

**SHENANDOAH VALLEY REGIONAL
AIRPORT COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
WEYERS CAVE, VIRGINIA

I N D E X

Page

Auditor's Reports:

Independent Auditor's Report	2-4
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 <i>Government Auditing Standards</i>	5-6
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	7-9
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and on Internal Control over Compliance	10-12

Financial Statements:

Statement of Net Position - Proprietary Enterprise Fund	13-14
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Enterprise Fund	15
Statement of Cash Flows - Proprietary Enterprise Fund	16-17
Notes to Financial Statements	18
Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32
Schedule of Expenditures of Passenger Facility Charges	33
Schedule of Findings and Questioned Costs - Passenger Facility Charges	34



AREHART ASSOCIATES LTD.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Shenandoah Valley Regional Airport Commission
Weyers Cave, VA 24486

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements, including passenger facility charges quarterly reports of Shenandoah Valley Regional Airport Commission, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Shenandoah Valley Regional Airport Commission's basic financial statements as listed in the index.

In our opinion, except for the omission of the information discussed in the *Basis for Qualified Opinion* section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Regional Airport Commission as of June 30, 2025, and the respective changes in net 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 Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Shenandoah Valley Regional Airport Commission 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.

Matter Giving Rise to the Qualified Opinion

Management has elected not to disclose certain pension plan information. Accounting principles generally accepted in the United States of America require such disclosures; however, management believes it is impracticable to develop the information.

Responsibilities of Management for the Financial Statements

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

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 Shenandoah Valley Regional Airport Commission'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 Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Shenandoah Valley Regional Airport Commission'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 judgement, there are conditions or events considered in the aggregate that raise substantial doubt about Shenandoah Valley Regional Airport Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis, budgetary comparison schedules, schedule of employer's share of net pension liability, schedule of employer contributions, and notes to required supplementary information 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.

Supplementary Information

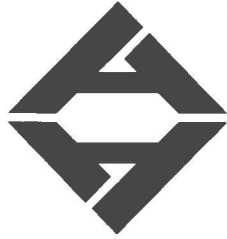
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Shenandoah Valley Regional Airport Commission's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of Passenger Facility Charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards and the schedule of expenditures of Passenger Facility Charges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 on our consideration of Shenandoah Valley Regional Airport Commission'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 Shenandoah Valley Regional Airport Commission'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 Shenandoah Valley Regional Airport Commission's internal control over financial reporting and compliance.

Arehart Associates, Ltd
Waynesboro, VA
December 17, 2025

Arehart Associates, Ltd.



AREHART ASSOCIATES LTD.

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

Board of Commissioners
Shenandoah Valley Regional Airport Commission
Weyers Cave, VA 24486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements as listed in the index of Shenandoah Valley Regional Airport Commission as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises Shenandoah Valley Regional Airport Commission's basic financial statements, and have issued our report thereon dated December 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shenandoah Valley Regional Airport Commission'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 Shenandoah Valley Regional Airport Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Valley Regional Airport Commission's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shenandoah Valley Regional Airport Commission'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*.

Purpose of this Report

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

Arehart Associates, Ltd.
Waynesboro, VA
December 17, 2025

Arehart Associates, Ltd.



AREHART ASSOCIATES LTD.

Certified Public Accountants

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

Board of Commissioners
Shenandoah Valley Regional Airport Commission
Weyers Cave, VA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shenandoah Valley Regional Airport Commission's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shenandoah Valley Regional Airport Commission's major federal programs for the year ended June 30, 2025. Shenandoah Valley Regional Airport Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shenandoah Valley Regional Airport Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shenandoah Valley Regional Airport Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shenandoah Valley Regional Airport Commission's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shenandoah Valley Regional Airport Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shenandoah Valley Regional Airport Commission's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shenandoah Valley Regional Airport Commission's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Shenandoah Valley Regional Airport Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shenandoah Valley Regional Airport Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Shenandoah Valley Regional Airport Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Arehart Associates, Ltd.

Arehart Associates, Ltd.
Waynesboro, VA
December 17, 2025



AREHART ASSOCIATES LTD.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners
Shenandoah Valley Regional Airport Commission
Weyers Cave, VA

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Shenandoah Valley Regional Airport Commission's compliance with the types of compliance requirements identified as subject to audit in *the Passenger Facility Charge Audit Guide of Public Agencies*, issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on each of Shenandoah Valley Regional Airport Commission's passenger facility charge program for the year ended June 30, 2025.

In our opinion, Shenandoah Valley Regional Airport Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2025.

Basis for Opinion on the Passenger Facility Charge Program

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 Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shenandoah Valley Regional Airport Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of Shenandoah Valley Regional Airport Commission's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance for the Passenger Facility Charge Program

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shenandoah Valley Regional Airport Commission's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance for the Passenger Facility Charge Program

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion

on Shenandoah Valley Regional Airport Commission's compliance based on our audit. 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, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shenandoah Valley Regional Airport Commission's compliance with the requirements of the passenger facility charge program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Shenandoah Valley Regional Airport Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shenandoah Valley Regional Airport Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Shenandoah Valley Regional Airport Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance for the Passenger Facility Charge Program

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 applicable to the passenger facility charge 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 a material noncompliance with a type of compliance requirement of the passenger facility charge 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 the passenger facility charge 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 Auditor's Responsibilities for the Audit of Compliance for the Passenger Facility Charge Program section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guide. Accordingly, this report is not suitable for any other purpose.

Arehart Associates, Ltd.

Arehart Associates, Ltd.
Waynesboro, VA
December 17, 2025

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
STATEMENT OF NET POSITION - PROPRIETARY ENTERPRISE FUND
JUNE 30, 2025

ASSETS

CURRENT ASSETS

Cash	\$ 977,093
Certificates of deposit	253,348
Accounts receivable - trade	154,677
Accounts receivable - grants	384,266
Inventories	114,272
Prepaid expenses	54,222
TOTAL CURRENT ASSETS	<u>1,937,878</u>

NONCURRENT ASSETS

Restricted cash	<u>6,601,719</u>
Property and equipment	
Land and airfield foundation	13,446,499
Land and airfield improvements	31,766,458
Buildings and improvements	21,343,779
Equipment	5,976,423
Construction in progress	582,366
	<u>73,115,525</u>
Less: accumulated depreciation	32,261,214
Net property and equipment	<u>40,854,311</u>
Right of use assets	219,837
Less accumulated amortization - right of use assets	60,691
Net right of use assets	<u>159,146</u>
TOTAL NONCURRENT ASSETS	<u>47,615,176</u>

DEFERRED OUTFLOWS OF RESOURCES

448,913

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 50,001,967

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
STATEMENT OF NET POSITION - PROPRIETARY ENTERPRISE FUND
JUNE 30, 2025

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Notes payable - current portion	\$ 74,164
Accounts payable	616,695
Accrued expenses	229,993
Utility reimbursement obligation	15,000
Tenant improvement reimbursement obligation	6,250
Lease liability	22,044
TOTAL CURRENT LIABILITIES	<u>964,146</u>

NONCURRENT LIABILITIES

Net pension liability	729,438
Notes payable	4,673,213
Utility reimbursement obligation	245,000
Lease liability	143,518
TOTAL NONCURRENT LIABILITIES	<u>5,791,169</u>

TOTAL LIABILITIES	<u>6,755,315</u>
-------------------	------------------

DEFERRED INFLOWS OF RESOURCES	<u>6,576,041</u>
-------------------------------	------------------

NET POSITION

Net investment in capital assets	35,579,511
Restricted for capital improvements - expendable	6,601,719
Unrestricted	(5,510,619)
TOTAL NET POSITION	<u>36,670,611</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 50,001,967</u>
---	----------------------

The accompanying notes are an integral part of the financial statements.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2025

OPERATING REVENUE	
Sales - gas, oil and accessories (net of discounts of \$752,649)	\$ 2,175,132
Rents	386,841
Landing fees and airport services	60,358
Hangar, parking and tie downs	347,982
Commissions	114,698
Ground transportation revenue	6,431
Miscellaneous	181,785
TOTAL OPERATING REVENUE	<u>3,273,227</u>
OPERATING EXPENSES	
Cost of sales	1,268,801
Salaries	1,034,922
Payroll taxes	74,835
H.S.A. contributions	500
Retirement	160,195
Utilities and heating oil	152,171
Insurance	259,549
Repairs and maintenance	234,544
Professional fees	81,592
Telephone	40,645
Miscellaneous, laundry, and dues	47,363
Bank card fees	41,871
Office expense	9,588
Other supplies	5,824
Development and travel	2,531
Rubbish service	9,047
Advertising	161,847
Crash, fire and rescue	63,372
Depreciation	1,690,417
Amortization - right of use assets	22,979
TOTAL OPERATING EXPENSES	<u>5,362,593</u>
OPERATING LOSS	(2,089,366)
NON-OPERATING INCOME (EXPENSES)	
Member agency contributions	541,774
Interest income	46,329
Development and promotional grants	50,000
Maintenance grants	43,229
GO VA grant	309,274
Interest expense	(182,074)
Interest expense - right of use assets	(6,642)
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(1,287,476)</u>
CAPITAL CONTRIBUTIONS	<u>7,865,051</u>
CHANGES IN NET POSITION	<u>6,577,575</u>
NET POSITION - BEGINNING	30,093,036
NET POSITION - ENDING	<u><u>\$ 36,670,611</u></u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
STATEMENT OF CASH FLOWS - PROPRIETARY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 4,762,722
Payments to suppliers	(2,774,070)
Payments to employees	(1,018,434)
Net cash provided by operating activities	<u>970,218</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Member agency contributions	541,774
Development and promotional grants	50,000
Maintenance grants	43,229
TSA contract	9,196
Net cash provided by noncapital financing activities	<u>644,199</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions through grants	8,003,526
Purchase of capital assets	(8,314,511)
Principal paid on capital debt	(193,190)
Capital debt borrowings	114,328
Interest paid on capital debt	(177,942)
Net cash used in capital and related financing activities	<u>(567,789)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>35,417</u>
Net cash provided by investing activities	<u>35,417</u>

Net increase in cash	1,082,045
Balances - beginning of the year	<u>6,496,767</u>
Balances - end of the year	<u>\$ 7,578,812</u>

Cash balances, end of year, as shown on balance sheet:

Cash	\$ 977,093
Restricted cash	<u>6,601,719</u>
	<u>\$ 7,578,812</u>

(continued)

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
STATEMENT OF CASH FLOWS - PROPRIETARY ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2025

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,089,366)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,690,417
Amortization	22,979
Retirement expense increased by actuarial amounts	73,279
Change in assets and liabilities:	
Accounts receivable	(10,484)
Inventories	1,054
Prepaid expenses	(5,828)
Accounts payable	(202,387)
Accrued expenses	18,451
Lease liabilities	(27,876)
Utility reimbursement obligation	(15,000)
Tenant improvement reimbursement obligation	(25,000)
Deferred inflows	<u>1,539,979</u>
Net cash provided by operating activities	<u>\$ 970,218</u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BUSINESS

The Shenandoah Valley Regional Airport Commission is organized to build, maintain, and operate the regional airport located in Weyers Cave, Virginia. Its activities include the administration of federal and state grants (68%), sale of gasoline and related products (22%), rental of airport space and airplane storage fees (3%), and general airport operations (7%).

B. REPORTING ENTITY

The Shenandoah Valley Regional Airport Commission is organized as a political subdivision of the Commonwealth of Virginia. The Commission has oversight responsibility and is accountable for all significant fiscal matters and management including budget approval, funding deficits, entitlement to surpluses, setting rates, asset ownership and contract negotiations. Accordingly, the Commission is an independent reporting entity.

C. BASIS OF PRESENTATION AND ACCOUNTING

The Commission fund is operated in a manner similar to private businesses and is accounted for as a proprietary enterprise fund. The records are maintained using the accrual method of accounting. Accordingly, revenues and expenses are recorded in the period earned and incurred.

The Commission has evaluated subsequent events for possible recognition and /or disclosure through December 17, 2025, the date the financial statements were available to be issued.

D. CUSTOMER ACCOUNTS RECEIVABLE AND BAD DEBTS

Customer accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued. The Commission follows the policy of writing off bad debts in the period deemed uncollectible. Accordingly, no allowance for bad debts has been made in the balance sheet. The differences between the use of this method and the allowance method are insignificant.

E. INVENTORIES

Inventories are stated at the lower of cost or market on a first-in, first-out basis.

F. PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical cost. Depreciation is computed by the straight-line method based on estimated service lives. Land and the foundation for the airfield are considered to have an unlimited useful life, so the costs are therefore not being depreciated.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. GRANTS AND AGENCY CONTRIBUTIONS

Grants, entitlements, contributions received, and gains from asset disposals for operating purposes, which, at the discretion of the commission, may be used for operations or capital acquisitions are recorded as non-operating income. Grant reimbursements, which are designated for capital acquisitions are recorded as capital contributions.

H. ACCRUED VACATION PAY

Commission employees are given vacation leave based on length of service. Included in accrued expenses is \$92,516 for accrued vacation pay at June 30, 2025.

I. STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

J. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

K. ADVERTISING

The Commission follows the policy of charging the costs of advertising to expense as incurred.

L. POLICY REGARDING EXPENDITURE OF RESTRICTED AND UNRESTRICTED AMOUNTS

The Commission's policy is to consider restricted funds to be spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. CASH DEPOSITS

Although bank balances are not collateralized with securities pledged in the Commission's name, the financial institutions holding deposits, as required by state law, have pledged to the Treasury Board of the Commonwealth of Virginia securities whose values exceeded 50% of any uninsured public deposits held.

3. ACCOUNTS RECEIVABLE - GRANTS

Accounts receivable - grants consist of amounts due from federal and state administered grants for reimbursement of expenditures and are expected to be collected within the next year.

4. CONSTRUCTION IN PROGRESS

Active construction in progress is composed of the following costs associated with both the design and construction of projects. Although the design phase of projects may be finalized, the costs will be placed in service as the construction phases are completed.

<u>Project Costs Spent through June 30, 2025</u>	
Airport Property Map	\$ 42,920
Building Signs	5,511
Parking Lot Rehabilitation - Design	42,500
Environmental Assessments	172,509
Shenandoah Valley Aviation Tech Park Phase 2	5,000
Land Acquisition Services	313,926
	<u>\$ 582,366</u>

Various federal and state grants are partially funding the above projects.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5. NOTES PAYABLE AND LONG-TERM LIABILITIES

The Commission's notes payable at June 30, 2025 consisted of the following:

Loan payable from Rural Development secured by a leasehold interest in corporate hangar rents and payable in monthly installments of \$2,319 including interest at 4.125% through June 2045	\$ 376,888
Loan payable from Rural Development secured by a leasehold interest in corporate hangar rents and payable in monthly installments of \$2,537 including interest at 4.125% through June 2045	413,882
Loan payable from Rural Development secured by a leasehold interest in real estate rents and payable in monthly installments of \$2,327 including interest at 4% through February 2051	435,414
Loan payable from Rural Development secured by a leasehold interest in real estate rents and payable in monthly installments of \$2,115 including interest at 4% through July 2054	434,693
Loan payable from Rural Development secured by a leasehold interest in real estate rents and payable in monthly installments of \$12,501 including interest at 3.625% through August 2063, interest only payments through September 2025	<u>3,086,500</u>
	4,747,377
Current portion	(74,164)
Long-term	<u>\$ 4,673,213</u>

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Rural Development Debt	\$ <u>4,676,240</u>	\$ <u>114,328</u>	\$ <u>43,191</u>	\$ <u>4,747,377</u>	\$ <u>74,164</u>
Proprietary activities long-term liabilities	\$ <u>4,676,240</u>	\$ <u>114,328</u>	\$ <u>43,191</u>	\$ <u>4,747,377</u>	\$ <u>74,164</u>

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5. NOTES PAYABLE AND LONG-TERM LIABILITIES - continued

The debt service requirements for the long-term debt are as follows for the periods specified:

Year Ending June 30	Principal	Interest
2026	\$ 74,164	\$ 159,244
2027	86,693	174,894
2028	89,956	171,632
2029	93,801	167,788
2030	97,341	164,248
2031-2035	547,324	760,617
2036-2040	663,893	644,047
2041-2045	801,348	502,147
2046-2050	638,913	363,005
2051-2055	603,314	246,528
2056-2060	612,495	137,566
2061-2065	438,135	25,664
	<u>\$ 4,747,377</u>	<u>\$ 3,517,380</u>

All outstanding notes are from direct borrowings. The loans from Rural Development contain a provision that in an event of default, outstanding amounts become immediately due.

6. SHORT-TERM DEBT

Short-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Line of credit to fund acquisitions prior to grant reimbursement	\$ <u>150,000</u>	\$ <u>-</u>	\$ <u>150,000</u>	\$ <u>-</u>

The Commission has an unsecured demand line of credit up to \$225,000 with Atlantic Union Bank. The interest rate on the line is variable based on prime will but not be less than 4.25%. Upon the event of default, the lender will not be obligated to make additional loan advances, and all amounts owed in connection with the line of credit will become immediately due and payable. There was no balance outstanding at June 30, 2025.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

7. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are included in accrued expenses. During the year ended June 30, 2025, the following changes occurred in accrued compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance
Accrued compensated absences*	\$ 77,560	\$ 14,956	\$ -	\$ 92,516

* Additions and reductions are reported as a net change

8. UTILITY REIMBURSEMENT OBLIGATION

On February 24, 2022, the Commission entered into a reimbursement agreement with Dynamic Aviation Group, Inc. for \$300,000 for the costs of a water and sewer utility project for the purpose of connecting a hanger site to water and sewer utilities. The Commission will reimburse Dynamic Aviation Group, Inc. with 240 equal monthly installments of \$1,250. The balance outstanding on the obligation was \$260,000 at June 30, 2025.

9. TENANT IMPROVEMENT REIMBURSEMENT OBLIGATION

On November 1, 2023, the Commission entered into a reimbursement agreement with West Ridge Jet Service, LLC for \$50,000 for the costs of a leasehold improvements made to a hangar. The Commission will reimburse West Ridge Jet Service, LLC with 24 equal monthly installments of \$2,083. The balance outstanding on the obligation was \$6,250 at June 30, 2025.

10. PENSION PLAN AND BASIS FOR QUALIFIED OPINION

The Commission is a participant in Virginia Retirement System (VRS) Retirement Plan, a multiple-employer, agent plan. VRS is the administering entity. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's net fiduciary position have been determined on the same basis as they were reported by 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.

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

VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. PENSION PLAN - continued

Employees whose hire date is on or after January 1, 2014, are eligible to participate in the VRS Hybrid Retirement Plan which is structured with a defined benefit component and a defined contribution component. The Hybrid plan provides for mandatory and voluntary employee contributions along with mandatory employer matching contributions. Employer contributions for the defined contribution component of the Hybrid Retirement Plan for the year ended June 30, 2025, totaled \$2,852.

Shenandoah Valley Regional Airport has elected to omit significant disclosures required by accounting principles generally accepted in the United States of America regarding the pension benefit structures, the number of employees covered, actuarial assumptions, long-term expected rate of return on investments, details of changes in the net pension liability, discount rate used to measure total pension liability, sensitivity of the net pension liability to changes in the discount rate, and the details of the sources of deferred outflows and inflows of resources related to pensions. This information is readily available upon request.

Contributions

The contribution requirement for active employees is governed by Title 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% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2025 was 10.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 defined benefit component of the pension plan from the Commission were \$158,176 for the year ended June 30, 2025.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$1,428 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$591 for the year ended June 30, 2025.

Net Pension Liability

The Commission's total pension liability of \$3,991,979, plan fiduciary net position of \$3,262,541 and net pension liability of \$729,438 reported in the statement of net position as of June 30, 2025 was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. PENSION PLAN - continued

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

For the year ended June 30, 2025, the Commission recognized pension expense of \$160,195, and reported deferred outflows of resources of \$448,913, and deferred inflows of resources of \$85,898. \$84,897 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the amounts of \$61,591, \$140,498, \$69,451, \$6,929 and \$(351) for the years ending June 30, 2026 through 2030, respectively, and \$0 thereafter.

Payables to the Pension Plan

At June 30, 2025, the Commission owed \$11,566 in legally required contributions to the pension plan.

Pension Plan Data

Information about the Commission's retirement plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

11. LEASE REVENUE AND EXPENSE

The Governmental Accounting Standards Board (GASB) Statement No. 87 on Leases was effective beginning for the year ended June 30, 2022. All financial leases have been reviewed and classified in accordance with this statement.

Lease Revenue: The Commission collects lease revenue from financial leases of air carriers, hangar, and T-hangar space. These leases meet the requirements to be classified as Regulated Leases according to GASB 87. The Commission is regulated by the Department of Transportation Federal Aviation Administration, the Virginia Department of Aviation, and by grant assurances as a recipient of federal grant funds through the Airport Improvement Program. These regulations require that the hangars be used or leased for aeronautical purposes only, and there can be no discrimination concerning the rental rates or access to available leases.

All T-hangar leases are rented monthly and can be cancelled by the lessor or the lessee. These leases have been classified as short term.

Most of the hangar leases are also considered short term because both the lessor and lessee can cancel the lease. Below is a description of the 7 regulated leases that are long-term.

SDH Hangar, LLC (SDH) – This ground lease commenced on January 1, 2022, expires on the 20th annual anniversary of such commencement date, and includes one optional renewal term of 20 years. The lessee has constructed Hangar 5 on this land and must use the hangar for aeronautical purposes and comply with all federal and state regulations that apply to the Commission. Title to all improvements constructed by the lessee shall vest in the Commission upon termination of the lease.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

11. LEASE REVENUE AND EXPENSE - continued

Corporate Flight Management, Inc. d/b/a/Contour Airlines (CA) – This lease commenced on November 1, 2022, with a 3 year term for office, cargo, and counter space. Contour Airlines is the major carrier at the airport and uses the rented terminal space for sale of tickets, manifesting of passengers, cargo, and handling of luggage and cargo.

Classic Aviation, LLC (CL AV) – This lease is for use of Hangar 1 and commenced April 1, 2018, with a term of 5 years. The lessee uses the space for aviation maintenance, repair, and storage, and must comply with all governmental regulations applicable to the Commission.

United States of America, Department of Homeland Security Transportation Security Administration (TSA) – This lease is for use of a portion of Hangar 3. It commenced on August 28, 2017, with a 5 year term and 2 optional 5 year renewals. The lessee exercised the first renewal in August of 2022. The office space is used by TSA for airport security purposes. The Government may terminate this lease, in whole or in part, at any time during the term of the lease with 90 days prior written notice if 1) regularly scheduled commercial air services cease, 2) the airport opts to replace TSA screeners with private contractors, 3) the checkpoint supported by the leased space is closed, or 4) the Government reduces its presence at the airport due to a reduction in enplanements.

PHI Air Medical, LLC (PHI) – The lease is for use of a portion of Hangar 4 and commenced February 1, 2016 with an original term of 5 years, and a renewal option for an additional 5 years. This renewal option was exercised so the lease runs through January 2026. The space must be used for storage, repair and maintenance of its aircraft and the conduct of its aviation business. The base rent increases on each anniversary of the Commencement Date by the lessor of 1) 3% or 2) the Consumer Price Index, All Urban Consumers.

Blue Ridge Community College (BRCC) – The lease is for use of a portion of Hangar 4, commenced on August 1, 2007, and was last amended June 26, 2023. The amendment extended the lease term to July 31, 2025, with 6 consecutive 2 year lease renewal options. The first 3 renewal options were exercised, and 3 optional renewals remain. The base rent will increase by 2.5% at the beginning of each optional term. The space is to be used for office and classroom purposes and tie downs. The Commission may terminate the lease upon the expiration of any optional term by providing a minimum of 4 months prior written notice to the lessee.

West Ridge Jet Service, LLC (WR) – The lease is for use of a portion of Hangar 7, and commenced on November 1, 2023 with an original term of two years. The lessee uses the space for aviation maintenance, repair, and storage, and must comply with all governmental regulations applicable to the Commission.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

11. LEASE REVENUE AND EXPENSE - continued

The total amount of lease revenues for the fiscal year ended (FYE) June 30, 2025, and the expected future minimum payments under these arrangements for the next five years and then subsequent five year increments are scheduled below:

	<u>SDH</u>	<u>CA</u>	<u>CLAV</u>	<u>TSA</u>	<u>PHI</u>	<u>BRCC</u>	<u>WR</u>	<u>TOTAL</u>
Recognized Revenue								
FYE 6/30/25	\$ 41,541	\$ 19,629	\$ 20,369	\$ 23,308	\$ 63,016	\$ 51,173	\$ 36,240	\$ 255,276
Expected Future Revenue								
FYE 6/30/26	41,541	6,135	-	22,566	37,303	4,264	12,148	123,957
FYE 6/30/27	41,541	-	-	22,566	-	-	-	64,107
FYE 6/30/28	41,541	-	-	3,762	-	-	-	45,303
FYE 6/30/29	41,541	-	-	-	-	-	-	41,541
FYE 6/30/30	41,541	-	-	-	-	-	-	41,541
7/1/30 to 6/30/35	207,705	-	-	-	-	-	-	207,705
7/1/35 to 6/30/40	207,705	-	-	-	-	-	-	207,705
7/1/40 to 6/30/43	41,541	-	-	-	-	-	-	41,541

These leases do not include any variable lease payments.

Lease Expense: Short-term leases to which the Commission is the lessee are classified according to GASB 87. As such a rental expense is recognized and reported based on the payment provisions of the lease contracts.

In accordance with GASB 87, the Commission has recorded right to use lease assets for equipment rentals. The right to use assets are initially measured at the related lease liability. The duration of these arrangements range between 5 and 10 years. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Below is a description of the 3 right to use leases:

AvFuel Corporation Jet-A Gas Truck – This lease is for the rental of a Jet-A gas truck with a stated \$1,600 per month lease payment. The payment is collected at a rate of \$0.034 per gallon as a line item on all Jet-A fuel invoices, with an annual reconciling adjustment. The lease term is effective December 1, 2022 with an initial term of 5 years and an automatic renewal for 5 additional years.

AvFuel Corporation Avgas Truck – This lease is for the rental of an AvGas truck at a rate of \$500 per month. The lease term is effective December 1, 2022 with an initial term of 5 years and an automatic renewal for 5 additional years.

Kyocera Copier – This lease is for the rental of a Kyocera TA 3554ci copier system at a rate of \$223 per month. The lease term began in July 2021 and runs for five years. At the end of the lease term the Commission has an option to purchase the equipment at fair market value.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

11. LEASE REVENUE AND EXPENSE - continued

Lease		Gross Asset Balance		Accumulated Amortization		Net Asset Balance		Lease Liability
AvFuel Jet-A truck	\$	159,909	\$	41,310	\$	118,599	\$	124,145
AvFuel AvGas truck		49,971		12,909		37,062		38,795
Kyocera copier		9,957		6,472		3,485		2,622
	\$	<u>219,837</u>	\$	<u>60,691</u>	\$	<u>159,146</u>	\$	<u>165,562</u>

The current portion of the lease liability associated with the right to use leases was \$22,044 as of June 30, 2025, and the long-term portion was \$143,518.

The expected future minimum payments under these arrangements for the next five years and then subsequent five year increments are scheduled below:

	AvFuel Jet-A Gas Truck			AvFuel Avgas Truck			Kyocera Copier		
Expected Future Payments	Cash	Interest Expense	Liability Reduction	Cash	Interest Expense	Liability Reduction	Cash	Interest Expense	Liability Reduction
FYE 6/30/26	\$ 19,200	\$ 4,403	\$ 14,797	\$ 6,000	\$ 1,376	\$ 4,624	\$ 2,676	\$ 54	\$ 2,622
FYE 6/30/27	19,200	3,838	15,362	6,000	1,199	4,801	-	-	-
FYE 6/30/28	19,200	3,252	15,948	6,000	1,016	4,984	-	-	-
FYE 6/30/29	19,200	2,643	16,557	6,000	826	5,174	-	-	-
FYE 6/30/30	19,200	2,012	17,188	6,000	629	5,371	-	-	-
7/1/30 to 6/30/33	46,400	2,106	44,293	14,500	658	13,841	-	-	-
Total			<u>\$ 124,145</u>			<u>\$ 38,795</u>			<u>\$ 2,622</u>

12. RESTRICTED CASH, RESTRICTED NET ASSETS, AND DEFERRED INFLOWS

Restricted cash and restricted net assets of \$6,601,719 at year-end consists of \$6,490,143 received for airport improvement projects that have not yet been used for approved expenditures, as well as \$111,576 in funds required to be held in reserve in accordance with Rural Development loan agreements. Those agreements require annual deposits of 10% of annual required note payments for 10 years (with each note considered separately). Future disbursements from the reserve are allowed when approved by Rural Development for repairs or replacements of property and equipment. At any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account reaches the required total.

Deferred inflows of resources at year-end total \$6,576,041 consisting of \$6,490,143 in funds received for future airport improvement projects and \$85,898 relating to the net difference between projected and actual earnings on investments in the pension plan.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

13. RISK MANAGEMENT

The Commission is covered by commercial insurance for losses or claims pertaining to health, workers' compensation, property and liability, automobile, and employee dishonesty. There have been no significant reductions in insurance coverage, and settlements have not exceeded insurance coverage for each of the past three fiscal years.

14. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions & Reclassifi- cations	Retirements & Reclassifi- cations	Ending Balance
Land and airfield foundation	\$ 13,062,786	\$ 383,713	\$ -	\$ 13,446,499
Land and airfield improvements	23,897,434	11,766,143	(3,897,119)	31,766,458
Buildings and improvements	21,343,779	-	-	21,343,779
Equipment	6,240,944	68,957	(333,478)	5,976,423
Construction in progress	4,332,057	8,460,347	(12,210,038)	582,366
Totals at historical cost	<u>68,877,000</u>	<u>20,679,160</u>	<u>(16,440,635)</u>	<u>73,115,525</u>
Less accumulated depreciation for:				
Land and airfield improvements	(19,939,813)	(858,176)	3,897,119	(16,900,870)
Building and improvements	(9,232,197)	(660,759)	-	(9,892,956)
Equipment	<u>(5,629,384)</u>	<u>(171,482)</u>	<u>333,478</u>	<u>(5,467,388)</u>
Total accumulated depreciation	<u>(34,801,394)</u>	<u>(1,690,417)</u>	<u>4,230,597</u>	<u>(32,261,214)</u>
Capital assets, net	<u>\$ 34,075,606</u>	<u>\$ 18,988,743</u>	<u>\$ (12,210,038)</u>	<u>\$ 40,854,311</u>

15. CONTINGENCIES

The Commission participates in federal and state grant programs that allow the grantor agencies the right to review the programs for the commission's compliance with the rules and regulations governing the grants. These grants have been subjected to review by the Commission's independent auditors and management is of the opinion that any disallowed costs would be insignificant.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

16. ECONOMIC DEPENDENCY

The Commission received \$541,774 during the year ended June 30, 2025 from five surrounding city and county governments. The Commission is economically dependent on the annual contributions received from these member agencies for operations. The Commission also receives funding through the Airport Improvement Program and the Virginia Department of Aviation Entitlement Program. The Commission has been economically dependent on these funds for operations and for capital improvements.

17. SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital grants recognized by recording receivables	\$	384,266
Interest expense recognized by incurring liabilities		92,262
Capital assets recognized by incurring liabilities		435,162
Capital assets acquired by deferred rent liability		50,000

18. SUBSEQUENT EVENT

The Airport Commission was awarded a Federal Aviation Administration grant in August 2025 (Grant #3-51-0049-54). The main purpose of this grant is to fund the acquisition of land/easements in the runway protection zone. The Federal Aviation Administration will fund 90% of the project balance of \$831,654, with the remaining 10% to be funded with state entitlements from the Virginia Department of Aviation. As of June 30, 2025, approximately \$667,000 of this project was expended. This project was originally approved to be funded 80% by state entitlement funds, so approximately \$533,600 was recognized as capital contributions in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2025.

With the approval of the Federal Aviation Administration grant for this project, it is anticipated that \$600,300 of the expenditures incurred by June 30, 2025 will be refunded by the Federal Aviation Administration to the Airport Commission during the fiscal year ended June 30, 2026, and \$466,900 will need to be reimbursed by the Airport Commission to the deferred state entitlement funds. As a result, a net of \$133,400 in additional capital contributions will be received by the Airport Commission during fiscal year ended June 30, 2026.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Federal Aviation Administration			
Airport Improvement Program	20.106	3-51-0049-50	\$ 6,265,711
Airport Improvement Program	20.106	3-51-0049-52	960,009
Airport Improvement Program	20.106	3-51-0049-53	4,500
			<u>7,230,220</u>
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766		3,086,500
Community Facilities Loans and Grants	10.766		426,959
Community Facilities Loans and Grants	10.766		388,899
Community Facilities Loans and Grants	10.766		445,696
Community Facilities Loans and Grants	10.766		442,514
			<u>4,790,568</u>
EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,020,788</u>

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Shenandoah Valley Regional Airport Commission under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shenandoah Valley Regional Airport Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shenandoah Valley Regional Airport Commission.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Shenandoah Valley Regional Airport Commission has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D—COMMUNITY FACILITIES LOANS AND GRANTS

At June 30, 2025, the balances of the Community Facilities Loans and Grants totaled to \$4,747,377.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified opinion on the basic financial statements of Shenandoah Valley Regional Airport Commission.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Shenandoah Valley Regional Airport Commission were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
5. The auditor's report on compliance for the major federal award programs for Shenandoah Valley Regional Airport Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Shenandoah Valley Regional Airport Commission.
7. The programs tested as major programs were the U.S. Department of Transportation, Airport Improvement Program, (CFDA No. 20.106) and the U.S. Department of Agriculture, Community Facilities Loans and Grants (CFDA No. 10.766).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Shenandoah Valley Regional Airport Commission was determined to be a low-risk auditee.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2025 AND EACH QUARTER DURING THE YEAR ENDED
JUNE 30, 2025 WITH CUMULATIVE TOTALS AS OF JUNE 30, 2025

	Quarter 1 July through September	Quarter 2 October through December	Quarter 3 January through March	Quarter 4 April through June	Year Ended June 30, 2025 Total
Revenue:					
Collections	\$ 9,730	\$ 13,139	\$ 8,559	\$ 9,128	\$ 40,556
Interest	1	4	6	9	20
Total Revenue	9,731	13,143	8,565	9,137	40,576
Disbursements:					
Project 04-002	9,731	13,143	8,565	9,137	40,576
Total Disbursements:	9,731	13,143	8,565	9,137	40,576
Application 20-04-C-00-SHD					
Net PFC Revenue- Cash Basis	\$ -	\$ -	\$ -	\$ -	\$ -
Net PFC Revenue- Cash Basis				\$ -	-
Add Expenditures incurred and reported in the financial statements in prior periods					-
Net PFC Revenue- Accrual Basis				\$ -	-

Revenues received and expenditures spent on approved projects in the schedule above agree to the Passenger Facility Charge Reports (PFC Reports) submitted by the Shenandoah Valley Regional Airport Commission.

Note A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of passenger facility charges is prepared on the cash basis of accounting with expenditures reported in the quarter that completed projects have been submitted on the report. Accrual basis adjustments for the year are reported to reconcile the schedule to the financial statements.

SHENANDOAH VALLEY REGIONAL AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2025

SUMMARY OF AUDIT RESULTS

There were no findings or questioned costs relating to the Passenger Facility Charges program.