



**ROANOKE REGIONAL  
AIRPORT COMMISSION**

ROANOKE, VIRGINIA

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2018 AND 2017

**ROANOKE REGIONAL AIRPORT COMMISSION**  
ROANOKE, VIRGINIA

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## REPORT OF INDEPENDENT AUDITORS

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of Roanoke Regional Airport Commission (the Airport) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Airport'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 audits. We conducted our audits 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. 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

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Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's financial statements. The schedule of expenditures of federal awards, 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*, and the schedule of passenger facility charges collected and expended (the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the 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 financial statements.

The Supplementary 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. 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the Airport'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 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 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 Airport's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky  
October 10, 2018

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**

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Roanoke Regional Airport Commission's (the Airport's) management team offers readers of the basic financial statements of the Airport the following narrative overview and analysis of the financial activities of the Airport for the years ended June 30, 2018 and 2017 with comparative data for fiscal year 2016. The following should be read in conjunction with our basic financial statements and notes thereto.

Basic Financial Statements

The Airport's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This is the same basis of accounting employed by most private sector enterprises. Revenues are recognized when earned and expenses are recognized when incurred. Assets with a cost of over \$25,000 are capitalized and, except for land, are depreciated over their useful lives. See the notes to the basic financial statements for a summary of the Airport's significant accounting policies.

Our basic financial statements include the following components:

The statement of net position presents information on the assets and liabilities of the Airport, with the resulting difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating. The statement of revenues, expenses and changes in net position reports revenues and expenses, classified as operating and nonoperating, and capital grants for the period. The resulting change in net position for the period combined with the beginning of the year total net position balance reconciles to the end of the year total net position, per the statement of net position.

The statement of cash flows reports the cash flows experienced by the Airport from operating, noncapital financing, and capital and related financing and investing activities. The net result of the cash provided by or used in these activities for the period, added to the beginning of the year balance reconciles to the total cash and cash equivalents, as presented on the statement of net position.

Notes to the financial statements provide additional information on the data presented in the basic financial statements as of and for the years ended June 30, 2018 and 2017.

**AIRPORT ACTIVITIES**

As of June 30, 2018, the Roanoke-Blacksburg Regional Airport (the Airport) was served by one mainline carrier, the regional affiliates of three major passenger carriers, one low fare leisure carrier and three regularly scheduled cargo carriers. The number of flights departing daily was 23 in June 2017 and 20 in June 2018, or a 13% decrease, while the number of available seats decreased from 1,197 to 1,134, or a 5.2% decrease. The 20 daily flights consisted of 17 jets and three turboprop aircraft. There was nonstop to six hub cities as well as weekly flights to two additional destinations. When comparing 2017 and 2018, regularly scheduled jet flights increased by six (67%) while turboprop aircraft flights decreased by eight (72%). In addition to daily flights, in June 2017 and 2018, Allegiant Air provided 4-6 weekly flights to two Florida destinations at various times during the year, providing 664 - 1,029 available seats.

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A comparative summary of passenger and other traffic at the Airport for the fiscal years ended June 30, 2018, 2017 and 2016 are as follows:

	2018	2017	2016	Fiscal year 2018 percent change	Fiscal year 2017 percent change
Passengers	638,955	616,079	592,852	3.71%	3.92%
Aircraft Operations	52,349	50,148	42,120	4.39%	19.06%
Total Cargo (1,000 lbs)	27,898	26,463	25,290	5.42%	4.64%

The increase in passengers for the fiscal year ended June 30, 2018 is attributable to improved utilization of existing flights and improvement in regional economic growth. The increase in aircraft operations for the fiscal year ended June 30, 2018 is attributable to continued fixed base operator increases in providing services to corporate clients in addition to the continued growth of an onsite flight training school. The increase in cargo for the fiscal year ended June 30, 2018 is attributable to regional economic growth.

The increase in passengers for the fiscal year ended June 30, 2017 is attributable to additional flights and available seats. The increase in aircraft operations for the fiscal year ended June 30, 2017 is attributable to fixed base operator increase in providing services to corporate clients in addition to the continued growth of an onsite flight training school. The increase in cargo for the fiscal year ended June 30, 2017 is attributable to regional economic growth.

**FINANCIAL HIGHLIGHTS**

The following major financial highlights are of note for the years ended June 30, 2018 and 2017 (amounts rounded):

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$117.5 million, \$116.2 million and \$112.1 million at June 30, 2018, 2017 and 2016, respectively.
- Net position includes \$16.4 million, \$11.9 million and \$9.1 million, respectively, at June 30, 2018, 2017 and 2016, respectively, which is considered unrestricted.
- Net position increased \$1.1 million and \$4.1 million, respectively, in fiscal years 2018 and 2017, and decreased \$1.9 million in fiscal year 2016.
- Operating revenues were \$9.0 million, \$8.7 million and \$8.3 million for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.
- Operating and maintenance expenses, excluding depreciation, were \$8.4 million, \$7.6 million and \$8.3 million for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.
- Net nonoperating revenues were \$813,000, \$933,000 and \$536,000 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.
- Capital contributions from federal grant programs, state grant programs and passenger facility charges were \$6.9 million, \$9.3 million and \$5.4 million for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.
- Additional detail on the above items, along with other information, is discussed in the following sections.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
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**NET POSITION SUMMARY**

Net position was approximately \$117.5 million, \$116.2 million and \$112.1 million, respectively, at June 30, 2018, 2017 and 2016. Most of the increase for fiscal year 2018 was due to revenues from customer facility charges, passenger facility charges, and interest income. Most of the increase for fiscal year 2017 was due to project reimbursements from federal grants.

A condensed summary of the major components of the net position at June 30, 2018, 2017 and 2016 is as follows (amounts rounded):

**Condensed Summary of Net Position**

	2018	2017	2016	Fiscal Year 2018 percent change	Fiscal Year 2017 percent change
Current assets	\$ 12,052,000	\$ 10,929,000	\$ 16,628,000	10.3%	-34.3%
Long-term investments	11,474,000	10,019,000	0	14.5%	100.0%
Capital assets, net	100,125,000	103,754,000	103,066,000	-3.5%	0.7%
Net investment in lease excluding current portion	<u>44,000</u>	<u>59,000</u>	<u>73,000</u>	-25.4%	-19.2%
Total assets	<u>123,695,000</u>	<u>124,761,000</u>	<u>119,767,000</u>	-0.9%	4.2%
Deferred outflows of resources	<u>779,000</u>	<u>1,277,000</u>	<u>592,000</u>	-39.0%	115.7%
Total assets and deferrals	<u>\$ 124,474,000</u>	<u>\$ 126,038,000</u>	<u>\$ 120,359,000</u>	-1.2%	4.7%
Current liabilities	\$ 981,000	\$ 3,322,000	\$ 1,898,000	-70.5%	75.0%
Long-term liabilities	<u>5,654,000</u>	<u>6,255,000</u>	<u>5,497,000</u>	-9.6%	13.8%
Total liabilities	<u>6,635,000</u>	<u>9,577,000</u>	<u>7,395,000</u>	-30.7%	29.5%
Deferred inflows of resources	<u>518,000</u>	<u>235,000</u>	<u>835,000</u>	120.4%	-71.9%
Total liabilities and deferrals	<u>7,153,000</u>	<u>9,812,000</u>	<u>8,230,000</u>	-27.1%	19.2%
Net position invested in capital assets net of related debt	99,974,000	103,754,000	103,066,000	-3.6%	0.7%
Restricted net position	994,000	525,000	1,000	89.3%	52400.0%
Unrestricted net position	<u>16,353,000</u>	<u>11,947,000</u>	<u>9,062,000</u>	36.9%	31.8%
Total net position	<u>\$ 117,321,000</u>	<u>\$ 116,226,000</u>	<u>\$ 112,129,000</u>	0.9%	3.7%

**ROANOKE REGIONAL AIRPORT COMMISSION**  
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Fiscal Year 2018

Current assets increased approximately \$1.1 million due to customer facility charges and excess of revenues over expenses for 2018. Long-term investments increased \$1.5 million due to utilization of excess cash from operations. Capital assets, net, reflect an excess of depreciation over acquisitions of \$3.6 million. Depreciation for fiscal year 2018 was approximately \$7.0 million. Deferred outflows of resources decreased due to a reduction between projected and actual investment earnings on pension plan investments.

Current liabilities decreased \$2.3 million due to a decrease in accounts payable on construction projects. Comparatively, construction in process decreased \$8.4 million. Long-term liabilities decreased due to the net pension obligation. Deferred inflows of resources increased due to a difference between projected and actual investment earnings on pension plan investments.

Fiscal Year 2017

Current assets decreased approximately \$5.7 million due to purchases of long-term investments in August 2016 offset by increase in net position of \$4.1 million. Capital assets, net, were stable year-over-year as acquisitions and depreciation offset. Depreciation for fiscal year 2017 was approximately \$7.2 million. Deferred outflows of resources increased due to a difference between projected and actual investment earnings on pension plan investments.

Current liabilities increased compared to the previous period due to an increase in accounts payable on construction projects. Long-term liabilities increased due to the net pension obligation. Deferred inflows of resources decreased due to a difference between projected and actual investment earnings on pension plan investments.

Fiscal Year 2016

Current assets increased approximately \$8.0 million due to liquidation of long-term investments near year-end. This was done as part of the migration of investments to the VACo/VML Virginia Investment Pool Trust Fund which was completed in August 2016. Capital assets, net, decreased approximately \$1.2 million compared to the previous year due to depreciation of \$7.7 million in excess of construction and capital asset purchases of \$7.4 million. See discussion in capital acquisition and construction activities section. The Airport uses capital assets to provide services to airlines, passengers, and service providers at the Airport.

Current liabilities increased compared to the previous period due to an increase in accounts payable on construction projects. Also, a payable was set up in 2016 for federal funds received for capital projects for which expenditures have been incurred but the grants were modified after reimbursement. These amounts will remain as a payable until a future grant is completed which will allow those costs to be reimbursed.

Changes in net pension liability and deferred inflows for pensions offset in 2016.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
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**CHANGES IN NET POSITION AND REVENUES**

Following is a condensed summary of changes in net position and summary of revenues for fiscal years 2018, 2017 and 2016:

	2018	2017	2016	Fiscal Year 2018 percent change	Fiscal Year 2017 percent change
Total operating revenues	\$ 9,046,000	\$ 8,666,000	\$ 8,289,000	4.4%	4.5%
Total operation and maintenance expenses	15,499,000	14,797,000	16,081,000	4.7%	-8.0%
Net nonoperating revenues	813,000	933,000	536,000	-12.9%	74.1%
Loss before capital contributions	(5,640,000)	(5,198,000)	(7,256,000)	-8.5%	28.4%
Capital contributions	6,735,000	9,296,000	5,357,000	-27.5%	73.5%
Change in net position	1,095,000	4,098,000	(1,899,000)	73.3%	315.8%
Beginning net position	116,226,000	112,128,000	114,027,000	3.7%	-1.7%
Ending net position	\$ 117,321,000	\$ 116,226,000	\$ 112,128,000	0.9%	3.7%

**Revenues**

	2018	2017	2016	Fiscal Year 2018 percent change	Fiscal Year 2017 percent change
Operating revenues:					
Airfield revenue	\$ 1,392,000	\$ 1,293,000	\$ 1,180,000	7.7%	9.6%
General aviation revenue	509,000	498,000	501,000	2.2%	-0.6%
Terminal revenue	6,678,000	6,477,000	6,248,000	3.1%	3.7%
Other operating revenue	467,000	398,000	360,000	17.3%	10.6%
Total operating revenues	9,046,000	8,666,000	8,289,000	4.4%	4.5%
Nonoperating revenues:					
Customer facility charges	759,000	590,000	0	-28.6%	100.0%
Noncapital grants	180,000	264,000	415,000	31.8%	36.4%
Losses on investments	(41,000)	(69,000)	(101,000)	-40.6%	-31.7%
				-	
Disposal of assets	(308,000)	15,000	11,000	2153.3%	36.4%
Interest income	223,000	133,000	211,000	67.7%	-37.0%
Total nonoperating revenues	813,000	933,000	536,000	-12.9%	74.1%
Capital contributions:					
Capital grants	5,470,000	8,111,000	4,148,000	-32.6%	95.5%
Passenger facility charges	1,265,000	1,185,000	1,209,000	6.8%	-2.0%
Total capital contributions	6,735,000	9,296,000	5,357,000	-27.5%	73.5%
Total revenues	\$ 16,594,000	\$ 18,895,000	\$ 14,182,000	-12.2%	33.2%

**ROANOKE REGIONAL AIRPORT COMMISSION**  
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Fiscal Year 2018

Operating revenues increased due to an increase in passengers, cargo, and aircraft operations.

Customer facility charges reflects a full year of revenues.

Noncapital grants decreased due to an allocation of state funding for noncapital expenses.

Losses on investments reflect a reduction in market value of fixed income securities sold during the year.

Losses on disposal of assets reflects the writeoff of remaining capitalized portions of the terminal building that are no longer in use.

Capital grants decreased due to reimbursement of capital projects. See discussion in capital acquisition and construction activities section.

Passenger facility charges increased due to passenger activity.

Fiscal Year 2017

Operating revenues increased due to an increase in passengers, cargo, and aircraft operations.

In September 2017, the airport instituted a customer facility charge assessment (CFC) of \$3.00 per day for all rental car transactions originating from the airport. These funds are deposited to a separate account to be used for construction and operation of a new rental car facility.

Noncapital grants decreased due to an allocation of state funding for noncapital expenses.

Losses on investments reflect a reduction in market value of fixed income securities held and sold during the year. The fair value of investments fluctuates as interest rates rise and fall and as the market anticipates future interest rates. It is the Airport's intent to hold these investments until maturity, at which time the holder receives par value of the investment.

Capital grants increased due to reimbursement of capital projects. See discussion in capital acquisition and construction activities section. Passenger facility charges were stable year-over-year.

Fiscal Year 2016

Operating revenues were stable year-over-year.

Noncapital grants decreased due to an allocation of state funding for noncapital expenses.

Losses on investments reflect a reduction in market value of fixed income securities held and sold during the year.

Capital grants increased approximately \$2.4 million due to capital projects. See discussion in capital acquisition and construction activities section. Passenger facility charges were stable year-over-year.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
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**EXPENSES**

Following is a summary of expenses for fiscal years 2018, 2017 and 2016 is as follows (amounts rounded):

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Fiscal Year 2018 percent change</u>	<u>Fiscal Year 2017 percent change</u>
Operation and maintenance expenses:					
Salaries and fringe benefits	\$ 4,572,000	\$ 3,857,000	\$ 4,421,000	18.5%	-12.8%
ARFF services	675,000	656,000	635,000	2.9%	3.3%
Operating expenses	3,193,000	3,106,000	3,282,000	2.8%	-5.4%
Depreciation	<u>7,059,000</u>	<u>7,178,000</u>	<u>7,743,000</u>	-1.7%	-7.3%
Total operation and maintenance expenses	<u>\$ 15,499,000</u>	<u>\$ 14,797,000</u>	<u>\$ 16,081,000</u>	4.7%	-8.0%

Fiscal Year 2018

Salaries and benefits increased approximately \$715,000 due to pension expense and complete year of operations for the dispatch department.

Aircraft Rescue and Fire Fighting (ARFF) services increased approximately \$20,000 per the agreement with the third-party service provider.

Operating expenses were stable year-over-year.

Depreciation was stable year-over-year.

Fiscal Year 2017

Salaries and benefits decreased approximately \$568,000 due to deferrals of pension expense. These amounts will be amortized and recognized in future periods.

Aircraft Rescue and Fire Fighting (ARFF) services increased approximately \$20,000 per the agreement with the third-party service provider.

Operating expenses decreased approximately \$176,000 due to several activities and projects in 2016 that were not continued or did not recur in 2017. These included a feasibility study for ARFF, contract labor for building service, storm water consultants, and a light winter which reduced snow removal costs.

Depreciation expense decreased approximately \$565,000 due to last year of depreciation three large items that were added in fiscal years 1996, 2002, and 2006.

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Fiscal Year 2016

Salaries and benefits increased approximately \$301,000 due to pension expense and health insurance rates.

Aircraft Rescue and Fire Fighting (ARFF) services decreased approximately \$86,000 as the airport renegotiated this contract at the end of fiscal year 2015.

Operating expenses were stable year-over-year.

Depreciation expense decreased approximately \$890,000 due to last year of depreciation on several large items with a ten-year useful life that were completed in fiscal years 2005 and 2006.

**CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

Fiscal Year 2018

During fiscal year 2018, the Airport had capital additions, including construction in process, totaling \$3.83 million. Major projects and additions included installation of a loading bridge for gate 3 and replacement of loading bridges for gates 2, 4, 5, and 6, and terminal ramp rehabilitation. Completed projects totaling \$12,152,000 were transferred from construction in progress and placed into service during fiscal year 2018. Major projects completed during fiscal year 2018 were as follows:

<u>Project</u>	<u>Amount</u>
Rehabilitation of loading bridges	\$ 4,969,000
Rehabilitation of terminal ramp	4,414,000
Walkway canopy	2,444,000
Snow plow truck	325,000
	<u>\$ 12,152,000</u>

Fiscal Year 2017

During fiscal year 2017, the Airport had capital additions, including construction in process, totaling \$7.87 million. Major projects and additions included installation of a loading bridge for gate 3 and replacement of loading bridges for gates 2, 4, 5, and 6, and terminal ramp rehabilitation. Completed projects totaling \$859,000 were transferred from construction in progress and placed into service during fiscal year 2017. Major projects completed and other additions during fiscal year 2017 were as follows:

<u>Project</u>	<u>Amount</u>
Rehabilitation of loading bridges, in process	\$ 4,456,000
Rehabilitation of terminal ramp, in process	2,440,000
Sealcoat taxiways	253,000
Upgrade flight information display	175,000
Rehabilitation general aviation ramp	140,000
	<u>\$ 7,464,000</u>

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Fiscal Year 2016

During fiscal year 2016, the Airport had capital additions, including construction in process, totaling \$6.54 million. Major projects and additions included purchase of 1410 Coulter Drive, renovations to the airport restaurants, rehabilitation of building 4, office buildouts, and rehabilitation of elevators, loading bridges, and tunnel. Completed projects totaling \$6.3 million were transferred from construction in progress and placed into service during fiscal year 2016. Major projects completed and other additions during fiscal year 2016 were as follows:

<u>Project</u>	<u>Amount</u>
Acquisition of land and building	\$ 2,341,000
Rehabilitation of buildings	1,580,000
Restaurant improvements	1,245,000
Purchase of firefighting vehicle	603,000
Rehabilitation of tunnel	226,000
	<u>\$ 5,995,000</u>

**LONG-TERM DEBT ADMINISTRATION**

In October 2017, the Airport issued Airport Revenue Bonds, Series 2017 (the Revenue Bonds). The Revenue Bonds are in the form of a draw note with a maximum of \$4,700,000 with an interest rate of 2.25% at June 30, 2018. The primary use of proceeds of the bond is for construction of a public parking lot. At June 30, 2018, total draws were approximately \$130,000.

In October 2017, the Airport issued Customer Facility Charge Revenue Bonds, Series 2017 (the CFC Bonds). The CFC Bonds are in the form of a draw note with a maximum of \$4,300,000 with interest rate of 3.50% at June 30, 2018. The primary use of proceeds of the CFC Bonds is construction of rental car facilities. At June 30, 2018, total draws were approximately \$21,000.

Interest expense of approximately \$1,000 was capitalized in fiscal year 2018. The airport had no debt in fiscal years 2017 or 2016.

**DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

In March 2018, the Airport approved its fiscal year 2018-2019 operating budget. Budgeted operating revenues, are approximately \$9.49 million. Budgeted operating expenditures are approximately \$9.46 million. These amounts do not include depreciation expense or capital contributions. Total proposed capital expenditures, as amended, are approximately \$9.56 million. Of this amount, it is anticipated that approximately \$2.94 million will be funded through federal grants, \$4.4 million through state grants, \$1.22 million through passenger facility charges and approximately \$1 million through airport capital funds. Landing fees for 2018-2019 will be \$2.43 per 1,000 pounds for signatory airlines. Annual terminal rent will be \$56.76 per square foot.

Also, required contributions for the City of Roanoke Pension Plan will remain stable at approximately 22%. Of this amount, 5% is to be paid by employees. However, the Airport has elected to pay the employee's share of the contribution for fiscal year 2018.

**REQUEST FOR INFORMATION**

This financial report is designed to provide interested parties with a general overview of the Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration, Roanoke Regional Airport Commission, 5202 Aviation Drive, Roanoke, Virginia, 24012 or by e-mail to [finance@flyroa.com](mailto:finance@flyroa.com). Alternatively, information about the operations of the Airport can be obtained via the Internet at [www.flyroa.com](http://www.flyroa.com).

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash and temporary investments	\$ 9,393,195	\$ 8,139,407
Restricted cash, rental car facility and employee benefits	1,283,433	524,908
Total cash and cash equivalents	<u>10,676,628</u>	<u>8,664,315</u>
Accounts receivable	399,783	425,358
Due from Commonwealth of Virginia	25,000	21,278
Due from federal government	809,677	1,749,486
Current portion of net investment in lease	14,894	14,142
Prepaid expenses	123,427	52,184
Short-term investments	2,388	2,386
Total current assets	<u>12,051,797</u>	<u>10,929,149</u>
<b>Long-term investments</b>	<u>11,474,037</u>	<u>10,019,551</u>
<b>Capital assets</b>		
Land and improvements	31,573,523	31,592,273
Buildings and structures	175,352,672	164,532,800
Equipment and other capital assets	14,843,918	14,720,896
Construction in progress	1,903,517	10,327,655
Accumulated depreciation	<u>(123,548,833)</u>	<u>(117,419,051)</u>
Capital assets, net	<u>100,124,797</u>	<u>103,754,573</u>
<b>Net investment in lease, excluding current portion</b>	<u>43,702</u>	<u>58,597</u>
Total assets	123,694,333	124,761,870
<b>Deferred outflows of resources, pension</b>	<u>779,637</u>	<u>1,276,541</u>
Total assets and deferrals	<u>\$ 124,473,970</u>	<u>\$ 126,038,411</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses, operations	\$ 343,064	\$ 392,671
Accounts payable, construction and capital assets	202,870	2,433,490
Accrued payroll and compensated absences	435,325	495,631
Total current liabilities	<u>981,259</u>	<u>3,321,792</u>
<b>Long-term liabilities</b>		
Net pension liability	5,388,825	6,133,891
Net OPEB liability	114,394	121,195
Long-term portion of revenue bonds payable	151,060	0
Total long-term liabilities	<u>5,654,279</u>	<u>6,255,086</u>
Total liabilities	6,635,538	9,576,878
<b>Deferred inflows of resources, pension</b>	<u>517,940</u>	<u>235,495</u>
Total liabilities and deferrals	<u>7,153,478</u>	<u>9,812,373</u>
<b>Net position</b>		
Net investment in capital assets	99,973,737	103,754,573
Restricted, rental car facility and employee benefits	993,525	524,908
Unrestricted	<u>16,353,230</u>	<u>11,946,557</u>
Total net position	<u>\$ 117,320,492</u>	<u>\$ 116,226,038</u>

See report of independent auditors and accompanying notes to financial statements.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>Operating revenues</b>		
Airfield revenue	\$ 1,391,696	\$ 1,292,879
General aviation revenue	509,049	496,909
Terminal revenue	6,677,852	6,476,878
Other operating revenue	466,461	398,471
Total operating revenues	<u>9,045,058</u>	<u>8,665,137</u>
<b>Operation and maintenance expenses</b>		
Salaries and other benefits	3,924,759	3,820,129
Pension expense	647,353	36,282
Aircraft rescue and firefighting services	675,000	656,194
Operating expenses	3,192,631	3,106,072
Depreciation	7,059,299	7,178,473
Total operation and maintenance expenses	<u>15,499,042</u>	<u>14,797,150</u>
Operating loss	<u>(6,453,984)</u>	<u>(6,132,013)</u>
<b>Nonoperating revenues (expenses)</b>		
Customer facility charges	759,210	589,518
Noncapital grants, federal	109,724	110,162
Noncapital grants, state	70,000	153,835
Realized and unrealized losses on investments	(40,772)	(68,768)
Realized gain (loss) on disposal of capital assets	(308,083)	15,000
Interest income	223,226	133,389
Net nonoperating revenues	<u>813,305</u>	<u>933,136</u>
Loss before capital contributions	<u>(5,640,679)</u>	<u>(5,198,877)</u>
<b>Capital contributions</b>		
Capital grants, federal	3,470,345	6,238,302
Capital grants, state	2,000,000	1,872,455
Passenger facility charges	1,264,788	1,185,417
Total capital contributions	<u>6,735,133</u>	<u>9,296,174</u>
Change in net position	1,094,454	4,097,297
<b>Net position, beginning of year</b>	<u>116,226,038</u>	<u>112,128,741</u>
<b>Net position, end of year</b>	<u>\$ 117,320,492</u>	<u>\$ 116,226,038</u>

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>Operating activities</b>		
Cash received from vendors and tenants	\$ 8,604,172	\$ 8,079,171
Cash payments to suppliers for goods and services	(3,988,481)	(3,851,094)
Cash payments to employees for services	(4,604,936)	(4,386,863)
Other receipts	480,604	411,900
Net cash flows from operating activities	491,359	253,114
<b>Noncapital financing activities</b>		
Noncapital grants received	176,002	242,719
<b>Capital and related financing activities</b>		
Proceeds from revenue bonds payable	151,060	0
Proceeds from disposal of capital assets	95,203	15,000
Acquisition and construction of capital assets	(6,063,429)	(6,354,536)
Capital grants received from other governments	6,410,154	6,913,317
Customer facility charges collected	759,210	589,518
Passenger facility charges collected	1,264,788	1,185,417
Net cash flows from capital and related financing activities	2,616,986	2,348,716
<b>Investing activities</b>		
Purchases of investments	(11,521,426)	(10,088,322)
Proceeds from sales of investments	10,026,166	0
Interest received on investments	223,226	133,389
Net cash flows from investing activities	(1,272,034)	(9,954,933)
Net change in cash and cash equivalents	2,012,313	(7,110,384)
<b>Total cash and cash equivalents, beginning of year</b>	8,664,315	15,774,699
<b>Total cash and cash equivalents, end of year</b>	\$ 10,676,628	\$ 8,664,315
<b>Reconciliation of operating loss to net cash flows from operating activities</b>		
Operating loss	\$ (6,453,984)	\$ (6,132,013)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	7,059,299	7,178,473
Changes in assets, liabilities, and deferrals:		
Decrease (increase) in accounts receivable	25,575	(187,495)
Decrease in investment in lease, net	14,143	13,429
Decrease (increase) in prepaid expenses	(71,243)	(4,562)
Decrease (increase) in deferred outflows	496,904	(684,247)
Increase (decrease) in accounts payable, operations	(49,607)	(84,266)
Increase (decrease) in accrued expenses	(60,306)	(4,577)
Increase (decrease) in net pension liability	(745,066)	738,921
Increase (decrease) in net OPEB liability	(6,801)	19,388
Decrease in deferred inflows	282,445	(599,937)
Net cash flows from operating activities	\$ 491,359	\$ 253,114
<b>Supplemental disclosure, noncash investing activities:</b>		
Accounts payable, construction and capital assets	\$ 202,870	\$ 2,433,490

**ROANOKE REGIONAL AIRPORT COMMISSION**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Roanoke Regional Airport Commission (the Airport), owner and operator of the Roanoke-Blacksburg Regional Airport, was created through an act of the Virginia General Assembly in 1987. It is an independent subdivision of the state, financially independent and deriving none of its revenues from local taxes. The Roanoke-Blacksburg Regional Airport is the primary commercial service airport serving a 19-county region encompassing western Virginia and parts of West Virginia.

The Roanoke-Blacksburg Regional Airport is governed by a five-member Commission Board (the Commission), with each member being appointed to a four-year term. Three of the Commission members are appointed by the Roanoke City Council and two by the Roanoke County Board of Supervisors.

Basis of Accounting and Accounting Presentation

This summary of significant accounting policies is presented to assist in understanding the Airport's financial statements. The financial statements and accompanying notes are representations of the Airport's management who is responsible for their integrity and objectivity.

The Airport's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time the corresponding liabilities are incurred.

Revenues from rental and fees, landing fees, parking revenue, and other miscellaneous revenue are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Passenger Facility Charges are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*, the Airport follows GASB guidance as applicable to enterprise funds.

Cash and Temporary Investments, Short-term Investments and Long-term Investments

All cash and temporary investments, short-term investments and long-term investments are held by financial institutions in the name of the Airport. Except as discussed in Note 2, all cash and temporary investments, short-term investments, and long-term investments were fully collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia. All deposits and investments are insured or registered or for securities held by a safe keeping agent are in the Airport's name. Temporary investments, short-term investments, and long-term investments are recorded at fair value with any net appreciation or depreciation reflected in the statement of revenues, expenses and changes in net position. Temporary investments consist of money market funds, commercial paper, and commercial bank certificates of deposit with original maturities of three months or less carried at fair value. Short-term investments consist of money market funds and commercial bank certificates of deposit with a maturity of less than one year. Long-term investments consist of participation in the Virginia Investment Pool.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, cash on deposit, and temporary investments and with original maturities of three months or less.

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectable. The allowance for uncollectible amounts is based on collection history and information regarding the credit worthiness of those doing business with the Airport. There were no material amounts deemed uncollectible at June 30, 2018 and 2017.

Capital Assets

The Airport defines capital assets as assets with an initial, individual cost of more than \$25,000 and an estimated useful life of at least three years. Major additions, including those that significantly prolong a capital asset's economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the capital asset in its present condition are recorded as expenses and are not capitalized.

Capital assets are stated at cost less accumulated depreciation computed by the straight-line method over the estimated lives of the respective assets as follows:

Buildings and structures	5 - 55 years
Equipment and other capital assets	3 - 15 years

Passenger Facility Charge Collections

On June 10, 1998, the Federal Aviation Administration (FAA) approved a \$3.00 Passenger Facility Charge (PFC) (No. 1) collection at the Airport effective September 1, 1998. Effective December 1, 2001, the FAA approved an increase to a \$4.50 PFC collection at the Airport. The total approved amended amount of net PFC revenue, plus interest the Airport was allowed to collect, was approximately \$6,463,000 by January 1, 2005. On November 29, 2004, the FAA approved an additional PFC (No. 2) collection of approximately \$8,158,000 by November 1, 2011, to begin after collection of the initial PFC No. 1. On May 18, 2011, the FAA approved an additional PFC (No. 3) collection of approximately \$2,192,000 by January 1, 2013, to begin after collection of PFC No. 2. On September 6, 2011, the FAA approved an additional PFC (No. 4) collection of approximately \$4,280,000 by October 1, 2016, to begin after collection of PFC No. 3. Collections for PFC No. 4 began in April 2013 and ended in September 2016. The Airport filed an application with the FAA (PFC No. 5) for authorization to collect an additional \$3,314,298 (as amended). by January 1, 2022, to begin after collection of PFC No. 4, but not before August 1, 2016. Collections for PFC No. 5 began in October 2016. For the years ended June 30, 2018 and 2017, PFC revenues earned by the Airport totaled approximately \$1,265,000 and \$1,185,000, respectively.

Unearned Lease Income

Unearned lease income related to a direct financing capital lease is being amortized over the life of the lease using the effective yield method.

Operating Revenues and Expenses

Operating revenues consist of airfield, general aviation, terminal, and other revenues. Operating expenses include salaries and fringe benefit costs, aircraft rescue and firefighting services, other operating expenses and depreciation. All other revenues and expenses, with the exception of capital grants and passenger facility charges, are classified as nonoperating revenues and expenses.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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Employee Benefit Plans

Airport employees participate in the City of Roanoke Pension Plan (Pension Plan) and the Airport's deferred compensation plan. 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 Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. 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.

Funding Requirements

Pursuant to an agreement between the City of Roanoke (the City) and the County of Roanoke (the County), each locality is responsible for their pro rata share, based on population, of any year-end operating deficit or capital expenditures of the Airport if additional funding is required, and such deficits or capital expenditures, as defined in the agreement, were previously approved in budgets authorized by the City and County. The Airport is responsible for paying all outstanding debt.

Operating Leases

Operating leases with rental car companies and concessions' vendors for operations at the Airport terminal are multiyear agreements which are structured to provide income under various funding formulas and additional amounts based on increased operating levels. In addition, the airlines provide income under established funding formulas.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Airport applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Use of Estimates

Management of the Airport has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Subsequent Events

The Airport evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 10, 2018, which is the date the financial statements were issued.

Reclassifications

Certain amounts reflected in prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications did not affect previously reported total amounts as for assets, liabilities, net position, revenues, or expenses.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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Adoption of New Pronouncements

During 2018, the Airport implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This statement replaces the requirements of Statement No. 45 and requires governments to report a liability on their financial statements for the OPEB that they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities, including a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government, new RSI including a schedule showing the causes of increases and decreases in the OPEB liability, and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The application of this statement is reflected in Note 8.

Significant Upcoming Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain legally enforceable liabilities associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This statement is effective for the Airport's fiscal year ended June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The principal objective of this statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement is effective for the Airport's fiscal year ended June 30, 2020. Earlier application is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Airport's fiscal year ended June 30, 2021. Earlier application is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for the Airport's fiscal year ended June 30, 2020. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement is effective for the Airport's fiscal year ended June 30, 2021. Earlier application is encouraged.

The Airport has not determined what impact, if any, the above statements will have on its financial statements.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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## 2. DEPOSITS AND INVESTMENTS

The Airport's investment policy allows for the Airport's funds, other than sinking funds, to be invested in the following securities:

- United States Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the United States Treasury.
- Bonds, notes, and other obligations of the United States, and securities issued by any federal government agency or instrumentality or government sponsored enterprise except for collateralized mortgage obligations, provided that the issuer is rated no less than AA by a Nationally Recognized Statistical Rating Organization ("NRSRO").
- Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth of Virginia and those unconditionally guaranteed as to payment of principal and interest by the Commonwealth, or of any county, city, town, district, authority, or any other public body of the Commonwealth of Virginia upon which there has been no default.
- Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks with a rating of A-1 by Standard and Poor's, Inc. and P-1 by Moody's Investor Service, Inc. for maturities of one year or less, and a rating of AA by Standard and Poor's, Inc. and Aa by Moody's Investor Service, Inc. for maturities over one year and not exceeding five years.
- Non-negotiable and time deposits and savings accounts in commercial banks and savings institutions doing business in the Commonwealth of Virginia.
- Unsecured short-term debt of U.S. corporations may be purchased if certain conditions are met.
- Bankers' acceptances issued by domestic banks or domestic offices of foreign banks, which are eligible for purchase by the Federal Reserve System with a maturity of 270 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" (or its equivalent) by at least two NRSROs.
- Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States with a rating of at least AA by Standard and Poor's, Inc. and a rating of Aa by Moody's Investor Service, Inc. and a maturity of no more than five years.
- Overnight, term, and open repurchase agreements, provided certain conditions are met.
- Certificates of deposit provided certain conditions are met.
- The pooled investment fund (known as the Virginia Local Government Investment Pool) as provided for in Section 2.2-4600 et seq. of the Code of Virginia.
- Shares in open-end investment funds (mutual funds) provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities specifically permitted under this investment policy, and which are similarly diversified, provided that the fund is rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation or equivalent by other rating agencies. The fund must also be properly registered for sale under the Securities Act (Section 13.1-501 et seq.) of the Code of Virginia.
- Participation in VACo/VML Virginia Investment Pool Trust Fund.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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At June 30, 2018, the Airport had the following unrestricted and restricted investments and cash (amounts rounded):

	<u>Fair Value</u>	<u>&lt;1 year</u>	<u>1-5 years</u>	<u>5-15 years</u>	<u>S&amp;P Rating</u>
Unrestricted:					
Virginia Investment Pool bond fund	\$ 11,474,000	\$ 11,474,000	\$	\$	A-1
Commercial bank certificate of deposit	2,000	2,000			N/A
Cash	<u>9,393,000</u>	<u>9,393,000</u>			N/A
Total unrestricted	20,869,000	20,869,000	0	0	
Restricted:					
Cash	<u>1,284,000</u>	<u>1,284,000</u>			N/A
Totals	\$ <u>22,153,000</u>	\$ <u>22,153,000</u>	\$ 0	\$ 0	

At June 30, 2017, the Airport had the following unrestricted and restricted investments and cash (amounts rounded):

	<u>Fair Value</u>	<u>&lt;1 year</u>	<u>1-5 years</u>	<u>5-15 years</u>	<u>S&amp;P Rating</u>
Unrestricted:					
Virginia Investment Pool bond fund	\$ 10,020,000	\$	\$ 10,020,000	\$	AA+
Money market checking account	3,173,000	3,173,000			N/A
Commercial bank certificate of deposit	2,000	2,000			N/A
Cash	<u>4,966,000</u>	<u>4,966,000</u>			N/A
Total unrestricted	18,161,000	8,141,000	10,020,000	0	
Restricted:					
Cash	<u>525,000</u>	<u>525,000</u>			N/A
Totals	\$ <u>18,686,000</u>	\$ <u>8,666,000</u>	\$ <u>10,020,000</u>	\$ 0	

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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The above amounts are reflected in the accompanying statement of net position as follows (amounts rounded):

	<u>2018</u>		<u>2017</u>	
Long-term investments	\$ 11,474,000	\$	10,020,000	
Short-term investments	2,000		2,000	
Cash and cash equivalents	<u>10,677,000</u>		<u>8,664,000</u>	
	<u>\$ 22,153,000</u>	<u>\$</u>	<u>18,686,000</u>	

Interest Rate Risk: Limitation on instruments, diversification, and maturity scheduling shall depend upon whether the funds being invested are considered short term, intermediate, or extended duration. Short term investment maturities shall be scheduled to coincide with projected cash flow requirements and anticipated revenue. Short term duration funds will be invested in permitted investments maturing in one year or less.

Investments in intermediate and extended duration longer term securities shall be made after considering the additional income potential and the volatility risk inherent in securities with longer maturities. Intermediate duration funds will be invested in permitted investments maturing in five years or less. Extended duration funds will be invested in permitted investments maturing in fifteen years or less and shall not exceed more than 25% of the portfolio.

Custodial Credit Risk: All investments are in the name of the Airport and held in third-party safekeeping at a qualified financial institution designated as the primary agent.

Concentration of Credit Risk: The Airport does not have a specific policy towards concentration credit risk. As of June 30, the Airport's investments were allocated as follows:

	<u>2018</u>		<u>2017</u>		<u>Maximum allowed</u>	
Virginia Investment Pool	52	%	54	%	100	%
Money market accounts	0		17		100	
Certificates of deposit	0		0		20	
Cash	<u>48</u>		<u>29</u>		N/A	
Totals	<u>100</u>	%	<u>100</u>	%		

The Airport maintains its cash accounts with federally insured banks. The Federal Deposit Insurance Corporation insures up to \$250,000 at each institution. From time to time, cash balances may exceed federally insured limits. At June 30, 2018 and 2017, amounts that were in excess of federally insured limits and were collateralized by assets held by the financial institution not in the Airport's name totaled approximately \$10,822,000 and \$8,513,000, respectively.

The Airport follows GASB Statement No. 72, *Fair Value Measurement and Application*, with respect to financial assets and liabilities. GASB 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Following is a brief description of those three levels.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Airport has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows.

Virginia Investment Pool High Quality Bond Fund and Stable NAV Liquidity Pool: Value is equal to the shares owned. Method used to calculate participant shares and securities held is first-in, first-out. These are not registered with the Securities and Exchange Commission.

Below is a detail of amounts included in deposits and investments as of June 30, 2018 and 2017. Money market checking accounts, certificates of deposit, and cash are not subject to fair value measurement.

	<u>June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Virginia Investment Pool				
Stable NAV Liquidity Pool	\$	\$	\$ 11,474,000	\$ 11,474,000
Certificates of deposit				2,000
Cash				10,677,000
Total deposits and investments	\$ <u>0</u>	\$ <u>0</u>	\$ <u>11,474,000</u>	\$ <u>22,153,000</u>

	<u>June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Virginia Investment Pool				
High Quality Bond Fund	\$	\$	\$ 10,020,000	\$ 10,020,000
Money market checking account				3,173,000
Certificates of deposit				2,000
Cash				5,491,000
Total deposits and investments	\$ <u>0</u>	\$ <u>0</u>	\$ <u>10,020,000</u>	\$ <u>18,686,000</u>

The airport may redeem its deposits and investments at its discretion on an as needed basis.

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**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows (amounts rounded):

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital assets not being depreciated:							
Land and easements	\$ 25,220,000	\$		\$	19,000	\$	25,201,000
Construction in progress	<u>10,328,000</u>		<u>3,728,000</u>		<u>12,152,000</u>		<u>1,904,000</u>
Total capital assets not being depreciated	<u>35,548,000</u>		<u>3,728,000</u>		<u>12,171,000</u>		<u>27,105,000</u>
Capital assets being depreciated:							
Buildings, structures, and improvements	170,905,000		11,828,000		1,008,000		181,725,000
Equipment and other capital assets	<u>14,721,000</u>		<u>426,000</u>		<u>303,000</u>		<u>14,844,000</u>
Total capital assets being depreciated	<u>185,626,000</u>		<u>12,254,000</u>		<u>1,311,000</u>		<u>196,569,000</u>
Less accumulated depreciation:							
Buildings, structures, and improvements	103,729,000		6,001,000		627,000		109,103,000
Equipment and other capital assets	<u>13,690,000</u>		<u>1,059,000</u>		<u>303,000</u>		<u>14,446,000</u>
Total accumulated depreciation	<u>117,419,000</u>		<u>7,060,000</u>		<u>930,000</u>		<u>123,549,000</u>
Capital assets, net	<u>\$ 103,755,000</u>	\$	<u>8,922,000</u>	\$	<u>12,552,000</u>	\$	<u>100,125,000</u>

Capital asset activity for the year ended June 30, 2017 was as follows (amounts rounded):

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital assets not being depreciated:							
Land and easements	\$ 25,220,000	\$		\$		\$	25,220,000
Construction in progress	<u>3,198,000</u>		<u>7,989,000</u>		<u>859,000</u>		<u>10,328,000</u>
Total capital assets not being depreciated	<u>28,418,000</u>		<u>7,989,000</u>		<u>859,000</u>		<u>35,548,000</u>
Capital assets being depreciated:							
Buildings, structures, and improvements	170,502,000		403,000				170,905,000
Equipment and other capital assets	<u>14,651,000</u>		<u>334,000</u>		<u>264,000</u>		<u>14,721,000</u>
Total capital assets being depreciated	<u>185,153,000</u>		<u>737,000</u>		<u>264,000</u>		<u>185,626,000</u>
Less accumulated depreciation:							
Buildings, structures, and improvements	97,733,000		5,996,000				103,729,000
Equipment and other capital assets	<u>12,772,000</u>		<u>1,182,000</u>		<u>264,000</u>		<u>13,690,000</u>
Total accumulated depreciation	<u>110,505,000</u>		<u>7,178,000</u>		<u>264,000</u>		<u>117,419,000</u>
Capital assets, net	<u>\$ 103,066,000</u>	\$	<u>1,548,000</u>	\$	<u>859,000</u>	\$	<u>103,755,000</u>

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Construction in progress of approximately \$1,904,000 at June 30, 2018 consisted primarily of costs incurred for engineered materials arresting system, car rental facility, and general aviation ramp rehabilitation. Construction in progress of approximately \$10,328,000 at June 30, 2017 consisted primarily of costs incurred for rehabilitation loading bridges and terminal ramp improvements.

**4. CAPITAL LEASE**

The Airport leases a hangar located on its property to a private company. This lease is classified as a direct financing capital lease. The lease requires monthly payments of \$1,459 and expires March 1, 2022. The following lists the components of the net investment in this lease as of June 30, 2018 and 2017 (amounts rounded):

	2018	2017
Minimum lease payments receivable	\$ 65,000	\$ 82,000
Less unearned lease income (stated interest rate of 5.5%)	(6,000)	(9,000)
Net investment in lease	\$ 59,000	\$ 73,000

The following is a schedule of minimum future rentals due under this lease as of June 30, 2018 (amounts rounded):

2019	\$	18,000
2020		17,000
2021		18,000
2022		12,000
	\$	65,000

Amortization revenue from the lease was approximately \$3,400 and \$4,100, respectively, for the years ended June 30, 2018 and 2017. This amount is included in interest income in the accompanying statement of revenues, expenses and changes in net position.

**5. CAPITAL CONTRIBUTIONS**

Capital asset purchases have been primarily funded by federal and state capital contributions and by the issuance of revenue bonds. Additional matching requirements are met by the Airport.

Special purpose grants and passenger facility charges are subject to audit to determine compliance with specified requirements. Airport's management believes that if any refunds are required, they will not be material to the basic financial statements.

**6. REVENUE BONDS PAYABLE**

In October 2017, the Airport issued Airport Revenue Bonds, Series 2017 (the Revenue Bonds). The Revenue Bonds are in the form of a draw note with a maximum of \$4,700,000 and are privately held by a local bank. The Revenue Bonds have interest rate of 2.25%, requiring semiannual payments in April and October, beginning in April 2018. Interest-only payments through October 2019. Principal payments as scheduled in the bond documents beginning in October 2019. Interest rate to be adjusted in October 2022 to the sum of the Five-Year Treasury Rate plus 0.40%. The primary use of proceeds of the Revenue Bonds is construction of a public parking lot. At June 30, 2018, total draws were approximately \$130,000.

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In October 2017, the Airport issued Customer Facility Charge Revenue Bonds, Series 2017 (the CFC Bonds). The CFC Bonds are in the form of a draw note with a maximum of \$4,300,000 and are privately held by a local bank. The CFC Bonds have interest rate of 3.50%, requiring semiannual payments in April and October, beginning in April 2018. Interest-only payments through October 2019. Principal payments as scheduled in the bond documents beginning in October 2019. Interest rate to be adjusted in October 2022 to the sum of the Five-Year Treasury Rate plus 1.65%. The primary use of proceeds of the CFC Bonds is construction of rental car facilities. At June 30, 2018, total draws were approximately \$21,000.

Following is a schedule of aggregate gross annual principal maturities of bonds payable for the years ending June 30 (amounts rounded):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 0	\$ 4,000	\$ 4,000
2020	151,000	1,000	152,000
Total	\$ 151,000	\$ 5,000	\$ 156,000

As noted above, the bonds are structured as draw notes. The above table reflects required payments based on draws through June 30, 2018.

For the year ended June 30, 2018, interest expense was approximately \$1,000 and was capitalized as construction in process.

For the years ended June 30, 2018 and 2017, components of the Airport's liabilities which had long-term activity or balances were as follows (amounts rounded):

	<u>Balance</u> <u>07.01.2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06.30.2018</u>	<u>Due</u> <u>within</u> <u>one year</u>	<u>Due</u> <u>after</u> <u>one year</u>
Revenue bonds payable	\$ 0	\$ 151,000	\$ 0	\$ 151,000	\$ 0	\$ 151,000
Net pension liability	6,134,000	0	745,000	5,389,000	0	5,389,000
	<u>\$ 6,134,000</u>	<u>\$ 151,000</u>	<u>\$ 745,000</u>	<u>\$ 5,540,000</u>	<u>\$ 0</u>	<u>\$ 5,540,000</u>

  

	<u>Balance</u> <u>07.01.2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06.30.2017</u>	<u>Due</u> <u>within</u> <u>one year</u>	<u>Due</u> <u>after</u> <u>one year</u>
Net pension liability	\$ 5,395,000	\$ 739,000	\$ 0	\$ 6,134,000	\$ 0	\$ 6,134,000

## 7. PENSION PLAN

### Plan Description

All full-time employees of the Airport participate in the City of Roanoke Pension Plan (the Pension Plan), a cost-sharing multiple-employer public employee retirement system. The Pension Plan was established by City Ordinance No. 8559, dated May 27, 1946, and effective July 1, 1946. City Council appoints the Pension Plan Board of Trustees which is responsible for administering the Pension Plan. The Pension Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974. The Pension Plan had approximately 1,600 active participants at June 30, 2017.

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Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by ERS. All employees covered under the provisions of ERS at June 30, 1984 could elect to stay with ERS or be covered under the provisions of ESRS. Coverage under ESRS was mandatory for all employees hired on or after July 1, 1984. Both ERS and ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the board of trustees. The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after five years of credited service for all Pension Plan members. All Airport employees participate in ESRS. Employees who are members of ESRS with five years or more of credited service and age 65, and employees with the attained age of 50 (45 for firefighters and police officers) and their age plus years of service equal to 80 (70 for firefighters and police officers) are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary excluding overtime over the highest 36 consecutive months of credited service.

Employees hired on or before June 30, 2014 with five years of credited service may retire at or after age 50 and receive a reduced retirement benefit. Employees may elect to receive their pension benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits.

Employees hired on or after July 1, 2014 with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees may elect to receive their pension benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits.

#### Funding Policy

Airport employees do not contribute to the Pension Plan. The Airport's contribution is based on a percentage of the annual compensation of the active members, which is based on an actuarially determined contribution amount. The payroll for Airport employees covered by the Pension Plan for the years ended June 30, 2018 and 2017 was approximately \$2,885,000 and \$2,794,000, respectively. The Airport's total payroll for these years were approximately \$2,947,000 and \$2,854,000, respectively. Contributions to the Pension Plan from the Airport were approximately \$627,000 and \$582,000, respectively, for the years ended June 30, 2018 and 2017, which was approximately 21.7% and 20.8%, respectively, of the covered for the Airport. At June 30, 2018 and 2017, approximately \$18,000 and \$19,000, respectively, of contributions withheld were payable to the Pension Plan. No other amounts were due to or from the Pension Plan at June 30, 2018 and 2017.

Required employer contribution rates for the Pension Plan were 22.04% and 20.81%, respectively, for fiscal years 2018 and 2017. In fiscal year 2015, the City of Roanoke adopted modifications to the Pension Plan to provide for employee contributions in the amount of 5% of earnable compensation for Plan members hired prior to July 1, 2015. This modification included a window of opportunity for Plan members hired prior to July 1, 2015, to elect participation in and the accrual of prospective benefits effective July 1, 2015, as an ESRS of Hybrid Plan member who was hired after June 30, 2014. Effective July 1, 2015, active employees are required to contribute 5% of pay, except for those hired or rehired after June 30, 2014 that elect to participate in the Hybrid plan.

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Annual Pension Cost

At June 30, 2018 and 2017, the Airport reported liabilities of approximately \$5,389,000 and \$6,134,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Airport's proportion of the net pension liability was based on a projection of the Airport's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017 and 2016, the Airport's proportion was 3.75% and 3.62%, respectively. The amount for June 30, 2017 was an increase of 0.13% from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the Airport recognized pension expense of approximately \$647,000 and \$36,000, respectively. At June 30, 2018 and 2017, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts rounded):

	2018		2017	
	Deferred outflows	Deferred inflows	Deferred outflows	Deferred inflows
Contributions subsequent to the measurement date	\$ 627,000	\$	\$ 582,000	\$
Assumption changes	152,000		28,000	
Change in proportion				
Experience		278,000		235,000
Net difference between projected and actual earnings on pension plan investments		240,000	667,000	
	\$ 779,000	\$ 518,000	\$ 1,277,000	\$ 235,000

The amount reported as deferred outflows of resources related to pensions resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ended June 30:

2019	\$ (265,000)
2020	94,000
2021	28,000
2022	(223,000)
	\$ (366,000)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50%
Investment rate of return	7.75% as of June 30, 2017. 7.25% as of June 30, 2018.
Cost of living adjustments	1.50% for eligible participants, based on 2/3 of assumed inflation

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Mortality rates for pre-retirement and healthy annuitants were based on 125% of RP-2000 Combined Healthy Mortality for males and females with generation mortality projection using Scale AA. For Disableds, mortality rates were based on Society of Actuaries RP-2014 Adjusted to 2006 Disabled Retiree Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study for the period July 1, 2011 through June 30, 2016.

Investment Rate of Return

The long-term expected rate of return on Plan investments was determined using projected long-term rates of returns developed for each asset class. The expected long-term rate of return for each asset class as weighted by the Investment Policy target asset allocation was used, to derive the overall expected rate of return for the portfolio. The long-term expectations are an arithmetic calculation. The following table reflected the long-term expected rate of return based upon the defined target allocation for each asset class, as defined in the Statement of Investment Policy:

	<u>Allocation</u>	<u>Weighted contribution to rate of return</u>
<b>Equity</b>		
U.S. equity	48.50%	4.85%
International equity	22.00%	2.42%
Real estate	6.00%	0.42%
<b>Fixed income</b>		
U.S. fixed income	23.50%	1.18%
 Total	 100.00%	 8.87%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Pension Plan would be made based on actuarially determined contribution rates. Based on these assumptions, the Pension Plan's fiduciary net position was projected to be available to make all future benefit payments of current Pension Plan members. Therefore, the long-term expected rate of return on Pension Plan investments 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 Pension Plan, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate (amounts rounded):

	1% decrease <u>(6.25%)</u>	Current rate <u>(7.25%)</u>	1% increase <u>(8.25%)</u>
Airport's proportionate share of the net pension liability	\$ 7,675,000	\$ 5,389,000	\$ 3,459,000

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Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net position is available in the Pension Plan's comprehensive annual financial report. A copy of this report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Administrator, 215 Church Ave., SW, Room 461, Roanoke, VA 24011 or on the internet at <http://www.roanokeva.gov/Archive.aspx?AMID=57>.

**8. OTHER POSTEMPLOYMENT BENEFITS**

As stated in Note 1, the has Airport implemented GASB Statement No. 75; *Financial Reporting for Postemployment Benefit plans Other Than Pension Plans, and Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

On July 21, 2009, the Airport approved the Retiree Health Insurance Contribution Plan (the Plan), to provide certain post-employment benefits to qualifying employees of the Airport. Participants must meet one of the following conditions to be eligible for benefits:

- Have 80 points (age plus years of service) and 15 or more years of service
- Attain the age of 55 with 15 or more years of service

The Airport pays the City of Roanoke \$294 to \$554 each month for medical insurance for each eligible retiree depending on coverage levels only through December 31, 2018 or until the City no longer provides health insurance coverage to Commission retirees, whichever comes sooner. The Airport reserves the right to revise and terminate the Plan at any time, as it deems necessary, at its sole discretion. This benefit will terminate when the retiree is eligible for coverage by any other health insurance, including Medicare.

As of June 30, 2018 and 2017, the Plan was not funded. The Plan does not issue stand-alone financial statements. The membership as of January 1, 2017, the most recent valuation date, includes 53 active participants, 3 retirees and surviving spouses, and 0 spouses of current retirees. Total covered employees of 56. There were no changes to retirees from January 1, 2017 through June 30, 2018.

The Airport's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability was determined using the following assumptions:

Inflation	2.50%
Salary increases	3.50% - 5.35%
Discount rate	3.50% as of June 30, 2017. 3.87% as of June 30, 2018.
Health cost trend rates	4.20% - 8.60%

For all Airport employees, mortality rates were based on the RP-2000 mortality tables with females set back one year. All tables include fully generational adjustments for mortality improvements using improvement scale AA. For disabled lives, mortality rates were based on the RP-2000 disabled mortality tables with male lives set back three years and no provision for future mortality improvement.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an experience study for the period July 1, 2011 through June 30, 2016.

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As the plan is not funded, there is no fiduciary net position and the net OPEB and total OPEB are the same amount. Changes in the net OPEB liability are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 121,195	\$ 130,803
Service cost	6,630	6,406
Interest	4,225	4,447
Effect of plan changes	0	0
Effect of liability gains and losses	0	0
Effect of assumption changes	(3,286)	0
Benefit payments	<u>(14,370)</u>	<u>(20,461)</u>
Balance, end of year	<u>\$ 114,394</u>	<u>\$ 121,195</u>

Due to immateriality, the amounts for effects of assumption changes is included in OPEB expense in the current year. OPEB expense for 2018 and 2017 was approximately \$7,000 and \$10,000 and is included in salaries and other benefits expense in the statement of revenues, expenses changes in net position.

The amounts previously reported by the airport for OPEB liability were compared to the corresponding amounts in the actuarial reports prepared for the fiscal year 2018 financials. No material differences were noted. Due to immateriality, restatement of prior year net position was not considered necessary.

The following table presents the net OPEB liability of the Airport, as well as what the Airport's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% decrease <u>(2.87%)</u>	Current rate <u>(3.87%)</u>	1% increase <u>(4.87%)</u>
Net OPEB liability	\$ 123,513	\$ 114,394	\$ 106,050

The following table presents the net OPEB liability of the Airport, as well as what the Airport'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% decrease <u>(3.20% - 7.60%)</u>	Current rate <u>(4.20% - 8.60%)</u>	1% increase <u>(5.20% - 9.60%)</u>
Net OPEB liability	\$ 101,839	\$ 114,394	\$ 129,356

The required schedule of contributions and changes in net OPEB liability and related ratios is presented as required supplementary information immediately following the notes to the financial statements.

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**9. DEFERRED COMPENSATION PLAN**

Airport employees may participate in the Airport's deferred compensation plan which was created in accordance with Internal Revenue Code Section 457 from its predecessor plan held by the City of Roanoke (the Roanoke Regional Airport Commission 457 Deferred Compensation Plan). The deferred compensation plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Airport made contributions to the deferred compensation plan in the amount of approximately \$33,000 and \$21,000, respectively for the years ended June 30, 2018 and 2017. These amounts are included in salaries and other benefits in the accompany statements of revenues, expenses and changes in net assets. No amounts have been placed in trust for this plan.

**10. CONCENTRATIONS**

Revenue from landed weights, parking, and concessionaires comprise the majority of operating revenues for the Airport. Three airlines accounted for approximately 91.1% and 89.8%, respectively, of the landed weight for commercial airlines during the years ended June 30, 2018 and 2017. Activity from commercial airlines is primarily responsible for parking revenues and revenue from concessionaires.

**11. COMMITMENTS AND OTHER MATTERS**

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport manages these risks through the purchase of commercial insurance. From time to time, the Airport is involved in litigation in the normal course of operations. It is the opinion of the Airport's management that any adverse outcomes related to litigation would not have a material impact on the financial position, results of operations, or cash flows of the Airport as of and for the years ended June 30, 2018 and 2017.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement of the grantor agencies. The Airport's management believes disallowances, if any, would be immaterial.

As of June 30, 2018 and 2017, the Airport had outstanding contractual commitments approximating \$3,484,000 and \$1,805,000, respectively, related to equipment purchases and airport improvement projects. Additionally, the Airport had outstanding contractual commitments approximating \$675,000 related to Aircraft Rescue and Fire Fighting (ARFF) services at June 30, 2017. The agreement for outsourced ARFF services ended at June 30, 2018 and the airport is now performing these services with in-house resources.

**12. PROPERTY LEASED TO OTHERS**

The Airport leases capital assets under operating lease agreements for concessions and other commercial purposes. Future minimum rental revenues to be received are as follows for the years ended June 30 (amounts rounded):

2019	\$	718,000
2020		182,000
2021		<u>12,000</u>
	\$	<u>912,000</u>

Several lease agreements provide a minimum lease concession or a percentage of the lessees' gross revenues, whichever is greater. Contingent rentals for the years ended June 30, 2018 and 2017 were approximately \$336,000 and \$360,000, respectively. These amounts are included in terminal revenue in the accompanying statement of revenues, expenses and changes in net position.

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Substantially all capital assets of the Airport are held for direct or indirect utilization in the Airport's principal activities of leasing land, buildings, and airfield facilities to third-party lessees. Total lease revenues, including landing fees, for the years ended June 30, 2018 and 2017 were approximately \$8,922,000 and \$8,618,000, respectively.

**13. RELATED-PARTY TRANSACTIONS**

As discussed above, the Airport participates in certain financial transactions with the City of Roanoke for pension and other postemployment benefits. In fiscal years 2018 and 2017 the Airport paid approximately \$11,000 and \$12,000, respectively, to the City of Roanoke for healthcare premium subsidies. In fiscal years 2018 and 2017 the Airport paid approximately \$195,000 each year, respectively, to the City of Roanoke for storm water utility fees. In fiscal years 2018 and 2017, the Airport paid approximately \$19,000 each year to the County of Roanoke for radio repair and replacement fees. At June 30, 2017, approximately \$19,000 was due to the County of Roanoke. No material amounts were due to or from the City of Roanoke or County of Roanoke at June 30, 2018.

**14. DESIGNATIONS OF UNRESTRICTED NET POSITION**

In December 2016, the Commission passed a resolution for designation of certain amounts of unrestricted net position. As noted in the accompanying statement of financial position, unrestricted net position was approximately \$16.4 million and \$11.9 million at June 30, 2018 and 2017, respectively. Of that amount, \$7.5 million each year, respectively was designated for discretionary operating expenditures, capital fund reserve, and major maintenance reserve.

**15. RESTRICTED CASH AND NET POSITION**

Following is a detail of restricted cash as of June 30 (amounts rounded):

<u>Description</u>	<u>2018</u>	<u>2017</u>
Car rental facility	\$ 1,275,000	\$ 521,000
Employee flexible spending account	<u>8,000</u>	<u>4,000</u>
	<u>\$ 1,283,000</u>	<u>\$ 525,000</u>

Following is a detail of restricted net position as of June 30 (amounts rounded):

<u>Description</u>	<u>2018</u>	<u>2017</u>
Car rental facility	\$ 986,000	\$ 521,000
Employee flexible spending account	<u>8,000</u>	<u>4,000</u>
	<u>\$ 994,000</u>	<u>\$ 525,000</u>

As of June 30, 2018, approximately \$289,000 had been expended for car rental facility purposes which had not been transferred from the corresponding cash account.

**- REQUIRED SUPPLEMENTARY INFORMATION -**

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>Total pension liability</b>		
Service cost	\$ 6,630	\$ 6,406
Interest	4,225	4,447
Effect of assumption changes or inputs	(3,286)	0
Benefit payments (premium subsidies)	(14,370)	(20,461)
Net change in total pension liability	(6,801)	(9,608)
Total pension liability, beginning	121,195	130,803
Total pension liability, ending	\$ 114,394	\$ 121,195
 <b>Plan fiduciary net position</b>		
Contributions (payments for premiums)	\$ 14,370	\$ 20,461
Benefit payments (premium subsidies)	(14,370)	(20,461)
Net change in total pension liability	0	0
Plan fiduciary net position, beginning	0	0
Plan fiduciary net position, ending	0	0
 <b>Net OPEB liability</b>	\$ 114,394	\$ 121,195
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%
 <b>Covered employee payroll</b>	\$ 2,861,482	\$ 2,793,772
 <b>Net OPEB liability as a percentage of covered employee payroll</b>	4.00%	4.34%

The plan is funded on a pay-as-you go basis. There are no actuarially determined contributions.

This schedule is intended to present ten years of the net OPEB liability. Currently, only those years with information available are presented.

Notes to schedule

Valuation date - January 1, 2017. Roll forward computation through June 30, 2018.

Actuarial cost method - Entry Age Normal, Level Percentage of Pay.

Inflation - 2.50%. Salary increases - 3.50% to 5.35%.

Discount rate - 3.50% as of June 30, 2017. 3.87% as of June 30, 2018. Same as 20-year tax-exempt municipal bond yield. Based on Bond Buyer 20-year GO index.

Healthcare trend rates - 8.60% for 2017, 6.20% for 2018, 5.60% for 2019, gradually decreasing to an ultimate rate of 4.20%.

Coverage election assumptions - 40% for employees. 30% for spouses.

Retirement rates: 50-56 - 25%; 57-58 - 30%; 59-60 - 40%; 61 - 50%; 62+ 100%.

Marital status - 100% assumed married with male spouses three years older than female spouses.

Mortality rates:

Pre-retirement - RP-2000 Employee Mortality Tables projected to 2020 using Scale AA.

Post-retirement - RP-2000 Combined Healthy Mortality Tables projected to 2020 using Scale AA.

Post-disablement - RP-2000 Disabled Life Mortality Tables.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**YEARS ENDED JUNE 30, 2018, 2017, 2016, 2015 and 2014**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Airport's proportion of the net pension liability	3.7515%	3.6161%	3.8494%	4.0139%	3.9976%
Airport's proportionate share of the net pension liability	\$ 5,389,000	\$ 6,134,000	\$ 5,395,000	\$ 4,712,000	\$ 6,249,000
Covered employee payroll	\$ 2,885,000	\$ 2,794,000	\$ 2,620,000	\$ 2,746,000	\$ 2,811,000
Proportionate share of net pension liability as a percentage of covered employee payroll	186.79%	219.54%	205.92%	171.60%	222.31%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	68.70%	73.81%	77.23%	68.95%

Notes:

This schedule is intended to present ten years of the proportionate share of the net pension liability. Currently, only those years with information available are presented.

Above amounts are rounded.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF AIRPORT CONTRIBUTIONS TO THE PENSION PLAN**  
**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 627	\$ 582	\$ 549	\$ 599	\$ 517	\$ 431	\$ 482	\$ 421	\$ 418	\$ 452
Contributions in relation to the contractually required contribution	<u>627</u>	<u>582</u>	<u>549</u>	<u>599</u>	<u>517</u>	<u>431</u>	<u>482</u>	<u>421</u>	<u>418</u>	<u>452</u>
Contribution deficiency (excess)	<u>\$ 0</u>									
Airport's covered-employee payroll	\$ 2,885	\$ 2,794	\$ 2,620	\$ 2,811	\$ 2,750	\$ 2,710	\$ 2,680	\$ 2,774	\$ 3,008	\$ 2,921
Contributions as a percentage of covered-employee payroll	21.73%	20.83%	20.95%	21.31%	18.80%	15.90%	17.99%	15.18%	13.90%	15.47%

Note:

Above amounts are in thousands. The contractually required contribution is actuarially determined. None of the above amounts are associated with payables to the pension plan from a previous year or any specifically financed liabilities.

**- SUPPLEMENTARY INFORMATION -**

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

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<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA No.</u>	<u>Federal Project Number</u>	<u>Total Federal Program or Award Amount</u>	<u>Current Year Federal Expenditures</u>
MAJOR PROGRAM:				
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106	3-51-0045-54	\$ 4,164,466	\$ 725,985
		3-51-0045-56	4,277,724	154,562
		3-51-0045-57	276,672	275,013
		3-51-0045-58	2,480,551	2,314,785
Total			<u>\$ 11,199,413</u>	<u>\$ 3,470,345</u>

**ROANOKE REGIONAL AIRPORT COMMISSION**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

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1. GENERAL

The Roanoke Regional Airport Commission is a public body politic and corporate, and has jurisdiction, control, possession, and supervision of the Roanoke-Blacksburg Regional Airport. The accompanying Schedule of Expenditures of Federal Awards presents the 2018 expenditure activity of all federal financial assistance programs of the Airport. All federal financial assistance was received directly from federal agencies. The airport did not elect to use the 10% de minimis rule for the indirect cost rate.

The award revenues received and expended are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Airport. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Roanoke Regional Airport Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF PASSENGER FACILITY CHARGES (PFCs) COLLECTED AND EXPENDED**  
**YEAR ENDED JUNE 30, 2018**

<u>Final Agency Decision</u>	<u>Impose authority *</u>	<u>PFCs collected in prior years</u>	<u>PFCs collected in current year</u>	<u>Total PFCs collected</u>	<u>Interest earned</u>	<u>Prior year applied expenditures</u>	<u>Current year applied expenditures</u>	<u>Total applied expenditures</u>
<u>U.S. Department of Transportation</u>								
Passenger Facility Charge Program								
98-01-C-02-ROA	\$ 6,463,183	\$ 6,463,183	\$ 0	\$ 6,463,183	\$ 0	\$ 6,463,183	\$ 0	\$ 6,463,183
04-02-C-00-ROA	8,158,043	8,158,043	0	8,158,043	0	8,158,043	0	8,158,043
11-03-C-00-ROA	2,191,701	2,191,701	0	2,191,701	0	2,191,701	0	2,191,701
11-04-C-00-ROA	4,279,550	4,279,550	0	4,279,550	0	4,279,550	0	4,279,550
16-05-C-00-ROA	<u>3,314,298</u>	<u>866,696</u>	<u>1,264,788</u>	<u>2,131,484</u>	<u>89</u>	<u>866,696</u>	<u>1,264,877</u>	<u>2,131,573</u>
	<u>\$ 24,406,775</u>	<u>\$ 21,959,173</u>	<u>\$ 1,264,788</u>	<u>\$ 23,223,961</u>	<u>\$ 89</u>	<u>\$ 21,959,173</u>	<u>\$ 1,264,877</u>	<u>\$ 23,224,050</u>

\* Use authority is the same as impose authority for all Final Agency Decisions in this schedule.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED  
YEAR ENDED JUNE 30, 2018

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**1. GENERAL**

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents all passenger facility charge activities of the Roanoke Regional Airport Commission (the Airport). The Airport's reporting entity is defined in Note 1 to the Airport's financial statements. The Schedule of Passenger Facility Charges Collected and Expended includes all the PFCs and the interest earnings thereon collected by the Airport beginning September 1, 1998 through June 30, 2018. Passenger Facility Charges are collected pursuant to Federal Aviation Administration approved applications.

**2. BASIS OF PRESENTATION**

The accompanying Schedule of Passenger Facility Charges Collected and Expended of the Airport is presented in accordance with accounting principles generally accepted in the United States of America. Passenger Facility Charges are recorded as restricted revenue until expended in compliance with applicable Final Agency Decisions from the Federal Aviation Administration.

**- ADDITIONAL REPORTS AND INFORMATION  
REQUIRED UNDER THE SINGLE AUDIT ACT -**



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**REPORT OF INDEPENDENT AUDITORS 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 Roanoke Regional Airport Commission  
Roanoke, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Roanoke Regional Airport Commission (the Airport), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Airport's financial statements (hereby referred to as the financial statements), and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the 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 Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport'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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blue & Co., LLC*

Lexington, Kentucky  
October 10, 2018



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## **REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the Roanoke Regional Airport Commission's (the Airport) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal program for the year ended June 30, 2018. The Airport'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs 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 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 Airport'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 each major federal program. However, our audit does not provide a legal determination of the Airport's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Airport 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, 2018.

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

Page Two

Report on Internal Control Over Compliance

Management of the Airport 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 Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine 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 Airport'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.

*Blue & Co., LLC*

Lexington, Kentucky  
October 10, 2018

**ROANOKE REGIONAL AIRPORT COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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Section I - Summary of Auditor's Results

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee?  yes  no

Section II - Findings related to financial statements reported in accordance with *Governmental Auditing Standards*

None reported.

Section III - Findings and questioned costs related to federal awards

None reported.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND THEIR RESOLUTIONS  
YEAR ENDED JUNE 30, 2017

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Federal Award Findings and Questioned Costs

No findings or questioned costs for federal award programs were reported for the year ended June 30, 2017.



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION**

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

Report on Compliance for Passenger Facility Charge Program

We have audited the Roanoke Regional Airport Commission's (the Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its Passenger Facility Charge Program for the year ended June 30, 2018.

Management's Responsibility

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, and regulations, applicable to the passenger facility charge program. Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Airport's compliance for the Passenger Facility Charge 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 Guide. Those standards and the Guide 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 the Passenger Facility Charge Program has occurred. An audit includes examining, on a test basis, evidence about the Airport'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 Passenger Facility Charge Program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion

In our opinion, the Airport complied, in all material respects, with the 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, 2018.

To the Members of the Roanoke Regional Airport Commission  
Roanoke, Virginia

Page Two

Report on Internal Control Over Compliance

Management of the Airport 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 Airport's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge Program and to test and report on the internal control over compliance in accordance with the Guide, 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 Airport'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 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 material noncompliance with a type of compliance requirement of a 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 a 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 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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide). Accordingly, this report is not suitable for any other purpose.

*Blue & Co., LLC*

Lexington, Kentucky  
October 10, 2018

**ROANOKE REGIONAL AIRPORT COMMISSION**  
SCHEDULE OF PASSENGER FACILITY CHARGE FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

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Summary of Auditors' Results

We have issued an unmodified opinion, dated October 10, 2018 on the financial statements of Roanoke Regional Airport Commission as of and for the year ended June 30, 2018.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance which are material to Roanoke Regional Airport Commission's financial statements.

We have issued an unmodified opinion, dated October 10, 2018 on Roanoke Regional Airport Commission's compliance for the passenger facility charge program.

Our audit disclosed no findings required to be reported under the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide).

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with the Guide.

Findings and Questioned Costs for the Passenger Facility Charge Program

Our audit disclosed no findings or questioned costs for passenger facility charge program as defined by the Guide.

**ROANOKE REGIONAL AIRPORT COMMISSION**  
SCHEDULE OF PRIOR YEAR PASSENGER FACILITY CHARGES FINDINGS AND THEIR RESOLUTIONS  
YEAR ENDED JUNE 30, 2017

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No findings that are required to be reported in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration were reported for the year ended June 30, 2017.