VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

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INTRODUCTORY SECTION

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

MEMBERS OF THE BOARD

Mr. Al Bowman – Chairman
Ms. Mary Biggs – Vice Chairman
Mr. Brad Stipes
Dr. Christopher Kiwus
Mr. Steve Ross

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 Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Report on the Financial Statements (Continued)

Opinion

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, 2020, 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.

Other Matters

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 inquires, 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 modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Authority's 2019 financial statements, on which, in our report dated October 3, 2019, we expressed an unmodified opinion. The 2019 financial information is provided for comparative purposes only.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statement as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October, 5 2020 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
October, 5 2020

BASIC FINANCIAL STATEMENTS

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY **EXHIBIT 1**

STATEMENT OF NET POSITION
JUNE 30, 2020

	2020	(For Comparative Purposes Only) 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 9,742	$ 74,237
Cash and cash equivalents, restricted (Note 2)	241,110	297,127
Accounts receivable (Note 10)	10,166	83,386
Due from other governments (Note 3)	4,985,547	1,985,297
Inventory	10,866	41,176
Total current assets	5,257,431	2,481,223
Noncurrent Assets		
Due from other governments (Note 3)	6,866,294	8,046,507
Capital Assets: (Note 4)		
Nondepreciable	28,448,519	23,689,965
Depreciable, net	11,155,432	11,977,345
Total noncurrent assets	46,470,245	43,713,817
Total assets	51,727,676	46,195,040
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 7)	88,297	56,701
Deferred outflows related to other post-employment benefits (Note 8)	32,910	8,188
Total deferred outflows of resources	121,207	64,889
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,327,832	650,123
Compensated absences (Note 5)	56,604	8,404
Due to Town of Blacksburg	357,221	309,887
Accrued interest payable	4,587	4,833
T-Hangar deposits	-	58,245
Current portion of long-term debt (Note 6)	2,630,585	1,404,875
Total current liabilities	5,376,829	2,436,367
Net pension liability (Note 7)	281,849	221,565
Other post-employment benefits (Note 8)	157,616	159,236
Compensated absences (Note 5)	17,102	16,414
Leases payable (Note 6)	75,228	-
Revenue bonds (Note 6)	1,801,876	1,909,096
Grant anticipation note (Note 6)	6,893,178	8,099,224
Total noncurrent liabilities	9,226,849	10,405,535
Total liabilities	14,603,678	12,841,902
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 7)	14,945	19,304
Deferred inflows related to other post-employment benefits (Note 8)	17,592	19,096
Total deferred inflows of resources	32,537	38,400
NET POSITION		
Net investment in capital assets	37,851,099	33,851,828
Restricted	38,649	-
Unrestricted	(677,080)	(472,201)
Total net position	$ 37,212,668	$ 33,379,627

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY **EXHIBIT 2**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	2020	(For Comparative Purposes Only) 2019
REVENUES		
Fuel sales (Note 10)	$ 668,307	$ 778,166
Hangar rentals	122,105	75,853
Parking	92,459	109,816
Property leases	80,453	80,474
Other income	14,657	19,607
Total operating revenues	977,981	1,063,916
OPERATING EXPENSES		
Salaries and wages	410,197	325,952
Directors' compensation	7,500	6,875
Employee benefits	78,492	95,586
Payroll taxes	28,177	26,042
Training and travel	2,317	4,994
Advertising	47,562	8,816
Administrative	33,722	32,609
Repair and maintenance	36,212	75,325
Supplies	17,012	24,527
Dues and subscriptions	2,676	2,196
Professional fees	78,581	46,146
Insurance	16,021	15,370
Inspection	3,500	5,000
Utilities	26,231	27,248
Fuel	370,906	423,596
Other	11,727	11,757
Telephone	6,963	6,419
Depreciation	923,406	920,608
Capital outlay	-	3,737
Landscaping	2,673	6,264
Total operating expenses	2,103,875	2,069,067
Operating loss	(1,125,894)	(1,005,151)

(Continued)

The Notes to Financial Statements are
an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	2020	(For Comparative Purposes Only) 2019
NONOPERATING REVENUES (EXPENSES)		
Operating grants	$ 20,450	$ 27,651
CARES funding grant	69,000	-
Members’ contributions	200,000	200,000
Interest income	1,577	1,759
Interest expense (Note 6)	(57,014)	(59,751)
Total nonoperating revenues, net	234,013	169,659
Loss before capital contributions	(891,881)	(835,492)
CAPITAL CONTRIBUTIONS (Note 11)	4,724,922	1,950,072
Change in net position	3,833,041	1,114,580
Net position beginning July 1	33,379,627	32,265,047
Net position ending at June 30	$ 37,212,668	$ 33,379,627

The Notes to Financial Statements are
an integral part of this statement.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	2020	(For Comparative Purposes Only) 2019
OPERATING ACTIVITIES		
Receipts from customers	$ 992,956	$ 1,095,294
Payments to suppliers	(584,134)	(630,114)
Payments to employees	(476,124)	(448,687)
Net cash provided by (used in) operating activities	(67,302)	16,493
CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on long-term debt	(105,900)	(101,369)
Purchases of capital assets	(3,085,962)	(3,863,117)
Capital contributions	2,976,739	2,943,523
Receipts from governmental units	217,596	285,151
Interest paid on capital debt	(57,260)	(59,990)
Net cash used in capital and related financing activities	(54,787)	(795,802)
INVESTING ACTIVITIES		
Interest received on investments	1,577	1,759
Net cash provided by investing activities	1,577	1,759
Net decrease in cash and cash equivalents	(120,512)	(777,550)
CASH AND CASH EQUIVALENTS		
Beginning	371,364	1,148,914
Ending	$ 250,852	$ 371,364
Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 9,742	$ 74,237
Cash and cash equivalents, restricted	241,110	297,127
	$ 250,852	$ 371,364

(Continued)

The Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	2020	(For Comparative Purposes Only) 2019
Reconciliation of operating loss to net cash (provided by) used in operating activities		
Operating Loss	$ (1,125,894)	$ (1,005,151)
Adjustments to reconcile operating loss to net cash (provided by) used in operating activities:		
Depreciation	923,406	920,608
Pension expense net of employer contributions	24,329	5,801
Other post-employment benefit expense net of employer contributions	(27,846)	12,407
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	73,220	(26,867)
Inventory	30,310	1,256
Increase (decrease) in:		
Accounts payable and accrued liabilities	(2,804)	(10,255)
T-Hangar deposits	(58,245)	58,245
Compensated absences	48,888	(10,865)
Due to Town of Blacksburg	47,334	71,314
Net cash provided by (used in) operating activities	$ (67,302)	$ 16,493
NONCASH CAPITAL AND FINANCING ACITVITIES		
Issuance of capital lease	$ 93,572	$ -
Capital asset purchases financed with accounts payable	$ 2,302,467	$ 621,951

The Notes to Financial Statements are
an integral part of this statement.

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.

(Continued)

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. Management estimates all receivables to be substantially collectible.

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.

T-Hangar Deposits:

The Authority leases a 12-unit t-hangar whereby the tenants must pay a $5,000 deposit that is held for one year. After the initial four months of the lease, the tenant may begin applying their deposit to monthly payments.

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.

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 position 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 position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

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.

Note 2. Cash

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:

	Federal	State	Total
Federal Excise Tax refunds	$ 110,981	$ -	$ 110,981
State maintenance grants	-	1,140	1,140
CARES operating grant	69,000	-	69,000
Land acquisition	8,608,120	765,166	9,373,286
Runway extension (construction)	2,037,872	259,562	2,297,434
Total	10,825,973	1,025,868	11,851,841
Less: Current	4,711,679	273,868	4,985,547
Non current	$ 6,114,294	$ 752,000	$ 6,866,294

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. While portions of these amounts are multiple years' old, management believes that all amounts due are collectible. No allowance has been recorded for uncollectible amounts.

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	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Improvements in progress	$ 23,689,965	$ 4,758,554	$ -	$ 28,448,519
Capital assets, nondepreciable	23,689,965	4,758,554	-	28,448,519
Capital assets, being depreciated				
Leasehold improvements – runway	20,083,838	-	-	20,083,838
Equipment	465,897	101,493	-	567,390
Capital assets, depreciable	20,549,735	101,493	-	20,651,228
Less accumulated depreciation				
Leasehold improvements – runway	(8,287,592)	(901,090)	-	(9,188,682)
Equipment	(284,798)	(22,316)	-	(307,114)
Total accumulated depreciation	(8,572,390)	(923,406)	-	(9,495,796)
Total capital assets being depreciated, net	11,977,345	(821,913)	-	11,155,432
Total capital assets, net	$ 35,667,310	$ 3,936,641	$ -	$ 39,603,951

Note 5. Compensated Absences

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

	Balance, Beginning	Increases	Decreases	Balance, Ending	Due within One Year
Compensated absences	$ 24,818	$ 65,151	$ (16,263)	$ 73,706	$ 56,604

Note 6. Long-Term Debt

During 2015, the Authority signed a 2014 Series, GAN in the amount of $9,400,000 at 0% interest maturing July 1, 2024, due to Virginia Tech. Virginia Tech is the registered owner of the note and is a member jurisdiction of the Authority. The note was issued pursuant to an agreement whereby the Authority purchased land from Virginia Tech. The land, which will revert to Virginia Tech as discussed in note 9, will be used as part of the expansion of the runway protection zone, runway extension, and stormwater management of the Authority. The Authority expects receipt of the grants in various installments during fiscal years 2021 through 2024, at which point the Authority will pay the note in full.

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-hangar, and pay for the costs of issuance.

Note 6. Long-Term Debt (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	$ 2,013,195	$ -	$ (104,100)	$ 1,909,095	$ 107,219
Capital lease	-	93,572	(1,800)	91,772	16,544
Grant anticipation note	9,400,000	-	-	9,400,000	2,506,822
Total	$ 11,413,195	$ 93,572	$ (105,900)	$ 11,400,867	$ 2,630,585

The present value of the refueling truck acquired under the capital lease in 2020 is $93,572.

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

Fiscal Year	Grant Anticipation Note Principal	Grant Anticipation Note Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total Principal	Total Interest
2021	$ 2,506,822	$ -	$ 107,219	54,141	2,614,041	54,141
2022	3,135,978	-	110,275	51,084	3,246,253	51,084
2023	2,324,357	-	113,422	47,937	2,437,779	47,937
2024	1,432,843	-	116,543	44,817	1,549,386	44,817
2025	-	-	119,996	41,364	119,996	41,364
2026-2030	-	-	653,503	153,294	653,503	153,294
2031-2035	-	-	688,137	55,058	688,137	55,058
	$ 9,400,000	$ -	$ 1,909,095	$ 447,695	11,309,095	447,695

Fiscal Year	Capital Lease Principal	Capital Lease Interest
2021	$ 16,544	$ 5,056
2022	17,565	4,036
2023	18,647	2,953
2024	19,797	1,802
2025	19,219	581
2026-2030	-	-
2031-2035	-	-
	$ 91,772	$ 14,428

Note 7. 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.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, there were four 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, 2020 was 13.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

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 $31,682 and $28,733 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 7. Defined Benefit Pension Plan (Continued)

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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.5%. 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 allocation.

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2019, 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, 2015, actuarial valuations, whichever is greater. From July 1, 2019 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Authority's net pension liability	$ 462,078	$ 281,849	$ 138,224

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

For the year ended June 30, 2020, the Authority recognized pension expense of $56,010. At June 30, 2020, the Authority reported deferred outflows of resources related to pensions from the following sources:

Note 7. Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,627	$ 5,018
Change in proportionate share	21,974	-
Change in assumptions	29,014	1,212
Net difference between projected and actual earnings on pension plan investments	-	8,715
Employer contributions subsequent to the measurement date	31,682	-
Total	$ 88,297	$ 14,945

At June 30, 2020, the Authority's proportionate share was 1.51% as compared to 1.43% at June 30, 2019.

The $31,682 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	$ 10,417
2022	10,417
2023	10,418
2024	10,418
2025	-
Thereafter	-

Note 7. Defined Benefit Pension Plan (Continued)

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2020, approximately $3,172 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Note 8. 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, 2018 actuarial valuation, there were four active employees and one inactive employees that were covered by the benefit terms of the OPEB plan.

Contributions

The Authority contributed $12,217 and $12,387 during the years ended June 30, 2020 and 2019, respectively.

Net OPEB Liability

The Authority's total net OPEB liability of $138,580 was measured as of June 30, 2020 and was determined by an actuarial valuation performed as of June 30, 2020. The Authority's proportionate share of the liability was 1.42% and 1.73% for the years ended June 30, 2020 and 2019, respectively.

Note 8. 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:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB liability	$ 171,502	$ 138,580	$ 111,713

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:

	1.00% Decrease	Current Trend Rate	1.00% Increase
Net OPEB liability	$ 105,862	$ 138,580	$ 179,742

Note 8. Other Post-Employment Benefits (Continued)

Cost Sharing Plan (Town of Blacksburg) (Continued)

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of $(1,993). At June 30, 2020, 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	$ 2,211	$ 4,501
Change in assumptions	25,878	12,122
Net difference between projected and actual earnings on OPEB plan investments	2,761	-
Employer contributions subsequent to the measurement date	-	-
Total	$ 30,850	$ 16,623

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
2021	$ 3,557
2022	3,557
2023	3,557
2024	3,556
2025	-
Thereafter	-

Note 8. 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, 2020 proportionate share of liability	$19,036
June 30, 2019 proportion	1.48%
June 30, 2018 proportion	1.40%
June 30, 2020 contributions	$1,312
June 30, 2019 contributions	$1,185
June 30, 2020 expense	$561

At June 30, 2020, 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	$ 541	$ 252
Change in assumptions	-	332
Change in proportionate share	207	-
Net difference between projected and actual earnings on OPEB plan investments	-	385
Employer contributions subsequent to the measurement date	1,312	-
Total	$ 2,060	$ 969

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 8. 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
2021	$ (55)
2022	(55)
2023	(55)
2024	(56)
2025	-
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	$ 25,009	$ 19,036	$ 14,193

Note 9. 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. 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.

Note 10. Significant Customers

Approximately 17% of revenues from fuel sales are derived from one customer.

Note 11. Capital Contributions

Capital contributions represent proceeds from federal and state agencies used towards the following capital projects:

	2020	2019
Land acquisition	$ 63,894	$ 97,392
Runway extension construction	4,661,028	1,712,322
Hanger Site Prep Design	-	140,358
	$ 4,724,922	$ 1,950,072

Note 12. Risk Management

Workers' compensation:

Workers' Compensation Insurance is provided through the Virginia Municipal League. During 2020, total premiums paid were $6,748.

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 $12,986 for this insurance for 2020.

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.

Note 13. Commitments

During 2012, the FAA and the Virginia Department of Aviation approved capital assistance grants for various projects such as land acquisition, extending the runway, relocating roads and trails, and constructing new hangars. These projects are expected to be completed in 2021 and the costs associated with this grant will be funded with 90% federal grants, 8% state grants, and the remaining 2% will be paid by the Authority. As of June 30, 2020, $31,310,000 has been incurred and spent on these projects with an estimated $5,500,000 left to be incurred.

Note 14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95**, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84**, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87**, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In March 2018, the GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information disclosed in the notes to government financial statements related to debt. The requirements of this Statement are effective for fiscal years beginning after June 15, 2019.

In June 2018, the GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

Note 14. New Accounting Standards (Continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.
Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 15. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. During 2020, the Authority received $69,000 in the Coronavirus Aid, Relief, and Economic Security Act funding to assist in operating costs.

Note 16. Subsequent Event

During the first quarter of the fiscal year 2021, the Authority received two payments from the Federal Aviation Administration totaling $2,256,140. The funds were applied in total to the principal of the Grant Anticipation Note Series, 2014 pursuant to the Authority's agreement with Virginia Polytechnic Institute and State University.

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REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

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

June 30, 2020

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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.

The Notes to Required Supplementary Information
are an intergral part of this schedule.

EXHIBIT 5

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2020

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
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.

The Notes to Required Supplementary Information
are an intergral part of this schedule.

EXHIBIT 6

VIRGINIA TECH/MONTGOMERY AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
June 30, 2020

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					
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					
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.

The Notes to Required Supplementary Information
are an intergral part of this schedule.

EXHIBIT 7

VIRGINIA TECH/MONTGOMERY AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020

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					
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					
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.

The Notes to Required Supplementary Information
are an intergral part of this schedule.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:
- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Non-Hazardous Duty:
- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

SUPPLEMENTAL SCHEDULE

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
FEDERAL AVIATION ADMINISTRATION		
Direct payments:		
Airport Improvement Program	20.106	$ 4,339,214
CARES Operating Assistance	20.106	69,000
Total Expenditures of Federal Awards		$ 4,408,214

Notes to Schedule of Expenditures of Federal Awards

Significant Accounting Policy

This Schedule is prepared on the modified accrual basis of accounting as contemplated by accounting principles generally accepted in the United States of America.

De Minimus Indirect Cost Rate

The Authority did not elect to use the 10% de minimus indirect cost rate.

Outstanding Loan Balances

As of June 30, 2020, the Authority had no outstanding loan balances requiring continuing disclosure.

Subrecipients

No amounts were passed to subrecipients.

COMPLIANCE SECTION

BROWN EDWARDS
certified public accountants

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 5, 2020.

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 questioned costs as item 2020-001 that we consider to be a significant deficiency.**

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 determination of financial statement amounts. 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***.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 5, 2020

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Virginia Tech/Montgomery Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Virginia Tech/Montgomery Regional Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020

Report on Compliance for Each Major Federal Program (Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

The Virginia Tech/Montgomery Regional Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Virginia Tech/Montgomery Regional Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for determining the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 5, 2020

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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 grant agreements 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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

FAA COMPLIANCE MATTERS

Airport Sponsors Assurances

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to the major program**.
7. The program tested as a major program is:

Airport Improvement Program	20.106

8. The **threshold for** distinguishing Type A and B programs was **$750,000**.
9. The Authority was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: 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.

(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2020-002: Airport Improvement Program – CFDA# 20.106, Procurement Policies and Procedures

Condition:

The Authority does not have complete, written procurement policies that are in compliance with the standards required by the Uniform Guidance (2 CFR Part 200).

Criteria:

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

Cause:

The Authority engages an external party to assist with management of compliance with federal grants. Management of the Authority has not updated and provided procurement policies in accordance with the Uniform Guidance to the external party.

Effect:

The lack of complete, written policies could result in an improper procurement using Federal funds.

Recommendation:

Management should draft and implement written procurement procedures to align with the Uniform Guidance requirements for all purchases to be made with Federal funds.

Views of Responsible Officials and Planned Corrective Actions:

The draft document has been presented to the Board and is expected to be approved at the October 2020 meeting.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

VIRGINIA TECH/MONTGOMERY REGIONAL AIRPORT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001: 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 Questioned Costs as Item 2020-001.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2019-002: Airport Improvement Program – CFDA# 20.106, Procurement Policies and Procedures

Condition:

The Authority does not have complete, written procurement policies that are in compliance with the standards required by the Uniform Guidance (2 CFR Part 200).

Current Status:

Still applicable, as noted in the Schedule of Findings and Questioned Costs as Item 2020-002.