

**VIRGINIA TECH/MONTGOMERY REGIONAL
AIRPORT AUTHORITY**

FINANCIAL REPORT

Fiscal Year Ended June 30, 2023

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

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INTRODUCTORY SECTION

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2023

MEMBERS OF THE BOARD

Ms. Mary Biggs – Chair
Mr. Brad Stipes – Vice Chair
Dr. Christopher Kiwus
Mr. Steve Ross
Dr. Nathaniel Bishop

INDEPENDENT AUDITORS

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

ATTORNEYS

Sands Anderson, P.C.

FINANCIAL SECTION

**The Financial Section contains
the Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Virginia Tech/Montgomery Regional Airport Authority
Blacksburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Virginia Tech/Montgomery Regional Airport Authority (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Virginia Tech/Montgomery Regional Airport Authority, as of June 30, 2023, 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 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.

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

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

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 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 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 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, 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 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 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.

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Summarized Comparative Information

We have previously audited the Authority's 2022 financial statements, on which, in our report dated October 28, 2022, we expressed an unmodified opinion. The 2022 financial information is provided for comparative purposes only.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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 10, 2023 on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 10, 2023

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2023

	2023	(For Comparative Purposes Only) 2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 288,412	\$ 110,003
Cash and cash equivalents, restricted (Note 2)	1,124,535	125,350
Accounts receivable	19,272	30,726
Due from other governments (Note 3)	70,135	910,568
Capital reimbursement receivable (Note 15)	13,703	13,233
Leases receivable (Note 5)	41,612	40,742
Inventory	59,141	116,970
Total current assets	<u>1,616,810</u>	<u>1,347,592</u>
Noncurrent Assets		
Capital reimbursement receivable (Note 15)	302,931	316,634
Leases receivable (Note 5)	324,051	365,674
Capital Assets: (Note 4)		
Nondepreciable	426,122	143,614
Depreciable, net	<u>38,672,514</u>	<u>41,401,494</u>
Total noncurrent assets	<u>39,725,618</u>	<u>42,227,416</u>
Total assets	<u>41,342,428</u>	<u>43,575,008</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 8)	73,386	111,963
Deferred outflows related to other post-employment benefits (Note 9)	<u>53,165</u>	<u>49,860</u>
Total deferred outflows of resources	<u>126,551</u>	<u>161,823</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	105,721	1,075,125
Compensated absences (Note 6)	10,110	9,628
Due to Town of Blacksburg	344,063	199,880
Accrued interest payable	11,148	4,072
Unearned revenue	55,665	36,900
Current portion of long-term leases (Note 7)	47,023	44,054
Current portion of long-term debt (Note 7)	<u>238,845</u>	<u>130,965</u>
Total current liabilities	<u>812,575</u>	<u>1,500,624</u>
Noncurrent Liabilities		
Net pension liability (Note 8)	282,743	203,866
Other post-employment benefits (Note 9)	204,045	168,803
Compensated absences (Note 6)	24,501	11,295
Leases payable (Note 7)	72,678	121,226
Fuel tank note (Note 7)	40,716	59,019
Revenue bonds (Note 7)	<u>2,482,636</u>	<u>1,578,179</u>
Total noncurrent liabilities	<u>3,107,319</u>	<u>2,142,388</u>
Total liabilities	<u>3,919,894</u>	<u>3,643,012</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 8)	50,307	147,992
Deferred inflows related to other post-employment benefits (Note 9)	22,969	25,324
Deferred inflows related to leases (Note 5)	<u>364,629</u>	<u>411,234</u>
Total deferred inflows of resources	<u>437,905</u>	<u>584,550</u>
NET POSITION		
Net investment in capital assets	37,382,088	39,781,235
Restricted	38,928	38,723
Unrestricted	<u>(309,836)</u>	<u>(310,689)</u>
Total net position	<u>\$ 37,111,180</u>	<u>\$ 39,509,269</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

		(For Comparative Purposes Only)	
	2023	2022	
REVENUES			
Fuel sales (Note 11)	\$ 1,481,946	\$ 1,400,410	
Hangar rentals	119,069	113,755	
Parking	91,979	103,500	
Property leases	88,294	89,974	
Other income	48,452	39,850	
Total operating revenues	\$ 1,829,740	\$ 1,747,489	
OPERATING EXPENSES			
Salaries and wages	\$ 352,392	\$ 357,861	
Directors' compensation	7,500	7,500	
Employee benefits	151,691	94,077	
Payroll taxes	26,322	27,291	
Training and travel	4,245	2,574	
Advertising	185	150	
Administrative	62,550	65,270	
Repair and maintenance	44,114	135,543	
Supplies	22,342	19,998	
Dues and subscriptions	658	617	
Professional fees	45,293	44,328	
Insurance	24,292	17,879	
Inspection	6,258	3,600	
Utilities	24,953	22,958	
Fuel	1,015,834	903,359	
Other	13,615	15,202	
Bad debt expense	-	112,085	
Telephone	6,497	6,962	
Depreciation	2,776,228	2,760,450	
Landscaping	5,578	2,780	
Total operating expenses	\$ 4,590,547	\$ 4,600,484	
Operating loss	\$ (2,760,807)	\$ (2,852,995)	

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	2023	(For Comparative Purposes Only) 2022
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
Operating grants	\$ 46,759	\$ 13,370
CARES funding grant	-	82,000
Members' contributions	240,000	240,000
Interest income	28,559	9,696
Issuance cost	(23,250)	(10,200)
Interest expense (Note 7)	(60,350)	(59,358)
	<hr/>	<hr/>
Total nonoperating revenues, net	231,718	275,508
	<hr/>	<hr/>
Loss before capital contributions	(2,529,089)	(2,577,487)
	<hr/>	<hr/>
CAPITAL CONTRIBUTIONS (Notes 12)	131,000	1,615,437
	<hr/>	<hr/>
Change in net position	(2,398,089)	(962,050)
	<hr/>	<hr/>
Net position beginning July 1	39,509,269	40,471,319
	<hr/>	<hr/>
Net position ending at June 30	\$ 37,111,180	\$ 39,509,269
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STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	2023	(For Comparative Purposes Only) 2022
OPERATING ACTIVITIES		
Receipts from customers	\$ 1,854,107	\$ 1,798,021
Payments to suppliers	(2,128,021)	(1,540,243)
Payments to employees	(472,316)	(490,626)
Net cash used in operating activities	(746,230)	(232,848)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on long-term debt	(176,545)	(6,378,474)
Proceeds from issuance of revenue bonds	1,125,000	649,000
Purchases of capital assets	(248,091)	(1,440,250)
Capital contributions	971,433	7,156,772
Receipts from governmental units	286,759	335,370
Payments received on capital reimbursement	13,233	12,779
Interest paid on capital debt and issuance costs	(76,524)	(69,819)
Net cash provided by capital and related financing activities	1,895,265	265,378
INVESTING ACTIVITIES		
Interest received on investments	28,559	9,696
Net cash provided by investing activities	28,559	9,696
Net increase increase in cash and cash equivalents	1,177,594	42,226
CASH AND CASH EQUIVALENTS		
Beginning	235,353	193,127
Ending	\$ 1,412,947	\$ 235,353
Reconciliation to Statement of Net Position		
Cash and cash equivalents	\$ 288,412	\$ 110,003
Cash and cash equivalents, restricted	1,124,535	125,350
	\$ 1,412,947	\$ 235,353

(Continued)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	2023	(For Comparative Purposes Only) 2022
Reconciliation of operating loss to net cash used in operating activities		
Operating Loss	\$ (2,760,807)	\$ (2,852,995)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,776,228	2,760,450
Pension expense net of employer contributions	19,769	687
Other post-employment benefit expense net of employer contributions	29,582	6,559
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	11,454	26,378
Inventory	57,829	(89,377)
Lease receivable	40,753	(406,416)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,051,067)	78,948
Unearned revenue	18,765	36,900
Compensated absences	13,688	5,253
Lease deferred inflows	(46,605)	411,234
Due to Town of Blacksburg	144,183	(210,469)
Net cash used in operating activities	<u>\$ (746,230)</u>	<u>\$ (232,848)</u>
NONCASH CAPITAL AND FINANCING ACITVITIES		
Capital asset purchases financed with leases	<u>\$ -</u>	<u>\$ 107,616</u>
Fuel tank note issuance	<u>\$ -</u>	<u>\$ 92,000</u>
Capital asset purchases financed with accounts payable	<u>\$ 81,663</u>	<u>\$ 925,367</u>

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Virginia Tech/Montgomery Regional Airport Authority (the “Authority”) was created in 2002 by the Virginia General Assembly. Its member jurisdictions are Virginia Tech, Montgomery County, and the Towns of Blacksburg and Christiansburg. The Authority’s purpose is to develop a regional airport based on the mission of servicing corporate executive and other general aviation markets; obtaining grants, loans, and other funding for airport improvements and other activities; and promoting and assisting in regional economic development. The Authority operates on a Board-administrator form of government. However, the member jurisdictions do not have a financial interest in or responsibility to the Authority as defined by the Governmental Accounting Standards Board. No participants have access to the Authority’s resources or surpluses, nor is any participant liable for the Authority’s debts or deficits. None of the member jurisdictions appoints a voting majority of the Board members.

Based on the above facts, the Authority is a jointly-governed organization of the member jurisdictions. The Town of Blacksburg (the “Town”) serves as the fiscal agent for the Authority.

Measurement focus and basis of accounting:

The Authority’s financial statements are reported using 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.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenues are charges to customers for sales. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Valuation of receivables:

Receivables are stated at face amount and the Authority calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. During fiscal year 2022, the Authority recorded an allowance in the amount of \$112,085 for Federal excise tax receivables that have accumulated since fiscal year 2007.

Due from other governments:

Due from other governments consists primarily of amounts due from the federal government and the Commonwealth of Virginia related to capital project reimbursements.

Inventory:

Inventory consists primarily of fuel and is valued at the lower of cost (first-in, first-out) or market.

Capital assets:

Capital assets are recorded at historical cost. The threshold for recording capital assets is \$5,000. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which range from five to ten years for equipment. Leasehold improvements include land purchased to extend Authority leased property and runway improvements. These leasehold improvements are depreciated over the shorter of the useful life of the asset, which is twenty years, or the remaining term of the lease. The lease term includes all reasonably assured renewals of the lease.

Compensated absences:

The Authority has a policy which allows for the accumulation and vesting of limited amounts of vacation leave, compensatory leave, flex leave, and holiday time until termination or retirement. Sick leave is paid out only on retirement.

Due to Town of Blacksburg:

Due to timing of cash flows at year end, the Town has not been reimbursed for certain payroll and other expenses of the Authority.

Unearned revenue:

The Authority uses part of its land as car and RV parking for Virginia Tech football games. In the current year, the Authority received \$55,665 in parking fees prior to yearend ahead of the football season.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions 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 Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement which presents financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement which presents financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Net position:

Net position is the difference between assets and deferred outflows, and liabilities and deferred inflows. Net position net investment in capital assets represents capital assets less accumulated depreciation, less any outstanding debt and plus any restricted cash related to the acquisition, construction, or improvement of those assets.

Restricted net position consists of revenues received as rentals from a dislocated business that continued to operate on Authority owned property. This revenue represents program income related to federal award programs when received and must be used towards future program related expenditures.

Comparative data:

The basic financial statements include certain prior year summarized comparative information in total but not to the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Cash and Cash Equivalents

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Restricted cash consists of unspent bond proceeds and program income earned and unspent to date associated with the Airport Improvement federal grant program. These funds are restricted for use towards the capital projects financed with the associated debt issue and eligible expenditures of the program, respectively.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, the Authority maintained no investments.

Note 3. Due from Other Governments

Amounts due from other governments includes:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Federal Excise			
Tax refunds	\$ 112,085	\$ -	\$ 112,085
Apron Expansion	-	67,750	67,750
Runway extension (construction)	2,385	-	2,385
Total	114,470	67,750	182,220
Less: Allowance	(112,085)	-	(112,085)
Current	<u>\$ 2,385</u>	<u>\$ 67,750</u>	<u>\$ 70,135</u>

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Due from Other Governments (Continued)

The Federal Excise Tax refunds consist of approximately fourteen years of claims which, to date, have not been refunded to the Authority. Portions of these amounts are multiple years' old, and, as a result, an allowance for the entire balance was recorded in 2022, while management still attempts to collect these balances.

Federal and state amounts are based on approvals from the applicable agency. However, all commitments for funding are ultimately contingent on annual funding appropriations to the agencies.

Note 4. Capital Assets

Capital asset activity was as follows:

	Beginning Balance, July 1, 2022	Increase	Decrease	Ending Balance, June 30, 2023
Capital assets, not being depreciated				
Improvements in progress	\$ 143,614	\$ 282,508	\$ -	\$ 426,122
Capital assets, nondepreciable	143,614	282,508	-	426,122
Capital assets, being depreciated				
Leasehold improvements – runway	54,809,578	12,000	-	54,821,578
Equipment	481,818	35,248	-	517,066
Capital assets, depreciable	55,291,396	47,248	-	55,338,644
Less accumulated depreciation				
Leasehold improvements – runway	(13,700,200)	(2,708,930)	-	(16,409,130)
Equipment	(348,261)	(25,478)	-	(373,739)
Total accumulated depreciation	(14,048,461)	(2,734,408)	-	(16,782,869)
Total capital assets being depreciated, net	41,242,935	(2,687,160)	-	38,555,775
Intangible Right-to-use assets				
Lease equipment	209,100	-	-	209,100
Less accumulated amortization	(50,541)	(41,820)	-	(92,361)
Intangible Right-to-use assets, net	158,559	(41,820)	-	116,739
Total capital assets, net	<u>\$ 41,545,108</u>	<u>\$ (2,446,472)</u>	<u>\$ -</u>	<u>\$ 39,098,636</u>

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4. Capital Assets (Continued)

Intangible Right-to-Use Lease Assets

In 2022, the Authority implemented the guidance in GASB No. 87, *Leases*, and recognized the value of fuel trucks leased under long-term contracts.

Note 5. Lease Receivables

The Authority is a lessor for various noncancellable leases of land, land improvements, and buildings. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

On 02/13/2008, the Authority entered into a 132-month lease with the Town of Blacksburg to lease 2.995 acres of land for a fire station. An initial lease receivable was recorded in the amount of \$64,980. As of 06/30/2023, the value of the lease receivable is \$54,180. The lessee is required to make annual fixed payments of \$6,239 with increases every five years starting in 2024 with an interest rate of 1.68%. The value of the deferred inflow of resources as of 06/30/2023 was \$53,165, and the Authority recognized lease revenue of \$5,240 during the fiscal year. The lessee has one extension option for 240 months.

On 07/01/2016, the Authority entered into a 132-month lease with Virginia Tech to lease a building for their turbo lab. An initial lease receivable was recorded in the amount of \$14,833. As of 06/30/2023, the value of the lease receivable is \$12,319. The lessee is required to make monthly fixed payments of \$122.99 with an interest rate of 1.68%. The value of the deferred inflow of resources as of 06/30/2023 was \$12,136, and the Authority recognized lease revenue of \$1,348 during the fiscal year.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5. Lease Receivables (Continued)

On 04/20/2004, the Authority entered into a 47-month lease with Virginia Tech to lease land for electric materials storage. An initial lease receivable was recorded in the amount of \$18,193. As of 06/30/2023, the value of the lease receivable is \$9,087. The lessee is required to make monthly fixed payments of \$384 with 2.5% increases in following years with an interest rate of 0.89%. The value of the deferred inflow of resources as of 06/30/2023 was \$8,903, and the Authority recognized lease revenue of \$4,645 during the fiscal year.

On 07/24/2015, the Authority entered into a 135-month lease with the Federal government to lease land for a weather station. An initial lease receivable was recorded in the amount of \$353,219. As of 06/30/2023, the value of the lease receivable is \$290,077. The lessee is required to make annual fixed payments of \$35,000 with an interest rate of 1.68%. The value of the deferred inflow of resources as of 06/30/2023 was \$290,425, and the Authority recognized lease revenue of \$34,705 during the fiscal year. The lessee has one extension option for 36-months. The lessee had a termination period of 3-months as of the lease commencement.

Note 6. Compensated Absences

The following is a summary of changes in compensated absences for the year:

	<u>Balance, Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, Ending</u>	<u>Due within One Year</u>
Compensated absences	\$ 20,923	\$ 34,454	\$ (20,766)	\$ 34,611	\$ 10,110

Note 7. Long-Term Liabilities

Notes and Bonds Payable

During 2016, the Authority issued Revenue Bonds in the amount of \$2,350,000. Of this amount, \$850,000 is tax-exempt at a fixed interest rate of 2.13% and \$1,500,000 is taxable at a fixed interest rate of 3.22%. Interest is payable semi-annually on June 1st and December 1st until the maturity date of June 1, 2035. The proceeds were used to refinance the 2007 Revenue Bonds, pay the 2% local portion of Phase I and II of the runway construction project, pay for the development of a corporate hangar site, a T-hanger site, and a 12 unit T-hanger, and pay for the costs of issuance.

During 2023, the Authority issued a Grant Revenue Bond for new construction projects. The bond was issued in the amount of \$1,125,000 at an interest rate of 5.95%. Interest is payable semi-annually on June 1st and December 1st until the maturity date of December 1, 2030. The proceeds will be used to pay for a new hanger construction project and pay for the cost of issuance.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Long-Term Liabilities (Continued)

Notes and Bonds Payable (Continued)

The following is a summary of long-term debt for the year:

	Beginning July 1	Additions	Reductions	Ending June 30	Due within One Year
Revenue bonds	\$ 1,691,602	\$ -	\$ (113,423)	\$ 1,578,179	\$ 116,543
Fuel tank note	76,561	-	(17,543)	59,018	18,302
Lease liability	165,280	-	(45,579)	119,701	47,023
Grant Revenue Bonds	-	1,125,000	-	1,125,000	104,000
Total	<u>\$ 1,933,443</u>	<u>\$ 1,125,000</u>	<u>\$ (176,545)</u>	<u>\$ 2,881,898</u>	<u>\$ 285,868</u>

The annual requirements to amortize long-term debt and related interest are as follows:

<u>Fiscal Year</u>	Fuel Tank Note		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 18,302	\$ 2,155	\$ 220,543	\$ 119,259	\$ 238,845	\$ 121,414
2025	19,095	1,361	240,996	98,514	260,091	99,875
2026	19,923	534	252,431	87,642	272,354	88,176
2027	1,699	6	262,968	76,221	264,667	76,227
2028	0	0	275,528	64,300	275,528	64,300
2029-2033	0	0	1,188,811	140,126	1,188,811	140,126
2034-2035	0	0	261,902	9,935	261,902	9,935
	<u>\$ 59,018</u>	<u>\$ 4,056</u>	<u>\$ 2,703,179</u>	<u>\$ 595,997</u>	<u>\$ 2,762,198</u>	<u>\$ 600,053</u>

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Long-Term Liabilities (Continued)

Intangible Right-to-Use Lease Liabilities

In 2022, the Authority implemented the guidance of GASBS No. 87, *Leases*, for accounting and reporting leases that had previously been reported as operating and capital leases.

The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Fuel Truck Leases

The Authority leases multiple fuel trucks for fueling operations with the details below. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 4.

On 03/30/2020, the Authority entered into a 44-month lease for the use of a 3,000 Gallon Jet A fuel truck. An initial lease liability was recorded in the amount of \$75,227. As of 06/30/2023, the value of the lease liability is \$37,492. The Authority is required to make monthly fixed payments of \$1,800 with an interest rate of 6.00%. The Authority has one extension option for twelve months.

On 09/22/2021, the Authority entered into a 60-month lease for the use of an Avgas fuel truck. An initial lease liability was recorded in the amount of \$52,513. As of 06/30/2023, the value of the lease liability is \$37,368. The Authority is required to make monthly fixed payments of \$1,000 with an interest rate of 1.04%.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Long-Term Liabilities (Continued)

Intangible Right-to-Use Lease Liabilities (Continued)

On 09/22/2021, the Authority entered into a 60-month lease for the use of a Jet A fuel truck. An initial lease liability was recorded in the amount of \$63,016. As of 06/30/2023, the value of the lease liability is \$44,841. The Authority is required to make monthly fixed payments of \$1,200 with an interest rate of 1.04%.

Minimum lease payments over the next five years include:

<u>Fiscal Year</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 47,023	\$ 977
2025	42,078	522
2026	26,207	193
2027	4,393	6
2028	-	-
	<u>\$ 119,701</u>	<u>\$ 1,698</u>

Note 8. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Authority, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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 Authority participates in VRS through the Town of Blacksburg, Virginia (the “Town”). The Authority accounts for and reports its participation in the Town’s VRS plan by applying the requirements for a cost-sharing multiple employer plan.

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, there were three active employees and one inactive employees that were covered by the benefit terms of the pension plan.

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2023 was 15.60 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$43,069 and \$35,171 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2014 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	6.80 %	1.81 %
Fixed Income	15.00	4.40	0.80
Credit Strategies	14.00	7.10	0.75
Real Assets	14.00	6.00	0.75
Private Equity	14.00	8.80	0.75
MAPS – Multi-Asset Public Strategies	6.00	5.90	0.32
PIP – Private Investment Partnership	3.00	7.30	0.16
Total	100.00 %		5.33 %
Inflation			2.50 %
*Expected arithmetic nominal return			7.83 %

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever is greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Authority's net pension liability	\$ 415,232	\$ 282,743	\$ 21,239

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$43,147. Before or at June 30, 2023, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,030	\$ 9,537
Change in assumptions	25,288	-
Net difference between projected and actual earnings on pension plan investments	-	40,771
Employer contributions subsequent to the measurement date	<u>43,069</u>	<u>-</u>
Total	<u><u>\$ 73,386</u></u>	<u><u>\$ 50,307</u></u>

At June 30, 2023, the Authority's proportionate share was 1.65% as compared to 1.59% at June 30, 2022.

The \$43,069 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 year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2024	\$ 459
2025	(10,832)
2026	(28,822)
2027	19,205
2028	-
Thereafter	-

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2023, approximately \$3,587 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 9. Other Post-Employment Benefits

The Authority participates in the two other postemployment benefit ("OPEB") plans through the Town of Blacksburg, Virginia (the "Town"). The Authority accounts for and reports its participation in the Town's OPEB plans by applying the requirements for a cost-sharing multiple employer plan.

Cost Sharing Plan (Town of Blacksburg)

Plan description and benefits provided

The Town of Blacksburg includes Authority employees in its other post-employment benefits (OPEB). The Town provides post-employment health benefits through a single-employer defined benefit plan. The plan provides healthcare, prescription drug, vision, and life insurance benefits to retirees and their dependents. The Town may change, add, or delete benefits, as it deems appropriate with Town Council approval. The plan does not grant retirees vested health coverage benefits.

Employees Covered by Benefit Terms

As of the July 1, 2021 actuarial valuation, there were three active employees and one inactive employee that were covered by the benefit terms of the OPEB plan.

Contributions

The Authority contributed \$16,220 and \$14,656 during the years ended June 30, 2023 and 2022, respectively.

Net OPEB Liability

The Authority's total net OPEB liability of \$189,704 was measured as of June 30, 2023 and was determined by an actuarial valuation performed as of June 30, 2021. The Authority's proportionate share of the liability was 1.71 % and 1.51% for the years ended June 30, 2023 and 2022, respectively.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Other Post-Employment Benefits (Continued)

Cost Sharing Plan (Town of Blacksburg) (Continued)

Actuarial Assumptions, Other Inputs, Discount Rate, Fiduciary Net Position, and Long-Term Expected Rate of Return

Details concerning actuarial assumptions and other inputs, discount rate, the plan's fiduciary net position, and the long-term expected rate of return on the Town's OPEB trust investment pool are available in the Town's Comprehensive Annual Financial Report that is available at <http://www.blacksburg.gov/departments/departments-a-k/financial-services/budget-and-reports>.

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

	<u>1.00% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1.00% Increase (7.50%)</u>
Net OPEB liability	\$ 234,548	\$ 189,704	\$ 152,607

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Trend Rate</u>	<u>1.00% Increase</u>
Net OPEB liability	\$ 143,961	\$ 189,704	\$ 246,279

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Other Post-Employment Benefits (Continued)

Cost Sharing Plan (Town of Blacksburg) (Continued)

OPEB Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Authority recognized OPEB income of \$8,330. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,706	\$ 4,265
Change in assumptions	42,258	14,069
Net difference between projected and actual earnings on OPEB plan investments	<u>3,012</u>	<u>-</u>
Total	<u>\$ 52,976</u>	<u>\$ 18,334</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2024	\$ 6,458
2025	5,817
2026	11,934
2027	5,325
2028	4,290
Thereafter	818

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Other Post-Employment Benefits (Continued)

Cost Sharing Plan (Virginia Retirement System Group Life Insurance (“GLI”))

The Authority also participates as a cost sharing participant in the GLI provided by the Virginia Retirement System (“VRS”). Details concerning this plan, including plan description, actuarial assumptions and other inputs, long-term expected rate of return, and discount rate are available in the Town’s Comprehensive Annual Financial Report as referenced above. Specific details of the GLI relative to the Authority are as follows:

June 30, 2023 proportionate share of liability	\$14,341
June 30, 2022 proportion	1.70%
June 30, 2021 proportion	1.56%
June 30, 2023 contributions	\$1,461
June 30, 2022 contributions	\$1,385
June 30, 2023 expense	\$ 99

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,136	\$ 575
Change in assumptions	535	1,397
Change in proportionate share	(2,943)	1,767
Net difference between projected and actual earnings on OPEB plan investments	-	896
Employer contributions subsequent to the measurement date	1,461	-
Total	<u>\$ 189</u>	<u>\$ 4,635</u>

The deferred outflows of resources related to OPEB resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Other Post-Employment Benefits (Continued)

Cost Sharing Plan (Virginia Retirement System Group Life Insurance (“GLI”)) (Continued)

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2024	\$ (1,111)
2025	(1,111)
2026	(1,112)
2027	(1,112)
2028	-
Thereafter	-

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

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net 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 discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Net OPEB liability - GLI	\$ 20,868	\$ 14,341	\$ 9,066

Note 10. Related Party Transactions

The Authority leases its real property and premises from Virginia Tech under a thirty-year operating lease ending June 30, 2032, with annual rent of \$1. This lease is excluded from GASB 87 since it is not considered an exchange or an exchange-like transaction. The lease includes the option to renew for an additional term of twenty years. This renewal was not considered in determining the amortizable life of leasehold improvements because renewal, at this time, is not reasonably assured. Under the lease, the Authority has the ability to conduct its day-to-day operations, which include such things as repairs to aircraft, fuel sales, operation of an air traffic control system and all activities related thereto, and to acquire, construct, renovate, and equip the premises. Virginia Tech continues to provide liability insurance on the property. Upon expiration of the lease, any buildings, structures, alterations, additions, improvements affixed, and real property purchased to meet Runway Protection Zone requirements to the premises shall become property of Virginia Tech.

Beginning in 2008, the Authority subleased land for a fire station to the Town of Blacksburg under a twenty-four year term ending in 2032. This lease is included in lease receivables in Note 5.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Significant Customers

Approximately 13.42% of revenues from fuel sales are derived from two customers.

Note 12. Capital Contributions

Capital contributions represent proceeds from federal and state agencies, as well as other organizations, used towards the following capital projects:

	<u>2023</u>
Executive hangar construction	\$ 70,135
Box hangar design	39,774
Fuel farm location	21,091
	<u><u>\$ 131,000</u></u>

Note 13. Risk Management

Workers' compensation:

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2023, total premiums paid were \$7,963.

General liability and other:

Virginia Tech provides general liability and other insurance on the property at no cost to the Authority.

USI Hargrove Insurance provides Airport Owners and Operators General Liability Policy Insurance. The Authority paid \$16,738 for this insurance for 2023.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 14. Operating Lease

The Town leases several aircraft hangars to various organizations. These leases are considered regulated leases by the Federal Aviation Administration and therefore are exempt to GASB Statement No. 87. The terms of these operating leases are detailed below.

On 11/01/2021, the Authority entered into a 360-month lease with Shelor Motors to lease a hangar. The lessee is required to make monthly fixed payments of \$1,191 with a 3% increase every three years with an interest rate of 2.51%. The Authority recognized lease revenue of \$4,593 during the fiscal year. The lessee has one extension option for 120 months.

On 05/01/2021, the Authority entered into a 60-month lease with Virginia Tech to lease hangar space. The lessee is required to make monthly fixed payments of \$2,771 with an interest rate of 1.06%. The Authority recognized lease revenue of \$31,821 during the fiscal year. The lessee has one extension option for 120 months.

Future minimum rental payments required under operating lease that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2023 were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2024	\$ 47,542
2025	47,828
2026	48,964
2027	14,724
2028	15,018
2029-2033	77,039
2034-2038	81,092
2039-2043	85,021
2044-2048	89,309
2049-2052	61,990
Total	<u>\$ 568,527</u>

Note 15. Hangar Site Cost Reimbursement

During fiscal years 2019 and 2020, the Authority performed significant amounts of site work in preparation of the construction of various corporate hangars. A portion of this site work was intended solely for the long-term rental use of a local business. The local business entered into a long-term agreement with the Authority that included a long-term reimbursement to the Authority for the costs associated with the hangar land improvements and a long term lease for the use of the land and improvements. The capital costs reimbursed, totaling \$342,646, are to be paid over 20 years at an interest rate of 3.5%, starting on October 1, 2020. The outstanding balance of the reimbursement receivable at June 30, 2023 is \$316,634.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 16. New Accounting Standards

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

June 30, 2023

Year Ended June 30	Employer's				
	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
				the Net Pension	
				Liability (Asset) as a Percentage of Covered Payroll	
2023	1.65%	\$ 282,743	\$ 255,874	110.50%	83.04%
2022	1.59%	\$ 203,866	\$ 238,773	85.38%	87.28%
2021	1.49%	\$ 337,052	\$ 224,876	149.88%	75.54%
2020	1.51%	\$ 281,849	\$ 202,743	139.02%	78.63%
2019	1.43%	\$ 221,565	\$ 223,857	98.98%	80.81%
2018	1.54%	\$ 247,306	\$ 217,755	113.57%	79.10%
2017	1.53%	\$ 307,518	\$ 168,656	182.33%	73.23%
2016	1.24%	\$ 198,859	\$ 143,168	138.90%	77.33%
2015	1.04%	\$ 150,072	\$ 135,516	110.74%	78.57%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period which is the twelve months prior to the Authority's fiscal year.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2023

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 43,069	\$ 43,069	\$ -	\$ 266,282	16.18%
2022	\$ 35,171	\$ 35,171	\$ -	\$ 255,874	13.76%
2021	\$ 34,577	\$ 34,577	\$ -	\$ 238,773	14.49%
2020	\$ 31,682	\$ 31,682	\$ -	\$ 224,876	14.10%
2019	\$ 28,733	\$ 28,733	\$ -	\$ 202,743	14.18%
2018	\$ 31,961	\$ 31,961	\$ -	\$ 223,857	14.29%
2017	\$ 30,698	\$ 30,698	\$ -	\$ 217,755	14.11%
2016	\$ 24,188	\$ 24,188	\$ -	\$ 168,656	14.35%
2015	\$ 20,066	\$ 20,066	\$ -	\$ 143,168	14.03%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the Authority's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

VIRGINIA TECH/MONTGOMERY AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2023

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2023	1.70%	\$ 14,341	\$ 251,047	5.71%	67.21%
2022	1.56%	\$ 14,084	\$ 237,171	5.94%	67.45%
2021	1.48%	\$ 19,541	\$ 220,408	8.87%	52.64%
2020	1.48%	\$ 19,036	\$ 216,690	8.78%	52.00%
2019	1.40%	\$ 16,849	\$ 228,218	7.38%	51.22%
2018	1.57%	\$ 18,542	\$ 228,218	8.12%	48.86%
Town of Blacksburg - Retiree Health					
2023	1.71%	\$ 189,704	\$ 275,831	68.78%	42.53%
2022	1.51%	\$ 154,719	\$ 243,000	63.67%	42.71%
2021	1.42%	\$ 115,373	\$ 227,556	50.70%	49.07%
2020	1.42%	\$ 138,580	\$ 211,472	65.53%	36.60%
2019	1.73%	\$ 142,387	\$ 245,277	58.05%	37.61%
2018	1.55%	\$ 139,536	\$ 215,397	64.78%	32.44%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

VIRGINIA TECH/MONTGOMERY AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2023	\$ 1,461	\$ 1,461		\$ 274,218	0.53%
2022	\$ 1,385	\$ 1,385	-	\$ 251,047	0.55%
2021	\$ 1,259	\$ 1,259	-	\$ 237,171	0.53%
2020	\$ 1,312	\$ 1,312	-	\$ 220,408	0.60%
2019	\$ 1,185	\$ 1,185	-	\$ 216,690	0.55%
2018	\$ 1,238	\$ 1,238	-	\$ 228,218	0.54%
Town of Blacksburg - Retiree Health					
2023	\$ 16,220	\$ 16,220		\$ 275,831	5.88%
2022	\$ 14,656	\$ 14,656	-	\$ 243,000	6.03%
2021	\$ 13,551	\$ 13,551	-	\$ 227,556	5.96%
2020	\$ 12,217	\$ 12,217	-	\$ 211,472	5.78%
2019	\$ 12,387	\$ 12,387	-	\$ 245,277	5.05%
2018	\$ 13,011	\$ 13,011	-	\$ 215,397	6.04%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2017, through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.
- Applicable to: Pension and GLI OPEB

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 Members of the Board of Directors
Virginia Tech/Montgomery Regional Airport Authority
Blacksburg, 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 Virginia Tech/Montgomery Regional Airport Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. **We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.**

Authority's Response to Findings

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

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 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

Roanoke, Virginia
November 10, 2023

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

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

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Local Retirement Systems

Conflict of Interest Act

LOCAL COMPLIANCE MATTERS

Authority By-Laws

FAA COMPLIANCE MATTERS

Airport Sponsors Assurances

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023**

A. FINDING – FINANCIAL STATEMENT AUDIT

2023-001: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Due to the limited staff size at the fiscal agent, a proper segregation of duties has not been established.

Recommendation:

Steps should be taken to eliminate conflicting duties and implement compensating controls where possible.

Management's Response:

Management concurs and has implemented controls that are cost beneficial.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022**

A. FINDING – FINANCIAL STATEMENT AUDIT

2022-001: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited staff size at the fiscal agent, a proper segregation of duties has not been established.

Current Status:

Still applicable, as noted in the Schedule of Findings and Responses as Item 2023-001.