



**ROANOKE REGIONAL
AIRPORT COMMISSION**

ROANOKE, VIRGINIA

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2013 AND 2012

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 year ended June 30, 2013 and 2012, 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, 2013 and 2012, 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, and the schedule of funding progress - Retiree Health Insurance Contribution Plan, be presented to supplement the financial statements. Such information, although not a part of the 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of passenger facility charges collected and expended are presented for purposes of additional analysis and is 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

The Schedule of Receipts and Disbursements for Accounts and Subaccounts Established Under Master Indenture of Trust and the Summary of Insurance Coverages has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 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
November 13, 2013

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

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, 2013 and 2012 with comparative data for fiscal year 2011. 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 \$2,000 are capitalized and, except for land, are depreciated over their useful lives. Certain cash and investment funds are restricted for maintenance and debt service. 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:

Statements of net position present 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. Statements of revenues, expenses and changes in net position report 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 statements of net position.

Statements of cash flows report 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 statements 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, 2013 and 2012.

AIRPORT ACTIVITIES

As of June 30, 2013, the Roanoke Regional Airport (the Airport) was served by one mainline carrier, the regional affiliates of three major passenger carriers, one low fare leisure carrier and two regularly scheduled cargo carriers. The number of flights departing daily was 29 in June 2012 and 27 in June 2013, or a 6.9% decrease, while the number of available seats changed from 1,372 to 1,322, or a 3.6% decrease. The 27 daily flights consisted of 14 regional jets and 13 turboprop aircraft flying nonstop to eight destinations, the same as June 2012. Regularly scheduled regional jet flights decreased by 5 (26.3%), while turboprop aircraft flights increased by 3 (30.0%). In addition to daily flights, Allegiant Air provides 4-5 weekly flights to 2 Florida destinations, providing 600-750 available seats. In June 2013, Allegiant Air provided 4 weekly flights to 2 Florida destinations, providing 600 available seats.

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

A comparative summary of passenger and other traffic at the Airport for the fiscal years ended June 30, 2013, 2012, and 2011 are as follows:

	2013	2012	2011	Fiscal year 2013 percent change	Fiscal year 2012 percent change
Passengers	609,962	643,061	644,762	-5.15%	-0.26%
Aircraft Operations	46,207	50,411	46,155	-8.34%	9.22%
Total Cargo (1,000 lbs)	23,398	21,711	21,368	7.77%	1.61%

The decrease in aircraft operations for the fiscal year ended June 30, 2013 is attributable to a decrease in charter flights due to economic conditions.

The increase in aircraft operations for the fiscal year ended June 30, 2012 is attributable to an increase in general aviation takeoffs and landings for flight school training over the prior year.

The increase in cargo for the fiscal year ended June 30, 2013 is attributable to higher volumes shipped by existing customers in the Airport's service area.

FINANCIAL HIGHLIGHTS

The following major financial highlights are of note for the years ended June 30, 2013 and 2012 (amounts rounded):

- Assets exceeded liabilities by \$129.3 million as of June 30, 2013 and \$130.6 million as of June 30, 2012.
- Net position includes \$14.4 million as of June 30, 2013 and \$18.6 million as of June 30, 2012, which is considered unrestricted.
- Net position decreased \$1.2 million for the fiscal year ended June 30, 2013 and decreased \$2.9 million for the fiscal year ended June 30, 2012.
- Operating revenues were \$7.3 million for the fiscal year ended June 30, 2013 and \$6.7 million for the fiscal year ended June 30, 2012.
- Operation and maintenance expenses, excluding depreciation, were \$7.3 million for the fiscal year ended June 30, 2013 and \$7.1 million for the fiscal year ended June 30, 2012.
- Net nonoperating revenues were \$505,000 for the fiscal year ended June 30, 2013 and \$855,000 for the fiscal year ended June 30, 2012.
- Capital contributions from federal grant programs, state grant programs and passenger facility charges were \$6.7 million for the fiscal year ended June 30, 2013 and \$5.1 million for the fiscal year ended June 30, 2012.
- Additional detail on the above items, along with other information, is discussed in the following sections.

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

NET POSITION SUMMARY

Net position was approximately \$129.3 million at June 30, 2013, \$130.6 million at June 30, 2012, and \$133.4 million at June 30, 2011. Most of the decrease in net position for fiscal years 2013 and 2012 was due to depreciation of capital assets.

A condensed summary of the major components of the net position for the fiscal years ended June 30, 2013, 2012, and 2011 is as follows:

Condensed Summary of Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Fiscal Year 2013 percent change	Fiscal Year 2012 percent change
Current assets	\$ 8,941,425	\$ 10,644,599	\$ 18,690,333	-16.0%	-43.0%
Long-term investments	8,535,869	10,787,889	3,190,860	-20.9%	238.1%
Capital assets, net	114,469,150	111,648,968	113,390,771	2.5%	-1.5%
Net investment in lease excluding current portion	<u>111,026</u>	<u>122,523</u>	<u>133,440</u>	-9.4%	-8.2%
Total assets	<u>132,057,470</u>	<u>133,203,979</u>	<u>135,405,404</u>	-0.9%	-1.6%
Current liabilities	2,094,796	1,904,175	1,145,541	10.0%	66.2%
Revenue bonds payable excluding current portion, net	<u>649,206</u>	<u>746,171</u>	<u>838,933</u>	-13.0%	-11.1%
Total liabilities	<u>2,744,002</u>	<u>2,650,346</u>	<u>1,984,474</u>	3.5%	33.6%
Net position invested in capital assets net of related debt	113,722,979	110,810,035	112,463,097	2.6%	-1.5%
Restricted net position	1,178,048	1,099,216	1,281,792	7.2%	-14.2%
Unrestricted net position	<u>14,412,441</u>	<u>18,644,382</u>	<u>19,676,041</u>	-22.7%	-5.2%
	<u>\$ 129,313,468</u>	<u>\$ 130,553,633</u>	<u>\$ 133,420,930</u>	-0.9%	-2.1%

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

Fiscal Year 2013

Current assets decreased in fiscal year 2013 due to utilization of funds for capital projects. Capital assets, net increased approximately \$2.82 million compared to the previous year due to construction and capital asset purchases in excess of depreciation. 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 retainage payable on construction projects.

Revenue bonds payable, excluding current portion, decreased per the scheduled payments on the bonds.

Restricted net position is comprised primarily of maintenance reserves and bond reserve funds subject to external restrictions under bond resolutions stating how they must be used to pay the future debt service on the related bonds.

Fiscal Year 2012

Current assets decreased in fiscal year 2012 due to purchases of investments in an effort to get better returns. Capital assets, net decreased approximately \$1.74 million compared to the previous year due to depreciation in excess of construction and capital asset purchases. The Airport uses these 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 retainage payable on construction projects.

Revenue bonds payable, excluding current portion, decreased per the scheduled payments on the bonds.

CHANGES IN NET POSITION

A condensed summary and discussion of changes in net position, revenues, and expenses for fiscal years 2013, 2012, and 2011 is as follows:

Changes in Net Position				Fiscal	Fiscal
	2013	2012	2011	Year 2013 percent change	Year 2012 percent change
Total operating revenues	\$ 7,257,405	\$ 6,739,937	\$ 6,755,542	7.7%	-0.2%
Total operation and maintenance expenses	15,674,487	15,588,103	14,637,034	0.6%	6.5%
Net nonoperating revenues	504,770	855,007	504,561	-41.0%	69.5%
Loss before capital contributions	(7,912,312)	(7,993,159)	(7,376,931)	1.0%	-8.4%
Capital contributions	6,672,147	5,125,862	3,521,112	30.2%	45.6%
Change in net position	(1,240,165)	(2,867,297)	(3,855,819)	56.7%	25.6%
Beginning net position	130,553,633	133,420,930	137,276,749	-2.1%	-2.8%
Ending net position	\$ <u>129,313,468</u>	\$ <u>130,553,633</u>	\$ <u>133,420,930</u>	-0.9%	-2.1%

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenues

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Fiscal Year 2013 percent change	Fiscal Year 2012 percent change
Operating revenues:					
Airfield revenue	\$ 1,199,193	\$ 1,210,687	\$ 1,220,232	-0.9%	-0.8%
General aviation revenue	442,879	425,644	399,929	4.0%	6.4%
Terminal revenue	5,222,361	4,733,344	4,802,513	10.3%	-1.4%
Other operating revenue	<u>392,972</u>	<u>370,262</u>	<u>332,868</u>	6.1%	11.2%
Total operating revenues	<u>7,257,405</u>	<u>6,739,937</u>	<u>6,755,542</u>	7.7%	-0.2%
Nonoperating revenues:					
Noncapital grants	454,739	513,563	197,211	-11.5%	160.4%
Gains (losses) on investments	(187,838)	(24,320)	(93,618)	-672.4%	74.0%
Realized gain (loss) on disposal of capital assets	(4,253)	26,970	6,405	-115.8%	321.1%
Interest income	<u>277,498</u>	<u>378,191</u>	<u>437,807</u>	-26.6%	-13.6%
Total nonoperating revenues	<u>540,146</u>	<u>894,404</u>	<u>547,805</u>	-39.6%	63.3%
Capital contributions:					
Capital grants	5,485,655	3,848,497	2,223,419	42.5%	73.1%
Passenger facility charges	<u>1,186,492</u>	<u>1,277,365</u>	<u>1,297,693</u>	-7.1%	-1.6%
Total capital contributions	<u>6,672,147</u>	<u>5,125,862</u>	<u>3,521,112</u>	30.2%	45.6%
Total revenues	<u>\$ 14,469,698</u>	<u>\$ 12,760,203</u>	<u>\$ 10,824,459</u>	13.4%	17.9%

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

Fiscal Year 2013

Airfield revenue decreased slightly year over year due to reduction of flights and passengers.

General aviation revenue increased approximately \$17,000 due to new revenues for hanger rentals from fixed base operators that began in fiscal year 2012 and were realized for a full year in fiscal year 2013.

Terminal revenue increased approximately \$490,000 due to new agreements for rental car concessions and parking rate increase.

Other operating revenue increased approximately \$23,000 due to increased building and facility rentals, insurance claims, and related reimbursements.

Noncapital grants decreased approximately \$59,000 due to higher utilization of state grants for capital purposes.

The realized and unrealized gains on investments for fiscal year 2013 reflected losses due to fixed income investments purchased at a premium due to interest rates and related income. 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. The net amount of interest income less investment losses for fiscal years 2011 through 2013 was approximately \$790,000. Estimated average of temporary and long-term investments for that same period was approximately \$20.0 million. Net return on investment was approximately 3.95%.

Capital grants increased approximately \$1.6 million due to increases in capital projects. See discussion in capital acquisition and construction activities section.

Passenger facility charges decreased approximately \$91,000 due to decrease in passengers.

Fiscal Year 2012

Airfield revenue was stable year over year due to similar numbers of flights and passengers.

General aviation revenue increased approximately \$26,000 due to new revenue for hanger rentals from fixed base operators.

Terminal revenue decreased approximately \$70,000 due to a slight decrease in passengers.

Other operating revenue increased approximately \$37,000 due to funds received for conversion of parking lot lighting to more energy efficient lighting.

Noncapital grants increased approximately \$316,000 due to utilization of state grants for operating purposes.

The realized and unrealized gains on investments for fiscal year 2012 reflected losses due to fixed income investments purchased at a premium due to interest rates and related income. 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. The net fluctuation for fiscal years 2010 through 2012 was a modest gain which is expected for this type of investment.

Interest income decreased approximately \$60,000 due to prior year liquidation of investments and lower interest rates available to investors during fiscal years 2011 and 2012.

Passenger facility charges decreased approximately \$20,000 due to decrease in passengers.

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

Expenses

	2013	2012	2011	Fiscal Year 2013 percent change	Fiscal Year 2012 percent change
Operation and maintenance expenses:					
Salaries and fringe benefits	\$ 4,136,894	\$ 4,014,936	\$ 3,835,472	3.0%	4.7%
ARFF services	675,000	653,464	639,742	3.3%	2.1%
Operating expenses	2,506,323	2,385,663	2,120,079	5.1%	12.5%
Depreciation	8,356,270	8,534,040	8,041,741	-2.1%	6.1%
Total operation and maintenance expenses	15,674,487	15,588,103	14,637,034	0.6%	6.5%
Nonoperating expenses:					
Interest expense	35,376	39,397	43,244	-10.2%	-8.9%
Total expenses	\$ 15,709,863	\$ 15,627,500	\$ 14,680,278	0.5%	6.5%

Fiscal Year 2013

Salaries and fringe benefits increased approximately \$122,000 due to cost of living raises and the addition of a staff position.

ARFF services increased approximately \$22,000 per the applicable third-party agreement.

Operating expenses increased approximately \$121,000 due to a marketing campaign and air service development.

Interest expense decreased as a result of principal payments on outstanding debt.

Depreciation expense decreased approximately \$178,000 due to completion of depreciation expense on large projects from previous years including two items from fiscal year 2003 that had ten-year estimated useful lives.

Fiscal Year 2012

Salaries and fringe benefits increased approximately \$179,000 due to raises and increased rates for health insurance and pension plan contributions.

ARFF services increased approximately \$14,000 per the applicable third-party agreement.

Operating expenses increased approximately \$266,000 due to a marketing initiative, executive searches, building and vehicle repairs, and maintenance of the engineered material arresting system.

Interest expense decreased as a result of principal payments on outstanding debt.

Depreciation expense increased approximately \$492,000 due to depreciation expense on completed projects closed from construction in progress in the current and previous fiscal years to their respective capital accounts. Major projects completed in fiscal years 2011 and 2012 are discussed in the Capital Acquisitions and Constructions Activities section.

ROANOKE REGIONAL AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013 AND 2012

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Fiscal Year 2013

During fiscal year 2013, the Airport had capital additions totaling \$11.2 million. Major projects included construction of aircraft rescue and firefighters building, retrofit runway with engineered materials arresting system, rehabilitate aircraft maintenance hangar, rehabilitate air carrier ramp, new terminal seating, new terminal entrance sign, and chiller replacement. Completed projects totaling \$6 million were transferred from construction in progress and placed into service during fiscal year 2013. Major projects completed during fiscal year 2013 were as follows:

<u>Project</u>	<u>Amount</u>
Baggage make-up modification	\$ 1,910,000
Retrofit runway with engineered materials arresting systems	1,346,000
Replace chillers	867,000
Relocate trailer park	328,000
New terminal entrance sign	302,000
	<u>\$ 4,753,000</u>

Fiscal Year 2012

During fiscal year 2012, the Airport had capital additions totaling \$6.8 million. Major projects included rehabilitation of the baggage makeup modification, design and construction of aircraft rescue and firefighters building, acquisition of snow broom and blower, terminal improvements, clerestory window project, trailer park relocation, and chiller replacement. Completed projects totaling \$2.1 million were transferred from construction in progress and placed into service during fiscal year 2012. Major projects completed during fiscal year 2012 were as follows:

<u>Project</u>	<u>Amount</u>
Noise abatement program residential soundproofing	\$ 1,045,000
Construct signalized entry intersection	229,000
Clerestory window rehabilitation	190,000
	<u>\$ 1,464,000</u>

Capital asset acquisitions and improvements are capitalized at cost. Acquisitions are funded using a variety of financing techniques including federal grants with matching state grants, state grants with matching airport funds, and Airport revenues. Additional information on the Airport's capital assets and commitments can be found in notes 3 and 10 to the basic financial statements.

ROANOKE REGIONAL AIRPORT COMMISSION
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LONG-TERM DEBT ADMINISTRATION

In March 2005, the Airport issued \$1,400,000 in revenue term bonds with interest at 4.44%, requiring annual payments of \$128,138 through March 2020 to fund construction of a storage hangar for corporate aircraft. Income from rental of the facility is used to make the debt service payments.

Revenue bonds payable outstanding were approximately \$746,000 and \$839,000 at June 30, 2013 and 2012, respectively.

The revenue bonds are governed by a number of general covenants relating to qualified expenditures, debt service requirements and other restrictions on assets. For fiscal years ended June 30, 2013 and 2012, the Airport has complied with these covenants.

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In March 2013, the Airport approved its fiscal year 2013-2014 operating budget. Budgeted operating revenues are approximately \$7.3 million. Budgeted operating expenditures are approximately \$7.7 million. These amounts do not include depreciation expense or capital contributions. Budgeted non-operating revenues are approximately \$790,000. These amounts include investment income and government grants. Interest and debt service for 2013-2014 is budgeted at approximately \$128,000. Total proposed capital expenditures, as amended are approximately \$5,200,000. Of this amount, it is anticipated that approximately \$2,400,000 will be funded through state grants and approximately \$2,800,000 will be funded through airport capital funds. Federal grant funding will be sought for certain projects. Landing fees for 2013-2014 will be \$2.02 per 1,000 pounds. Annual terminal rent will be \$47.16 per square foot.

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 dann@roanokeairport.com. Alternatively, information about the operations of the Airport can be obtained via the Internet at www.roanokeairport.com.

ROANOKE REGIONAL AIRPORT COMMISSION
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current assets		
Cash and temporary investments	\$ 5,849,034	\$ 4,912,118
Restricted cash and temporary investments	1,178,048	1,099,216
Total cash and cash equivalents	7,027,082	6,011,334
Accounts receivable	371,689	493,176
Accrued interest receivable	78,836	153,467
Due from Commonwealth of Virginia	6,671	12,055
Due from federal government	388,023	894,367
Current portion of net investment in lease	11,497	10,917
Prepaid expenses and other assets	48,723	41,680
Short-term investments	1,008,904	3,027,603
Total current assets	8,941,425	10,644,599
Long-term investments	8,535,869	10,787,889
Capital assets		
Land and improvements	29,990,287	29,046,986
Buildings and structures	145,669,377	141,245,575
Equipment and other capital assets	13,174,288	12,227,671
Construction in progress	12,142,373	7,521,452
Accumulated depreciation	(86,507,175)	(78,392,716)
Capital assets, net	114,469,150	111,648,968
Net investment in lease, excluding current portion	111,026	122,523
Total assets	\$ 132,057,470	\$ 133,203,979
LIABILITIES AND NET POSITION		
Current liabilities		
Current portion of revenue bonds payable	\$ 96,965	\$ 92,762
Accounts payable and accrued expenses, operations	189,756	271,913
Accounts payable, construction and capital assets	1,121,691	910,262
Accrued payroll and compensated absences	686,384	629,238
Total current liabilities	2,094,796	1,904,175
Long-term portion of revenue bonds payable	649,206	746,171
Total liabilities	2,744,002	2,650,346
Net position		
Invested in capital assets, net of related debt	113,722,979	110,810,035
Restricted	1,178,048	1,099,216
Unrestricted	14,412,441	18,644,382
Total net position	129,313,468	130,553,633
Total liabilities and net position	\$ 132,057,470	\$ 133,203,979

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, 2013 AND 2012

	2013	2012
Operating revenues		
Airfield revenue	\$ 1,199,193	\$ 1,210,687
General aviation revenue	442,879	425,644
Terminal revenue	5,222,361	4,733,344
Other operating revenue	392,972	370,262
Total operating revenues	7,257,405	6,739,937
Operation and maintenance expenses		
Salaries and fringe benefits	4,136,894	4,014,936
Aircraft rescue and firefighting services	675,000	653,464
Operating expenses	2,506,323	2,385,663
Depreciation	8,356,270	8,534,040
Total operation and maintenance expenses	15,674,487	15,588,103
Operating loss	(8,417,082)	(8,848,166)
Nonoperating revenues (expenses)		
Noncapital grants, federal	117,055	130,550
Noncapital grants, state	337,684	383,013
Realized and unrealized gains (losses) on investments	(187,838)	(24,320)
Realized gains (losses) on disposal of capital assets	(4,253)	26,970
Interest income	277,498	378,191
Interest expense	(35,376)	(39,397)
Net nonoperating revenues	504,770	855,007
Loss before capital contributions	(7,912,312)	(7,993,159)
Capital contributions		
Capital grants, federal	3,758,339	2,189,586
Capital grants, state	1,727,316	1,658,911
Passenger facility charges	1,186,492	1,277,365
Total capital contributions	6,672,147	5,125,862
Change in net position	(1,240,165)	(2,867,297)
Net position, beginning of year	130,553,633	133,420,930
Net position, end of year	\$ 129,313,468	\$ 130,553,633

ROANOKE REGIONAL AIRPORT COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Operating activities		
Cash received from vendors and tenants	\$ 6,985,920	\$ 6,334,545
Cash payments to suppliers for goods and services	(3,270,523)	(2,946,144)
Cash payments to employees for services	(4,079,748)	(3,933,754)
Other receipts	403,889	380,628
Net cash flows from operating activities	39,538	(164,725)
Noncapital financing activities		
Noncapital grants received	460,123	504,062
Capital and related financing activities		
Principal payments of revenue bonds payable	(92,762)	(88,741)
Interest paid on note payable and revenue bonds payable	(35,376)	(39,397)
Proceeds from disposal of capital assets	3,035	26,970
Acquisition and construction of capital assets	(10,972,311)	(6,226,357)
Transfers from escrow account	(7,043)	(14,568)
Capital grants received from other governments	5,991,999	3,080,367
Passenger facility charges collected	1,186,492	1,277,365
Net cash flows from capital and related financing activities	(3,925,966)	(1,984,361)
Investing activities		
Purchases of investments	(7,706,249)	(14,365,643)
Proceeds from sales of investments	11,789,130	6,219,053
Interest received on investments	359,172	395,895
Net cash flows from investing activities	4,442,053	(7,750,695)
Net change in cash and cash equivalents	1,015,748	(9,395,719)
Total cash and cash equivalents, beginning of year	6,011,334	15,407,053
Total cash and cash equivalents, end of year	\$ 7,027,082	\$ 6,011,334
Reconciliation of operating loss to net cash flows from operating activities		
Operating loss	\$ (8,417,082)	\$ (8,848,166)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	8,356,270	8,534,040
Changes in assets and liabilities:		
(Increase) decrease in accounts and other receivables	132,984	(24,213)
Increase in investment in lease, net	(580)	(551)
(Increase) decrease in prepaid expenses and other assets	(7,043)	(14,568)
Increase (decrease) in accounts payable and accrued expenses	(25,011)	188,733
Net cash flows from operating activities	\$ 39,538	\$ (164,725)

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

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Roanoke Regional Airport Commission (the Airport), owner and operator of the Roanoke 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 Regional Airport is the primary commercial service airport serving a 19-county region encompassing western Virginia and parts of West Virginia.

The Roanoke Regional Airport is governed by a five-member Commission Board, 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. 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 statements of revenues, expenses and changes in net position. Temporary investments consist of money market funds and commercial bank certificates of deposit with original maturities of three months or less carried at fair value. Short-term investments consist of U.S. Government agency securities and commercial bank certificates of deposit with original maturities in excess of three months and a current maturity of less than one year. Long-term investments consist of U.S. Government agency securities, corporate notes payable, and commercial bank certificates of deposit with maturities in excess of one year.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012.

Capital Assets

The Airport defines capital assets as assets with an initial, individual cost of more than \$2,000 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 \$6,463,183 by January 1, 2005. On November 29, 2004, the FAA approved an additional PFC (No. 2) collection of \$8,483,280 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 \$2,191,701 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 \$4,279,500 by March 1, 2016, to begin after collection of PFC No. 3. For the years ended June 30, 2013 and 2012, PFC revenues earned by the Airport totaled approximately \$1,190,000 and \$1,280,000, 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.

Employee Benefit Plans

Airport employees participate in the City of Roanoke Pension Plan (Pension Plan) and the Airport's deferred compensation plan. The Airport's policy, with respect to the Pension Plan, is to fund pension costs, which include both normal costs and amortization of prior service costs.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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.

Statements of Cash Flows

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist 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 November 13, 2013, which is the date the financial statements were issued.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

Adoption of New Pronouncements

During 2013, the Airport adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This eliminated the election provided in paragraph 7 of GASB No. 20 for business-type activities to apply post-November 30, 1989, Financial Accounting Standards Board (FASB) Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

GASB Statement No. 62 has been applied retrospectively and had no impact on the Airport's net position, changes in net position, or financial reporting disclosures.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for certain financial statement elements first introduced as deferred outflows of resources and deferred inflows of resources in GASB Concepts Statement 4. GASB Concepts Statement 4 defined these elements as acquisitions or consumption of net position that are applicable to future periods and distinguished them from assets and liabilities. GASB Statement No. 63 also amends the net position reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure from "net assets" to "net position."

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Concepts Statement 4 provided that reporting of deferred outflows of resources and deferred inflows of resources should be limited to those items identified by the GASB in authoritative pronouncements that are established after due process. GASB Statement No. 65 amends the financial statement element classification of certain items reported as assets and liabilities to be consistent with GASB Concepts Statement 4 and limits the use of the term *deferred* in financial statement presentations to those items authoritatively defined by the GASB to be deferred outflows of resources and deferred inflows of resources.

With the June 30, 2013 financial statements, the Airport implemented the provisions of GASB Statement Nos. 63 and 65 with retroactive implementation to the June 30, 2012 financial statements presented herein for comparability purposes. Given the items defined by the GASB in Statement No. 65 to be deferred outflows of resources or deferred inflows of resources and given the Airport's accounting policies as described above, the Airport's June 30, 2013 and 2012 financial statements do not contain items considered to be deferred outflows or deferred inflows. Therefore, the effects on the Airport's June 30, 2013 and 2012 financial statements of implementing GASB Statement Nos. 63 and 65 consist of the replacement of all references to "net assets" with references to "net position."

Significant Upcoming Implementation

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, issued June 2012, is effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Once implemented, employers which participate in cost-sharing plans and which do not have special funding situations, are required to recognize liabilities for their proportionate shares of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

The requirements of this Statement are intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance their value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Management has not currently determined what, if any, effects of implementation of this Statement may have on the financial statements.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

At June 30, 2013 and 2012, the Airport had the following unrestricted and restricted investments and cash:

	June 30, 2013				
	Fair Value	<1 year	1-5 years	5-15 years	S&P Rating
Unrestricted:					
U.S. Government					
agency bonds	\$ 5,671,939	\$	\$ 5,671,938	\$	AA+
Corporate debt	2,863,931		2,863,931		AA
Commercial bank					
certificate of deposit	1,008,904	1,008,904			N/A
Money market funds	5,476,325	5,476,325			N/A
Cash	375,079	375,079			N/A
Total unrestricted	15,396,178	6,860,308	8,535,869	0	
Restricted:					
Money market funds	1,175,677	1,175,677			N/A
Totals	\$ 16,571,855	\$ 8,035,985	\$ 8,535,869	\$ 0	
June 30, 2012					
	Fair Value	<1 year	1-5 years	5-15 years	S&P Rating
Unrestricted:					
U.S. Government					
agency bonds	\$ 6,797,308	\$	\$ 1,892,479	\$ 4,904,829	AA+
Corporate debt	2,990,581		2,990,581		AA
Commercial bank					
certificate of deposit	4,027,604	3,027,604	1,000,000		N/A
Money market funds	4,691,929	4,691,929			N/A
Cash	220,188	220,188			N/A
Total unrestricted	18,727,610	7,939,721	5,883,060	4,904,829	
Restricted:					
Money market funds	1,099,216	1,099,216			N/A
Totals	\$ 19,826,826	\$ 9,038,937	\$ 5,883,060	\$ 4,904,829	

The above amounts are reflected in the accompanying statements of net position as follows:

	2013	2012
Cash and cash equivalents	\$ 7,027,082	\$ 6,011,334
Short-term investments	1,008,904	3,027,603
Long-term investments	8,535,869	10,787,889
	\$ 16,571,855	\$ 19,826,826

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, the Airport's investments were allocated as follows:

	<u>2013</u>	<u>2012</u>	<u>Maximum allowed</u>
Federal Home Loan Bank Bonds	0%	16%	35%
Federal National Mortgage Association Bonds	24	10	35
Federal Home Loan Mortgage Corporation Bonds	11	9	35
Corporate notes	17	15	15
Certificates of deposit	6	20	20
Money market funds	40	29	100
Cash	<u>2</u>	<u>1</u>	N/A
Totals	<u>100%</u>	<u>100%</u>	

The amounts above reflect an excess for corporate notes above the maximum allowed. However, this is due to changes in market values. At the time the respective investments were purchased, the value of corporate notes was equal to or less than 15 percent of total cash and investments.

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, 2013, the Airport's uninsured cash balances totaled approximately \$230,000. There were no uninsured cash balances at June 30, 2012 as the federal deposit insurance corporation insured the full amount of all non-interest bearing deposits through December 31, 2012.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 24,425,454	\$	\$	\$ 24,425,454
Construction in progress	<u>7,521,452</u>	<u>10,650,002</u>	<u>6,029,081</u>	<u>12,142,373</u>
Total capital assets not being depreciated	<u>31,946,906</u>	<u>10,650,002</u>	<u>6,029,081</u>	<u>36,567,827</u>
Capital assets being depreciated:				
Buildings, structures, and improvements	145,867,107	5,450,643	83,540	151,234,210
Equipment and other capital assets	<u>12,227,671</u>	<u>1,112,176</u>	<u>165,559</u>	<u>13,174,288</u>
Total capital assets being depreciated	<u>158,094,778</u>	<u>6,562,819</u>	<u>249,099</u>	<u>164,408,498</u>
Less accumulated depreciation:				
Buildings, structures, and improvements	70,201,878	7,023,537	76,578	77,148,837
Equipment and other capital assets	<u>8,190,838</u>	<u>1,332,733</u>	<u>165,233</u>	<u>9,358,338</u>
Total accumulated depreciation	<u>78,392,716</u>	<u>8,356,270</u>	<u>241,811</u>	<u>86,507,175</u>
Capital assets, net	<u>\$ 111,648,968</u>	<u>\$ 8,856,551</u>	<u>\$ 6,036,369</u>	<u>\$ 114,469,150</u>

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 23,144,389	\$ 1,281,065	\$	\$ 24,425,454
Construction in progress	<u>3,784,645</u>	<u>5,865,882</u>	<u>2,129,075</u>	<u>7,521,452</u>
Total capital assets not being depreciated	<u>26,929,034</u>	<u>7,146,947</u>	<u>2,129,075</u>	<u>31,946,906</u>
Capital assets being depreciated:				
Buildings, structures, and improvements	145,813,010	56,212	2,115	145,867,107
Equipment and other capital assets	<u>10,632,254</u>	<u>1,718,153</u>	<u>122,736</u>	<u>12,227,671</u>
Total capital assets being depreciated	<u>156,445,264</u>	<u>1,774,365</u>	<u>124,851</u>	<u>158,094,778</u>
Less accumulated depreciation:				
Buildings, structures, and improvements	62,992,895	7,208,983		70,201,878
Equipment and other capital assets	<u>6,990,632</u>	<u>1,325,057</u>	<u>124,851</u>	<u>8,190,838</u>
Total accumulated depreciation	<u>69,983,527</u>	<u>8,534,040</u>	<u>124,851</u>	<u>78,392,716</u>
Capital assets, net	<u>\$ 113,390,771</u>	<u>\$ 387,272</u>	<u>\$ 2,129,075</u>	<u>\$ 111,648,968</u>

Construction in progress of \$12,142,373 and \$7,521,452 at June 30, 2013 and 2012, respectively, consisted primarily of costs incurred for the aircraft rescue and firefighting facility and terminal improvements.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Minimum lease payments receivable	\$ 151,736	\$ 169,244
Less unearned lease income (stated interest rate of 5.5%)	<u>(29,213)</u>	<u>(35,804)</u>
Net investment in lease	<u>\$ 122,523</u>	<u>\$ 133,440</u>

The following is a schedule of minimum future rentals due under this lease as of June 30, 2012:

2014	\$ 17,508
2015	17,508
2016	17,508
2017	17,508
2018	17,508
2019 - 2022	<u>64,196</u>
	<u>\$ 151,736</u>

5. REVENUE BONDS PAYABLE

On March 1, 2005, the Airport issued \$1,400,000 in revenue term bonds with interest at 4.4%, requiring annual payments of \$128,138 through July 2020 (the Bonds). The outstanding principal at June 30, 2013 and 2012 on the Bonds was \$746,171 and \$838,933 respectively.

The aggregate gross annual principal maturities of revenue bonds payable subsequent to June 30, 2013 are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 96,965	\$ 31,173	\$ 128,138
2015	101,359	26,779	128,138
2016	105,952	22,185	128,137
2017	110,754	17,384	128,138
2018	115,772	12,366	128,138
2019 - 2020	<u>215,369</u>	<u>8,873</u>	<u>224,242</u>
Total	<u>\$ 746,171</u>	<u>\$ 118,760</u>	<u>\$ 864,931</u>

The Bonds are governed by a number of general covenants relating to qualified expenditures, debt service reserve requirements, and other restrictions on assets. For the years ended June 30, 2013 and 2012, the Airport has complied with these covenants. The Bonds are collateralized by revenue of the Airport established by the trust indenture.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Revenue bonds payable, net activity for the year ended June 30, 2013 was as follows:

<u>Type of debt</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Bonds payable	\$ 838,933	\$ 0	\$ 92,762	\$ 746,171	\$ 96,965

Revenue bonds payable, net activity for the year ended June 30, 2012 was as follows:

<u>Type of debt</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Bonds payable	\$ 927,674	\$ 0	\$ 88,741	\$ 838,933	\$ 92,762

Restricted cash of \$1,178,048 and \$1,099,216 at June 30, 2013 and 2012, respectively, is primarily for maintenance reserves and payments for interest and principal on bonds.

6. 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.

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.

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 5 years of credited service for all Pension Plan members. All Airport employees participate in ESRS. Employees who are members of ESRS with 5 years or more of credited service and age 65, and employees with the attained age of 50 and their age plus years of service equal to 80 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.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Employees with 5 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 5 years of service, they forfeit the right to receive any Pension Plan benefits.

Six-year historical trend information showing the Pension Plan's progress in accumulating sufficient assets to pay benefits when due is presented in the Pension Plan's June 30, 2013 comprehensive annual financial report. A copy of this report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Administrator, P.O. Box 1220, Roanoke, Virginia 24006.

Funding Policy

Commission 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 Commission employees covered by the Pension Plan for the years ended June 30, 2013, 2012 and 2011 was approximately \$2,750,000, \$2,710,000, and \$2,680,000, respectively. The Airport's total payroll for these years was approximately \$2,980,000, \$2,840,000, and \$2,750,000, respectively.

Annual Pension Cost

For fiscal year 2013, the Commission's annual pension cost of approximately \$431,000 was equal to the Commission's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the projected unit credit method using the level dollar amortization method of any unfunded/overfunded actuarial liability. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected payroll growth of 3.5% per year and (c) projected salary growth using a tiered approach with ranges of 2.5% to 5.0% based on age. Projected salary increases include an inflation component of 2.75%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The information below related to funding progress and trend information is provided.

Three - year Trend Information
Roanoke Regional Airport
Roanoke, Virginia

Fiscal year ending	Required Contribution	Percentage contributed
June 30, 2013	\$ 430,973	100%
June 30, 2012	\$ 482,443	100%
June 30, 2011	\$ 421,344	100%

8. 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 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 a contribution into the deferred compensation plan for each participating employee. The Airport made contributions to the deferred compensation plan in the amount of \$17,380 and \$17,780 for the years ended June 30, 2013 and 2012, respectively.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

9. CONCENTRATIONS

Revenue from landed weights, parking, and concessionaires comprise the majority of operating revenues for the airport. Three airlines accounted for approximately 91% and 87%, respectively, of the landed weight for commercial airlines during the years ended June 30, 2013 and 2012. Activity from commercial airlines is primarily responsible for parking revenues and revenue from concessionaires.

10. 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, 2013 and 2012.

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, 2013 and 2012, the Airport had outstanding contractual commitments approximating \$.7 million and \$5.7 million, respectively, related to equipment purchases and airport improvement projects.

11. 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 under these operating leases as of June 30, 2013 are as follows (amount rounded):

Year ending June 30:		<u>Total</u>
2014	\$	1,460,000
2015		1,476,000
2016		997,000
2017		326,000
2018		326,000
Thereafter		<u>1,520,000</u>
Total	\$	<u><u>6,105,000</u></u>

The Airport also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from a percentage of the lessees' gross revenues in excess of minimum guarantees. Several lease agreements provide a minimum lease concession. Contingent rentals for the years ended June 30, 2013 and 2012 were approximately \$486,000 and \$247,000, respectively.

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 for the years ended June 30, 2013 and 2012 were approximately \$6,860,000 and \$6,370,000, respectively.

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

12. OTHER POSTEMPLOYMENT BENEFITS

On July 21, 2009, the Airport approved a plan, the Retiree Health Insurance Contribution Plan (the Plan), to provide certain post-employment benefits to qualifying employees of the Airport. Eligibility criteria includes retirement after July 1, 2009 and a minimum of 15 years of service, enrollment in the Airport's health insurance plan for at least one year, and participation in the City of Roanoke's Post-Retirement Health Plan. The Airport pays the City of Roanoke \$239 to \$451 each month for medical insurance for each eligible retiree depending on coverage levels only through December 31, 2013 or until the City no longer provides health insurance coverage to Commission retirees, whichever comes sooner. Payments for the fiscal years 2013 and 2012 were approximately \$2,000 and 4,000, respectively, and are included in salaries and fringe benefits in the attached financial statements. 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, 2013 and 2012, the Plan was not funded. The net obligation, computed using an interest rate of four percent and a payroll growth rate of 3.75 percent, was approximately \$54,000, \$41,000, and \$28,000, respectively, at June 30, 2013, 2012, and 2011. Covered payroll for the Plan for fiscal years, 2013, 2012 and 2011 was approximately \$2,750,000, \$2,710,000, and \$2,680,000, respectively. The annual required contribution (ARC) for fiscal years 2013 and 2012 is comprised of \$8,900 normal cost and \$4,600 interest, and \$8,900 normal cost and \$3,800 interest, respectively and is included in salaries and fringe benefits in the attached financial statements. The ARC was approximately .49% and .47%, respectively, of covered payroll for fiscal years 2013 and 2012. The ARC was computed as the normal cost plus amortization of the unfunded portion of actuarial accrued liability. The amortization amount was determined as a level percent of payroll.

The actuarial cost method used to determine the liability for the Plan was the Projected Unit Credit. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Factors that significantly affect the identification of trends in the amounts reported include changes in benefits provisions, the size and composition of the employee groups covered by the Plan, and the actuarial methods and assumptions used.

The Plan does not issue stand-alone financial statements. The required schedule of funding progress following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 year 2013, the Airport paid approximately \$23,000 to the County of Roanoke for radio system fees. In fiscal year 2012, the Airport made total payments of approximately \$170,000 to the City of Roanoke for construction of a signalized entry intersection. No material amounts were due to or from the City of Roanoke or County of Roanoke at June 30, 2013 and 2012.

ROANOKE REGIONAL AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<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	3-51-0045-50	\$ 5,309,287	2,653,632
Airport Improvement Program	20.106	3-51-0045-51	<u>1,106,190</u>	<u>1,104,707</u>
Total major program			<u>6,415,477</u>	<u>3,758,339</u>
NON-MAJOR PROGRAM				
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
Law Enforcement Officer Reimbursement Program	97.090	HSTS0213HSLR050	113,160	83,088
Reimbursement Program	97.090	HSTS0208HSLR250	<u>684,836</u>	<u>33,967</u>
			<u>797,996</u>	<u>117,055</u>
Total			<u>\$ 7,213,473</u>	<u>\$ 3,875,394</u>

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

1. GENERAL

The Roanoke Regional Airport Commission is a public body politic and corporate, and has jurisdiction, control, possession, and supervision of the Roanoke Regional Airport. The accompanying Schedule of Expenditures of Federal Awards presents the 2013 expenditure activity of all federal financial assistance programs of the Airport. All federal financial assistance was received directly from federal agencies.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some 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 COLLECTED AND EXPENDED
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program	Record of Decision	Impose Authority	Use Authority	PFC Collected	Interest Earned	Expenditures
<u>U.S. Department of Transportation</u>						
Passenger Facility Charge Program	98-01-C-02-ROA	\$ 6,463,183	\$ 6,463,183	\$ 0	\$ 0	\$ 0
	04-02-C-00-ROA	8,158,043	8,158,043	0	0	0
	11-03-C-00-ROA	2,191,701	2,191,701	881,128	0	881,128
	11-04-C-00-ROA	<u>4,279,550</u>	<u>4,279,550</u>	<u>305,364</u>	<u>0</u>	<u>305,364</u>
		<u>\$ 21,092,477</u>	<u>\$ 21,092,477</u>	<u>\$ 1,186,492</u>	<u>\$ 0</u>	<u>\$ 1,186,492</u>

ROANOKE REGIONAL AIRPORT COMMISSION
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
YEAR ENDED JUNE 30, 2013

1. GENERAL

The Aviation and Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the local imposition of Passenger Facility Charges (PFC) and use of PFC revenue on Federal Aviation Administration (FAA) approved projects. On June 10, 1998, the FAA approved a \$3.00 Passenger Facility Charge (PFC No.1) collection at the Roanoke Regional Airport Commission (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 amended approved amount of net PFC revenue plus interest the Airport was allowed to collect was \$6,463,183, originally by May 1, 2004. In January 2004, the allowed collection date was revised to January 1, 2005. The \$6,463,183 PFC revenues were received by the January 1, 2005 collection date and it is no longer an active application. The Airport filed an application with the FAA (PFC No. 2) for authorization to collect an additional \$8,483,280 by November 1, 2011, which was approved November 29, 2004. On February 1, 2010 that amount was amended to \$8,158,043. The \$8,158,043 PFC revenues were received by the June 30, 2011 and it is no longer an active application. The Airport filed an application with the FAA (PFC No. 3) for authorization to collect an additional \$2,191,701 by January 1, 2013, which was approved May 18, 2011. As of June 30, 2013, the \$2,191,701 of PFC revenues has been received from that application. The Airport filed an application with the FAA (PFC No. 4) for authorization to collect an additional \$4,279,550 which was approved on September 6, 2011. Collections for PFC No. 4 began in April 2013.

2. BASIS OF PRESENTATION

The accompanying Schedule of Passenger Facility Charges of the Airport is presented on the accrual basis of accounting. Passenger Facility Charges are recorded as restricted revenue until expending in compliance with applicable Records of Decision from the Federal Aviation Administration. Amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

The Schedule of Passenger Facility Charge Revenues and Expenditures (the Schedule) presents the revenues received from Passenger Facility Charges and expenditures incurred on approved projects.

Revenues received and expenditures spent on approved projects in the Schedule agree to the Passenger Facility Charge Quarterly Status Reports submitted by the Airport to the FAA.

ROANOKE REGIONAL AIRPORT COMMISSION
SCHEDULE OF RECEIPTS AND DISBURSEMENTS FOR
ACCOUNTS AND SUBACCOUNTS ESTABLISHED UNDER MASTER INDENTURE OF TRUST
(UNAUDITED)
YEAR ENDED JUNE 30, 2013

	Bond account		Operation and maintenance reserve account	Total
	Debt Service	Debt service reserve		
Beginning balance	\$ 0	\$ 0	\$ 1,099,216	\$ 1,099,216
Receipts:				
Deposits from Commission	128,138		76,461	204,599
Interest earned				0
Disbursements:				
To trustee	128,138			128,138
To Commission				0
Ending balance	\$ 0	\$ 0	\$ 1,175,677	\$ 1,175,677

ROANOKE REGIONAL AIRPORT COMMISSION
SUMMARY OF INSURANCE COVERAGES (UNAUDITED)
JUNE 30, 2013

Carrier	Types and limits of coverage
ACE USA	Comprehensive airport liability and hangarkeepers' liability coverage up to \$100,000,000.
ACE USA	Personal injury advertisers' liability coverage up to \$50,000,000.
Lloyd's, London	Excess airport liability coverage up to \$50,000,000 for a total combined coverage of \$150,000,000.
Travelers	Business auto liability and destruction up to \$1,000,000, including non-owned autos.
Commonwealth of Virginia	Officials' and law enforcement liability up to \$1,000,000.
Liberty Mutual	Workers' compensation liability up to \$1,000,000 per accident or disease; employers' liability up to \$1,000,000.
Travelers	Real & business personal property, including boiler & machinery coverage up to \$34,139,553. Business income up to \$5,500,000. Earthquake and flood loss up to \$10,000,000.
Zurich	Employee dishonesty coverage up to \$1,500,000 and depositors' forgery coverage up to \$500,000.
Travelers	Commercial Inland Marine-Special Form-property coverage for automobile tunnel up to \$6,634,000.
Travelers	Commercial Inland Marine-Special Form-property coverage for engineered materials arrestor system up to \$5,000,000.
ACE USA	War risk liability coverage for bodily injury or property damage up to \$100,000,000.

The above policies are in effect from September 1, 2012 through September 1, 2013 except for Officials' and law enforcement liability and Workers' compensation liability policies which are in effect from July 1, 2012 to July 1, 2013.

ROANOKE REGIONAL AIRPORT COMMISSION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH INSURANCE CONTRIBUTION PLAN
YEARS ENDED JUNE 30, 2013 AND 2012 (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01.01.2012	\$ 0	\$ 117,300	\$ 117,300	0%	\$ 2,694,100	4.35%
01.01.2010	0	109,000	109,000	0%	2,691,100	4.05%



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the 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 Roanoke Regional Airport Commission (the Airport), and the related notes to financial statements which comprise the Airport's basic financial statements, and have issued our report thereon dated November 13, 2013.

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
November 13, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Federal Program

We have audited Roanoke Regional Airport Commission's (the Airport) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended June 30, 2013. The Airport's major federal programs are 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 requirements referred 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
November 13, 2013

ROANOKE REGIONAL AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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 section 510(a) of Circular A-133? yes no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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.

No findings or questioned costs were reported for the year ended June 30, 2012.



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

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, 2013.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to the 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, 2013.

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

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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
November 13, 2013

ROANOKE REGIONAL AIRPORT COMMISSION
SCHEDULE OF PASSENGER FACILITY CHARGE FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results

We have issued an unmodified opinion, dated November 13, 2013 on the financial statements of Roanoke Regional Airport Commission as of and for the year ended June 30, 2013.

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 November 13, 2013 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.

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies.

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 Passenger Facility Charge Audit Guide for Public Agencies.

The prior year's audit disclosed no findings required to be reported in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*.



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH CONTRACTUAL PROVISIONS
OF THE MASTER INDENTURE OF TRUST SECURING AIRPORT REVENUE BONDS
DATED AS OF MARCH 1, 2005**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Roanoke Regional Airport Commission (the Airport), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated November 13, 2013.

In connection with our audit, nothing came to our attention that caused us to believe that the Airport failed to comply with the terms, covenants, provisions, or conditions of Article VI of the Master Indenture of Trust dated March 1, 2005 with U.S. Bank insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Airport's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Members of the Roanoke Regional Airport Commission and management of the Airport and U.S. Bank and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

Lexington, Kentucky
November 13, 2013