $3.01M compared to $3.57M for the prior year. Total other revenues were $139K compared to $132K in the prior fiscal year.

Business-type activities generated $7.98M in revenues during the current fiscal year compared to $7.82M for the prior fiscal year.

Expenses:

Government-wide expenses for the fiscal year ended June 30, 2026, were $18.13M compared to $14.74M in the prior fiscal year, an increase of $3.39M. These expenses represent the costs for the development of and planning for the implementation of the reuse plan for the 318± acres of Commonwealth property at Fort Monroe, Virginia (governmental activity) and the costs of operation for the residential and commercial leasing activities, the utility fund, and special events activities (business-type activities). For the fiscal year, governmental activity expenses totaled $7.81M, an increase of $1.67M over the prior year. Business-type activity expenses for the fiscal year totaled $10.3M, a decrease of $1.72M compared to the prior year.

Financial Analysis of the Authority's Funds

For fiscal years 2026 and 2025, the Authority operated two funds – the Governmental Fund and the Enterprise (Business-type) Fund. A fund is a grouping of related accounts that is used to maintain accountability and control over resources that have been segregated for specific activities or objectives. The Authority's Governmental Fund reflects operations of its planning and redevelopment efforts that are predominantly funded by Virginia appropriations. The Authority's Enterprise Fund reflects business-related operations. The fund financial statements provide a more detailed look at the Authority's most significant activities by focusing on the individual activities of the major funds.

For fiscal year 2026, Governmental Fund expenditures were $10.06M. This amount includes the cost of staffing and benefits for the majority of the Authority's employees, the cost of the public works, site-wide security, and other consulting contracts, and the costs for the operation of the Casemate Museum and Fort Monroe Visitor and Education Center.

Enterprise Fund expenses for the fiscal year were $10.3M. These costs include the cost of staffing and benefits for Authority employees in residential and special events operations, as well as the costs for the repair and maintenance, insurance, utility, and payment in lieu of tax expenses for all building and structures not used by the Authority. The Enterprise Fund expenses include the net operating costs for electric, natural gas, water, and sewer utility systems. The Enterprise Fund also includes expenses related to the Authority's event production and venue rentals activities.

Capital Assets and Long-Term Financing Activity

Capital Assets:

As of June 30, 2026, the Authority had invested $6.51M in net capital assets as reflected in Table 3 (reflected in thousands). This amount includes $59.7K in nondepreciable donations, $5.75M for construction in process, $726K in capitalized leasing commissions and tenant improvements (which are amortized over the term of the related leases), $496.9K in depreciable assets, and $517.1K in accumulated depreciation and amortization. For comparison, as of June 30, 2025, the Authority had net capital assets of $4.41M. This amount included $59.7K in nondepreciable donations, $3.66M for construction in process, $632.5K in capitalized leasing commissions and tenant improvements, $437.5K in depreciable assets, and $376.9K in accumulated depreciation and amortization. The Authority depreciates or amortizes assets based on straight-line methodology over the useful life of the asset.

Capital Assets and Long-Term Financing Activity

Table 3 – Capital Assets
At June 30, 2026 and 2025

	Governmental Activities		Business-Type Activities		Government-Wide Activities	
	2026	2025	2026	2025	2026	2025
Donated Artifacts for Museum	$ 59.7	$ 59.7	$ -	$ -	$ 59.7	$ 59.7
Construction in Process	5,746.7	3,659.9	-	-	5,746.7	3,659.9
Leasing Commissions	-	-	492.5	486.8	492.5	486.8
Tenant Improvements	-	-	233.5	145.7	233.5	145.7
Motor Vehicle Equipment	264.9	264.9	9.1	9.1	274.0	274.0
Furniture and Equipment	201.3	142.0	21.6	21.6	222.9	163.5
Accumulated Depreciation	(177.2)	(89.1)	(339.9)	(287.8)	(517.1)	(376.9)
Total Capital Assets, Net	$ 6,095.5	$ 4,037.3	$ 416.8	$ 375.3	$ 6,512.3	$ 4,412.7

Short- and Long-Term Financing Activity:

As of June 30, 2025 and 2024, the Authority has no outstanding debt.

Currently Known Facts, Decisions, or Conditions

The Virginia state and Hampton Roads regional economies are heavily impacted by federal spending levels, particularly in Department of Defense (DoD) installations and contracts. November 2026 federal elections may result in a change in control of one or both houses of the U.S. Congress which could impact federal spending at the state and regional levels.

The Authority remains largely dependent on Virginia general fund appropriations to bridge the gap between revenue received from business activities and the cost to maintain the property including the large inventory of vacant commercial buildings. The general outlook for state tax revenue remains strong, but any significant downturn in the economy or change in federal spending levels may result in the state reducing the general fund appropriations provided to the FMA similar to the mandatory reductions in FY15-16.

The lingering impact of the pandemic on remote and hybrid work arrangements continues to affect space requirements for commercial tenants, resulting in a reduction in or loss of occupied commercial space, while also limiting the potential for new commercial lease transactions. During FY26, the FMA lost another commercial tenant who ceased operations at Fort Monroe. The loss of the tenant reduced commercial enterprise fund revenue which will increase the net operating deficit in the commercial enterprise fund for FY27, requiring more transfers from the government fund to maintain operations.

In February 2023, the Authority signed contingent long-term ground leases for the first two of the four sites and option agreements for the other two sites. The FMA and developer closed on the financing in April 2025 for the first three buildings which transferred capital repair, maintenance, insurance, and real estate tax expenses to the developer. In December 2025, the FMA executed another contingent ground lease for three additional buildings. The FMA expects to close the contingency requirements with the developer during FY27, which will transfer the carrying repair costs for the three buildings to the developer. The adaptive reuse of these buildings will have a positive impact on FY27 commercial net operating deficit by reducing expenses. The FMA hopes to sign a fourth contingent ground lease with the same developer for 8 additional buildings in FY27.

In FY14 and FY21 the Authority received a total of $40.3M in capital outlay appropriations for infrastructure capital repair and replacement projects at Fort Monroe to replace obsolete utility and transportation infrastructure. The FMA received $50M of additional capital outlay funds in the FY25 budget and $12.8M in the FY27 budget. With the additional capital project funding, the Authority can continue to execute capital replacement projects to upgrade the utility infrastructure to meet code requirements. Once the projects are complete, approximately 415K square feet of unoccupied commercial space will be unlocked for private development activity. Until those buildings are transferred to private developers, the FMA will continue to carry approximately $1.7M in annual insurance, payment in lieu of taxes, utility, and maintenance costs.

The Authority continues to struggle to fill replacement or new employee positions. The FY26 budget reflected a staffing level of 38 full-time employees (FTE) and 8 part-time and wage employees (PTE). The FMA ended FY26 with 28 FTEs and 6 PTEs. While the vacancies created a FY26 positive variance against budget of $422.1K, those unfilled positions, especially in the project management and trades departments, created reduced the rate that repair projects were designed, bid, and constructed. The delay in addressing the necessary repairs combined with the current inflationary environment combine to increase the cost of the deferred maintenance.

Contacting the Authority's Financial Management

This financial report is designed to provide users (citizens, taxpayers, customers, clients, investors, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives.

Questions concerning this report or requests for additional information should be directed to Deputy Executive Director, Fort Monroe Authority, 20 Ingalls Road, Fort Monroe, Virginia, 23651, telephone 757-637-7778, or visit the Authority's website at www.fortmonroe.org.

BASIC FINANCIAL STATEMENTS

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash and Cash Equivalents	$ 4,648,976	$ 1,101,468	$ 5,750,444
Restricted Cash and Cash Equivalents	3,398,099	340,418	3,738,517
Grants and Other Receivables, Net	467,861	552,918	1,020,779
Internal Balances	17,502	(17,502)	-
Prepaid Expenses	206,396	16,820	223,216
Lease Receivable	-	13,609,133	13,609,133
Net OPEB Asset, VSDP	129,399	20,756	150,155
Capital Assets:			
Nondepreciable Capital Assets	5,806,431	-	5,806,431
Depreciable Capital Assets, Net	289,053	416,779	705,832
Total Assets	14,963,717	16,040,790	31,004,507
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Amounts	559,429	90,114	649,543
Other Postemployment Benefit Deferrals:			
Deferred VSDP OPEB Amounts	19,505	3,128	22,633
Deferred DHRM OPEB Amounts	19,761	3,170	22,931
Deferred GLIP OPEB Amounts	25,597	4,106	29,703
Deferred HICP OPEB Amounts	31,589	5,067	36,656
Total Deferred Outflows of Resources	655,881	105,585	761,466
Total Assets and Deferred Outflows of Resources	$ 15,619,598	$ 16,146,375	$ 31,765,973
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 784,778	$ 781,629	$ 1,566,407
Accrued Salaries	39,625	7,506	47,131
Accrued Payroll Tax and Benefits	75,927	-	75,927
Unearned Revenues	2,437,806	166,282	2,604,088
Deposits Payable	-	370,585	370,585
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences	201,001	15,163	216,164
Due In More than One Year:			
Net Pension Liability	1,337,268	214,492	1,551,760
Total OPEB Liability, DHRM	66,890	10,729	77,619
Net OPEB Liability, GLIP	63,599	10,201	73,800
Net OPEB Liability, HICP	115,020	18,449	133,469
Total Liabilities	5,121,914	1,595,036	6,716,950
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Amounts	275,318	44,160	319,478
Deferred Inflows - Leases	-	12,116,597	12,116,597
Other Postemployment Benefit Deferrals:			
Deferred VSDP OPEB Amounts	32,353	5,188	37,541
Deferred DHRM OPEB Amounts	35,827	5,746	41,573
Deferred GLIP OPEB Amounts	15,788	2,531	18,319
Deferred HICP OPEB Amounts	20,554	3,298	23,852
Total Deferred Inflows of Resources	379,840	12,177,520	12,557,360
NET POSITION			
Net Investment in Capital Assets	6,017,587	416,779	6,434,366
Restricted for Homeless Support Services	943,447	-	943,447
Restricted for Other Postemployment Benefits	116,551	18,696	135,247
Restricted for Employee Benefits	16,846	-	16,846
Unrestricted	3,023,413	1,938,344	4,961,757
Total Net Position	10,117,844	2,373,819	12,491,663
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 15,619,598	$ 16,146,375	$ 31,765,973

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

		Program Revenues			Net Revenues (Expenses) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Functions/Programs:							
Governmental Activities:							
Planning and Development	$ 7,810,965	$ -	$ -	3,012,134	$ (4,798,831)	$ -	$ (4,798,831)
Business-Type Activities:							
Property Administration and Maintenance	10,298,690	7,397,698	-	-	-	(2,900,992)	(2,900,992)
Total	$ 18,109,655	$ 7,397,698	$ -	$ 3,012,134	(4,798,831)	(2,900,992)	(7,699,823)
General Revenues:							
Operating Appropriations from the Commonwealth of Virginia					8,231,606	-	8,231,606
Other Revenues					139,286	584,653	723,939
Transfers					(1,290,413)	1,290,413	-
Total General Revenues and Transfers					7,080,479	1,875,066	8,955,545
CHANGE IN NET POSITION					2,281,648	(1,025,926)	1,255,722
Net Position - Beginning of Year					7,836,196	3,399,745	11,235,941
NET POSITION - END OF YEAR					$ 10,117,844	$ 2,373,819	$ 12,491,663

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
BALANCE SHEET
GENERAL FUND
JUNE 30, 2026

ASSETS		
Cash and Cash Equivalents	$	4,648,976
Restricted Cash and Cash Equivalents		3,398,099
Grants and Other Receivables		467,861
Due from other Funds		17,502
Prepaid Expenditures		206,396
Total Assets	$	8,738,834
LIABILITIES		
Accounts Payable	$	784,778
Accrued Salaries		39,625
Accrued Payroll Tax and Benefits		75,927
Unearned Revenue		2,437,806
Total Liabilities		3,338,136
FUND BALANCE		
Nonspendable		206,396
Restricted		960,293
Unassigned		4,234,009
Total Fund Balance		5,400,698
Total Liabilities and Fund Balance	$	8,738,834

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Amounts reported in the Statement of Net Position differ from fund amounts as follows:

Fund Balance - General Fund	$ 5,400,698
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	6,095,484
The net pension liability is not due and payable in the current period and, therefore, is not reported as a liability in governmental funds.	(1,337,268)
The net OPEB asset is not a current financial resource and, therefore, is not reported as an asset in governmental funds.	129,399
The net OPEB liability is not due and payable in the current period and, therefore, is not reported as a liability in governmental funds.	(245,509)
Deferred outflows and inflows of resources related to the net pension liability are not recognized in governmental funds.	284,111
Deferred outflows and inflows of resources related to the net OPEB asset/liability are not recognized in governmental funds.	(8,070)
Annual leave is not due and payable in the current period and, therefore, is not reported in governmental funds.	(201,001)
Net Position of Governmental Activities	$ 10,117,844

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2026

REVENUES	
Intergovernmental Revenues:	
State	$ 11,243,740
Other	36,031
Interest	103,257
Total Revenues	11,383,028
EXPENDITURES	
Current Expenditures:	
Planning and Development	6,779,226
Capital Outlay	3,283,064
Total Expenditures	10,062,290
EXCESS OF REVENUES OVER EXPENDITURES	1,320,738
OTHER FINANCING USES	
Transfers Out	(1,290,413)
NET CHANGE IN FUND BALANCE	30,325
Fund Balance - Beginning of Year	5,370,373
FUND BALANCE - END OF YEAR	$ 5,400,698

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GENERAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Amounts reported in the Statement of Activities differ from fund amounts as follows:

Net Change in Fund Balance - General Fund	$	30,325
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense.		
Capital Outlays		2,146,199
Depreciation Expense		(88,061)
		2,058,138
Some expenses reported in the Statement of Activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Annual Leave		(23,143)
Pension		153,183
OPEB		63,145
		193,185
Change in Net Position	$	2,281,648

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2026

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,101,468
Restricted Cash and Cash Equivalents , Security Deposits	340,418
Accounts Receivables	552,918
Lease Receivable, Current Portion	776,484
Prepaid Expenses	16,820
Total Current Assets	2,788,108
Noncurrent Assets:	
Net OPEB Asset, VSDP	20,756
Lease Receivable, Net of Current Portion	12,832,649
Capital Assets:	
Capital Assets, net of Depreciation and Amortization	416,779
Total Noncurrent Assets	13,270,184
Total Assets	16,058,292
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Amounts	90,114
Deferred VSDP OPEB Amounts	3,128
Deferred DHRM OPEB Amounts	3,170
Deferred GLIP OPEB Amounts	4,106
Deferred HICP OPEB Amounts	5,067
Total Deferred Outflows of Resources	105,585
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	781,629
Accrued Salaries	7,506
Due to General Fund	17,502
Compensated Absences, Current Portion	15,163
Unearned Revenues	166,282
Deposits Payable	370,585
Total Current Liabilities	1,358,667
Noncurrent Liabilities:	
Net Pension Liability	214,492
Net OPEB Liability, DHRM	10,729
Net OPEB Liability, GLIP	10,201
Net OPEB Liability, HICP	18,449
Total Noncurrent Liabilities	253,871
Total Liabilities	1,612,538
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Leases	12,116,597
Deferred Pension Amounts	44,160
Deferred VSDP OPEB Amounts	5,188
Deferred DHRM OPEB Amounts	5,746
Deferred GLIP OPEB Amounts	2,531
Deferred HICP OPEB Amounts	3,298
Total Deferred Inflows of Resources	12,177,520
NET POSITION	
Net Investment in Capital Assets	416,779
Restricted for Other Postemployment Benefits	18,696
Unrestricted	1,938,344
Total Net Position	$ 2,373,819

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – ENTERPRISE FUND
YEAR ENDED JUNE 30, 2026

OPERATING REVENUES	
Charges for Services:	
Rental Income and Other Tenant Charges	$ 5,474,462
Utility Income	1,923,236
Total Operating Revenues	7,397,698
OPERATING EXPENSES	
Facilities Maintenance and Operation	9,794,826
General and Administrative	451,742
Depreciation	52,122
Total Operating Expenses	10,298,690
OPERATING LOSS	(2,900,992)
NONCAPITAL SUBSIDIES	
Transfers In	1,290,413
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	(1,610,579)
OTHER NONOPERATING REVENUES (EXPENSES)	
Interest Income	584,653
Total Other Nonoperating Revenues (Expenses)	584,653
INCREASE (DECREASE) IN FUND NET POSITION	(1,025,926)
Fund Net Position - Beginning of Year	3,399,745
FUND NET POSITION - END OF YEAR	$ 2,373,819

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
YEAR ENDED JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Tenants	$ 7,308,960
Paid to Employees	(46,728)
Payments to Suppliers for Goods and Services	(10,331,229)
Net Cash Used by Operating Activities	(3,068,997)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Interfund Borrowing	1,295,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(93,556)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	584,653
Net Cash Provided by Investing Activities	584,653
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,282,437)
Cash and Cash Equivalents - Beginning of Year	2,724,323
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,441,886

See accompanying Notes to Basic Financial Statements.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
STATEMENT OF CASH FLOWS – ENTERPRISE FUND (CONTINUED)
YEAR ENDED JUNE 30, 2026

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (2,900,992)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	52,122
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:	
Accounts Receivable	259,554
Prepaid Expenses	(7,777)
Net OPEB Asset	(4,502)
Lease Receivable	641,621
Deferred Outflows of Resources Related to Pension and OPEB	(16,812)
Accounts Payable and Accrued Expenses	(76,884)
Accrued Salaries	1,271
Accrued Annual Leave	(13,236)
Unearned Revenues	6,815
Deposits Payable	4,130
Net Pension Liability	(12,295)
Net OPEB Liability	(3,212)
Deferred Inflows of Resources Related to Pension and OPEB	2,058
Deferred Inflows of Resources - Leases	(1,000,858)
Total Adjustments	(168,005)
Net Cash Used by Operating Activities	$ (3,068,997)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash And Cash Equivalents	$ 1,101,468
Restricted Cash and Cash Equivalents	340,418
Total	$ 1,441,886

See accompanying Notes to Basic Financial Statements.

NOTE 1 NATURE AND PURPOSE OF ORGANIZATION

The Fort Monroe Authority (the Authority) is a political subdivision of the Commonwealth of Virginia (the Commonwealth), created by legislative action of the Virginia General Assembly in 2010 to preserve, protect, and manage Fort Monroe and Old Point Comfort after the federal Base Realignment and Closure Commission (BRAC) closure in September 2011. It is a separate and distinct legal entity that is governed by a 14-member Board of Trustees (the Board). The Board includes 12 voting members comprised of 2 members of the General Assembly, 2 appointees selected by the City of Hampton, Virginia (the City) and 8 appointees selected by the Governor of Virginia, as well as 2 nonvoting ex officio members of the Governor's Cabinet.

The Authority is considered a component unit of the Commonwealth, as its Board is primarily appointed by the Commonwealth and, as such, the Authority is included as a discretely presented component unit in the basic financial statements of the Commonwealth.

The Authority has been funded primarily through intergovernmental revenues provided by the Commonwealth and the Federal Office of Economic Adjustment. In August 2010, through leases with the United States Army (the Army), the Authority began subleasing residential and commercial properties on Fort Monroe for business-type revenues.

On June 14, 2013, when the Governor of Virginia signed a Quitclaim Deed transferring ownership of a 312.75-acre parcel of the Fort Monroe property from the Army to the Commonwealth, the Authority has been responsible for the operations of the utilities, maintenance, and security of the property while the Army and the Authority complete the conveyance process of the remainder of the 565-acre Fort Monroe property to the Commonwealth and National Park Service. As of June 30, 2023, the Army retains ownership of 122.29± acres of federal surplus land that will be transferred directly to the Department of the Interior as part of the Fort Monroe National Monument.

Fort Monroe Foundation is a private, 501c3 entity established in 2011. The mission of the Foundation is to promote and sustain Fort Monroe, its programs and partners, through fundraising and stewardship of financial resources. The Authority is not financially accountable for the Fort Monroe Foundation and is not responsible for appointing board members and therefore are excluded from these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based upon the Authority as a whole) and fund financial statements. These statements distinguish between the governmental and business-type activities of the Authority. For 2026, the Authority had two funds:

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

General Fund

The General Fund is the primary operating fund of the Authority. It accounts for the Authority's financial resources from state and federal funding. In general, the General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Enterprise Fund

The Enterprise Fund accounts for the Authority's financial resources generated from leasing residential and commercial rental properties; billing the tenants, both commercial and residential, for electricity, natural gas, water, and sewer; providing free and ticketed special event activities and event space rentals to public and private parties; and leasing marina slips.

The government-wide statement of net position reports all financial and capital resources of the Authority's governmental and business-type activities. It is presented in a net position format (assets plus deferred outflows less liabilities and deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position, and unrestricted net position.

Activity between funds that are representative of lending/borrowing arrangements are referred to as "internal balances" and represent the amount outstanding at the end of the fiscal year between governmental and business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The program revenues must be directly associated with the function.

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues are presented as general revenues.

Separate fund financial statements are provided for the General Fund and the Enterprise Fund activities and report additional and detailed information about the Authority's operations. A reconciliation is provided that converts the results of the governmental fund accounting to the government-wide presentation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The government-wide and Enterprise Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

General Fund financial statements are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if collected within 60 days after year-end. Expenditures are recognized when the related fund liability is incurred.

When both restricted and unrestricted resources are available for a particular use, it is the Authority’s policy to use restricted resources first.

The Authority adopts an annual budget for the General and Enterprise Fund. The budget has been prepared on a basis consistent with the modified accrual basis of accounting and accounting principles generally accepted in the United States of America (U.S. GAAP). A budgetary comparison schedule has been provided in the required supplementary information to demonstrate compliance with the budget.

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand, security deposits, and certificates of deposit, with an original maturity of three months or less.

Restricted Cash

Cash whose use is restricted for security deposits, flex spending accounts, and the homeless trust fund account for the benefit of homeless persons is segregated on the statement of net position.

Prepaid Expenditures/Expenses

Certain payments to vendors represent applicable to future periods and are recorded as prepaid items in the basic financial statements.

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost in the government-wide and Enterprise Fund financial statements. Donated assets are recorded at acquisition value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the estimated lives as follows:

Motor Vehicle Equipment	5 Years
Furniture and Equipment	5 to 7 Years

The Commonwealth, not the Authority, owns the Fort Monroe property; however, the Authority, in the course of its operations and management, is responsible for the upkeep and improvement of the property. At the advisement of the Commonwealth, all equipment acquisitions with an individual cost of $50,000 and all land, building, and infrastructure acquisitions with an individual cost of $100,000 will be transferred to the Commonwealth as capital assets. All acquisitions not meeting these thresholds will be expensed on the Authority's books. Construction in process represents assets under construction expected to meet the transfer threshold.

Leases

A lease receivable and an offsetting deferred inflow of resources was recognized for the present value of the lease payments expected to be received during the lease term. Interest income is recognized on the lease receivable at the Authority's incremental borrowing rate ranging from of 3.25% to 8.50%.

Deposits Payable

Deposits payable consist of up-front rent deposits received for commercial and residential leases as well as deposits received for special events.

Compensated Absences

Employees accrue leave each pay period based on years of service. The Authority has established maximums for annual carryforward balances and for maximum payment of unused leave, based on years of service. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of annual, sick, and personal/family leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Authority's plans and the additions to/deductions from the Authority's plans net fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS or the System) and the Department of Human Resource Management (DHRM). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period, and so it will not be recognized as an expense until then. The Authority's deferred outflows of resources related to pensions and OPEB consist of the difference between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so it will not be recognized as revenue until then. The Authority's deferred inflows of resources related to pensions and OPEB consist of the difference between expected and actual experience, changes of assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows from leases are recognized as lease revenue by using straight-line amortization over the life of the lease.

Amounts reported as deferred outflows of resources related to pensions and OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the liability the following year. Other amounts reported as deferred inflows and deferred outflows of resources will be amortized according to the actuarial amortization calculation. See Notes 8, 9, and 10 for further details.

Unearned Revenues

Unearned revenues consist of prepayments for fees charged by the Enterprise fund and advance payments from grantors in the General fund.

Fund Balance

In accordance with U.S. GAAP, the Authority may classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Authority has spending constraints imposed upon the use of the resources in the governmental fund.

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of governments or is imposed by law through constitutional provisions or enabling legislation. The Authority can be compelled by an external party to use resources only for the purposes specified.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of Commonwealth of Virginia legislature or the Authority's Board. Those committed amounts cannot be used for any other purpose unless the same type of formal action is taken to remove or change the specified commitment. Committed fund balance classification may be redeployed for other purposes with appropriate, formal action.

Assigned fund balance amount classification is intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Commissioners, appointed in accordance with the provisions of the Enabling Act.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

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

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints are imposed by third parties by enabling legislation.

Implementation of New Accounting Standards

GASB Statement No. 103, *Financial Reporting Model Improvements*, was implemented during the current fiscal year. This statement modifies certain financial reporting and disclosure requirements for state and local governments. The adoption of GASB Statement No. 103 had no significant impact on the Authority's financial statements and did not result in any restatement of beginning net position/fund balance. However management's discussion and analysis and the budget to actuary comparison schedules have been enhanced.

NOTE 3 CASH AND CASH EQUIVALENTS

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by Federal Depository Insurance. Cash consisted of the following as of June 30, 2026:

Operating Accounts:	
General Fund	$ 4,648,976
Enterprise Fund	1,101,468
Total Operating Accounts	5,750,444
Restricted Accounts:	
General Fund:	
Flex Spending Accounts	16,846
African Landing Memorial	3,112,173
Homeless Support Services	269,080
Enterprise Fund:	
Security Deposits on Residential Leases	292,926
Security Deposits on Commercial Leases	47,492
Total Restricted Accounts	3,738,517
Total Cash and Cash Equivalents	$ 9,488,961

	Carrying Amount	Bank Amount
Cash on Hand	$ 850	$ -
Demand Deposits	5,749,594	5,914,479
Restricted Demand Deposits	3,738,517	3,907,415
Total	$ 9,488,961	$ 9,821,894

NOTE 4 CAPITAL ASSETS

The following is a summary of the Authority's change in capital assets for the year ended June 30, 2026:

	Governmental Activities			
	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Capital Assets Not Depreciated:				
Donated Artifacts for Museum	$ 59,705	$ -	$ -	$ 59,705
Construction in Progress	3,659,890	2,086,836	-	5,746,726
Total Capital Assets Not Depreciated	3,719,595	2,086,836	-	5,806,431
Capital Assets Being Depreciated:				
Motor Vehicle Equipment	264,925	-	-	264,925
Furniture and Equipment	141,950	59,363	-	201,313
Total Capital Assets Being Depreciated	406,875	59,363	-	466,238
Less Accumulated Depreciation for:				
Motor Vehicle Equipment	(38,983)	(52,985)	-	(91,968)
Furniture and Equipment	(50,141)	(35,076)	-	(85,217)
Total Accumulated Depreciation	(89,124)	(88,061)	-	(177,185)
Total Capital Assets Being Depreciated, Net	317,751	(28,698)	-	289,053
Total Capital Assets	$ 4,037,346	$ 2,058,138	$ -	$ 6,095,484

	Business-Type Activities			
	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Capital Assets Being Depreciated:				
Leasing Commissions	$ 486,797	$ 5,718	$ -	$ 492,515
Tenant Improvements	145,701	87,838		233,539
Motor Vehicle Equipment	9,057	-	-	9,057
Furniture and Equipment	21,575	-	-	21,575
Total Capital Assets Being Depreciated	663,130	93,556	-	756,686
Less Accumulated Depreciation for:				
Leasing Commissions	(278,728)	(47,807)	-	(326,535)
Motor Vehicle Equipment	(9,057)	-	-	(9,057)
Furniture and Equipment	-	(4,315)	-	(4,315)
Total Accumulated Depreciation	(287,785)	(52,122)	-	(339,907)
Total Capital Assets Being Depreciated, Net	375,345	41,434	-	416,779
Total Capital Assets	$ 375,345	$ 41,434	$ -	$ 416,779

NOTE 4 CAPITAL ASSETS (CONTINUED)

As discussed in Note 1, all land, building, and infrastructure acquisitions with an individual cost of $100,000 are transferred to the Commonwealth as capital assets. There were no assets transferred to the Commonwealth during the year ended June 30, 2026.

Depreciation on assets of governmental activities is charged to the Authority's planning and development expense function and depreciation on assets of business-type activities is charged to the Authority's property administration and maintenance function.

NOTE 5 COMPENSATED ABSENCES

The following is a summary of the Authority's change in compensated absences for the year ended June 30, 2026:

	Governmental Activities			
	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Compensated Absences Liability	$ 177,858	$ 23,143	$ -	$ 201,001

	Business-Type Activities			
	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Compensated Absences Liability	$ 28,399	$ -	$ 13,236	$ 15,163

The change in the compensated absence liability is presented as a net change.

NOTE 6 TRANSFERS

In general, invoices received that encompass expenditures/expenses from both funds are paid from the General Fund, creating an internal balance with the Enterprise Fund. During the fiscal year ended June 30, 2026, the General Fund transferred $1,290,413 to the Enterprise Fund.

NOTE 7 DEFERRED COMPENSATION PLAN

The Authority's employees are eligible to participate in the Commonwealth of Virginia's 457 Deferred Compensation Plan (the Plan) available through the VRS. The Plan permits employees to defer a portion of their salary to future years. Participation in the Plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship, and/or reaching age 70½. The Plan offers a selection of investment options to participants. There were no contributions to the plan for the year ended June 30, 2026.

NOTE 8 PENSION PLANS

Plan Description

All full-time, salaried, permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. ● The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. ● The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. ● In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains, or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. *Hybrid Opt-In Election* VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. *Hybrid Opt-In Election* Same as Plan 1.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: ● Full-time permanent, salaried state employees.* ● Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. **Noneligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: ● Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component:* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contributions Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. ● After two years, a member is 50% vested and may withdraw 50% of employer contributions. ● After three years, a member is 75% vested and may withdraw 75% of employer contributions. ● After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1 *Defined Contribution Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Average Final Compensation A member's average final compensation is the average of the 36-consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60-consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component:* The retirement multiplier for the defined benefit component 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. *Defined Contribution Component:* Not applicable.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined* Benefit *Component:* Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: ● The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. ● The member retires on disability. ● The member retires directly from short-term or long-term disability. ● The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. ● The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement** The COLA matches the first 2% increase in the CPIU and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1 *Exceptions to COLA Effective Dates:* Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. Defined *Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2. *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

NOTE 8 PENSION PLANS (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for nonwork-related disability benefits.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for nonwork related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for nonwork-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: ● Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2026, was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Retirement Plan were $302,956 and $264,749 for the years ended June 30, 2026 and 2025, respectively.

NOTE 8 PENSION PLANS (CONTINUED)

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

At June 30, 2026, the Authority reported a liability of $1,551,760 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The Authority's proportion of the Net Pension Liability was based on the Authority's actuarially determined employer contributions to the pension plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion of the VRS State Employee Retirement Plan was 0.03506% as compared to 0.03331% at June 30, 2023.

For the year ended June 30, 2026, the Authority recognized a pension credit of 177,817 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2024 and 2025 a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2026, 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	$ 252,075	$ -
Change in Assumptions	35,832	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	287,837
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	58,680	31,641
Employer Contributions Subsequent to Measurement Date	302,956	-
Total	$ 649,543	$ 319,478

$302,956 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 ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Amount
2027	$ 172,223
2028	3,204
2029	(82,790)
2030	(65,528)
Total	$ 27,109

NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2024, 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, 2025.

Inflation	2.50%
Salary Increases, Including Inflation	3.5% to 5.35%
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates:

Pre-Retirement:
Pub-2010 Amount-Weighted tables, with 75% of the Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Postretirement:
Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2
years

Beneficiaries and Survivors:
Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally

Mortality Improvement:
Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2021 rates

NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with U.S. GAAP, less that system's fiduciary net position. As of June 30, 2025, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

State Employee Retirement Plan

Total Pension Liability	$ 31,048,959
Plan Fiduciary Net Position	26,622,946
Employers' Net Pension Liability	$ 4,426,013
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.75%

The total pension 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 pension liability is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

NOTE 8 PENSION PLANS (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:

Assets Class Strategy	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public Equity	32.00 %	6.60%	2.11 %
Fixed Income	16.00	5.09%	0.81
Credit Strategies	16.00	8.21%	1.31
Real Assets	15.00	7.10%	1.07
Private Equity	15.00	8.60%	1.29
PIP - Private Investment Partnerships	1.00	7.95%	0.08
Diversifying Strategies	6.00	6.82%	0.41
Cash	2.00	4.07%	0.08
Leverage	(3.00)	4.56%	(0.14)
Total	100.00 %		
Expected Arithmetic Nominal Return*			7.02 %

* The above allocation provides a one-year expected return of 7.02%. 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 pension System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.

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

NOTE 8 PENSION PLANS (CONTINUED)

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. Through the fiscal year ending June 30, 2025, the rate contributed by the Authority for the VRS State Employee Retirement Plan 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, 2024, on, all agencies 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 VRS State Employee Retirement Plan 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's Proportionate Share of the VRS State Employee Retirement Plan Net Pension Liability	$ 2,834,601	$ 1,551,760	$ 476,084

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual,, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218 2500.

Payables to the Pension Plan

At June 30, 2025, no amounts were payable to VRS.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS

The Authority participates in one multiple employer, cost-sharing plans offered by VRS: Group Life Insurance Program (GLIP), and two single employer plans that are presented as multiple-employer, cost-sharing plans: State Employee Health Insurance Credit Program (HICP) and Virginia Sickness and Disability Program (VSDP).

The Plans were 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.

Fiduciary Net Position

Detailed information about the GLIP, HICP, and VSDP Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions, long-term expected rate of return, and discount rate are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long-term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

Actuarial Assumptions

Actuarial assumptions used for the VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Long-Term Expected Rate of Return

Long-term expected rate of return used for the VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Discount Rate

The discount rate used for the VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans.

Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS HICP. This plan is administered by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Health Insurance Credit Program (Continued)

Plan Description (Continued)

The specific information about the State HICP OPEB, including eligibility, coverage, and benefits is set out in the table below:

HICP Plan Provisions
Eligible Employees The HICP was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS, and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS, and JRS.
Benefit Amounts The HICP provides the following benefits for eligible employees: • *At Retirement:* For state employees who retire with at least 15 years of service credit, the monthly benefit is $4.25 per year of service per month with no cap on the benefit amount. • *Disability Retirement:* For state employees, other than state police officers, who retire on disability or go on long-term disability under the VSDP, the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For state police officer employees with a nonwork-related disability who retire on disability or go on long-term disability under the VSDP, the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For state police officers with a work-related disability, there is no benefit provided under the HICP if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
HICP Notes • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by Section 51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2025, was 1.12% of covered employee compensation for employees in the VRS HICP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS HICP were $27,102 and $23,684 for the years ended June 30, 2026 and 2025, respectively.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Health Insurance Credit Program (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2026, the Authority reported a liability of $133,469 for its proportionate share of the VRS HICP net OPEB Liability. The net VRS HICP OPEB liability was measured as of June 30, 2025, and the total VRS HICP OPEB Liability used to calculate the net VRS HICP OPEB Liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The Authority's proportion of the net VRS HICP OPEB liability was based on the Authority's actuarially determined employer contributions to the VRS HICP OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2024, the Authority's proportion of the VRS HICP was 0.02149% as compared to 0.02070% at June 30, 2024.

For the year ended June 30, 2025, the Authority recognized a VRS HICP OPEB credit of $19,007. Since there was a change in proportionate share between measurement dates, a portion of the VRS HICP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS HICP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ 1,431	$ 1,342
Differences between Expected and Actual Experience	-	11,968
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	2,420
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	8,123	8,122
Employer Contributions Subsequent to the Measurement Date	27,102	-
Total	$ 36,656	$ 23,852

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Health Insurance Credit Program (Continued)

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

$27,102 reported as deferred outflows of resources related to the HICP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net HICP OPEB liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HICP OPEB will be recognized in the HICP OPEB expense in future reporting periods as follows:

Years Ended June 30,	Amount
2027	$ (3,759)
2028	(4,883)
2029	(3,916)
2030	(1,698)
2031	(42)
Total	$ (14,298)

Net HICP OPEB Liability

The net OPEB liability (NOL) for the HICP represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2025, NOL amounts for the VRS State Employee HICP is as follows (amounts expressed in thousands):

State Employee HICP OPEB Plan

Total HICP OPEB Liability	$ 1,074,252
Plan Fiduciary Net Position	453,179
Net HICP OPEB Liability	$ 621,073
Plan Fiduciary Net Position as a Percentage of the Total HICP OPEB Liability	42.19%

The total HICP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net HICP OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Health Insurance Credit Program (Continued)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's Proportionate Share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 155,424	$ 133,469	$ 114,603

Group Life Insurance Program

Plan Description

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Group Life Insurance Program (Continued)

Plan Description (Continued)

The specific information for GLIP OPEB, including eligibility, coverage and benefits is set out in the table below:

GLIP Plan Provisions
Eligible Employees The GLIP was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Norfolk • City of Portsmouth • City of Richmond • City of Roanoke • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLIP have several components. • *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit. • *Other Benefit Provisions:* In *addition* to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Seatbelt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and COLA For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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 $9,768 as of June 30, 2026.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Group Life Insurance Program (Continued)

Contributions

The contribution requirements for the GLIP are governed by Section 51.1-506 and Section 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 GLIP was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2026, was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLIP from the entity were $11,373 and $9,939 for the years ended June 30, 2026 and 2025, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2026, the Authority reported a liability of $73,800 for its proportionate share of the net GLIP OPEB liability. The net GLIP OPEB liability was measured as of June 30, 2025, and the total GLIP OPEB Liability used to calculate the net GLIP OPEB Liability was determined by an actuarial valuation as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The covered employer's proportion of the net GLIP OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLIP for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the participating employer's proportion was 0.00767% as compared to 0.00731% at June 30, 2024.

For the year ended June 30, 2026, the Authority recognized GLIP OPEB credit of $12,076. Since there was a change in proportionate share between measurement dates, a portion of the GLIP OPEB expense was related to deferred amounts from changes in proportion.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Group Life Insurance Program (Continued)

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

At June 30, 2026, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 13,092	$ 1,389
Change in Assumptions	-	2,415
Net Difference between Projected and Actual Earnings on OPEB Program Investments	-	10,327
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	5,238	4,188
Employer Contributions Subsequent to Measurement Date	11,373	-
Total	$ 29,703	$ 18,319

$11,373 reported as deferred outflows of resources related to the GLIP OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLIP OPEB liability in the fiscal year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLIP OPEB will be recognized in the GLIP OPEB expense in future reporting periods as follows:

Years Ended June 30,	Amount
2027	$ 684
2028	(986)
2029	(994)
2030	133
2027	1,174
Total	$ 11

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Group Life Insurance Program (Continued)

Net OPEB Liability

The NOL for the GLIP represents the program's total OPEB Liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2025, NOL amounts for the GLIP is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Plan
Total GLIP OPEB Liability	$ 4,433,282
Plan Fiduciary Net Position	3,471,094
Employer's Net GLI OPEB Liability	$ 962,188
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%

The total GLIP OPEB Liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net GLIP OPEB Liability is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

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

The following presents the employer's proportionate share of the net GLIP OPEB Liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLIP 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's Proportionate Share of the GLIP Net OPEB Liability	$ 124,497	$ 73,800	$ 32,899

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Virginia Sickness and Disability Program

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999, are automatically covered by the VSDP upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

The specific information for VSDP OPEB, including eligibility, coverage and benefits is set out in the table below:

VSDP Plan Provisions
Eligible Employees The VSDP, also known as the Disability Insurance Trust Fund was established January 1, 1999, to provide short-term and long-term disability benefits for nonwork-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
Benefit Amounts The VSDP provides the following benefits for eligible employees: • *Leave:* Sick, family, and personal leave. Eligible leave benefits are paid by the employer. • *Short-Term Disability:* The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • *Long-Term Disability (LTD):* The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP OPEB Plan. • *Income Replacement Adjustment:* The program provides for an income replacement adjustment to 80% for catastrophic conditions. • *VSDP Long-Term Care Plan:* The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Virginia Sickness and Disability Program (Continued)

Plan Description (Continued)

VSDP Plan Provisions
Disability Insurance Program (VSDP) Plan Notes • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for nonwork-related short-term disability benefits and certain income-replacement levels. • A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits. • Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.
Cost-of-Living Adjustment (COLA) • During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board. o Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%). o Plan 1 employee nonvested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%). • For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the board, from the date of the commencement of the disability to the date of retirement. o 100% of the increase in the pay over the previous plan year for continuing VSDP members in the state, SPORS, and VaLORS plans, with a maximum COLA of 4.00% • For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the board, from the date of the commencement of the disability to the date of retirement o 100% of the increase in the pay over the previous plan year for continuing VSDP members in the state, SPORS, and VaLORS plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the VSDP are governed by Section 51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2026, was 0.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the Authority were $12,099 and $10,573 for the years ended June 30, 2026 and 2025, respectively.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Virginia Sickness and Disability Program (Continued)

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2026, the Authority reported an asset of $150,155 for its proportionate share of the net VSDP OPEB asset. The net VSDP OPEB asset was measured as of June 30, 2025, and the total VSDP OPEB liability used to calculate the net VSDP OPEB asset was determined by an actuarial valuation as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The Authority's proportion of the net VSDP OPEB asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the Authority's proportion was 0.03450% as compared 0.03323% at June 30, 2024.

For the year ended June 30, 2025, the Authority recognized VSDP OPEB credit of $13,325. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 3,439	$ 12,281
Change in Assumptions	-	12,227
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	7,852
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	7,095	5,181
Employer Contributions Subsequent to Measurement Date	12,099	-
Total	$ 22,633	$ 37,541

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Virginia Sickness and Disability Program (Continued)

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

$12,099 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the net VSDP OPEB asset in the fiscal year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Years Ended June 30,	Amount
2027	$ (4,837)
2028	(5,517)
2029	(4,821)
2030	(3,630)
2031	(2,411)
Thereafter	(5,791)
Total	$ (27,007)

Net OPEB Asset

The net OPEB asset (NOA) for the VSDP represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2025, NOA amounts for the VSDP is as follows (amounts expressed in thousands):

Disability Insurance Program

Total VSDP OPEB Liability	$ 323,479
Plan Fiduciary Net Position	758,711
Employer's Net OPEB Asset	$ (435,232)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	234.55%

The total VSDP 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 OPEB asset is disclosed in accordance with the requirements of U.S. GAAP in the System's notes to the financial statements and required supplementary information.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS – VRS PLANS (CONTINUED)

Virginia Sickness and Disability Program (Continued)

Sensitivity of the Authority's Proportionate Share of the OPEB Asset to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's Proportionate Share of the VSDP Net OPEB Asset	$ (142,530)	$ (150,155)	$ (156,951)

Actuarial Assumptions and Methods

The total VRS Plan's liability was based on an actuarial valuation with a valuation date of June 30, 2024, 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, 2025.

Inflation	2.50%
Projected Salary Increases	3.50% to 5.35%
Investment Rate of Return	6.75, net of plan investment expenses, including inflation
Mortality	
Pre-Retirement	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; females set forward 2 years
Postretirement	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for females
Post-Disablement	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males and females set forward 3 years
Beneficiaries and Survivors	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN

Plan Description

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management (DHRM). After retirement, the Authority no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Plan Provisions

DHRM is an agency of the Commonwealth of Virginia. DHRM is the administrator of the Commonwealth's employee health insurance program. The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare.

Following are eligibility requirements for Virginia Retirement System retirees:

- He or she is a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- He or she starts receiving (do not defer) your retirement benefit immediately upon retirement*, and
- His or her last employer before retirement was the Commonwealth of Virginia, and
- He or she is eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- He or she enrolls no later than 31 days from your retirement date.

* For VRS retirees, this means that the employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to their retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN (CONTINUED)

Plan Provisions (Continued)

Effective January 1, 2017, following are eligibility requirements for Optional Retirement Plan retirees:

- He or she is a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- His or her last employer before termination was the Commonwealth of Virginia, and
- He or she is eligible for (even if they were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of their termination, and
- He or she meet the age and service requirements for an immediate retirement benefit under the non ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had he or she not elected the ORP, and
- He or she enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility coverage) in the State Health Benefits Program for active employees due to their termination of employment.

** This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at time of their termination.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 2,914 retirees and 98,683 active employees in the program as of June 30, 2025. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN (CONTINUED)

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2025. The DHRM selected the economic, demographic, and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00% for medical. The ultimate trend rates used were 3.94% for medical.

Actuarial Cost Method	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2025 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.40 years
Discount Rate	5.20%
Projected Salary Increases	5.85% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 3.94%
Year of Ultimate Trend	2046
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement	Pub-2010 Benefits Weighted General Employee Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: females set forward two years
Postretirement	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: 110% of females' rates
Post-Disablement	Pub-2010 Benefits Weighted General Disabled Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: males and females set forward three years
Beneficiaries and Survivors	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, which is June 30, 2025.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Changes of Assumptions: There were no plan changes in the valuation since the prior year.

The change of assumptions line refers to the change in the discount rate from 3.93% to 5.20%, the change in medical claims costs and trends, and the change in demographic assumptions based on the Virginia Retirement System experience study. The differences between expected and actual experience include changes in demographic experience (census data) as well as the change in actuary, as the actuary was not provided with prior-year data to attempt to match the prior results.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2026, the employer reported a liability of $77,619 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $313.8 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation as of that date. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2025, the participating employer's proportion was 0.024747% as compared to 0.02237% at June 30, 2024. For the year ended June 30, 2025, the Authority recognized Pre-Medicare Retiree Healthcare OPEB credit of $28,867.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Pre Medicare Retiree Healthcare OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 1,303	$ 5,309
Change in Assumptions	1,369	25,612
Changes in Proportion and Differences between Employer	13,479	10,652
Employer Contributions and Proportionate Share of Contributions	6,780	-
Total	$ 22,931	$ 41,573

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

$6,780 reported as deferred outflows of resources related to the DHRM OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the net DHRM OPEB liability in the fiscal year ended June 30, 2027. The amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense in future reporting periods as follows:

Years Ended June 30,	Amount
2027	$ (16,045)
2028	(7,075)
2029	(2,107)
2030	(273)
2031	55
Thereafter	23
Total	$ (25,422)

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

The following presents the Authority's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 5.20%, as well as what the Authority's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1.00% Decrease (4.20%)	Current Discount Rate (5.20%)	1.00% Increase (6.20%)
Authority's Proportionate Share of the Total Pre-Medicare Retiree Healthcare OPEB Liability	$ 82,154	$ 77,619	$ 73,327

Sensitivity of the Authority's Proportionate Share of OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Authority's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the healthcare cost trend rate of 8.00% decreasing to 3.94%, as well as what the Authority's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 2.94%) or one percentage point higher (9.00% decreasing to 4.94%) than the current rate:

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLANS – DHRM PLAN (CONTINUED)

Sensitivity of the Authority's Proportionate Share of OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)

	1.00% Decrease (7.00% Decreasing to 2.94%)	Current Healthcare Cost Trend Rate (8.00% Decreasing to 3.94%)	1.00% Increase (9.00% Decreasing to 4.94%)
Authority's Proportionate Share of the Total Pre-Medicare Retiree Healthcare OPEB Liability	$ 71,857	$ 77,619	$ 84,177

NOTE 11 COMMITMENTS AND CONTINGENCIES

Payments in Lieu of Taxes

Virginia Acts of Assembly 2013 Session, Section 2.2.2342 B, stipulates "that the Authority shall pay to the City a fee on the total assessed value of all real property interests in the Authority's Area of Operation, public and private as provided by law, divided by $100, multiplied by the then-current real estate tax rate set by the City, minus the real estate taxes owed to the City from taxpayers within the Authority's Area of Operation". Additionally, this section stipulates "that properties at Fort Monroe that would not be taxed by the City if privately held shall be exempt from the fee".

Commitments

The Authority had entered into various agreements and construction contracts during the fiscal year ended June 30, 2026. As of June 30, 2026, the balance outstanding on the agreements and contract was $4,772,594.

NOTE 12 LEASES

Lease Receivable

The Authority leases commercial office space and land to various third parties under multiple leases. The leases are for periods ending at various dates through December 2054 and the Authority receives monthly lease payments ranging from $1,170 to $34,454. The Authority recognized $1,139,481 in lease revenue and $532,057 in interest revenue during the current fiscal year related to these leases. As of June 30, 2026, the Authority's receivables for lease payments were $13,609,133. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2026, the balance of the deferred inflow of resources was $12,116,597.

NOTE 12 LEASES (CONTINUED)

Lease Receivable (Continued)

Total principal and interest to be received under lease agreements are as follows:

Years Ended June 30,	Principal	Interest	Total
2027	$ 776,484	$ 555,771	$ 1,332,255
2028	653,050	525,461	1,178,511
2029	659,418	501,225	1,160,643
2030	664,892	475,589	1,140,481
2031	681,987	449,729	1,131,716
2032 - 2036	2,781,239	1,897,809	4,679,048
2037 - 2041	2,848,022	1,430,607	4,278,629
2042 - 2046	2,629,186	832,977	3,462,163
2047 - 2051	1,127,843	443,763	1,571,606
2052 - 2056	787,012	73,539	860,551
Total	$ 13,609,133	$ 7,186,470	$ 20,795,603

NOTE 13 FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of the resources in the General Fund.

	General Fund
Nonspendable:	
Prepaid Expenditures	$ 206,396
Restricted:	
Homeless Support	943,447
Flex Savings	16,846
Unassigned	4,234,009
Total Fund Balance	$ 5,400,698

NOTE 14 RELATED PARTY TRANSACTIONS

A member of the board of trustees leases property from the Authority. The Authority recognized revenue of $3,227 and a related receivable of $12,371 as of and for the year ended June 30, 2026.

The Fort Monroe Foundation reimburses the Authority for certain costs, the receivable balance was $45 as of June 30, 2026.

During the fiscal year ended June 30, 2026 the Commonwealth Legislature appropriated through the Department of General Services $1.5 million to construct visitor amenities for the African Memorial Landing Memorial on behalf of the Authority. Expenses associated for this project will be submitted and paid by the Department of General Services. As of June 30, 2026, no expenditures have been paid.

REQUIRED SUPPLEMENTARY INFORMATION

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budget		Variance with Original Budget Over (Under)		Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Actual	Actual
REVENUES					
Intergovernmental Revenues:					
State	$ 8,729,436	$ 8,729,436	$ -	$ 8,744,743	$ 15,307
SLRF Grant	-	-	-	2,126,560	2,126,560
Other Revenues	8,000	8,000	-	511,725	503,725
Total Revenues	8,737,436	8,737,436	-	11,383,028	2,645,592
EXPENDITURES					
Current Expenditures					
Planning and Development	7,296,814	7,696,814	400,000	6,779,226	(917,588)
Capital Outlay	1,017,711	1,017,711	-	3,283,064	2,265,353
Total Expenditures	8,314,525	8,714,525	400,000	10,062,290	(1,347,765)
Excess of Revenues Over Expenditures	422,911	22,911	(400,000)	1,320,738	1,297,827
OTHER FINANCING USES					
Transfers Out	(1,459,526)	(1,459,526)	-	(1,290,413)	169,113
NET CHANGE IN FUND BALANCE	$ (1,036,615)	$ (1,436,615)	$ (400,000)	$ 30,325	$ 1,466,940

See accompanying Notes to Required Supplementary Information.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF AUTHORITY'S SHARE OF NET PENSION LIABILITY
VRS STATE EMPLOYEE RETIREMENT PLAN
YEAR ENDED JUNE 30, 2026

	Plan Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's Proportion of the Net Pension Liability	0.03506%	0.03331%	0.03435%	0.03615%	0.03493%	0.03401%	0.03478%	0.03724%	0.03139%	0.03259%
Employer's Proportionate Share of the Net Pension Liability	$ 1,551,760	$ 1,640,711	$ 1,738,007	$ 1,640,639	$ 1,266,992	$ 2,463,976	$ 2,198,003	$ 2,016,000	$ 1,830,000	$ 2,148,000
Employer's Covered Payroll	$ 2,114,608	$ 1,877,847	$ 1,760,469	$ 1,714,199	$ 1,559,298	$ 1,522,109	$ 1,477,394	$ 1,569,830	$ 1,248,414	$ 1,296,643
Employer's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	73.38%	87.37%	98.72%	95.71%	81.25%	161.88%	148.78%	128.42%	146.59%	165.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.75%	83.45%	82.19%	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%

* Schedule is intended to show information for 10 years, when available.

Note: The amounts presented have a measurement date of the previous fiscal year-end.

See accompanying Notes to Required Supplementary Information.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VRS STATE EMPLOYEE RETIREMENT PLAN
YEAR ENDED JUNE 30, 2026

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2026	$ 302,956	$ 302,956	$ -	$ 2,419,777	12.52%
2025	264,749	264,749	-	2,114,608	12.52%
2024	271,536	271,536	-	1,877,847	14.46%
2023	255,069	255,069	-	1,760,469	14.49%
2022	298,661	298,661	-	1,714,199	17.42%
2021	225,475	225,475	-	1,559,298	14.46%
2020	204,850	204,850	-	1,522,109	13.46%
2019	199,743	199,743	-	1,477,394	13.52%
2018	211,770	211,770	-	1,569,830	13.49%
2017	168,411	168,411	-	1,248,414	13.49%

See accompanying Notes to Required Supplementary Information.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITIES (ASSETS)
YEAR ENDED JUNE 30, 2026

	Plan Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Health Insurance Credit Program:									
Employer's Proportion of the Net OPEB Liability	0.02149%	0.02070%	0.02146%	0.02247%	0.02164%	0.02113%	0.02168%	0.02331%	0.01973%
Employer's Proportionate Share of the Net OPEB Liability	$ 155,424	$ 146,815	$ 176,320	$ 184,068	$ 182,758	$ 193,975	$ 200,122	$ 213,000	$ 179,000
Employer's Covered Payroll	$ 2,114,608	$ 1,877,847	$ 1,760,469	$ 1,714,199	$ 1,559,298	$ 1,522,109	$ 1,477,394	$ 1,569,830	$ 1,248,414
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	7.35%	7.82%	10.02%	10.74%	11.72%	12.74%	13.55%	13.57%	14.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	42.19%	35.17%	25.46%	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%
Group Life Insurance Program:									
Employer's Proportion of the Net OPEB Liability	0.00767%	0.00731%	0.00755%	0.00788%	0.00755%	0.00740%	0.00753%	0.00825%	0.00691%
Employer's Proportionate Share of the Net OPEB Liability	$ 73,800	$ 81,754	$ 90,548	$ 94,883	$ 87,903	$ 123,493	$ 122,533	$ 125,000	$ 104,000
Employer's Covered Payroll	$ 2,114,608	$ 1,877,847	$ 1,760,469	$ 1,714,199	$ 1,559,298	$ 1,522,109	$ 1,477,394	$ 1,569,830	$ 1,248,414
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	3.49%	4.35%	5.14%	5.54%	5.64%	8.11%	8.29%	7.96%	8.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	78.30%	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

* Schedule is intended to show information for 10 years, when available.

Note: The amounts presented have a measurement date of the previous fiscal year-end.

See accompanying Notes to Required Supplementary Information.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITIES (ASSETS) (CONTINUED)
YEAR ENDED JUNE 30, 2026

	Plan Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Disability Insurance Program:									
Employer's Proportion of the Net OPEB Asset	0.03450%	0.03323%	0.03475%	0.03699%	0.03608%	0.03513%	0.03650%	0.03981%	0.03380%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	$ (150,155)	$ (117,589)	$ 109,768	$ 109,177	$ 124,375	$ 77,528	$ 71,611	$ 89,000	$ 70,000
Employer's Covered Payroll	$ 2,114,608	$ 1,877,847	$ 1,760,469	$ 1,714,199	$ 1,559,298	$ 1,522,109	$ 1,477,394	$ 1,569,830	$ 1,248,414
Employer's Proportionate Share of the Net OPEB Asset as a Percentage of its Covered Payroll	-7.10%	-6.26%	6.24%	6.40%	7.98%	5.09%	4.85%	5.67%	5.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	234.55%	204.38%	199.05%	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%
State Health Plans Programs for Pre-Medicare Retirees:									
Employer's Proportion of the Collective OPEB Liability	0.02470%	0.02237%	0.02261%	0.02386%	0.02294%	0.02372%	0.02641%	0.03014%	0.02230%
Employer's Proportionate Share of the Collective OPEB Liability	$ 77,619	$ 79,733	$ 79,583	$ 86,708	$ 102,956	$ 134,949	$ 179,301	$ 303,055	$ 288,745
Employer's Covered-Employee Payroll	$ 2,114,608	$ 1,877,847	$ 1,760,469	$ 1,714,199	$ 1,559,298	$ 1,522,109	$ 1,477,394	$ 1,569,830	$ 1,248,414
Employer's Proportionate Share of the Collective OPEB Liability as a Percentage of its Covered Payroll	3.67%	4.25%	4.52%	5.06%	6.60%	8.87%	12.14%	19.30%	23.13%

* Schedule is intended to show information for 10 years, when available.

Note: The amounts presented have a measurement date of the previous fiscal year-end.

See accompanying Notes to Required Supplementary Information.

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS – OPEB
YEAR ENDED JUNE 30, 2026

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contribution as a Percentage of Covered Payroll
HEALTH INSURANCE CREDIT PROGRAM					
2026	$ 27,102	$ 27,102	-	$ 2,419,777	1.12%
2025	23,684	23,684	-	2,114,608	1.12%
2024	21,032	21,032	-	1,877,847	1.12%
2023	19,717	19,717	-	1,760,469	1.12%
2022	19,072	19,072	-	1,702,844	1.12%
2021	17,464	17,464	-	1,559,298	1.12%
2020	17,809	17,809	-	1,522,109	1.17%
2019	17,286	17,286	-	1,477,394	1.17%
2018	18,524	18,524	-	1,569,830	1.18%
GROUP LIFE INSURANCE PROGRAM					
2026	$ 11,373	$ 11,373	$ -	$ 2,419,777	0.47%
2025	9,939	9,939	-	2,114,608	0.47%
2024	10,140	10,140	-	1,877,847	0.54%
2023	9,599	9,599	-	1,777,503	0.54%
2022	9,257	9,257	-	1,714,199	0.54%
2021	8,420	8,420	-	1,559,298	0.54%
2020	7,915	7,915	-	1,522,109	0.52%
2019	7,682	7,682	-	1,477,394	0.52%
2018	8,163	8,163	-	1,569,830	0.52%
DISABILITY INSURANCE PROGRAM					
2026	$ 12,099	$ 12,099	$ -	$ 2,419,777	0.50%
2025	10,573	10,573	-	2,114,608	0.50%
2024	11,455	11,455	-	1,877,847	0.61%
2023	10,739	10,739	-	1,777,503	0.60%
2022	10,387	10,387	-	1,702,844	0.61%
2021	9,512	9,512	-	1,559,298	0.61%
2020	9,437	9,437	-	1,522,109	0.62%
2019	9,160	9,160	-	1,477,394	0.62%
2018	10,361	10,361	-	1,569,830	0.66%

STATE HEALTH PLANS PROGRAMS FOR PRE-MEDICARE RETIREES
Contributions to this program are not based on covered payroll.

* Schedule is intended to show information for 10 years, when available.

See accompanying Notes to Required Supplementary Information.

NOTE 1 PENSION PLAN AND VRS OPEB PLANS

Changes in 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, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions for the VRS -State Employee Retirement Plan as a result of the experience study and VRS board action are as follows:

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Withdrawal Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTE 2 DHRM OPEB PLAN

Changes in Benefit Terms

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

Changes of Assumptions

The following assumptions were updated since the June 30, 2022, valuation was based on recent experience:

- Spousal Coverage – rate remained at 20 percent
- Retiree Participation – rate remained at 35 percent

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

NOTE 3 BUDGETARY COMPARISON INFORMATION

	General Fund Over (Under)
Revenues	
Differences - Final Budget to Actual	
SLRF Grant-The transfer of state funding from the ARPA SLFRF appropriation is restricted for the construction of a memorial to the first landing of enslaved Africans at Fort Monroe. Revenue is recognized as funds are expended for the construction of the memorial plaza and artwork. The funds were not budgeted because they offset capital project costs.	$ 2,126,560
Differences - Final Budget to Actual	
Other Revenues -The variance results from $207.8K in grant reimbursements from the NPS for the Savings Americas Treasures grant for a portion of the costs to rehabilitate Building 14. The funds were not budgeted because they offset capital project costs. The Other Revenue also reflects $103.3K in interest income on the overnight investment of surplus restricted funds.	503,725
Expenditures	
Differences - Final Budget to Actual	
Grant Expenditures- There were $2.1 million of expenditures realted to the AMLR project that were not budgeted.	2,126,560
Differences - Final Budget to Actual	
Contracted Expenses-Contracted Expenses were $143k below final budget due to the Landscape Action Plan contractor submitting $835K in expenses compared to the $1M in budgeted LAP expenses	(143,932)
Salaries and Fringe- Payroll and Fringe Benefit expenses were $351.9K below Final Budget due to the continuing vacancies for budgeted positions.	(351,973)
Salaries and Fringe- Marketing Expenses are $229K below final budget due to the FMA decision to not renew its annual contract with its marketing consultant. .	(228,984)
Other Financing Sources (Uses)	
Differences - Final Budget to Actual	
Transfers -The Approved FY26 budget includes a transfer budget of $1.46M on line 175 of the approved FY26 budget approved by the Board, actual amounts were less than anticipated.	169,113

SUPPLEMENTARY INFORMATION

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF PLANNING AND DEVELOPMENT EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2026

Salaries and Wages	$ 2,329,337
Employee Benefits	928,685
Architectural and Engineering Services	519,640
Legal Services	(14,256)
Management Services	886,906
Dues, Subscriptions, and Seminars	21,448
Fees - Banking and Payroll Processing	14,586
Miscellaneous	170,448
Office Supplies and Postage	68,814
PILOT Fees	27,349
Public Information and Relations Services	44,759
Public Programs Signage and Special Events	58,851
Security	164,828
Site Operating Costs	1,365,731
Telephone and Communications	54,579
Travel	13,353
Utilities and Trash Disposal	124,168
Total Planning and Development Expenditures	$ 6,779,226

COMPLIANCE SECTION

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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*

Board of Directors
Fort Monroe Authority
Fort Monroe, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, (the Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities and each major fund of Fort Monroe Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Fort Monroe Authority's basic financial statements, and have issued our report thereon dated September 28, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Monroe Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Monroe Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Monroe 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Fort Monroe Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Fort Monroe Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Fort Monroe Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 28, 2026

FORT MONROE AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2026

2026-001 Significant Deficiency in Internal Control over Financial Reporting

Criteria or specific requirement: The Authority is responsible for preparing financial statements in accordance with generally accepted accounting principles (GAAP). Preparing GAAP-basis financial statements requires internal controls over both (1) recording, processing, and summarizing accounting data, including the maintenance of internal books and records, and (2) external financial reporting, including the related note disclosures.

Statements on Auditing Standards (AU-C 200.14) require management to acknowledge and understand its responsibility 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 addition, the Internal Control—Integrated Framework issued by COSO requires adequate internal controls over financial reporting to ensure transactions are properly recorded and accounted for, reliable financial statements can be prepared, and compliance with laws, regulations, and other requirements can be demonstrated. Internal controls should provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition: We identified grant revenue and related receivables associated with expenditures under a reimbursable grant that had not been recorded.

Cause: Revenue and receivables related to the grant award were recorded on a cash basis and were posted in the subsequent accounting period.

Effect: As a result, the Authority's revenue, accounts receivable, net position, and fund balance for governmental activities and the General Fund were understated.

Recommendation: We recommend that the Authority strengthen its grant revenue recognition procedures to ensure amounts are recorded in the appropriate reporting period.

Views of responsible officials and planned corrective actions: Currently, the process of grant execution, reporting, reimbursement request, and revenue processing is spread between 4-5 individuals. To ensure that all compliance, reporting, reimbursement requests, and revenue recognition are accurately and timely processed, the Authority has budgeted and is currently recruiting a Grant Manager to manage all grant program actions in the future.



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