



Chesapeake Airport Authority

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

Financial Report

June 30, 2025

Chesapeake Airport Authority

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Chesapeake Airport Authority, a component unit of the City of Chesapeake, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Chesapeake Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Chesapeake Airport Authority, as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2025, the Chesapeake Airport Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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


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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the Chesapeake Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Chesapeake Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chesapeake Airport Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2025

Chesapeake Airport Authority

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

Management's Discussion and Analysis

June 30, 2025

Mission Statement

Provide safe, maximum access to the National Airspace System by offering diverse, superior support benefiting City of Chesapeake's aviation activities in a balanced manner between business and individual users. (Adopted September 11, 2019).

Vision Statement

Be an airport with the finest, fully developed facilities and services to meet Chesapeake's business and individual aviation activities. (Adopted September 11, 2019).

Authority Operations

The Chesapeake Airport Authority (CAA) operates the Chesapeake Regional Airport at 2800 Airport Drive, Chesapeake Virginia. The airport has three full-time employees at this time to include the Airport Manager, Accounting Manager, Maintenance Facilities Supervisor, and two seasonal landscapers. The Authority maintains the airport and its wastewater treatment facility that services the airport and 10 civilian customers in the area.

Financial Highlights

This section of the Chesapeake Airport Authority's (CAA, Authority or Airport) annual financial report presents our discussion and analysis of the Authority's financial performance for the years ended June 30, 2025 and 2024, (FY2025 and FY2024). Please read it in conjunction with the financial statements that follow this section. The following table summarizes the financial condition and operations of the Authority for FY2025 and provides a comparison to FY2024 and FY2023:

Condensed Statements of Net Position

	June 30, 2025	June 30, 2024	% of Change	June 30, 2023	% of Change
Assets:					
Current assets	\$ 493,133	\$ 1,738,387	-71.63%	\$ 1,232,045	41.10%
Other assets	498,659	489,398	1.89%	260,412	87.93%
Capital assets, net	15,756,810	15,773,249	-0.10%	8,953,055	76.18%
	<u>\$ 16,748,602</u>	<u>\$ 18,001,034</u>		<u>\$ 10,445,512</u>	
Liabilities and net position:					
Current liabilities	\$ 816,125	\$ 1,690,148	-51.71%	\$ 226,542	646.06%
Noncurrent liabilities	3,828,530	3,855,500	-0.70%	370,462	940.73%
Net position	12,103,947	12,455,386	-2.82%	9,848,508	26.47%
	<u>\$ 16,748,602</u>	<u>\$ 18,001,034</u>		<u>\$ 10,445,512</u>	
Net position:					
Net investment in capital assets	\$ 11,310,868	\$ 10,400,863	8.75%	\$ 8,472,593	22.76%
Restricted	498,659	489,398	1.89%	260,412	87.93%
Unrestricted	294,420	1,565,125	-81.19%	1,115,503	40.31%
	<u>\$ 12,103,947</u>	<u>\$ 12,455,386</u>	-2.82%	<u>\$ 9,848,508</u>	26.47%

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

Management's Discussion and Analysis
June 30, 2025

Assets

Assets decreased in FY2025 due to a decrease in grants receivable as a result of less construction projects and increased significantly in FY2024 due to significant additions of construction in progress and land easements.

Liabilities

Current liabilities decreased in FY2025 by -51.71% from FY2024 and increased 646.06% in FY2024. The decrease in FY2025 is primarily due to project/maintenance costs that were paid off in the current year as construction projects were completed. The increase in FY2024 is primarily due to project/maintenance costs that also used state and federal grant funds to mitigate those costs. Noncurrent liabilities decreased by -0.70% in FY2025 and increased by 940.73% in FY2024. The decrease in FY2025 was due to a portion of the Series 2022 bond recognized as a current liability as payments on the bond begin next fiscal year. The increase in FY2024 was due to an increase in bond draws related to the Series 2022 bond.

Net Position

Net position decreased in FY2025 from FY2024, an overall -2.82% due to a decrease in nonoperating revenue. Net position increased in FY2024 from FY2023, an overall 26.47% due to an increase in nonoperating revenue.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>% of Change</u>	<u>2023</u>	<u>% of Change</u>
Operating revenues	\$ 590,474	\$ 542,891	8.76%	\$ 537,331	1.03%
Operating expenses	(1,577,957)	(1,317,206)	19.80%	(1,209,045)	8.95%
Net nonoperating revenue	636,044	3,381,193	-81.19%	1,100,075	207.36%
Change in net position	(351,439)	2,606,878	-113.48%	428,361	508.57%
Net position - end of year	<u><u>\$ 12,103,947</u></u>	<u><u>\$ 12,455,386</u></u>	-2.82%	<u><u>\$ 9,848,508</u></u>	26.47%

Operating Revenues

Total operating revenue increased from \$542,891 to \$590,474 in FY2025. The increase in operating revenue is due to rent increases on hangars. Total operating revenue increased from \$537,331 to \$542,891 in FY2024. The increase in operating revenue is due to rent increases on hangars and sewer customers.

Operating Expenses

Total operating expenses increased from \$(1,317,206) to \$(1,577,957) in FY2025. The increase in operating expenses was mainly due to increases in salaries and wages and depreciation expense. Total operating expenses increased from \$(1,209,045) to \$(1,317,206) in FY2024. The increase in operating expenses was mainly due to increases in salaries and wages, maintenance costs, and insurance costs.

Chesapeake Airport Authority

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

Management's Discussion and Analysis

June 30, 2025

Nonoperating Revenue

Net nonoperating revenues decreased from \$3,381,193 to \$636,044 in FY2025. The decrease in nonoperating revenue in FY2025 is due to decreased available grants from the city, state, and Federal Aviation Administration (FAA). Net nonoperating revenues increased from \$1,100,075 to \$3,381,193 in FY2024. The increase in nonoperating revenue in FY2024 is due to increased available grants from the city, state, and Federal Aviation Administration.

Airport Capital Activity

On July 9, 2018, the Authority sent fair value offers aggregating \$61,278 to landowners with land adjacent to the Airport with the intent of purchasing easements eleven parcels which would enable the Authority to clear obstructions to air navigation. Since offers had neither been accepted or rejected, our counsel, Pender & Coward, filed condemnation proceedings with the court on June 7, 2019, against the landowners. Just compensation trial dates were scheduled. Due to the COVID-19 Pandemic, original trial dates were subsequently rescheduled. All parcels were acquired through mediated settlement and reimbursement grants have been requested of the FAA and Virginia Department of Aviation.

The corporate hangar facilities have drawn interest from an innovation and technology company looking for a suitable location to perform research and development on emerging propulsion technologies. Utilizing backing from innovation investors and Department of Defense opportunities, Tidal Flight has committed to a 3-year lease with a long-term vision of acquiring additional federal contracts to produce the hybrid powertrain as a next generation propulsion system deployable across the globe. One hangar remains available with a non-profit group looking at purchase options.

The snow removal equipment storage shed remained an identified need and is on hold for the time being. Under advice of the Federal Aviation Administration, Infrastructure Investment and Jobs Act funds are identified for the Easement Acquisition reimbursement reported above.

Runway lighting investment has been paying off in energy savings. Functionally, the flying community has regularly commented on the clarity and ease of identifying the Chesapeake Regional Airport from the air. Maintenance of the fixtures is minimal, and the installation method has ensured that the turf is kept a good distance away from the fixtures which also lessens the time and effort needed to keep the lighting maintained.

In 2016, the Virginia Department of Aviation completed a comprehensive survey of pavement conditions at all airports in the Commonwealth. The results of the study updated the existing Virginia Statewide Airside Pavement Management Program and identified pavement conditions and needs at all airports. Chesapeake Regional Airport was given a detailed condition report and a forecast of future conditions specific to Chesapeake. Those results were used to develop a long-term rehabilitation and maintenance plan. The T-Hangar Taxiway and Ramp Rehabilitation project was put in place in accordance with the findings of the study. The airside pavements are in the final stage of a multi-year rehabilitation effort. Three phases of rehabilitation have been completed. Additional pavement was identified for rehabilitation, and the design and bidding of the project is complete. The Virginia Aviation Board approved the project and allocated \$1,300,000 for construction of the last remaining pavement section. In recent action, the Virginia Aviation Board also increased the cost participation percentage from 80% to 90% of eligible capital costs resulting in significant savings for the locality. At this time, the project is on hold awaiting local share commitment. The rehabilitation involved milling existing blacktop, reclaiming and reinforcing the subgrade, paving, repair of a failed storm water conveyance pipe and reestablishing design elevations.

Chesapeake Airport Authority
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Management’s Discussion and Analysis
June 30, 2025

Other Airport Activity

Two common indicators of airport activity at non-towered general aviation airports are (1) based aircraft and (2) annual fuel sales. Based aircraft decreased by 3.91% and fuel sales decreased by 26.42% since last year. In FY2024, based aircraft decreased by 6.56% and fuel sales increased by 66.90%

A report of based aircraft is provided to the Virginia Department of Aviation (DOAV) annually as of January 1, which is the midpoint of our fiscal year, thus providing a representative snapshot of based aircraft for the fiscal year.*

Annual fuel sales are determined from annual fuel flowage fees paid by the Flight Based Operators. **

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Annual Fuel Flowage (gallons) **	120,000	163,098	97,720
Based Aircraft *	123	128	137

Bond and Note Discussion

Issuance of Series 2011 Refunding Bond

Through the execution of a financing agreement with the Virginia Resources Authority (VRA) dated November 1, 2011, the Authority issued a \$1,220,000 Series 2011 Bond at an interest rate of 2.74%, which fully matured on August 1, 2024. The proceeds of this bond were used (in concert with the existing funds in the then existing Series 1999 Debt Service Account and the Debt Service Reserve Account) to (1) pay in full the outstanding principal balance of the Series 1999 Bonds, (2) establish a debt service account for the Series 2011 Bond, and (3) pay all expenses pursuant to the issuance of the Series 2011 Bond. The debt service due in FY2025 and FY2024 (principal \$110,000 and interest \$1,507 and \$4,521, respectively) was paid in full.

Issuance of Series 2022 Airport Revenue Bond

Through the execution of a financing agreement with the Virginia Resources Authority dated June 21, 2022, the Authority issued a \$4,500,000 Series 2022 Airport Revenue Bond at an interest rate of 3.66%, which fully matures on July 1, 2044. The proceeds of this bond were used to build two corporate hangars. The debt service principal payments are due beginning July 1, 2025, and remaining bond proceeds are being drawn down as costs are incurred.

Grants

State Grants

The Airport received grant funds totaling \$260,935 from the DOAV in FY2025.

The Commonwealth of Virginia provided grants through the Virginia Department of Aviation in two major categories: Capital Development (\$245,051) and Airport Maintenance (\$15,884). The \$15,844 of maintenance grants funded miscellaneous maintenance activities including Automatic Weather Observation System (AWOS), taxiway lights equipment, lamps, and windsocks.

The Airport received grant funds totaling \$1,510,509 from the DOAV in FY2024.

Chesapeake Airport Authority

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

Management's Discussion and Analysis

June 30, 2025

The Commonwealth of Virginia provided grants through the Virginia Department of Aviation (DOAV) in two major categories: Capital Development (\$1,501,465) and Airport Maintenance (\$9,044). The \$9,044 of maintenance grants funded miscellaneous maintenance activities including Automatic Weather Observation System (AWOS), NAVAID, generator major maintenance, taxiway lights equipment, lamps and windsocks, and fuel system piping repair.

The DOAV funding decreased from \$1,510,509 to \$260,935 in FY2025. The decrease in state funding is due to the Airport finishing up the larger-scale capital projects in FY2025. The DOAV funding increased from \$258,481 to \$1,510,509 in FY2024. The increase in state funding is due to the Airport doing a few more large-scale projects in FY2024.

Federal Grants

The Airport received grant funds totaling \$31,246 from the FAA in FY2025.

The funds were for the Obstruction Removal Project (\$7,604) and the continuation of the Airfield Lighting Project (\$23,642)

The Airport received grant funds totaling \$1,263,360 from the FAA in FY2024.

The funds were for the continuation of the Airfield Lighting Project (\$1,263,360).

Capital Development

Corporate Hangar Sites

The FAA has established the goal for all airports to be financially self-sustaining. A key component of achieving a positive cash flow for a General Aviation airport is hangar leases. Although land leases provide short-term capital relief, the long-term is negatively impacted. General Aviation Manufacturer Association metrics show a year over year growth in corporate aircraft sales while smaller, personal aircraft sales have been declining. To position Chesapeake Regional Airport for continued patronage and relevance, the Authority has completed two 12,000 square foot hangars large enough to suit the demands of mid-sized corporate aircraft. The construction of the site was funded through a grant by the DOAV. Construction of hangars with attached office amenities are funded through issuance of bond debt with a maturity date of July 1, 2044.

Obstruction Removal Design and Construction

In order to ensure compliance with federally defined dimensions of unobstructed airspace, Chesapeake Airport Authority has purchased easements over eleven adjacent parcels to the east allowing the airport to maintain unobstructed airspace. The current phase of the project involves design of the construction implementation which will ensure unobstructed airspace within the transition surface. The design services include on-site meetings with landowners as well as the development of a vegetation management plan. The design and subsequent construction phases are a federally eligible projects and will be completed with a combination of local, state and federal funds.

Easement Acquisition

On July 9, 2018 the Authority sent fair value offers to adjacent landowners to acquire easements to be able to keep the federally defined transition surface obstruction free. The eleven parcels' easements have been justly compensated as of May 2025. The design of the clearing of obstructions is currently underway.

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

Management's Discussion and Analysis

June 30, 2025

Taxiway and Runway Lighting Rehabilitation/Construction

The lighting rehabilitation project has been completed. Legacy incandescent illumination was replaced with modern and energy efficient LED fixtures. Energy savings are documented in kilowatt-hour consumption reports derived from monthly energy bills.

Maintenance Equipment Storage Shed

The DOAV funded the environmental coordination and design of a maintenance equipment storage shed. The remainder of the design and construction is on hold pending the availability of local funds.

Fuel Farm

The fuel farm has been refurbished with a combination of state and local funding. The cost participation rate was determined to be 33% state and 67% local. The cost participation rate is determined by the gallons delivered in a calendar year preceding such rehabilitation and is adopted within the Virginia Airports Program Manual. Through negotiations, the rehabilitation final cost was \$200,000. The DOAV contributed \$66,000 towards the project.

Contacting the Authority's Financial Management

The financial report is to provide federal, state and local grantors, citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the Airport Manager at 2800 Airport Drive, Chesapeake, Virginia 23323, phone (757) 432-8110.



Financial Statements

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

Statement of Net Position

June 30, 2025

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 358,745
Grants receivable	3,182
Accounts receivable, other	131,206
Total current assets	493,133

RESTRICTED ASSETS

Bond escrows, cash and cash equivalents (Note 3)	498,659
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CAPITAL ASSETS (Note 4)

Improvements	32,298,998
Land and easements	3,490,588
Construction in progress	97,698
Equipment	319,992
	36,207,276

Accumulated depreciation	(20,450,466)
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Net capital assets	15,756,810
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\$ 16,748,602

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 22,984
Due to City (Note 8)	475,000
Hangar security deposits	26,969
Office space security deposits	200
Accrued interest	78,978
Unearned revenue	9,316
Current portion of compensated absences (Note 6)	21,521
Current portion of bonds payable (Note 5)	181,157
Total current liabilities	816,125

NONCURRENT LIABILITIES

Compensated absences, less current portion (Note 6)	38,745
Bonds payable, less current portion (Note 5)	3,789,785
Total noncurrent liabilities	3,828,530

NET POSITION

Net investment in capital assets	11,310,868
Restricted	498,659
Unrestricted	294,420
Total net position	12,103,947

\$ 16,748,602

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025

OPERATING REVENUES	
Rental income	\$ 516,616
Reimbursements and fees collected	73,858
Total operating revenues	<u>590,474</u>
OPERATING EXPENSES	
Salaries and wages	258,779
Storm water management fees	102,796
Maintenance	88,929
Payroll taxes and employee benefits	79,664
Waste disposal costs	71,319
Insurance	70,617
Utilities	51,336
Professional fees	36,768
Supplies	20,105
Telephone	10,720
Advertising	7,478
Conference and meetings	4,571
Other expenses	60
Total operating expenses	<u>803,142</u>
Operating loss before depreciation	<u>(212,668)</u>
DEPRECIATION	774,815
Operating loss	<u>(987,483)</u>
NONOPERATING REVENUES (EXPENSES)	
City appropriations (Note 8)	429,279
Grant revenue	292,181
Interest income	20,946
Other income	36,531
Grant expense	(1,776)
Interest expense	(141,117)
Total nonoperating revenues	<u>636,044</u>
Change in net position	<u>(351,439)</u>
NET POSITION	
Beginning of year	<u>12,455,386</u>
End of year	<u><u>\$ 12,103,947</u></u>

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

Statement of Cash Flows

Year Ended June 30, 2025

OPERATING ACTIVITIES

Cash receipts from customers	\$ 864,706
Cash payments to employees for services	(247,550)
Cash payments for other operating expenses	(1,832,602)
Net cash used by operating activities	<u>(1,215,446)</u>

NONCAPITAL FINANCING ACTIVITIES

City appropriations	429,279
Interest income	20,946
Other income	36,531
Grant expense	(1,776)
Net cash provided by noncapital financing activities	<u>484,980</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of bonds payable	(110,000)
Acquisition of property and equipment	(283,376)
Grant revenue	1,341,489
Interest expense	(134,996)
Net cash provided by capital and related financing activities	<u>813,117</u>
Net increase in cash and cash equivalents	82,651

CASH AND CASH EQUIVALENTS

Beginning of year	774,753
End of year	<u><u>\$ 857,404</u></u>

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

Cash and cash equivalents, current assets	\$ 358,745
Cash and cash equivalents, restricted assets	498,659
	<u><u>\$ 857,404</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (987,483)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	774,815
Change in current assets and liabilities:	
Accounts receivable, other	269,336
Accounts payable	(1,288,969)
Hangar and office space security deposits	730
Unearned revenue	4,896
Compensated absences	11,229
Net cash used by operating activities	<u><u>\$ (1,215,446)</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Accounts payable - acquisition of property and equipment	<u><u>\$ 475,000</u></u>
Acquisition of property and equipment in prior year accounts payable- financed with bond proceeds	<u><u>\$ 115,442</u></u>

Chesapeake Airport Authority

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

Notes to Financial Statements

June 30, 2025

Note 1 – Organization and Nature of Business

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

Note 2 – Summary of Significant Accounting Policies

Reporting Authority

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

Basis of Accounting

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025

Cash and Cash Equivalents

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

Restricted Cash - Bond Escrows

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

With the refunding of the Series 1999 Bonds, this requirement of the Master Indenture continues to apply to the Series 2022 Bond. As of June 30, 2025, the Authority was in compliance with the above requirements.

Capital Assets

Capital assets, which include property, plant and equipment, are stated at cost. Assets acquired by grant or bequest are recorded at their fair value on the date of transfer. When assets are disposed, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently.

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

Improvements	5 – 40 years
Equipment	5 – 10 years

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

Advertising

The Authority expenses advertising costs as they are incurred. Advertising expense was \$7,478 for 2025.

Grants Receivable

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

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

Notes to Financial Statements

June 30, 2025

Compensated Absences

Authority employees accrue annual leave and sick leave each pay period at amounts based on years of service and at fixed rates, respectively. Employees may accumulate, subject to certain limitations, unused annual and sick leave earned and, upon retirement, termination, or death, may be compensated for certain amounts at specified rates. A liability is recognized for the amount of leave that has been earned for services already rendered and is estimated to be used or taken, at current pay rates at year-end, plus salary-related payments such as the employer share of Social Security and Medicare taxes.

Operating and Nonoperating Classification

The Authority's policy is to report as operating revenues and expenses activity that result from providing services in connection with the principal ongoing activities of the Authority. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. Deductibles and coverage limit at June 30, 2025, are as follows:

	Deductibles
Property:	
Blanket building, each building	\$ 1,000
Blanket personal property	1,000
Uninsured motorist property damage	200
Airport operator's liability:	
Each occurrence or offense deductible	as endorsed
Aggregate deductible	as endorsed
Hangarkeepers limit any one aircraft	1,000
Hangarkeepers limit any one occurrence	1,000
Workers' compensation	None

Chesapeake Airport Authority
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Notes to Financial Statements
June 30, 2025

	Liability Coverage Limits
Property:	
Blanket building	\$ 20,471,583
Blanket personal property	811,250
Airport operator's liability:	
Bodily injury	5,000,000
Products-completed operations	5,000,000
Malpractice	5,000,000
Fire damage	50,000
Medical expense	1,000
Hangarkeepers limit any one aircraft	5,000,000
Hangarkeepers limit any one occurrence	5,000,000
Non-owned aircraft liability	5,000,000
Automobile:	
Liability	1,000,000
Uninsured motorist	1,000,000
Workers' compensation	Statutory

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

Adoption of New Accounting Standard

Effective July 1, 2024, the Authority adopted GASB Statement No. 101, *Compensated Absences*. Statement No. 101 provides guidance on the recognition and measurement guidance for compensated absences. No restatement of the prior year net position was necessary. Additional details on the Authority's compensated absences can be found in Note 6.

Note 3 – Cash, Cash Equivalents, and Investments

Deposits

The Authority follows a deposit policy in accordance with statutes of the Commonwealth of Virginia. All of the Authority's deposits were insured by federal depository insurance and also insured under the provisions of the Commonwealth of Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions. The carrying amount of the Authority's deposits was \$340,009 at June 30, 2025, and the associated bank balance was \$358,743. Of this amount, \$108,743 was in excess of FDIC limits but is covered by the Act at June 30, 2025. The differences between the Authority's carrying value of deposits and the bank balance were due to outstanding checks, deposits in transit, and other reconciling items. The Authority also had bond escrow funds on deposit of \$498,659 at June 30, 2025.

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

Notes to Financial Statements

June 30, 2025

Investment Policy

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, 2025, the Authority had an investment of \$18,736 in Virginia’s LGIP money market funds and are included in cash and cash equivalents on the statement of net position.

Concentration of Credit Risk

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

Interest Rate Risk

The Authority is exposed to little interest rate risk since all investments had maturities of less than one year at June 30, 2025.

Note 4 – Capital Assets

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

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Capital assets not being depreciated:				
Construction in progress	\$ 7,145,105	\$ 169,196	\$ (7,216,603)	\$ 97,698
Land and easements	2,930,504	560,084	-	3,490,588
Total capital assets not being depreciated	<u>\$ 10,075,609</u>	<u>\$ 729,280</u>	<u>\$ (7,216,603)</u>	<u>\$ 3,588,286</u>
Other capital assets:				
Equipment	296,874	23,118	-	319,992
Improvements	25,076,417	7,222,581	-	32,298,998
Total other capital assets at historical cost	<u>25,373,291</u>	<u>7,245,699</u>	<u>-</u>	<u>32,618,990</u>
Less accumulated depreciation:				
Equipment	(237,958)	(19,049)	-	(257,007)
Improvements	(19,437,693)	(755,766)	-	(20,193,459)
Total accumulated depreciation	<u>(19,675,651)</u>	<u>(774,815)</u>	<u>-</u>	<u>(20,450,466)</u>
Total capital assets being depreciated, net	5,697,640	6,470,884	-	12,168,524
Capital assets, net	<u>\$ 15,773,249</u>	<u>\$ 7,200,164</u>	<u>\$ (7,216,603)</u>	<u>\$ 15,756,810</u>

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

Notes to Financial Statements
June 30, 2025

Note 5 – Bonds Payable

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

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

Activity in Series 2011 and 2022 bonds payable for fiscal year 2025 is as follows:

Description	Balance July 1, 2024	Issued	Retired	Balance June 30, 2025	Amount Due Within One Year
Total bonds outstanding	\$ 3,965,500	\$ 115,442	\$ 110,000	\$ 3,970,942	\$ 181,157

Future maturities for the Series 2022 bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 181,157	\$ 143,694	\$ 324,851
2027	187,849	137,003	324,852
2028	194,787	130,065	324,852
2029	201,981	122,870	324,851
2030	209,441	115,410	324,851
2031-2035	1,169,117	455,140	1,624,257
2036-2040	1,401,571	222,686	1,624,257
2041-2042	425,039	14,793	439,832
	<u>\$ 3,970,942</u>	<u>\$ 1,341,661</u>	<u>\$ 5,312,603</u>

Note 6 – Compensated Absences

The following is a summary of changes in compensated absences reported in the statement of net position for the fiscal year ended June 30, 2025:

Compensated absences - July 1, 2024	\$ 49,037
Net change	11,229
Balance - June 30, 2025	60,266
Less current portion	(21,521)
Long-term compensated absences - June 30, 2025	<u>\$ 38,745</u>

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

Notes to Financial Statements

June 30, 2025

Note 7 – Regulated Leases

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

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

Total regulated lease-related inflows of resources were \$7,677 for the year ended June 30, 2025, and are included in rental income on the statement of revenues, expenses, and changes in net position. Total variable payments were \$5,413 for the year ended June 30, 2025, and are included in reimbursements and fees collected on the statement of revenues, expenses, and changes in net position.

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

<u>Year Ending</u>		
2026	\$	55,043
2027		55,043
2028		55,043
2029		55,043
2030		50,737
2031 - 2035		16,855
2036 - 2040		15,731
	<u>\$</u>	<u><u>303,495</u></u>

Note 8 – Related Party Transactions

The Airport received direct financial support from the City of Chesapeake (the “City”) in the form of annual appropriated funds for payroll and benefits for Airport personnel in the amount of \$429,279.

During 2025, the City purchased four easements for the Airport. The purchase price of \$475,000 is payable to the City. This payable is included in the due to City amount on the statement of net position.

Note 9 – Contingencies

State and Federal Grants

In connection with various grants awarded by the Commonwealth of Virginia and the Federal Aviation Administration (FAA), the Authority is required to operate an airport facility in the public interest for a period of 20 years commencing on the execution date of such grants. Should the Authority terminate the agreement, the State (or Federal government) shall be entitled to reimbursement of a proportionate share of the original grant. Management has no intentions of terminating this agreement and, accordingly, no liability has been established at June 30, 2025.

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

Notes to Financial Statements
June 30, 2025

Note 10 – Commitments

Land Easements

On July 9, 2018, the Authority sent fair value offers aggregating \$61,278 to property landowners with land adjacent to the Airport with the intent of purchasing easements above eleven parcels which would enable the Authority to clear obstructions to air navigation. The FAA will reimburse the Authority subsequent to each purchase. Since offers had neither been accepted nor rejected, the Authority's counsel, Pender & Coward, filed condemnation proceedings with the court on June 7, 2019, against the landowners. During 2025, \$475,000 was incurred by the Authority to acquire four easements from the City. As of June 30, 2025, all easements have been acquired through either mediation or accepted settlement.

Contractual Commitments

At June 30, 2025, the Authority has contractual commitments of approximately \$161,000 for work remaining to be performed under outstanding contracts for capital projects.

Note 11 – Pension Plan

Plan Description

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

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

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate was 17.52% of annual payroll for full-time employees for 2025.

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

Notes to Financial Statements

June 30, 2025

Annual Pension Cost

The Authority's contributions to the VRS for 2025 was \$42,247, which equaled the required contributions for each year and are included in payroll taxes and employee benefits on the statement of revenues, expenses and changes in net position.



Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Chesapeake Airport Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Chesapeake Airport Authority’s basic financial statements, and have issued our report thereon dated November 12, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 12, 2025

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

Summary of Compliance Matters
June 30, 2025

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia:

- Cash and Investment Laws
- Conflicts of Interest Act
- Uniform Disposition of Unclaimed Property Act
- Procurement Laws



Other Information

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

Pledged Revenue Coverage
Year Ended June 30, 2025

SERIES 2022 AIRPORT REVENUE BOND

Gross revenues	\$ 1,077,230
Less: Operating expenses	(803,142)
Net revenues available for debt service (a)	\$ 274,088
Debt service:	
Principal	\$ 110,000
Interest	141,117
Total debt service (b)	\$ 251,117
Debt service coverage (a) / (b)	109%