

**Charlottesville-Albemarle Airport Authority  
Charlottesville, Virginia  
Comprehensive Annual Financial Report  
Year Ended June 30, 2013**





**Charlottesville-Albemarle Airport Authority  
Charlottesville, Virginia  
Comprehensive Annual Financial Report  
Year Ended June 30, 2013**



**Prepared by the Administrative Division**

**Penny D. Shifflett  
Director of Finance  
[www.gocho.com](http://www.gocho.com)**



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## Introductory Section







**December 30, 2013**

**DEAR HONORABLE MEMBERS OF THE CHARLOTTESVILLE-ALBEMARLE  
AIRPORT AUTHORITY:**

I am pleased to submit for your review and information the fiscal year 2013 Comprehensive Annual Financial Report of the Charlottesville-Albemarle Airport Authority (Authority).

This report is published in accordance with the requirements of the enabling legislation as enacted by the Commonwealth of Virginia creating the Authority as well as the master bond indenture of trust which governs the issuance of indebtedness by the Authority. Moreover, it was prepared in accordance with generally accepted accounting principles (GAAP) while the financial audit contained herein was performed in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In addition to distribution of this report to Authority Board members, this report is also being transmitted to others interested in the financial condition of the Authority as required by Federal Aviation Administration (FAA) regulations as well as the Authority's bond indenture of trust.

Since this report consists of management's representations concerning the financial position of the Authority, management assumes full responsibility for the completeness and reliability of all information presented herein. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that has been designed to protect the Authority's assets from loss, theft, or misuse as well as compiled sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the year ended June 30, 2013 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified (“clean”) opinion and that the Authority’s financial statements for the year ended June 30, 2013 are in conformity with GAAP. The independent auditors’ report is the first component of the Financial Section of this report.

The independent audit of the financial statements is part of the broader mandated provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, relative to financial funds received from the U.S. Government, the Specifications for Audits of Authorities, Boards, and Commissions issued by the Auditor of Public Accounts of the Commonwealth of Virginia relative to financial funds received from the Commonwealth of Virginia, and also, in conformity with the provisions of the November 1994 Passenger Facility Charge Reporting Guide for Public Agencies issued by the Federal Aviation Administration for its Passenger Facility Charge Program. The standards governing these provisions require the independent auditor not only to report on the fair presentation of the financial statements, but also on the Authority’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. See the independent auditors’ reports presented in the Compliance Section of this report for further information and discussion of these standards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). One should read this letter of transmittal in conjunction with the MD&A that is located immediately following the report of the independent auditors in the Financial Section of this report.

The information presented in the Financial Section of this report is best understood when it is considered from the broader perspective of the specific environment within which the Airport operates. The Authority’s economic condition is a composite of its financial health and its ability to meet its financial obligations and service commitments.

## **The Authority**

The Authority was created by the 1984 Acts of Assembly, Chapter 390, Virginia General Assembly, and is currently operating under the authority of the law of the Commonwealth of Virginia, Chapter 864 of the Acts of the Virginia General Assembly (2003), and is organized and exists as an independent political subdivision of the Commonwealth of Virginia.

The Authority is organized for the purpose of acquiring, constructing, reconstructing, maintaining, repairing and operating an airport to serve the needs of the City of Charlottesville,

Virginia (City) and the County of Albemarle, Virginia (County). The Enabling Act provides that the Authority is authorized to issue revenue bonds for any of its purposes solely from the tolls and revenues pledged for their payment; to fix and revise from time to time and charge and collect rates, fees, rentals and other charges for the use of the Airport; to make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under the Enabling Act; and to do all things necessary and convenient to carry out the powers under the Enabling Act; and to do all acts and things necessary and convenient to carry out the powers expressly granted in the Act. Prior to the creation of the Authority, the City and the County jointly operated the Airport through the Charlottesville-Albemarle Airport Board (Board). In October 1984, the Board conveyed the Airport to the Authority. By joint resolutions, the governing bodies of the City and County dissolved the Board, and the Authority commenced Airport operations. Neither the City nor the County are required to approve issuance of bonds or incurrence of indebtedness by the Authority.

The Authority consists of three members: the City Manager of Charlottesville, or his/her principal assistant, as chosen by the City Council of Charlottesville; the County Executive of Albemarle County, or his/her principal assistant, as chosen by the Board of Supervisors of Albemarle; and one member of the Charlottesville-Albemarle Joint Airport Commission (Commission). The Commission is an advisory body comprised of residents of Charlottesville and Albemarle, as appointed by the City Council and the County Board of Supervisors.

### **Economic Condition and Outlook**

The Charlottesville Albemarle Airport (CHO) is situated amid the eastern flatlands and at the foothills of the majestic Blue Ridge Mountains in the Piedmont region of Virginia. Located eight miles north of the City of Charlottesville, CHO primarily serves nine counties that covers 4,000 square miles and includes portions of the Shenandoah National Park and the Blue Ridge Parkway. Located halfway between Boston and Atlanta the region is business-minded with a diversity of industries including manufacturing, medical services, life sciences, and technology.

This Greater Charlottesville Region continues its legacy of achieving the highest awards as a place to work and live. The following are examples of awards that Albemarle County alone has received in the last 24 months:

- Best Medium Town, 2013: Blue Ridge Country magazine
- Best College Town, 2012: Southern Living magazine
- Virginia's Healthiest Counties, #4, 2013: University of Wisconsin Population Health Institute and the Robert Wood Johnson Foundation
- America's most beautiful hospital, 2012 presented to Martha Jefferson Hospital by Soliant Health
- Charlottesville/Albemarle County Community Named the Tastiest Town, 2012: Southernliving.com
- Charlottesville/Albemarle County Area Named 8th Unexpected Beer City, 2012: Livability.com

In addition to its highly regarded quality of life, this region possesses a very diverse economy supported by strong commercial and business service sectors as well as light manufacturing,

education, and health service industries anchored by the University of Virginia and a thriving heritage tourism sector. The most recognizable and distinguishable attractions in the region include Thomas Jefferson's Monticello, the University of Virginia, the historic Charlottesville downtown area and Michie Tavern, Ash Lawn and Montpelier. While Monticello attracts approximately a half of a million guests each year and is the main tourist attraction for the region, a host of additional cultural and entertainment venues attract additional visitors. These venues include the Charlottesville Pavilion located on the east end of the historic Charlottesville Downtown Mall, the renovated Paramount Theatre, and the very successful John Paul Jones Arena that attracts internationally renowned music and entertainment artists throughout the year.

Virginia's emerging wine industry continues to be quite prominent in the regional economy and the commonwealth is one of the largest producers of wine in the United States. Over half of Virginia's 2,000 vineyard acres grow within the Monticello Viticultural Area (AVA), all within a short driving distance of CHO.

The University of Virginia (UVA) remains stable regardless of economic conditions. With over 20,000 employees and students, UVA remains an anchor in the region moderating many recessionary economic forces. The development of two research parks, the University of Virginia Research Park and Fontaine Research Park continues through the University of Virginia Foundation. The Foundation is focused on creating business and research partnerships between the private sector and the University.

In the field of health care, the region is home to two of the nation's most prestigious and dynamic hospitals. The University of Virginia Medical Center represents an integrated network of primary and specialty care. It is estimated that the UVA Medical Center will likely become a \$1 billion a year health care facility. Martha Jefferson Hospital, a newly relocated community hospital facility is also recognized as being among the best health-care facilities in the United States. Collectively, the University of Virginia Health System and Martha Jefferson Hospital support almost 7,000 jobs and rank among the top employers for this region. Because of their missions, services and propensity to generate significant employment opportunities, both entities will continue to be catalysts for economic activity in the area.

The government/defense industry brings an estimated \$110 million in economic growth to the area. Over the last several years the Defense Intelligence Agency has been relocating much of its intelligence analysis function to the Albemarle County facility now occupied by the National Ground Intelligence Center. This has brought over 800 jobs and \$64 million dollars in salaries to the local community.

The economic activity generated through the health care, biotechnology, government and travel/tourism industries in this region will continue to yield opportunities for all forms of aviation to prosper and grow at the Charlottesville Albemarle Airport.

## **Airport Outlook**

The financial outlook of the Authority is primarily dependent upon the number of passengers as well as the landed weights of aircraft utilizing the Charlottesville-Albemarle Airport (CHO). Passenger levels, in turn, are dependent upon several factors, including the economic condition of the airlines, which influences the airlines' ability to continue or add new service; the local economy, which affects the consumers' willingness to purchase air travel; and the cost of airline tickets.

A 2011 Virginia Airport System Economic Impact Study prepared by the Virginia Department of Aviation reports that every \$1.00 spent at Virginia public-use airports returns an additional \$3.48 in economic activity throughout the Virginia economy. Specifically, the Study reports that CHO generates 1,267 jobs paying \$40,667,000 in wages with total economic activity valued at \$128,684,000.

Although the regional economy has been affected by the overall global downturn, the area remains somewhat insulated from the same level of impact experienced at similar size regions across the country. CHO reached a record breaking high of 461,525 passengers in FY 2012, an increase of 13.6% over FY 2011. In FY 2013, passenger counts have remained strong, with only a 2% decrease in passenger traffic compared to FY 2012 even after the LaGuardia slot swap between U.S. Airways and Delta in July 2012, which resulted in fewer flights per day for that destination. Throughout the year, Delta increased and decreased those flight frequencies due to demand. Even with those changes, CHO still had an increase in overall load factors of approximately 5% from FY 2012, which indicates a strong passenger base for CHO.

The outlook for the regional economy remains strong and although it is difficult to predict "seat capacity" during FY 2014, CHO was one of Allegiant's new destinations commencing in November 2013 with two flights per week to Orlando/Sanford with an MD88 aircraft that seats 166 people. This is CHO's first low-cost carrier and another indication of passenger interest in the Charlottesville-Albemarle area. At 76%, CHO's overall load factors are at historically peak levels. Most of CHO's connecting markets maintain load factors above 60%. CHO's Atlanta service averages a monthly load factor of 86% while the fairly new Chicago service has already reached an average monthly load factor of 82%. These strong numbers position CHO to engage current airlines in the possibility of increasing frequency or capacity to its current markets and possibly adding new destinations.

In addition, the region's historical experience in prior recessions demonstrates an economic strength that diminishes the impact during lean years, with an enhanced growth rate during recovery periods. A local recovery is apparent as passenger traffic remains steady and local fares remain competitive. Therefore, the region's long-term economic potential is certain to provide an opportunity for CHO to remain stable and potentially grow and prosper as the industry further stabilizes.

In March 2013, Melinda Crawford, A.A.E, began her new position as the new Executive Director for CHO. She served as Executive Director at Pensacola International Airport for 3 years. During her tenure there, she oversaw an \$82M Airport Improvement Project which

included remodeling of the terminal building and grounds, new rental car facilities and parking. She was instrumental in securing new air service by United Airlines, UPS air cargo service, and new service to Chicago, Miami and Washington D.C. In addition to obtaining her Accredited Airport Executive (A.A.E.) designation from the American Association of Airport Executives, she holds a Bachelor's degree in accounting and a Master's degree in business administration from Florida State University. CHO is excited to have her lead the team and to move forward in today's competitive and complex air transportation market.

## **Capital Planning & Major Initiatives**

Each year the Authority adopts a six-year capital improvement program to dedicate funding for anticipated aviation safety, capacity, preservation and security projects at CHO. The plan is designed to implement objectives and priorities identified in CHO's Master Plan with an overall goal of meeting the needs of CHO users while maximizing financial contributions from the Federal Aviation Administration (FAA), the Virginia Department of Aviation (VDOA), and the Authority's Passenger Facility Charge (PFC) program.

The FY 2013 Capital Plan completed the runway extension project in relation to securing funding. The actual completion of the work should be finished during FY 2014. This project began in 2008 and the remaining phases include the taxiway extension, extended runway safety area, the inline localizer relocation, and related work which are expected to take an additional 9-12 months to complete. The FY 2014 capital plan begins the design work on the Runway 3-21 overlay project as well as the design for a terminal improvement project. This project will include expansion and improvement of the terminal to allow for more passenger hold room space, bathroom rehabilitation and expansion, security checkpoint reconfiguration and ADA access improvements. These two projects will be funded by the FAA, Virginia Department of Aviation, airport funds and possibly PFC funds. During FY 2014, CHO will also begin to expand terminal parking as the Airport is reaching maximum capacity throughout the year. The design phase of this project is being funded solely with airport funds.

## **Financial Controls**

### *Accounting and Budgetary Controls*

Although no cost-effective set of accounting controls can guarantee complete freedom from unauthorized use of assets or errors in reporting financial data, existing Authority procedures provide reasonable assurance that assets are properly recorded and protected and that financial information can be confidently used in the preparation of reports, historical summaries, and projections.

Because the Authority is designed to be a self-supporting and self-sustaining entity, the measurement focus of its financial accounting system is on the preservation of capital. Closely related to this accounting focus, which determines what is measured, is the basis of accounting, which determines when transactions are recognized. To this end, the Authority uses the full accrual basis of accounting, where revenues are recognized in the period in which they are incurred, regardless of the actual receipt or disbursement of cash.

The Authority is responsible for establishing and maintaining an internal control structure designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived from its use; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Through its Indenture of Trust and residual airline use agreement, the Authority is required to prepare and adopt an annual operating budget. The annual budget corresponds to the fiscal year (July 1- June 30), and is prepared and adopted as follows:

1. Division heads/account holders prepare preliminary operating budgets and submit them for compilation and review.
2. Airline rates and charges are calculated based upon the anticipated level of expenses, debt service, and capital asset acquisition.
3. The preliminary budget is presented to the signatory airlines for review and approval.
4. The preliminary budget is presented to the Authority for review.
5. After adoption, increases in the budget greater than \$5,000 per transaction are made only upon Authority approval. The budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific re-appropriations for funds committed at year-end for which goods and/or services have not been received.

#### *Airline Use Agreements*

The Authority executes and maintains an Airline-Airport Use and Lease Agreement with each of its commercial service airlines. The agreement is comprised of a revenue/deficit sharing arrangement whereby all year-end net income deficits are debited to airlines. Other than the annual revenue covenant coverage appropriation to the Authority, the fiscal year budget is calculated to result in a break-even posture. All operational debt service is included in the airline rates. The use agreement allows a majority-in-interest vote for eligible airlines for capital improvement appropriations in excess of the annual operating budget and specifically defined costs. The current use agreement expired June 30, 2009. A replacement agreement has not been completed, but continues in negotiation. Both the airlines and the airport continue to operate within the terms established by the agreement and the airlines continue to provide the required insurance, bonds, etc. It is anticipated a new agreement will be signed during FY2014.

### Independent Audit

State statutes and federal regulations require that an annual audit be conducted for the Authority by an independent certified public accountant. The accounting firm of Robinson, Farmer, Cox Associates has been retained by the Authority for this purpose. In addition to meeting the requirements set forth in statutes, this audit is also designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report while reports relating to the single audit and the passenger facility charge program are located in the compliance section.

### Management's Discussion and Analysis

The management's discussion and analysis is included in the Financial Section of this report and is intended to provide the reader with an introduction to and overview of the Authority's financial statements.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its 2012 Comprehensive Annual Financial Report (CAFR). This represents twenty-two years that the Authority has received this Certificate. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which conforms to established program standards. The Authority is confident that this report continues to conform to the Certificate of Achievement program requirements, and will be submitted to GFOA for consideration for award.

### **Acknowledgments**

While preparation of the comprehensive annual financial report is completed by the Executive Director and the Director of Finance, the participation and performance of all purchasers and managers are crucial for the fiscal success of the Airport. In addition, the leadership of the Executive Director and the Authority Board in setting the highest financial standards for professionalism create the framework in which the staff is able to undertake the mission of providing an economical, safe, and pleasing airport environment conducive to allowing all forms of air travel to thrive for the benefit of Charlottesville, Albemarle and surrounding communities.

Respectfully submitted,



Director of Finance

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY  
PRINCIPAL OFFICIALS AS OF JUNE 30, 2013**

*CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY BOARD*

Chairman

Dr. William J. Kehoe, University of Virginia

Vice-Chairman

Aubrey Watts, COO, City of Charlottesville

Thomas C. Foley, Executive, County of Albemarle

*CHARLOTTESVILLE-ALBEMARLE JOINT AIRPORT COMMISSION*

Chairman

Rit Venerus

Vice-Chairman

Bill Schrader

Donald Long

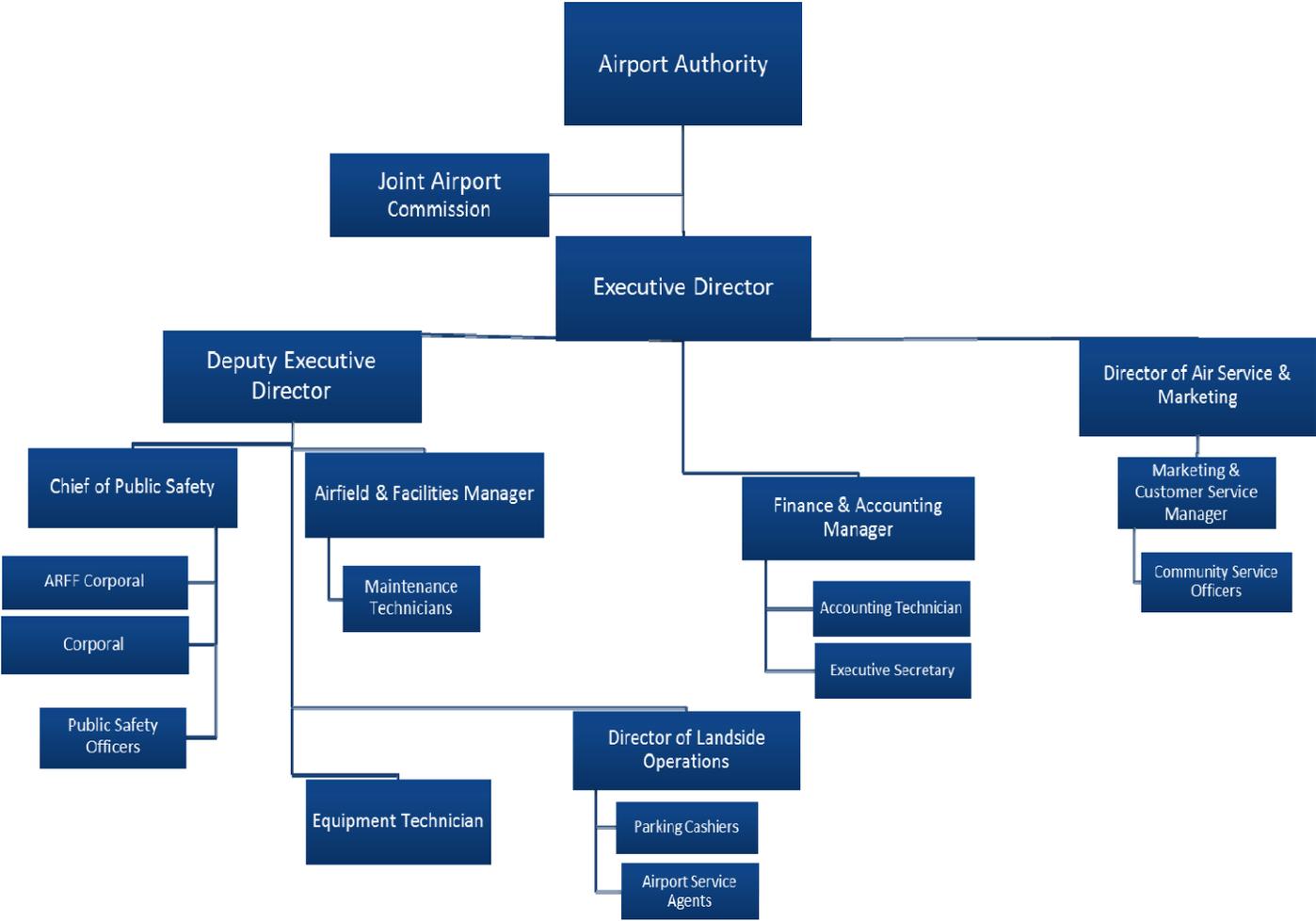
Gregory Edwards

Dr. William J. Kehoe

George Benford

John Post

Charlottesville-Albemarle Airport Authority  
 Organizational Chart  
 As of June 30, 2013



## **CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

### **VISION**

Charlottesville-Albemarle Airport is Central Virginia's Airport of Choice.

### **MISSION**

To provide a world class airport that enthusiastically serves its customers through extreme:

- ❖ Convenience
- ❖ Cleanliness
- ❖ Safety & Security
- ❖ Enhanced Air Service

### **VALUES**

- ❖ Honesty
- ❖ Respect
- ❖ Integrity
- ❖ Loyalty
- ❖ Passion
- ❖ Environmental Conscientiousness

### **ORGANIZATIONAL GOAL CATEGORIES**

- ❖ Cost Effectiveness
- ❖ Growth
- ❖ Safety
- ❖ Customer Focus
- ❖ Employee Focus
- ❖ Productivity
- ❖ Communication



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Charlottesville-Albemarle  
Airport Authority, Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

## FINANCIAL SECTION



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## Independent Auditors' Report

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**To The Honorable Members of The  
Charlottesville-Albemarle Airport Authority  
Charlottesville, Virginia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Charlottesville-Albemarle Airport Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial position of the business-type activities of Charlottesville-Albemarle Airport Authority, as of June 30, 2013, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-28 and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Charlottesville-Albemarle Airport Authority's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as required by U.S. 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 as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

*Other Information (continued)*

The other supplementary information, schedule of expenditures of federal awards, and schedule of passenger facility charges collected and expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, the schedule of expenditures of federal awards, and schedule of passenger facility charges collected and expended are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

***Report on Summarized Comparative Information***

We have previously audited Charlottesville-Albemarle Airport Authority's financial statements, and our report dated December 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of Charlottesville-Albemarle Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Charlottesville-Albemarle Airport Authority's internal control over financial reporting and compliance.

*Robinson, Fermer, Co. Associates*

Charlottesville, Virginia

December 30, 2013

## ***MANAGEMENTS' DISCUSSION AND ANALYSIS***

This Management Discussion and Analysis (MD&A) provides an introduction and overview to the Authority's financial statements for the fiscal year ended June 30, 2013. It is unaudited and should be read in conjunction with the financial statements, and notes thereto, which follow in this section.

### **Basic Financial Statements**

The Authority's basic financial statements include three statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position depicts the Authority's financial position on June 30, 2013, the end of the Authority's fiscal year. The Statement shows all of the financial assets, liabilities, and deferred inflows/outflows of the Authority. Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

The Statement of Revenues, Expenses and Changes in Net Position reports operating revenues, operating expenses, non-operating revenues, non-operating expenses, contributed capital and changes in net position during the fiscal year ended June 30, 2013. The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis, recognizing revenue when earned and expenses when incurred.

The Statement of Cash Flows presents information on how the Authority's cash and cash equivalents position changed during the fiscal year, as well as illustrates the reconciliation of operating income to net cash provided by operating activities. Cash receipts and payments are classified as Operating Activities, Capital and Related Financing Activities, and Investing Activities.

### **Airport Activities and Highlights**

From an operational standpoint the Authority had a steady flow of activity in relation to the prior fiscal year. Passenger enplanements decreased 2% after a record breaking year in FY 2012 reaching 231,907 surpassing FY 2011 by 14%. Rental car revenue remained constant due to the second year of a three-year contract where minimum annual guarantees did not increase. Parking revenue also remained stable with less than a 1% decrease from FY 2012 figures.

Commercial and general aviation activity decreased in FY 2013; however, Jet-A fuel sales grew 3% and airline fuel sales increased 5%. Military activity remained stable for FY 2013. Fuel

sales for 100LL declined 12% in FY13, an indication of decreased leisure flying and flight instruction activity.

	FY 2013	FY 2012	FY 2011
Enplanements (persons)	227,874	231,907	203,404
Aircraft Landed Weights (1000's of lbs)	265,099	286,754	257,493
Operations (take-off & landings):			
Commercial	17,382	18,619	18,718
General Aviation	49,833	57,667	56,263
Military	5,491	5,408	5,180
Total Operations	72,706	81,694	80,161

## Financial Highlights

### Summary of Operations & Changes in Net Position

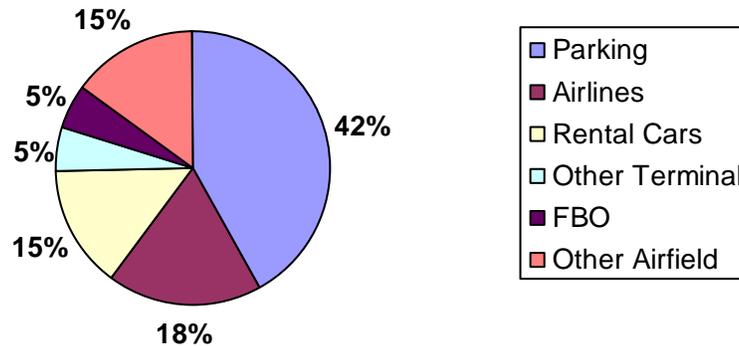
A summary of the Authority's Operations and Changes in Net Position at June 30, 2013 is set forth below:

Summary of Operations & Changes in Net Position	2013	2012	2011
Operations:			
Revenues	\$5,221,885	\$4,576,972	\$4,572,897
Expenses	<u>4,347,885</u>	<u>3,788,084</u>	<u>3,644,385</u>
Income/(loss) before depreciation & non-operating income/(expenses)	\$874,000	\$788,888	\$928,512
Non-operating income/(expenses)	<u>(416,863)</u>	<u>(193,177)</u>	<u>(409,485)</u>
Income/(loss) before capital contributions & depreciation and amortization	\$457,137	\$595,711	\$519,027
Depreciation and amortization	<u>(2,959,706)</u>	<u>(3,007,771)</u>	<u>(3,100,566)</u>
Income/(loss) before capital contributions	(2,502,569)	(\$2,412,060)	(\$2,581,539)
Capital contributions	<u>11,917,822</u>	<u>6,536,431</u>	<u>8,630,865</u>
Net Position:			
Increase in net position	\$9,415,253	\$4,124,371	\$6,049,326
Total net position, beginning of year, as restated	<u>78,520,566</u>	<u>74,396,195</u>	<u>68,346,869</u>
Total net position, end of year	<u>\$87,935,819</u>	<u>78,520,566</u>	<u>\$74,396,195</u>

The 12% increase in net position is due to capital contributions associated with federal and state grant reimbursements for capital improvement projects underway during FY 2013.

Operating & Non-operating Revenue Highlights

The following chart shows the major sources and percentage of operating revenues for the fiscal year ended June 30, 2013:



As illustrated in the Statistical section of this document, the primary sources of revenue have undergone a modest change over the past ten years. While parking revenue, airline revenue and rental car revenue have remained the primary sources of revenues; parking revenue has grown from 39 percent of revenue in FY 2004 to 42 percent of operating revenues in FY 2013. Correspondingly, airline revenue has decreased from 29 percent of revenue in FY 2004 to 18 percent of operating revenues in FY 2013.

A summary of revenues for the year ended June 30, 2013 follows:

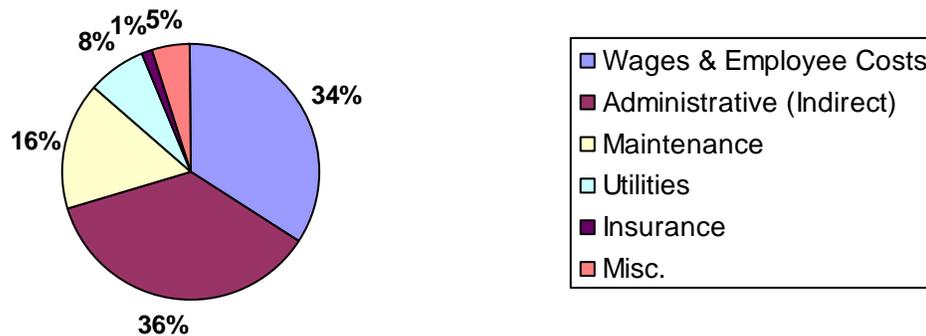
<b>Summary of Revenues</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating:</b>			
Parking Revenues	\$2,192,110	\$2,205,473	\$2,001,761
Airline Revenues	936,779	839,157	890,522
Rental Car Revenues	760,550	761,187	1,006,860
Other Terminal Revenues	280,053	253,737	245,297
FBO (General Aviation)	269,975	243,484	204,585
Other Airfield Revenues	782,418	273,934	223,872
<i>Total Operating Revenues</i>	<i>\$5,221,885</i>	<i>\$4,576,972</i>	<i>\$4,572,897</i>
<b>Non-Operating:</b>			
Interest Income	\$14,438	\$16,247	\$32,048
Other income/(expenses)	0	0	0
PFC Debt Service Income	75,779	75,779	75,779
Agency Reimbursements	169,904	219,903	169,903
<i>Total Non-Operating Revenues</i>	<i>\$260,121</i>	<i>\$311,929</i>	<i>\$277,730</i>
<b>Total Revenues Prior to Capital Contributions</b>	<b>\$5,482,006</b>	<b>\$4,888,901</b>	<b>\$4,850,627</b>
Capital Contributions	11,917,822	6,536,431	8,630,865
<b>Total Revenues</b>	<b>\$17,399,828</b>	<b>\$11,425,332</b>	<b>\$13,481,492</b>

Parking revenue remained steady due to stable passenger traffic. Overall airline revenue increased 11 percent due to Pinnacle declaring bankruptcy during FY 2012 which forced the Airport to write off some receivables. The Airport continues to strive to maintain competitive airline rates and charges as a means of sustaining commercial air service. Rental car revenue remained constant being in the second year of a three year contractual arrangement where the minimum annual guaranty paid by the rental car companies did not increase. Other Airfield revenues increased almost 200 percent due to the Airport receiving a \$500,000 payment from the Department of Transportation related to a Small Community Air Service Development Program Grant which the Airport used to obtain service to Chicago that commenced in June 2011.

Non-operating revenues decreased 17%. Agency reimbursements decreased as the result of utilizing state aviation entitlement funds as a debt service reimbursement as compared to FY 2012.

Operating & Non-operating Expense Highlights

The following chart illustrates the major sources and percentage of operating expenses for the fiscal year ended June 30, 2013:



Wages includes all employee wages except administrative wages, and all Authority-paid taxes and benefits, as well as associated employee costs such as training and uniforms. Administrative costs are traditional indirect expenses and include administrative wages and employee costs, advertising and promotion expense, legal expenses, and miscellaneous professional fees. Maintenance expenses cover not only traditional building systems, but landside, roadway, and airfield pavement, lighting systems and equipment repairs as well.

A summary of the expenses for the year ended June 30, 2013 follows:

<b>Summary of Expenses</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating:</b>			
Wages & Employee Expense	\$1,491,211	\$1,389,087	\$1,254,137
Administrative (Indirect)	1,565,542	982,347	1,063,871
Maintenance	700,634	860,258	734,406
Utilities	327,164	277,973	289,034
Insurance	59,403	75,218	81,289
Miscellaneous	203,931	203,201	221,649
<i>Total Operating Expenses</i>	<i>\$4,347,885</i>	<i>\$3,788,084</i>	<i>\$3,644,386</i>
<b>Non-Operating:</b>			
Interest Expense	\$256,007	\$280,151	\$303,214
Rental Car Service Facility Expense	179,462	184,567	197,516
Airline Settlement	241,515	40,388	186,485
<i>Total Non-Operating Expenses</i>	<i>\$676,984</i>	<i>\$505,106</i>	<i>\$687,215</i>
<b>Total Expenses</b>	<b><u>\$5,024,869</u></b>	<b><u>\$4,293,190</u></b>	<b><u>\$4,331,601</u></b>

Total expenses increased 17 percent. Certain line items within this total fluctuated for various reasons. The larger items that contributed to the increase were wages and employee expense and administrative expenses. Wages increased 7 percent due to a steady year of full-time staff for FY 2013. Administrative expenses increased 59 percent due to the American invoice for marketing and revenue guaranty related to service to Chicago that commenced in June 2011. This is in direct correlation to the increase in revenue related to the \$500,000 Small Community Air Service Development Program Grant from the Department of Transportation.

### *Financial Position Summary*

The Statement of Net Position reports the Authority's financial position as of June 30, 2013. It represents the Authority's assets and deferred outflows of resources after deducting liabilities. Assets and deferred outflows of resources exceeded liabilities by \$87,935,820 at June 30, 2013, a 12 percent increase, or \$9,415,253 over June 30, 2012, the result of the increase in capital assets associated with the ongoing capital improvement program.

A condensed summary of the Authority's total net position at June 30, 2013 is set forth below:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>			
Current unrestricted assets	\$1,842,321	\$1,607,422	\$1,657,153
Restricted assets	5,912,690	3,429,563	3,788,593
Capital assets	88,574,756	79,212,486	77,732,663
Deferred outflows of resources	432,628	507,867	0
<b>Total assets and deferred outflows of resources</b>	<b>\$96,762,395</b>	<b>\$84,757,338</b>	<b>\$83,178,409</b>

<b>Liabilities:</b>			
Current liabilities	\$4,212,489	\$1,099,762	\$3,684,150
Noncurrent liabilities	4,614,086	5,137,010	5,098,064
<b>Total liabilities</b>	<b>\$8,826,575</b>	<b>\$6,236,772</b>	<b>\$8,782,214</b>
<b>Net Position:</b>			
Net investment in capital assets	\$83,796,879	\$73,977,560	\$72,091,435
Restricted	3,010,454	3,328,689	1,295,013
Unrestricted	1,128,487	1,214,317	1,009,747
<b>Total Net Position</b>	<b>\$87,935,820</b>	<b>\$78,520,566</b>	<b>\$74,396,195</b>

Net Position is comprised of three components as follows:

*Investment in capital assets* (e.g. land, buildings, equipment, etc.) net of depreciation and less the outstanding indebtedness used to acquire the assets, increased 13 percent as the result of the value of construction placed in service and equipment purchased. This represents 95 percent of the Authority's net position as of June 30, 2013.

*Restricted net position* (3 percent of total net position) includes funds that are restricted in use such as the Passenger Facility Charge (PFC) funds, federal and state grant funds, and Customer Facility Charge (CFC) funds less related liabilities. The decrease of 10 percent in the total restricted balance in these funds compared to June 30, 2012 is the result of large amount of capital fund payables due at FY 2013 year-end.

*Unrestricted net position* is allocable for any reason by the Airport Authority. Unrestricted net position represents current assets less current liabilities (other than notes payable) less compensated absences. At June 30, 2013, there was a 7 percent decrease in unrestricted net position compared to June 30, 2012.

#### Summary of Cash Flow Activities

Net cash provided by the operation increased 10 percent, or \$74,342 which is consistent with the steady year of activity described throughout this report. Net cash provided by capital financing activities increased \$794,006 as the result of increased construction activity related to the Runway 21 Extension Project. Overall, there was an increase in cash and cash equivalents for the year of \$964,744 which is an increase of 26 percent of the beginning balance resulting in cash and cash equivalents at year-end totaling \$4,671,534.

#### Airline Signatory Rates and Charges

The Authority and its commercial service airlines negotiated a renewal of the signatory airline use agreement originally executed in fiscal year 2002, utilizing a full residual rate-making methodology. This agreement allows the Authority to include debt service in the rates and charges and to invoice airlines for any year-end deficit to meet bond and operating requirements. Net income above the budgeted amount is returned to the airlines in the form of an airline settlement at the conclusion of the fiscal year. The contract renewal expired June 30, 2009, and a renewal of the agreement is being re-negotiated. The current airline environment may preclude

an automatic renewal of the agreement. Rates and charges for the signatory airlines over the last 36 months are as follows:

	FY 2013	FY 2012	FY 2011
Landing Fees (1,000 lbs unit)	1.84	1.78	1.77
Average Terminal Rental Rates (s.f.)	21.58	22.82	22.78
Airline Cost per Enplanement	4.11	3.62	4.38

The airline cost per enplanement is calculated by dividing operating revenue derived from airline fees by the fiscal year passenger enplanements, a routine aviation statistic utilized in the industry for comparison purposes.

Financial Statements

The Authority’s financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses when incurred. Capital assets, excluding land, are capitalized and depreciated over their useful lives. Funds are restricted for debt service and, where applicable, for construction activities. See Notes to the Financial Statements for a summary of the Authority’s significant accounting policies.

Capital Acquisitions and Construction Activities

During FY 2013, the Authority expended \$12,321,975 on capital activities. These included construction projects mainly related to the runway extension, and acquisition machinery and equipment. Additional information may be found in the Notes to Financial Statements section of this document, Note 6 – Changes in Capital Assets and Construction in Progress.

Capital acquisitions totaling \$140,283 were comprised of the following:

<b>Capitalized Item</b>	<b>Value</b>
Portable Fire Exting/Equipment ARFF	\$10,993
CSO Booth	17,975
TSA 2 <sup>nd</sup> Checkpoint expansion	20,809
Tahoe Marketing CHO Mobile	29,127
Maintenance Utility Gator	18,281
Maintenance Airfield Tractor	43,098
<b>Total</b>	<b>\$140,283</b>

Long Term Debt Administration

In 2004, the County of Albemarle acquired debt for a radio system in the amount of \$7,000,000 on behalf of the County, the City of Charlottesville, the University of Virginia, and the

Charlottesville-Albemarle Airport Authority. 3.01 percent of the debt service is the responsibility of the Charlottesville - Albemarle Airport Authority. This debt matures annually from 2004 through 2013. The balance outstanding as of June 30, 2013 was \$12,239.

In 2002, the Authority issued \$2,222,078 in taxable Series 2002 Special Facilities Revenue Bonds dated July 3, 2002 maturing annually from 2002 through 2022 with interest of 5.78 percent. The pledge of revenue for repayment of the debt is the Customer Facility Charge (CFC) collected and remitted by the rental car concessionaires. The balance outstanding as of June 30, 2013 was \$1,357,955.

In 2004, the Authority issued \$6,703,274 in taxable Series 2004 Refunding Bonds dated April 14, 2004 maturing annually from 2004 through 2019. The balance outstanding as of June 30, 2013 was \$3,187,603.

In 2006, the Authority issued \$710,000 in taxable Series 2006 Airport Revenue Bonds dated April 1, 2006 maturing annually from 2006 through 2020 for the construction of a pay surface parking lot. The balance outstanding as of June 30, 2013 was \$409,253.

Additional information on the Authority's Bonds can be found in Note 7 – Long-Term Obligations in the Notes to the Financial Statements.

In April 2010, the Authority obtained a bridge loan from the Virginia Department of Aviation (VDOA) Project CS0004-37 for land acquisition related to the RW Ext 21 Project. Bridge loans with VDOA are due to be repaid within four years from the start of the grant. An extension can be obtained. One will be obtained for this loan as the land acquisition part of this project is still ongoing. This is a long term liability and the amount outstanding at June 30, 2013 was \$115,582.

In November 2012, the Authority obtained a bridge loan from VDOA Project CS0004-41 for land easements and fee settlements related to the RW Ext 21 Project. The amount outstanding at June 30, 2013 was \$107,692.

#### Passenger Facilities Charge (PFC)

In June 1992, the Federal Aviation Administration (FAA) authorized the Authority to impose a Passenger Facility Charge (PFC) in accordance with section 158.29 of the FAA Regulations (Title 14, Code of Federal Regulations, Part 158). The charge was instituted on September 1, 1992 and consisted of a \$2.00 charge per passenger, less airline fees. PFC's are collected by the airline carriers and remitted to the Authority on a monthly basis. These funds are authorized to be collected until the amount of funds collected plus interest earned equals the allowable costs approved by the FAA for certain capital projects.

In January 1995, the FAA authorized the imposition of a new \$3.00 PFC, which is remitted to the Authority on a monthly basis. In October 2004, the FAA authorized an increase in the collection level from \$3.00 to \$4.50.

In December 2009, the PFC application expired and a new one was approved by the FAA in June 2010. The new commencement date for collections was August 2010 at a rate of \$4.50. The current PFC expires in August 2016.

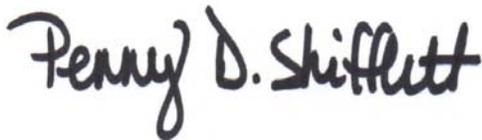
Pension Program

The Authority is a member of the Virginia Retirement System (VRS). VRS is the public employees' retirement plan for Commonwealth of Virginia employees. Municipalities, counties and local public agencies may elect to join VRS. The Authority contributes a percentage of payroll to VRS on behalf of its fulltime employees, the rate set biannually by VRS as actuarially determined by VRS (8.28% during FY 2013).

Request for Information

This financial report is designed to provide a general overview of the Authority's financial condition and activities. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Accounting & Finance Manager, Charlottesville - Albemarle Airport Authority, 100 Bowen Loop Suite 200, Charlottesville, VA 22911.

Respectfully submitted,

A handwritten signature in black ink that reads "Penny D. Shifflett". The signature is written in a cursive, slightly slanted style.

Penny D. Shifflett  
Director of Finance

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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Statement of Net Position

At June 30, 2013

(With Comparative Totals for the Prior Year)

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current assets:		<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$	1,438,339	\$ 1,315,585
Prepaid insurance		84,380	5,809
Prepaid insurance - CFC facility		4,534	1,682
Other prepaid expenses		1,500	1,710
Accounts receivable - net		<u>313,568</u>	<u>282,636</u>
	Total current unrestricted assets	\$ 1,842,321	\$ 1,607,422
Restricted assets:			
Capital Funds:			
Cash and cash equivalents	\$	540,329	\$ 338,997
Receivable		2,494,113	889,228
Passenger Facility Charge Funds:			
Cash and cash equivalents		1,284,963	862,478
Receivable		142,266	105,106
Customer Facility Charge Funds:			
Cash and cash equivalents		1,188,945	970,689
Receivable		43,116	44,024
Renewal and Replacement Funds:			
Cash and cash equivalents		150,094	150,825
State Entitlement Funds:			
Cash and cash equivalents		<u>2,923</u>	<u>2,275</u>
	Total current restricted assets	\$ 5,846,749	\$ 3,363,622
	Total current assets	\$ 7,689,070	\$ 4,971,044
Noncurrent assets:			
Restricted assets:			
Revenue Bond Funds:			
Cash and cash equivalents	\$	<u>65,941</u>	\$ 65,941
Capital assets:			
Land	\$	16,937,410	\$ 16,937,410
Construction in progress		31,100,843	18,919,151
Building, improvements and equipment, net of accumulated depreciation		40,109,808	42,903,827
Intangibles, net of accumulated amortization		<u>426,695</u>	<u>452,098</u>
	Total capital assets (net of accumulated depreciation and amortization)	\$ 88,574,756	\$ 79,212,486
	Total noncurrent assets	\$ 88,640,697	\$ 79,278,427
	Total assets	\$ 96,329,767	\$ 84,249,471
Deferred outflows of resources:			
Loss on refunding of debt	\$	<u>432,628</u>	\$ 507,867

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

## Statement of Net Position

At June 30, 2013

(With Comparative Totals for the Prior Year)

**LIABILITIES AND NET POSITION**

Current liabilities:		<u>2013</u>	<u>2012</u>
Accounts payable:			
Operating	\$	534,274	\$ 226,490
Unearned Revenue		0	46,500
Accrued Payroll		56,144	25,674
Accrued compensated absences		9,642	6,744
A/P security deposits/performance bonds		27,000	27,000
Note payable County of Albemarle-800 Mhz		12,239	23,890
Revenue bonds payable		650,773	619,855
Accrued interest		20,181	22,735
Liabilities payable from restricted assets (accounts payable and retainage payable):			
Capital funds		<u>2,902,236</u>	<u>100,874</u>
Total current liabilities	\$	<u>4,212,489</u>	\$ <u>1,099,762</u>
Noncurrent Liabilities:			
Note Payable County of Albemarle-800 Mhz	\$	0	\$ 12,239
Accrued compensated absences		86,775	60,697
Due to VDOA--Bridge Loans		223,274	109,262
Revenue bonds payable		<u>4,304,037</u>	<u>4,954,812</u>
Total noncurrent liabilities	\$	<u>4,614,086</u>	\$ <u>5,137,010</u>
Total liabilities	\$	<u>8,826,575</u>	\$ <u>6,236,772</u>
Net Position:			
Net investment in capital assets	\$	83,796,879	\$ 73,977,560
Restricted for:			
Capital Projects	\$	132,206	\$ 1,127,351
PFC fund		1,427,229	967,584
State Entitlement fund		2,923	2,275
Renewal & Replacement		150,094	150,825
CFC fund		1,232,061	1,014,713
Bond fund		<u>65,941</u>	<u>65,941</u>
Total restricted assets	\$	<u>3,010,454</u>	\$ <u>3,328,689</u>
Unrestricted	\$	<u>1,128,487</u>	\$ <u>1,214,317</u>
Total net position	\$	<u><u>87,935,820</u></u>	\$ <u><u>78,520,566</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

(With Comparative Totals for the Prior Year)

	2013	2012
Operating revenues:		
Parking	\$ 2,192,110	\$ 2,205,473
Terminal	2,027,072	1,492,613
Airfield	1,002,703	878,886
Total operating revenues	<u>\$ 5,221,885</u>	<u>\$ 4,576,972</u>
Operating expenses:		
Direct operating expenses:		
Parking	\$ 484,631	\$ 444,831
Terminal	1,328,151	1,402,174
Airfield	969,561	958,732
Total direct operating expenses	<u>\$ 2,782,343</u>	<u>\$ 2,805,737</u>
Indirect operating expense:		
Administrative	\$ 1,565,542	\$ 982,347
Total operating expenses	<u>\$ 4,347,885</u>	<u>\$ 3,788,084</u>
Operating income before depreciation and amortization	\$ 874,000	\$ 788,888
Depreciation and amortization	<u>(2,959,706)</u>	<u>(3,007,771)</u>
Operating income (loss)	<u>\$ (2,085,706)</u>	<u>\$ (2,218,883)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 14,438	\$ 16,247
CFC expenses	(179,462)	(184,567)
Interest expense	(256,007)	(280,151)
PFC debt service income	75,779	75,779
State radio debt service income	19,904	19,903
State entitlement debt service income	150,000	200,000
Airline settlement	<u>(241,515)</u>	<u>(40,388)</u>
Total nonoperating revenue (expenses)	<u>\$ (416,863)</u>	<u>\$ (193,177)</u>
Net income (loss) before capital contributions	<u>\$ (2,502,569)</u>	<u>\$ (2,412,060)</u>
Capital contributions:		
Federal construction revenue	\$ 7,486,803	\$ 3,088,642
State construction revenue	3,045,829	2,056,731
PFC fund	863,818	877,532
CFC fund	<u>521,372</u>	<u>513,526</u>
Total capital contributions	<u>\$ 11,917,822</u>	<u>\$ 6,536,431</u>
Net position		
Increase in net position	\$ 9,415,253	\$ 4,124,371
Total net position, beginning of year-as restated	<u>\$ 78,520,566</u>	<u>\$ 74,396,195</u>
Total net position, end of year	<u><u>\$ 87,935,819</u></u>	<u><u>\$ 78,520,566</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

## Statement of Cash Flows

Year Ended June 30, 2013

(With Comparative Totals for the Prior Year)

	<u>2013</u>	<u>2012</u>
Cash flows from (to) operating activities:		
Cash received from providing services	\$ 5,144,453	\$ 4,648,998
Cash paid to suppliers	(2,461,160)	(2,005,564)
Cash paid to and for employees	<u>(1,897,846)</u>	<u>(1,932,329)</u>
Net cash provided by (used for) operating activities	\$ <u>785,447</u>	\$ <u>711,105</u>
Cash flows from (to) capital and related financing activities:		
Interest paid on debt	\$ (266,267)	\$ (296,471)
Acquisition of property and equipment	(140,283)	(202,414)
Additions to construction in progress	(9,380,838)	(6,678,361)
Bridge loans from VDOA	3,599	85,524
Debt service paid	(643,744)	(613,541)
State debt service reimbursement	169,904	219,903
Airline settlement	(40,388)	(186,485)
PFC debt service income	75,779	75,779
Contributions from Virginia Department of Aviation	3,343,355	2,514,708
Contributions from Federal Aviation Administration	5,694,804	3,060,198
Contributions from Passenger Facility Charge (PFC)	826,658	866,746
Contributions from Customer Facility Charge (CFC)	<u>522,280</u>	<u>525,267</u>
Net cash provided by (used for) capital financing activities	\$ <u>164,859</u>	\$ <u>(629,147)</u>
Cash flows from (to) investing activities:		
Investment interest earned	\$ <u>14,438</u>	\$ <u>16,247</u>
Net increase (decrease) in cash and cash equivalents	964,744	98,205
Cash and cash equivalents at beginning of year (including restricted accounts)	<u>3,706,790</u>	<u>3,608,585</u>
Cash and cash equivalents at end of year (including restricted accounts)	\$ <u><u>4,671,534</u></u>	\$ <u><u>3,706,790</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating loss	\$ (2,085,706)	\$ (2,218,883)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	2,959,706	3,007,771
CFC operations	(98,864)	(93,130)
Changes in operating assets and liabilities:		
Accounts receivable	(30,932)	71,526
Prepaid assets	(78,361)	26,857
Accounts payable - operating	106,657	(50,681)
Accrued payroll	30,471	(22,099)
Accrued compensated absences	28,976	(10,756)
Unearned revenue	<u>(46,500)</u>	<u>500</u>
Net cash provided by (used for) operating activities	\$ <u><u>785,447</u></u>	\$ <u><u>711,105</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**Charlottesville - Albemarle Airport Authority**  
**Notes to Financial Statements**

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NOTE 1 - FINANCIAL REPORTING ENTITY:

The Charlottesville-Albemarle Airport Authority (the “Authority”) was created July 1, 1984 by the Virginia General Assembly, Acts of the Assembly, Chapter 390, 1984 Session. In October 1984, the Airport Board deeded the airport to the Authority, and the Virginia Aviation Commission and Federal Aviation Administration approved the transfer of the Board’s operating license to the Authority. The members of the Board became the members of the Authority, and day-to-day operations of the airport were unchanged. The Authority is organized and exists as a political subdivision of the Commonwealth of Virginia. In 2003, the Act was replaced by Chapter 864 of the Acts of the Virginia General Assembly (2003).

The Authority is organized for the purpose of acquiring, constructing, reconstructing, maintaining, repairing and operating an airport to serve the needs of the City of Charlottesville, Virginia (the “City”) and the County of Albemarle, Virginia (the “County”). The Act provides that the Authority is authorized to issue revenue bonds for any of its purposes payable solely from the tolls and revenues pledged for their payment; to fix and revise from time to time and change collect tolls, rates, fees, rentals and other charges for the use of the Airport; to make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under the Act and to do all acts and things necessary and convenient to carry out the powers expressly granted in the Act.

The Authority is a legally separate organization whose board consists of three members: one, the City Manager of the City, or his or her principal assistant, as chosen by the City Council of the City; one, the County Executive of the County, or his or her principal assistant, as chosen by the Board of Supervisors of the County; and one from the membership of the Charlottesville-Albemarle Joint Airport Commission (the “Commission”), an advisory body created by the Act. Since neither the City nor County can impose its will on the Authority and since there is no potential financial benefit or burden relationship, the City and the County are not financially accountable for the Authority. As such, the Authority is not considered a component unit of either the City or County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

Basis of Accounting - The accounts of the Authority are accounted for on the flow of economic resources measurement focus and utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All Authority accounts are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Operating revenues and expenses result from providing services in connection with air transportation. The principal operating revenues of the Authority are charges to customers for sales and services

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Prior year totals on the financial statements are presented for informational purposes only. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

*Cash and Cash Equivalents* – For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

*Unrestricted Net Position* – Unrestricted net position consists of monies and other resources as described below.

Revenue – Funds used for the daily operations of the Airport Authority.

Coverage Fund – Reserve account established by Indenture of Trust and Airline Use Agreement where the Authority deposits coverage payments from airlines. The Authority may designate use of the funds for capital projects or equipment acquisition.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

*Investments* – Investments consist primarily of U.S. Government Treasury obligations and are stated at fair value.

*Prepaid items* – These assets represent expenses which have been prepaid, including insurance. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

*Capital Assets* – Capital Assets are carried at original historical cost or at fair market value when donated. Depreciation (including amortization of intangible assets) is computed on the straight-line method over the following estimated lives:

Parking lots and roadways .....	5-7 years
Intangible assets.....	5-20 years
Airfield.....	5-30 years
Hangar.....	5-40 years
Terminal.....	5-40 years
Vehicles.....	5-10 years
Furniture and fixtures.....	5-10 years
Computer acquisition.....	3 years

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the results of operations. Depreciation expense for the year ended June 30, 2013 was \$2,959,706. The Authority’s current Capital Asset Classification is that any asset or any addition to an asset or improvement of an asset shall be classified as a depreciable asset if the value of the purchase is \$5,000 or more, is purchased from the coverage fund, capital fund or revenue, has an estimated useful life of 3 years or more; and, is considered one of the following: a) equipment, b) vehicle, c) building or improvement, d) airfield equipment or improvement, e) hangar or improvement, f) intangible asset.

Intangible assets lack physical substance and have a nonfinancial nature and an initial useful life extending beyond a single reporting period.

*Deferred Outflow of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Bond issuance costs are being amortized over the estimated useful lives and

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

adjusted back to Interest Expense. Amortization expense for the year ended June 30, 2013 was \$75,240.

*Deferred Inflows of Resources* – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2013.

*Allowance for Uncollectible Accounts* – The Authority calculates its allowance for specific accounts using historical collection data and in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Accordingly, an allowance for uncollectible accounts has not been established.

*Indirect Expenses* – Indirect expenses are charged to various cost centers utilizing the ratios as determined by annual airline rates and charges negotiations. These allocations are made to each cost center from total indirect expenses before depreciation.

*Restricted Assets* – Restricted assets consist of monies and other resources as described below:

*Capital Funds* – Proceeds restricted for designated capital projects that cannot be expended for any other item.

*Passenger Facility Charge Funds* – Passenger Facility Charge (PFC) collections are based on FAA approval to impose and collect such charges from the airlines serving the Airport. These funds are restricted for designated projects and/or FAA approved debt incurred to finance the construction of projects.

*Revenue Bond Funds* – 2004 airport revenue refunding bond proceeds held in an Escrow Fund.

*Renewal & Replacement Funds* – The Authority's Indenture of Trust required the establishment of a \$150,000 Replacement Fund that may be used to make transfers to the Revenue Fund for reasonable and necessary Operation and Maintenance expenses. Any funds used from the Replacement Fund must be repaid in 48 equal monthly deposits. Once all outstanding bonds are redeemed, the funds on deposit in the Replacement Fund may be used by the Authority for any lawful purpose.

*State Entitlement Fund* – The Authority receives annual entitlement fund allocations from the Virginia Department of Aviation which are required to be maintained in a separate, interest-bearing account. The use of the funds is restricted for purposes established by the Virginia Aviation Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

*CFC Fund, CFC General Fund and QTA Maintenance Fund* - Customer Facility Charge (CFC) collections from rental car concessionaires are deposited in the CFC Fund. Debt service for the rental car service facility is paid and the excess of the funds are transferred to the CFC General Fund to pay certain expenses associated with the service facility. Funds from the General fund are transferred to the QTA Maintenance Fund for future long term maintenance expenses.

*Net Position Flow Assumption* – Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 3 – RESTRICTED ASSETS:

The income, principal cash and investments shown on the statement of net position at June 30, 2013 consist of the following:

<b>Restricted Assets:</b>	<b>Cash &amp; Cash Equivalents</b>	<b>Receivables</b>	<b>Total Restricted Assets</b>
Capital Projects	\$540,329	\$2,494,113	\$ 3,034,442
PFC Fund	1,284,963	142,266	1,427,229
State Entitlement Fund	2,923	-	2,923
Renewal & Replacement	150,094	-	150,094
CFC Fund	1,188,945	43,116	1,232,061
Bond Fund	65,941	-	65,941
<b>Total Restricted Assets</b>	<b>\$3,233,195</b>	<b>\$2,679,495</b>	<b>\$5,912,690</b>

NOTE 4 – DEPOSITS AND INVESTMENTS:

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

**Investments:** Statutes authorize the Authority to invest in: obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Developments (World Bank), the Asian Development Bank, and the African Development Bank; prime quality commercial paper

NOTE 4 – DEPOSITS AND INVESTMENTS: (Continued)

and certain corporate notes; banker’s acceptances; repurchase agreements; and State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Authority does not have a formal investment policy. In addition to the requirements set forth by State Code of Virginia all bond investments are governed by the Authority’s Indenture of Trust. The Indenture requires that all money held in funds or accounts established under the Indenture shall be separately invested and reinvested pursuant to the Code of Virginia requirements for the investment of public funds. In addition the Indenture sets forth the evaluation of the investments as well as securities for deposits.

As of June 30, 2013, all Authority funds were held in interest-bearing accounts and investments were invested pursuant to the Code of Virginia requirements for the investment of public funds.

The Authority’s unrated money market mutual funds investments of \$65,941 on June 30, 2013 were held in the Authority’s name by the Authority’s custodial bank.

The following is a reconciliation of cash and investments for the fiscal year ended June 30, 2013:

<u>Summary of Cash and Investments:</u>	
Cash on hand and cash items	\$ 5,500
Carrying value of deposits	4,600,093
Investments	65,941
Total	\$ 4,671,534
<u>Per Financial Statements:</u>	
Cash and cash equivalents:	
Operating	\$ 1,438,339
Restricted Capital Projects	540,329
Restricted PFC Fund	1,284,963
Restricted CFC Fund	1,188,945
Restricted Renewal & Replacement	150,094
Restricted Entitlement	2,923
Restricted Bond Funds	65,941
Total per financial statements	\$ 4,671,534

Interest Rate Risk

The Authority does not have a formal interest rate risk policy.

NOTE 5 –ACCOUNTS RECEIVABLE:

Details of changes in Accounts Receivable for the fiscal year ended June 30, 2013 are as follows:

	Non Restricted Assets	Restricted Assets	Total Accounts Receivable
Accounts Receivable			
Operating	\$ 313,568	\$ -	\$ 313,568
Capital	-	2,494,113	2,494,113
Passenger Facility Charge	-	142,266	142,266
Rental Car Facility Charge	-	43,116	43,116
	<u>\$ 313,568</u>	<u>\$ 2,679,495</u>	<u>\$ 2,993,063</u>

*Accounts Receivable – Operating* consists of invoices to airport tenants including airlines, rental car concessionaires, fixed base operators and other firms doing business at the airport. Operating receivables increased \$30,932 from fiscal year 2012.

*Capital Receivable* – Capital increased \$1,604,885 from fiscal year 2012 due to the timing of project expenditures and the related filings of reimbursements. Capital consists of expenditures in construction in progress filed for reimbursement with the State in the amount of \$422,165 and the Federal Government in the amount of \$2,071,948.

*Passenger Facility Charge*- Passenger facility charge receivables represent the accrual for funds received in July and August 2013 for the period June 2013.

*Rental Car Facility Charge* – Customer facility charge receivables represent the accrual for funds received in July 2013 for the period June 2013.

NOTE 6 – CHANGES IN CAPITAL ASSETS AND CONSTRUCTION IN PROGRESS:

Net capital assets increased \$9,362,270 as the result of several construction projects. Details of changes in capital assets and construction in progress for the fiscal year ended June 30, 2013 follows on the next page as previously discussed in the Letter of Transmittal.

It is the Authority’s practice for capital projects with land acquisitions to be recorded in the CIP accounts and closed to land upon project completion.

NOTE 6 – CHANGES IN CAPITAL ASSETS AND CONSTRUCTION IN PROGRESS  
(continued):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not depreciated:				
Land	\$ 16,937,410	\$ -	\$ -	\$ 16,937,410
Construction in progress:				
AIP 37 RPZ land	\$ 136,577	\$ 142,540	\$ -	\$ 279,117
Runway 21 Phase 1A	8,242,439	-	-	8,242,439
Runway 21 Phase 1B	7,335,987	-	-	7,335,987
Runway 21 Final Design Ph 2-4	1,636,120	390,893	-	2,027,013
Runway 21 Phase 2 Paving	1,050	5,101,437	-	5,102,487
Runway 21 Phase 3 ERSA	950	5,824,510	-	5,825,460
Runway 21 Phase 4 Taxiway	1,000	637,508	-	638,508
Offset Localizer	1,531,689	-	-	1,531,689
Snow Removal Equipment Bldg.	32,989	84,804	-	117,793
Miscellaneous Capital	350	-	-	350
Total Construction in progress	\$ 18,919,151	\$ 12,181,692	\$ -	\$ 31,100,843
Total capital assets not depreciated	\$ 35,856,561	\$ 12,181,692	\$ -	\$ 48,038,253
Capital and other assets depreciated:				
Buildings	\$ 29,728,256	\$ 172,859	\$ 10,680	\$ 29,890,435
Improvements other than buildings	36,347,949	22,887	-	36,370,836
Machinery & equipment	5,933,767	119,474	249,760	5,803,481
Infrastructure	12,176,100	-	-	12,176,100
Intangibles	1,004,160	95,478	9,975	1,089,663
Total capital assets depreciated	\$ 85,190,232	\$ 410,698	\$ 270,415	\$ 85,330,515
Less accumulated depreciation for:				
Buildings	\$ (14,442,036)	\$ (967,250)	\$ -	\$ (15,409,286)
Improvements other than buildings	(19,206,480)	(1,232,546)	-	(20,439,026)
Machinery & equipment	(4,618,141)	(290,528)	(37,237)	(4,871,432)
Infrastructure	(3,015,587)	(395,713)	-	(3,411,300)
Intangibles	(552,062)	(110,906)	-	(662,968)
Total accumulated depreciation	\$ (41,834,306)	\$ (2,996,943)	\$ (37,237)	\$ (44,794,012)
Total net capital assets depreciated	\$ 43,355,926	\$ (2,586,245)	\$ 233,178	\$ 40,536,503
Net Capital Assets	\$ 79,212,487	\$ 9,595,447	\$ 233,178	\$ 88,574,756

Note: The deletions in the Capital and other assets depreciated section reflect transfers made between categories. Nothing was disposed.

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2013.

	Beginning				Ending
	Balance	Additions	Reductions		Balance
Revenue Bonds	\$ 5,574,666	\$ -	\$ (619,855)	\$	4,954,811
Intergovernmental N/P	36,129	-	(23,890)		12,239
Bridge Loans VDOA	109,262	114,012	-		223,274
Compensated Absences	67,441	96,735	(67,759)		96,417
	\$ 5,787,498	\$ 210,747	\$ (711,504)	\$	5,286,741

Note: Beginning balances were restated by \$109,262 to reflect bridge loans from VDOA. These were reported as contributed capital in FY11 and FY12.

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NOTE 7 – LONG-TERM OBLIGATIONS (continued):

At June 30, 2013 the Authority’s long-term obligations consisted of the following:

	Total & Current
\$2,222,078 Airport Special Facilities Revenue Bond dated July 3, 2002, interest rate of 5.789% principal payable monthly in various incremental amounts, ranging from \$9,418 due on July 1, 2013 to \$15,741 in 2022	\$ 1,357,955
\$6,703,274 Airport Revenue Refunding Bond dated April 14, 2004, interest rate of 4.75% and principal payable monthly in various incremental amounts, ranging from \$39,609 due on July 1, 2013 to \$52,020 in 2019	3,187,603
\$710,000 Airport Revenue Bond dated April 1, 2006, interest rate of 4.15% and principal payable semi-annually in various incremental amounts, ranging from \$23,059 due on June 1, 2013 to \$31,378 in 2020	<u>409,253</u>
Total Revenue Bonds	\$ 4,954,811
Less Current Portion	<u>(650,774)</u>
Long Term Obligation	\$ 4,304,037
N/P County of Albemarle, 800 MHZ Radio System - the County of Albemarle acquired debt in 2004 for the 800 MHZ Radio System and the Note Payable represents 3.01 percent, which is the Airport Authority's share, payable in semi-annual installments through 2013	\$ 12,239
Less Current Portion	<u>(12,239)</u>
Long Term Obligation	\$ -
Bridge Loans from Virginia Department of Aviation (VDOA) related to RW Ext. Project. CS0004-37 Grant Agreement effective April 9, 2010. Amount loaned as of FY13:	\$ 115,582
CS0004-41 Grant Agreement effective November 7, 2012. Amount loaned as of FY13:	<u>107,692</u>
Long Term Obligation *	\$ 223,274
Compensated Absences	\$ 96,417
Less Current Portion	<u>(9,642)</u>
Long Term Obligation	<u>\$ 86,775</u>
Total long-term obligations	<u>\$ 4,614,086</u>

\* Bridge loans through VDOA have a repayment period of 4 years from start date. An extension can be requested and one will be requested for CS0004-37 as the project will not be completed during the payback period, thus making this a long term obligation

NOTE 7 – LONG-TERM OBLIGATIONS (continued):

Prior Year Defeasance of Debt

On October 19, 1994, the Authority issued \$6,920,000 in original aggregate principal amount of its Revenue Refunding Bonds, Series 1995 (AMT) (the "1995 Bonds") and on August 28, 1998 the Authority issued \$2,455,000 in original aggregate principal amount of its Airport Revenue Bonds, Series 1998 (AMT) (the "1998 Bonds").

On April 14, 2004, the Authority closed on the issuance of its \$6,703,274 Airport Revenue Refunding Bond, Series 2004 (Taxable) (the "2004 Bonds"), proceeds of which, together with other available funds, were used to (i) refund the entire \$5,150,000 outstanding principal amount of the 1995 Bonds maturing on December 1 in the years 2004, 2005, 2009 and 2013 (the "Refunded 1995 Bonds") and (ii) the entire \$2,040,000 outstanding principal amount of the 1998 Bonds maturing on December 1 in the years 2004 through 2012, inclusive, and 2018 (the "Refunded 1998 Bonds" and, together with the Refunded 1995 Bonds, the "Refunded Bonds").

The refunding and defeasance of the Refunded Bonds caused certain amounts on deposit in the Bond Fund and Debt Service Reserve Fund to be available for release from such funds under the Master Indenture; and these amounts together with the earnings thereon, were applied to the defeasance and redemption of the Refunded Bonds.

Federal Arbitrage Regulations

The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage are estimated to be immaterial in relation to the financial statements.

The Long Term Debt Service Schedule can be seen on the following page.

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NOTE 7 – LONG-TERM OBLIGATIONS (Continued):

Long Term Debt Schedule

Year Ended June 30	Series 2002 \$2,222,078 Issue		Series 2004 \$6,703,274 Issue		Series 2006 \$710,000 Issue	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	117,419	76,937	485,792	140,926	47,563	16,496
2015	124,315	70,041	509,376	117,341	49,557	14,501
2016	131,615	62,740	534,105	92,612	51,635	12,423
2017	139,345	55,011	560,035	66,683	53,801	10,258
2018	147,528	46,828	587,223	39,494	56,056	8,002
2019-2023	697,733	95,886	511,072	11,192	150,641	9,506
Total	\$ 1,357,955	\$ 407,443	\$ 3,187,603	\$ 468,248	\$ 409,253	\$ 71,186
Less current portion	<u>117,419</u>		<u>485,792</u>		<u>47,563</u>	
Total long-term obligations	<u>\$ 1,240,536</u>		<u>\$ 2,701,811</u>		<u>\$ 361,690</u>	

Year Ended June 30	Radio Debt Service \$210,700		Total Debt Summary \$9,846,052	
	Principal	Interest	Principal	Interest
2014	\$ 12,239	\$ 201	\$ 663,013	\$ 234,560
2015	-	-	683,248	201,883
2016	-	-	717,355	167,775
2017	-	-	753,181	131,952
2018	-	-	790,807	94,324
2019-2023	-	-	1,359,446	116,584
Total	\$ 12,239	\$ 201	\$ 4,967,050	\$ 947,078
Less current portion	<u>\$ 12,239</u>		<u>\$ 663,013</u>	
Total long-term obligations	<u>\$ -</u>		<u>\$ 4,304,037</u>	

NOTE 8 – LEASES:

The Authority's leasing operations consist of the leasing of office and terminal space to airlines and other tenants. As a recipient of federal grants, the Airport Authority is prohibited from entering into long-term agreements and leases. All leases are subject to public procurement requirements, and each has a different mechanism for determining rates and charges.

Each year, lease payments are set to sufficiently fund expenses in the adopted operating budget, including debt service expense and the revenue covenant coverage expense.

The cost of leased space is not determinable because the leased portions of assets are not significant to the total square footage of the facility.

NOTE 9 – RETIREMENT PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees—Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

NOTE 9 – RETIREMENT PLAN: (continued):

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9 –RETIREMENT PLAN (continued):

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the Airport Authority. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Airport Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2013 was 8.28% of annual covered payroll.

Annual Pension Cost

For fiscal year 2013, the Airport Authority's annual pension cost of \$104,557 was equal to the Airport Authority's required and actual contributions.

Fiscal Year Ended	Annual Pension Cost (APC 1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 57,145	100%	\$ -
June 30, 2012	\$ 63,003	100%	\$ -
June 30, 2013	\$ 104,557	100%	\$ -

1-Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.0%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the Airport Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Airport Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTE 9 – RETIREMENT PLAN (continued):

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 79.99% funded. The actuarial accrued liability for benefits was \$3,784,374 and the actuarial value of assets was \$3,027,070, resulting in an unfunded actuarial accrued liability (UAAL) of \$757,304. The covered payroll (annual payroll of active employees covered by the plan) was \$1,097,275, and the ratio of the UAAL to the covered payroll was 69.02%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the 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 (AAL) for benefits.

NOTE 10 – COMPENSATED ABSENCES:

The Authority has accrued the liability arising from compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

- The employers' obligation is attributable to employee's service already rendered.
- The obligation is related to rights that vest or accumulate.
- The payment of compensation is probable.
- The amount can be reasonably estimated.

Authority employees earn annual leave at rates determined by length of service. Sick leave is earned at the rate of eight hours per month. No benefits or pay are received for unused sick leave upon termination. Accumulated annual leave and earned compensation is paid upon termination. The Authority has outstanding accrued annual leave pay totaling \$96,417 as of June 30, 2013. Of this amount, 10 percent or \$9,642 has been estimated as a current liability.

NOTE 11 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts, damage to property, injuries to employees, destruction of assets and natural disasters. These risks are covered by commercial insurance purchased through independent third parties. There were no settlements in excess of insurance coverage for the previous three years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Authority participates were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of the circular all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures would be immaterial.

At June 30, 2013, the Authority had two major projects in the design phase and two in the construction phase, which are presented in the financial statements as Construction in Progress. Presented is a list of those projects, contract amounts, expenditures to date and balance of contracts remaining:

	Contract Amounts	Expenditures To Date	Balance of Contracts
R/W 21 Final Design Phases 2-4	\$ 1,748,491	\$ 1,635,271	\$ 113,220
R/W 21 Phase 2	2,918,055	2,631,894	286,161
R/W 21 Phase 3-4	11,972,160	5,576,156	6,396,004
Snow Removal Equipment Building-Design	485,461	117,793	367,668
Total	\$ 17,124,167	\$ 9,961,114	\$ 7,163,053

NOTE 13 – LITIGATION:

At June 30, 2013, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 14 – SUBSEQUENT EVENTS:

On November 21, 2013, Allegiant Air began operating at CHO with two flights per week to Orlando/Sanford. The aircraft is an MD88 that can seat 166 people. The Authority expects to see a slight increase in enplanements and parking revenue due to this change.

Effective August 15, 2013, parking rates increased from \$8 a day to \$10 a day in all lots except for the newly named Economy Lot (which was the old overflow lot). The Authority expects to see an increase in parking revenue for FY 2014.

NOTE 15— UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the impact of this pronouncement on its financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION



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**Charlottesville-Albemarle Airport Authority  
Schedule of Pension Funding Progress  
Participation in Virginia Retirement System**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)</b>	<b>Funded Ratio (2)/(3)</b>	<b>Covered Payroll (6)</b>	<b>UAAL as % of Covered Payroll (4)/(6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>
June 30, 2008	2,487,257	2,778,373	291,116	89.52%	1,073,774	27.11%
June 30, 2009	2,686,303	3,007,348	321,044	89.32%	1,050,271	30.57%
June 30, 2010	2,845,973	3,648,542	802,569	78.00%	1,077,830	74.46%
June 30, 2011	2,968,351	3,843,260	874,909	77.24%	1,011,075	86.53%
June 30, 2012	3,027,070	3,784,374	757,304	79.99%	1,097,275	69.02%

The trend information is presented for five years only.

Data as prepared for the Authority by the Virginia Retirement System.

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## Other Supplementary Information



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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
 Schedule of Administrative Expenses - Allocated  
 Year Ended June 30, 2013

	<u>Terminal</u>	<u>Parking</u>	<u>Total</u>
Administrative Expenses:			
Payroll	\$ 332,614	\$ 58,697	\$ 391,310
Dues and subscriptions	8,785	1,550	10,335
Education	5,663	999	6,662
Travel	11,351	2,003	13,354
Advertising Promotion	666,390	117,598	783,988
Professional fees	143,187	25,268	168,455
Human Resource	16,232	2,865	19,097
Insurance	46,679	8,237	54,916
Office expense	35,327	6,234	41,562
Computer	51,328	9,058	60,386
Equipment lease	4,421	780	5,201
Utilities-phone	8,734	1,541	10,275
	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ <u>1,330,710</u>	\$ <u>234,831</u>	\$ <u>1,565,542</u>

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**Reconciliation of Statement of Revenues, Expenses and Changes in Net Position  
to June 30, 2013 Authority Monthly Profit & Loss Statement

Operating revenues:	<u>2013</u>
Airline Landing fees	\$ 487,995
Airline Rents	448,784
Fuel fees	51,701
Rental Car Revenue	760,550
Rents	197,780
Miscellaneous Concession Fees	54,311
Parking Revenues	2,192,110
Food, Gift and Vending	27,962
Fixed Base Operation	269,975
Agency Reimbursements	682,500
Miscellaneous	48,217
Total operating revenues	<u>\$ 5,221,885</u>
Operating expenses:	
Payroll	\$ 1,882,522
Maintenance	351,705
Maintenance - equipment	79,545
Vehicle gas and oil	71,997
ARFF	31,545
Snow removal	23,660
Utilities	337,439
Insurance	114,319
Education and travel	43,031
Safety	89,066
Supplies and office expense	46,673
IT Expense, Equipment Lease	65,587
Janitorial	142,183
Promotion & Air Service Development	783,988
Professional Fees	168,455
Uniforms	12,643
Miscellaneous	103,527
Total operating expenses	<u>\$ 4,347,885</u>
Operating income before depreciation & amortization	\$ 874,000
Nonoperating revenues (expenses):	
Interest income	\$ 14,438
Interest expense	(256,007)
PFC transfer	75,779
Debt service adjustment	(457,599)
State Radio debt service income	19,904
State entitlement debt service income	150,000
Coverage Fund Transfer	(179,000)
Total nonoperating revenue (expenses)	<u>\$ (632,485)</u>
Airline Settlement	<u>\$ 241,515</u>

## Statistical Section



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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
**Statistical Section**

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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
Total Annual Revenues, Expenses and Changes in Net Position  
For Years Ended June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues				
Airfield	\$ 1,002,703	\$ 878,886	\$ 875,078	\$ 746,636
Terminal	2,027,072	1,492,613	1,696,058	1,705,861
Parking	<u>2,192,110</u>	<u>2,205,473</u>	<u>2,001,761</u>	<u>1,621,417</u>
Total operating revenues	\$ 5,221,885	\$ 4,576,972	\$ 4,572,897	\$ 4,073,914
Nonoperating revenues				
Interest Income	\$ 14,438	\$ 16,247	\$ 32,048	\$ 31,883
Other income	19,904	19,903	19,903	58,431
PFC debt service income	75,779	75,779	75,779	75,779
State entitlement reimbursements	<u>150,000</u>	<u>200,000</u>	<u>150,000</u>	<u>249,903</u>
Total nonoperating revenues	\$ 260,121	\$ 311,929	\$ 277,730	\$ 415,996
<b>Total Revenues</b>	\$ 5,482,006	\$ 4,888,901	\$ 4,850,627	\$ 4,489,910
Operating expenses				
Operations	\$ 2,782,343	\$ 2,805,737	\$ 2,580,515	\$ 2,441,050
Administrative	1,565,542	982,347	1,063,871	1,062,538
Depreciation & amortization	<u>2,959,706</u>	<u>3,007,771</u>	<u>3,100,566</u>	<u>2,993,505</u>
Total operating expenses	\$ 7,307,591	\$ 6,795,855	\$ 6,744,952	\$ 6,497,093
Nonoperating expenses				
Rental Car QTA expenses	\$ 179,462	\$ 184,567	\$ 197,516	\$ 186,401
Interest Expense	256,007	280,151	303,214	325,205
Airline Settlement	<u>241,515</u>	<u>40,388</u>	<u>186,485</u>	<u>50,469</u>
Total nonoperating expenses	\$ 676,984	\$ 505,106	\$ 687,215	\$ 562,075
<b>Total Expenses</b>	\$ 7,984,575	\$ 7,300,961	\$ 7,432,167	\$ 7,059,168
Capital Contributions	<u>11,917,822</u>	<u>6,536,431</u>	<u>8,630,865</u>	<u>3,608,297</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 9,415,253</u>	<u>\$ 4,124,371</u>	<u>\$ 6,049,325</u>	<u>\$ 1,039,039</u>
<b>Net Position at Year-End</b>				
Net investment in capital assets	\$ 83,796,879	\$ 73,977,560	\$ 72,091,435	\$ 65,433,945
Restricted	3,010,454	3,328,689	1,295,013	2,004,322
Unrestricted	<u>1,128,487</u>	<u>1,214,317</u>	<u>1,009,747</u>	<u>908,602</u>
<b>Total Net Position</b>	<u>\$ 87,935,820</u>	<u>\$ 78,520,566</u>	<u>\$ 74,396,195</u>	<u>\$ 68,346,869</u>

Table One

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
 Total Annual Revenues, Expenses and Changes in Net Position  
 For Years Ended June 30

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	742,401	\$ 854,018	\$ 771,295	\$ 812,002	\$ 787,658	\$ 726,569
	1,652,550	1,510,598	1,696,962	1,491,161	1,528,351	1,412,649
	<u>1,600,779</u>	<u>1,734,476</u>	<u>1,732,821</u>	<u>1,658,415</u>	<u>1,518,591</u>	<u>1,382,110</u>
\$	<u>3,995,730</u>	\$ <u>4,099,092</u>	\$ <u>4,201,078</u>	\$ <u>3,961,578</u>	\$ <u>3,834,600</u>	\$ <u>3,521,328</u>
\$	19,629	\$ 103,852	\$ 172,350	\$ 132,350	\$ 22,797	\$ 41,923
	-	-	-	1,000	600	-
	75,779	75,779	75,779	75,779	75,779	75,779
	<u>249,903</u>	<u>144,903</u>	<u>249,903</u>	<u>198,653</u>	<u>19,903</u>	<u>159,907</u>
\$	<u>345,311</u>	\$ <u>324,534</u>	\$ <u>498,032</u>	\$ <u>407,782</u>	\$ <u>119,079</u>	\$ <u>277,609</u>
\$	<u>4,341,041</u>	\$ <u>4,423,626</u>	\$ <u>4,699,110</u>	\$ <u>4,369,360</u>	\$ <u>3,953,679</u>	\$ <u>3,798,937</u>
\$	2,385,976	\$ 2,603,191	\$ 2,416,251	\$ 2,311,190	\$ 2,075,183	\$ 2,065,527
	878,808	787,170	1,215,424	969,933	864,828	802,894
	<u>2,883,062</u>	<u>2,713,812</u>	<u>2,317,274</u>	<u>2,163,738</u>	<u>1,930,455</u>	<u>1,886,033</u>
\$	<u>6,147,846</u>	\$ <u>6,104,173</u>	\$ <u>5,948,949</u>	\$ <u>5,444,861</u>	\$ <u>4,870,466</u>	\$ <u>4,754,454</u>
\$	194,229	\$ 206,014	\$ 110,377	\$ 72,259	\$ 65,307	\$ 8,775
	346,209	366,260	386,743	381,036	390,301	427,715
	<u>63,967</u>	<u>69,666</u>	<u>69,221</u>	<u>76,493</u>	<u>96,789</u>	-
\$	<u>604,405</u>	\$ <u>641,940</u>	\$ <u>566,341</u>	\$ <u>529,788</u>	\$ <u>552,397</u>	\$ <u>436,490</u>
\$	<u>6,752,251</u>	\$ <u>6,746,113</u>	\$ <u>6,515,290</u>	\$ <u>5,974,649</u>	\$ <u>5,422,863</u>	\$ <u>5,190,944</u>
	<u>3,798,360</u>	<u>5,941,692</u>	<u>8,624,393</u>	<u>10,557,229</u>	<u>7,132,278</u>	<u>4,221,244</u>
\$	<u><u>1,387,150</u></u>	\$ <u><u>3,619,205</u></u>	\$ <u><u>6,808,213</u></u>	\$ <u><u>8,951,939</u></u>	\$ <u><u>5,663,094</u></u>	\$ <u><u>2,829,237</u></u>
\$	63,453,097	\$ 62,130,360	\$ 57,205,397	\$ 52,430,437	\$ 44,131,581	\$ 39,335,376
	2,795,443	2,843,220	3,692,524	4,530,027	3,296,227	2,005,821
	<u>1,059,290</u>	<u>947,100</u>	<u>1,403,556</u>	<u>(73,022)</u>	<u>507,695</u>	<u>931,212</u>
\$	<u><u>67,307,830</u></u>	\$ <u><u>65,920,680</u></u>	\$ <u><u>62,301,477</u></u>	\$ <u><u>56,887,442</u></u>	\$ <u><u>47,935,503</u></u>	\$ <u><u>42,272,409</u></u>

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
Changes in Cash and Cash Equivalents  
Fiscal Year Ended June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash Flows from (to) Operating Activities			
Cash received from providing services	\$ 5,144,453	\$ 4,648,998	\$ 4,475,981
Cash paid to suppliers	(2,461,160)	(2,005,564)	(1,822,557)
Cash paid to and for employers	(1,897,846)	(1,932,329)	(1,704,683)
Net cash provided by (used for) operating activities	<u>\$ 785,447</u>	<u>\$ 711,105</u>	<u>\$ 948,741</u>
Cash Flows from (to) Investing Activities			
Investment interest earned	\$ 14,438	\$ 16,247	\$ 32,048
Change in fair value of investments	0	0	0
Purchase of investments	0	0	0
Sale of investments	0	0	0
Net cash provided by (used for) investing activities	<u>\$ 14,438</u>	<u>\$ 16,247</u>	<u>\$ 32,048</u>
Cash flows from (to) capital and related financing activities			
Interest paid on debt	\$ (266,267)	\$ (296,471)	\$ (325,241)
Acquisition of property and equipment	(140,283)	(202,414)	(139,112)
Disposal of property and equipment	-	0	0
Additions to construction in progress	(9,380,838)	(6,678,361)	(8,047,018)
Long-term debt proceeds	-	0	0
Bridge Loans from VDOA	3,599	85,524	0
Debt Service Paid	(643,744)	(613,541)	(584,770)
PFC debt service income	75,779	75,779	75,779
State debt service reimbursement	169,904	219,903	169,903
Airline Settlement	(40,388)	(186,485)	(50,469)
Other income	-	0	0
State coverage reimbursement	-	0	0
Contributions from Virginia Department of Aviation	3,343,355	2,600,232	5,154,750
Contributions from Virginia Department of Transportation	-	0	113,776
Contributions from Federal Aviation Administration	5,694,804	3,060,198	2,059,476
Contributions from others	-	0	23,017
Contributions from Passenger Facility Charge (PFC)	826,658	866,746	627,088
Contributions from Customer Facility Charge (CFC)	522,280	525,267	403,519
Net cash provided by (used for) capital financing activities	<u>\$ 164,859</u>	<u>\$ (629,147)</u>	<u>\$ (519,302)</u>
Increase (decrease) in cash and cash equivalents for the year	\$ 964,744	\$ 98,205	\$ 461,487
Cash and cash equivalents at beginning of year (including restricted accounts)	<u>3,706,790</u>	<u>3,608,585</u>	<u>3,147,098</u>
Cash and cash equivalents at end of year (including restricted accounts)	<u>\$ 4,671,534</u>	<u>\$ 3,706,790</u>	<u>\$ 3,608,585</u>

Source: Authority's Audited Financial Statements.

Table Two

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
Changes in Cash and Cash Equivalents  
Fiscal Year Ended June 30

2010	2009	2008	2007	2006	2005	2004
\$ 3,996,819	\$ 3,905,494	\$ 4,141,882	\$ 4,192,034	\$ 4,028,735	\$ 3,783,642	\$ 3,573,966
(1,809,366)	(1,542,617)	(1,812,712)	(1,941,141)	(2,017,767)	(1,669,912)	(1,934,182)
(1,801,350)	(1,737,953)	(1,747,619)	(1,851,924)	(1,349,964)	(1,201,203)	(1,058,840)
<u>\$ 386,103</u>	<u>\$ 624,924</u>	<u>\$ 581,551</u>	<u>\$ 398,969</u>	<u>\$ 661,004</u>	<u>\$ 912,527</u>	<u>\$ 580,944</u>
\$ 32,105	\$ 19,407	\$ 103,852	\$ 172,350	\$ 132,350	\$ 22,797	\$ 41,923
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	202,270	2,623,562
<u>\$ 32,105</u>	<u>\$ 19,407</u>	<u>\$ 103,852</u>	<u>\$ 172,350</u>	<u>\$ 132,350</u>	<u>\$ 225,067</u>	<u>\$ 2,665,485</u>
\$ (352,648)	\$ (378,756)	\$ (403,627)	\$ (427,321)	\$ (427,473)	\$ (316,687)	\$ (544,100)
(64,230)	(123,412)	(773,293)	(194,527)	(710,790)	(131,443)	(97,859)
0	0	0	0	1,000	0	26,013
(3,460,914)	(4,022,413)	(5,687,367)	(9,064,988)	(10,211,101)	(6,273,260)	(5,653,765)
0	0	0	0	710,000	5,697	6,913,974
0	0	0	0	0	0	0
(557,364)	(531,256)	(506,384)	(484,589)	(445,819)	(410,146)	(7,755,374)
75,779	75,779	75,779	75,779	75,779	75,779	75,779
249,903	249,903	144,903	249,903	198,653	19,903	94,903
0	0	0	0	0	0	0
0	0	0	0	0	600	(8,775)
0	0	0	0	0	0	65,004
1,158,672	1,029,131	2,074,422	2,223,581	2,807,988	919,543	289,379
9,733	0	0	0	0	0	0
1,308,008	1,117,292	3,311,622	5,997,281	6,564,573	5,179,541	2,658,233
7,880	739	0	85,624	5,906	0	140,000
353,211	656,356	682,049	764,639	768,248	654,609	534,662
424,596	335,310	373,360	344,292	410,515	378,585	253,678
<u>\$ (847,374)</u>	<u>\$ (1,591,327)</u>	<u>\$ (708,536)</u>	<u>\$ (430,326)</u>	<u>\$ (252,521)</u>	<u>\$ 102,721</u>	<u>\$ (3,008,248)</u>
\$ (429,166)	\$ (946,996)	\$ (23,133)	\$ 140,993	\$ 540,833	\$ 1,240,315	\$ 238,181
3,576,264	4,523,260	4,546,393	4,405,400	3,864,567	2,624,252	2,386,071
<u>\$ 3,147,098</u>	<u>\$ 3,576,264</u>	<u>\$ 4,523,260</u>	<u>\$ 4,546,393</u>	<u>\$ 4,405,400</u>	<u>\$ 3,864,567</u>	<u>\$ 2,624,252</u>

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
Principal Revenue Sources, Cost per Enplaned Passenger and  
Scheduled Airlines Rates and Charges  
For Years Ended June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>PRINCIPAL REVENUE SOURCES</u></b>				
Airline revenues				
Landing Fees	\$ 487,995	\$ 410,214	\$ 446,621	\$ 389,948
Terminal Rents	<u>448,784</u>	<u>428,943</u>	<u>443,901</u>	<u>460,565</u>
Total airline revenues	\$ 936,779	\$ 839,157	\$ 890,522	\$ 850,513
Percentage of total revenues	17%	18%	19%	19%
Nonairline revenues				
Parking	\$ 2,192,110	\$ 2,205,473	\$ 2,001,761	\$ 1,621,417
Rental Car	760,550	761,187	1,006,860	907,184
Other	<u>1,332,446</u>	<u>771,155</u>	<u>673,754</u>	<u>694,800</u>
Total nonairline revenues	\$ 4,285,106	\$ 3,737,815	\$ 3,682,375	\$ 3,223,401
Percentage of total revenues	78%	76%	76%	72%
Nonoperating revenues				
Interest income	\$ 14,438	\$ 16,247	\$ 32,048	\$ 31,883
Other income	<u>245,683</u>	<u>295,682</u>	<u>245,682</u>	<u>384,113</u>
Total nonoperating revenues	\$ 260,121	\$ 311,929	\$ 277,730	\$ 415,996
Percentage of total revenues	5%	6%	6%	9%
Total revenues	<u>\$ 5,482,006</u>	<u>\$ 4,888,901</u>	<u>\$ 4,850,627</u>	<u>\$ 4,489,910</u>
Enplaned passengers (excluding charters)	227,874	231,907	203,404	183,543
Total revenue per enplaned passenger	\$ 24.06	\$ 21.08	\$ 23.85	\$ 24.46
Airline cost per enplaned passenger	\$ 4.11	\$ 3.62	\$ 4.38	\$ 4.63

**SIGNATORY AIRLINES RATES AND CHARGES**

Landing Fee (per 1,000 lbs MGLW)	\$ 1.84	\$ 1.78	\$ 1.77	\$ 1.58
Average Annual Terminal Rental Rate (per s. f.)	\$ 21.58	\$ 22.82	\$ 22.78	\$ 23.64

Source: Authority's audited financial statements and Authority's records.

Table Three

**CHARLOTTEVILLE-ALBEMARLE AIRPORT AUTHORITY**  
Principal Revenue Sources, Cost per Enplaned Passenger and  
Scheduled Airlines Rates and Charges  
For Years Ended June 30

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 401,028	\$ 460,408	\$ 404,054	\$ 462,721	\$ 448,874	\$ 438,843
<u>490,750</u>	<u>505,191</u>	<u>496,143</u>	<u>547,317</u>	<u>589,706</u>	<u>604,073</u>
\$ 891,778	\$ 965,599	\$ 900,197	\$ 1,010,038	\$ 1,038,580	\$ 1,042,916
21%	22%	19%	23%	26%	27%
\$ 1,600,779	\$ 1,734,476	\$ 1,732,821	\$ 1,658,415	\$ 1,518,591	\$ 1,382,108
827,169	756,212	710,716	655,294	655,746	606,254
<u>676,004</u>	<u>642,805</u>	<u>857,344</u>	<u>637,831</u>	<u>621,683</u>	<u>490,050</u>
\$ 3,103,952	\$ 3,133,493	\$ 3,300,881	\$ 2,951,540	\$ 2,796,020	\$ 2,478,412
72%	71%	70%	68%	71%	65%
\$ 19,629	\$ 103,852	\$ 172,350	\$ 132,350	\$ 22,797	\$ 41,923
<u>325,682</u>	<u>220,682</u>	<u>325,682</u>	<u>275,432</u>	<u>96,282</u>	<u>235,686</u>
\$ 345,311	\$ 324,534	\$ 498,032	\$ 407,782	\$ 119,079	\$ 277,609
8%	7%	11%	9%	3%	7%
<u>\$ 4,341,041</u>	<u>\$ 4,423,626</u>	<u>\$ 4,699,110</u>	<u>\$ 4,369,360</u>	<u>\$ 3,953,679</u>	<u>\$ 3,798,937</u>
173,823	177,494	183,392	190,500	194,676	174,250
\$ 24.97	\$ 24.92	\$ 25.62	\$ 22.94	\$ 20.31	\$ 21.80
\$ 5.13	\$ 5.24	\$ 4.91	\$ 5.30	\$ 5.33	\$ 5.99
\$ 1.59	\$ 1.55	\$ 1.33	\$ 1.37	\$ 1.41	\$ 1.42
\$ 23.68	\$ 24.43	\$ 25.94	\$ 29.05	\$ 33.37	\$ 34.12

Table Four

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Parking Rates Per Lot  
Fiscal Years Ended June 30

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Short Term	\$8	\$8	\$8	\$12	\$12	\$12	\$9.5	\$9.5	\$9.5	\$9.5
Long Term	\$8	\$8	\$8	\$7	\$7	\$7	\$7	\$7	\$6	\$6
Overflow	\$8	\$8	\$8	\$7	\$7	\$7	\$7	-	-	-

Source: Airport Authority Records

Note: Overflow parking was not available until 2007.

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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Revenue Bond Debt Service Coverage

For Years Ended June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
NET REVENUES				
Operating Revenues	\$ 5,221,885	\$ 4,576,972	\$ 4,572,897	\$ 4,073,914
Interest Income	14,438	16,247	32,048	31,883
Agency Reimbursements	169,904	219,903	169,903	249,903
PFC Income*	75,779	75,779	75,779	75,779
Other Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,431</u>
Total Revenues	\$ 5,482,006	\$ 4,888,901	\$ 4,850,627	\$ 4,489,910
Less: Operating Expenses	\$ <u>(4,347,885)</u>	\$ <u>(3,788,084)</u>	\$ <u>(3,644,386)</u>	\$ <u>(3,503,588)</u>
Net Revenues	\$ 1,134,121	\$ 1,100,817	\$ 1,206,241	\$ 986,322
Aggregate Debt Service	\$ 713,606	\$ 715,655	\$ 715,655	\$ 715,655
Debt Service Coverage	1.59	1.54	1.69	1.38

Source: Authority's audited financial statements.

\*Portion of PFC Income allowed for debt coverage calculation.

Table Five

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Revenue Bond Debt Service Coverage

For Years Ended June 30

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 3,995,730	\$ 4,099,092	\$ 4,201,078	\$ 3,961,578	\$ 3,834,600	\$ 3,521,328
19,629	103,852	172,350	132,350	22,797	41,923
249,903	144,903	249,903	198,653	19,903	159,907
75,779	75,779	75,779	75,779	75,779	75,779
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>600</u>	<u>0</u>
\$ 4,341,041	\$ 4,423,626	\$ 4,699,110	\$ 4,369,360	\$ 3,953,679	\$ 3,798,937
<u>\$ (3,264,784)</u>	<u>\$ (3,390,361)</u>	<u>\$ (3,631,675)</u>	<u>\$ (3,281,123)</u>	<u>\$ (2,940,011)</u>	<u>\$ (2,868,421)</u>
\$ 1,076,257	\$ 1,033,265	\$ 1,067,435	\$ 1,088,237	\$ 1,013,668	\$ 930,516
\$ 715,655	\$ 715,655	\$ 715,655	\$ 674,950	\$ 651,597	\$ 651,597
1.50	1.44	1.49	1.61	1.56	1.43

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Ratios of Outstanding Debt Service by Type

Fiscal Year Ended June 30

	<u>Bonds</u>	<u>Notes Payable</u>	<u>Total Outstanding Debt</u>	(1) <u>Less Bonds Series 2002 \$2,222,078</u>	<u>Net Operational Outstanding Debt</u>	<u>Debt Expense/ Operating Expense</u>	(2) <u>Percentage of Personal Income</u>	(3) <u>Debt Per Enplaned Passenger</u>
2004	12,810,911	236,354	13,047,265	3,514,601	9,532,664	23%	0.41	3.74
2005	11,989,838	211,475	12,201,313	3,320,245	8,881,068	22%	0.47	3.35
2006	12,097,614	186,595	12,284,209	3,125,889	9,158,320	21%	0.50	3.54
2007	11,212,484	161,716	11,374,200	2,931,535	8,442,665	20%	0.58	3.90
2008	10,327,350	136,836	10,464,186	2,737,178	7,727,008	21%	0.69	4.03
2009	9,442,219	111,957	9,554,176	2,542,822	7,011,354	22%	0.72	4.12
2010	8,557,085	87,077	8,644,162	2,348,465	6,295,697	20%	0.82	3.90
2011	7,671,952	59,255	7,731,207	2,154,109	5,577,098	20%	0.97	3.52
2012	6,786,823	37,319	6,824,142	1,959,754	4,864,388	19%	1.21	3.09
2013	4,954,811	12,239	4,967,050	1,357,955	3,609,095	16%	unavailable	3.13

Source: Authority's audited financial statements and records

<sup>1</sup> Ratios of Outstanding Debt includes Series 2002 Rental Car Facility which is not part of Operations<sup>2</sup> Calculated from table twelve total personal income for combined City of Charlottesville/Albemarle/Greene<sup>3</sup> Calculated by taking debt service payments and divide by enplaned passengers

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
 Airline Landed Weights, Last Ten Fiscal Years  
*(in thousands of pounds)*

Scheduled Air Carriers	2013	% Total	2012	2011	2010	2009	2008	2007	2006	2005	2004
US Airways	129,014	57.5%	165,013	164,390	143,813	150,988	154,214	151,072	163,716	177,051	178,193
Delta Airlines	60,791	17.1%	49,162	51,512	65,518	43,287	71,393	80,511	103,212	132,663	89,649
United Express	47,729	14.2%	40,576	40,480	40,024	39,709	41,213	39,862	38,477	54,305	47,211
American Airlines <sup>1</sup>	27,565	11.2%	32,003	1,111	-	-	-	-	-	-	-
Northwest Airlink <sup>2</sup>	-	-	-	-	-	22,617	20,520	20,492	25,599	4,873	-
<b>Total</b>	<b>265,099</b>	<b>100.0%</b>	<b>286,754</b>	<b>257,493</b>	<b>249,355</b>	<b>256,601</b>	<b>287,340</b>	<b>291,937</b>	<b>331,004</b>	<b>368,892</b>	<b>315,053</b>

Percentage increase/decrease FY 2013/FY 2012: -8%

Source: Airport Authority Records

<sup>1</sup>American commenced service June 9, 2011

<sup>2</sup>Northwest merged with Delta Airlines effective March 1, 2009

Table Eight

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Enplaned Passengers  
Fiscal Year Ended June 30,

	2013	<i>% of Total</i>	2012	2011	2010	2009	2008	2007	2006	2005	2004
USAirways	109,611	48%	126,243	126,798	100,322	96,254	84,329	84,422	85,092	97,114	93,216
Delta Airlines	53,174	23%	45,630	44,589	52,973	34,309	50,009	53,149	61,119	58,925	50,743
United Express	39,403	17%	35,780	30,418	30,248	27,695	29,585	31,336	28,605	34,560	30,291
American Airlines <sup>1</sup>	25,686	11%	24,254	1,599	-	-	-	-	-	-	-
Northwest Airlin <sup>2</sup>	-	0%	-	-	-	15,565	13,571	14,485	15,684	4,077	-
Total	227,874	100% <sup>✓</sup>	231,907	203,404	183,543	173,823	177,494	183,392	190,500	194,676	174,250
% Incr/(Dec)	-2%		14%	11%	6%	-2%	-3%	-4%	-2%	12%	5%

Source: Airport Authority records

<sup>1</sup>Commenced service June 9, 2011

<sup>2</sup>Merged with Delta Airlines March 1, 2009

Table Nine

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Aircraft Operations Summary, Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Air Carrier</u>	<u>General Aviation</u>	<u>Military</u>	<u>Total</u>
2004	22,301	47,950	3,184	73,435
2005	21,101	45,364	4,336	70,801
2006	21,510	41,892	3,236	66,638
2007	20,544	47,104	3,094	70,742
2008	23,434	59,477	4,534	87,445
2009	21,837	58,819	4,670	85,326
2010	20,072	58,381	5,380	83,833
2011	18,718	56,263	5,180	80,161
2012	18,619	57,667	5,408	81,694
2013	17,382	49,833	5,491	72,706
Average Annual Change	-2.24%	0.35%	5.08%	-0.09%

Source: Airport Authority records

Charlottesville-Albemarle Airport  
Top 50 Origin-Destination Markets  
Year Ended Quarter 2 2013

Rank	Airport Code	City	Total Passengers
1	ORD	Chicago	30,627
2	ATL	Atlanta	21,597
3	LGA	New York LGA	17,140
4	SFO	San Francisco	16,756
5	DFW	Dallas/Fort Worth	15,023
6	DEN	Denver	13,741
7	LAX	Los Angeles	12,194
8	IAH	Houston	10,590
9	CLT	Charlotte	10,073
10	MCO	Orlando	8,593
11	TPA	Tampa	8,488
12	BOS	Boston	8,392
13	PHX	Phoenix	8,116
14	MSP	Minneapolis/St Paul	7,732
15	MSY	New Orleans	7,269
16	SEA	Seattle	6,966
17	BNA	Nashville	6,657
18	LAS	Las Vegas	5,624
19	MCI	Kansas City	5,597
20	AUS	Austin	5,498
21	FLL	Fort Lauderdale	5,463
22	SAN	San Diego	5,327
23	IND	Indianapolis	5,260
24	JAX	Jacksonville, FL	5,208
25	STL	St Louis	5,028
26	DTW	Detroit	4,939
27	RSW	Fort Myers	4,882
28	PHL	Philadelphia	4,773
29	SAT	San Antonio	4,582
30	PBI	West Palm Beach	4,417
31	MIA	Miami	4,403
32	MEM	Memphis	3,639
33	PVD	Providence	3,489
34	MKE	Milwaukee	3,369
35	SLC	Salt Lake City	3,321
36	PDX	Portland, OR	2,766
37	BDL	Hartford	2,496
38	CHS	Charleston, SC	2,276
39	CMH	Columbus, OH	2,188
40	LHR	London LHR	2,071
41	EWR	Newark	1,977
42	BHM	Birmingham	1,898
43	SRQ	Sarasota/Bradenton	1,895
44	YYZ	Toronto	1,809
45	ALB	Albany, NY	1,774
46	SAV	Savannah	1,732
47	ABQ	Albuquerque	1,708
48	SMF	Sacramento	1,699
49	OMA	Omaha	1,638
50	CUN	Cancun	1,624
	<b>Other</b>		<b>103,746</b>
	<b>NAS</b>		<b>428,066</b>

**Source:** US DOT O&D Passenger Survey, YE 2Q 2013 via Diio online portal  
**Note:** Data includes domestic and international  
**Note:** Earliest comparative information was obtained from FY2006  
**Comprehensive Annual Financial Report**

Table Ten

Charlottesville-Albemarle Airport  
 Top 50 Origin-Destination Markets  
 Year Ended Quarter 4 2006

Rank	Airport	City	Total Passengers
1	LGA	New York	23,250
2	ATL	Atlanta	21,490
3	ORD	Chicago	13,630
4	BOS	Boston	11,400
5	CLT	Charlotte	9,170
6	SFO	San Francisco	8,220
7	MCO	Orlando	8,210
8	DTW	Detroit	7,810
9	CVG	Cincinnati	7,760
10	LAX	Los Angeles	7,590
11	DEN	Denver	7,550
12	DFW	Dallas-Fort Worth	6,910
13	MSP	Minneapolis	6,610
14	TPA	Tampa	6,370
15	BNA	Nashville	5,360
16	LAS	Las Vegas	5,000
17	MIA	Miami	4,850
18	SEA	Seattle	4,820
19	PHL	Philadelphia	4,740
20	PHX	Phoenix	4,640
21	SAN	San Diego	4,470
22	IND	Indianapolis	4,270
23	IAH	Houston	4,110
24	STL	St Louis	4,070
25	MCI	Kansas City	3,950
26	JAX	Jacksonville	3,870
27	FLL	Fort Lauderdale	3,800
28	PBI	West Palm Beach	3,800
29	SLC	Salt Lake City	3,670
30	BDL	Hartford	3,630
31	MSY	New Orleans	3,560
32	AUS	Austin	3,250
33	BHM	Birmingham	3,250
34	SAT	San Antonio	3,220
35	MEM	Memphis	3,200
36	MKE	Milwaukee	2,830
37	PDX	Portland	2,670
38	MHT	Manchester	2,610
39	PVD	Providence	2,570
40	CMH	Columbus	2,500
41	RSW	Fort Myers	2,350
42	PWM	Portland	2,190
43	CLE	Cleveland	2,160
44	CHS	Charleston	2,120
45	ABQ	Albuquerque	2,030
46	EWR	Newark	2,020
47	HSV	Huntsville	1,820
48	ALB	Albany	1,800
49	LIT	Little Rock	1,770
50	TLH	Tallahassee	1,620
<b>Grand Total</b>			<b>264,560</b>

Source: Back Aviation: US DOT True O&D Ten Percent Survey Data  
 Adjusted to 100 percent.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**  
 Airport Information  
 Fiscal Year Ended June 30

**Airport Code:** CHO

**Location:** 8 Miles North of downtown Charlottesville, Virginia

**Elevation:** 641 feet

**FBO:** Landmark Aviation

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Acres (+/-):</b>		705	705	705	705	702	661	661	642	642
<b>Runways:</b>	3/21 North/South ILS 3/GPS	6801 by 150 ft.	6001 by 150 ft.							
<b>Terminal:</b>	Airlines -sq ft	25,353	25,353	25,353	25,353	25,353	23,336	23,336	22,084	22,084
	Rental Car - sq ft	270	270	270	270	270	270	270	270	270
	Market - sq ft	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
	TSA - sq ft	700	700	700	700	700	700	700	400	400
	<b>Total</b>	<b>27,923</b>	<b>27,923</b>	<b>27,923</b>	<b>27,923</b>	<b>27,923</b>	<b>25,906</b>	<b>25,906</b>	<b>24,354</b>	<b>24,354</b>
	# of passenger gates	5	5	5	5	5	5	5	5	5
	# of loading bridges	1	1	1	1	1	1	1	1	1
	# of Concessionaires in Terminal	3	3	4	4	4	4	4	4	4
	# of Rental Car Agencies in Terminal	3	3	3	3	3	3	3	3	3
<b>Parking:</b>	Spaces assigned:									
	Short-term	108	108	108	108	108	108	108	108	108
	Long-term	748	748	748	748	748	748	748	748	748
	Over flow lot	132	132	132	132	132	132	0	0	0
	Rental Cars	303	303	303	303	303	303	303	303	106
	Employees	175	175	175	175	175	175	175	175	175
	<b>Total</b>	<b>1,466</b>	<b>1,466</b>	<b>1,466</b>	<b>1,466</b>	<b>1,466</b>	<b>1,466</b>	<b>1,334</b>	<b>1,334</b>	<b>1,137</b>
<b>Cargo:</b>	None									
<b>Employees:</b>	Administrative	7	6	6	6	5	5	5	6	6
	Public Safety	7	7	7	6	6	6	7	7	7
	Maintenance	6	6	5	7	7	8	8	7	5
	CSO	4	4	4	4	3	4	2	3	4
	Parking	5	5	5	5	5	5	6	5	4
	Equipment Technician	1	1	1	1	1	1	1	1	1
	<b>Total f/t employees (2080) hrs per yr</b>	<b>30</b>	<b>29</b>	<b>28</b>	<b>29</b>	<b>27</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>26</b>
<b>Hangars:</b>	T-Hangar Units	4	4	4	4	4	4	4	3	3
	Conventional Units	5	5	5	5	5	5	4	4	4

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Population in the Primary Trade Area <sup>(1)</sup>

Fiscal Years Ended June 30

	% Change		2011	2010	2009	2008	2007	2006	2005	2004	2003
	2012 <sup>5</sup>	2012/2011									
City of Charlottesville	45,073	1.4%	44,471	43,475	43,054	42,130	41,538	41,066	40,597	40,281	40,695
County of Albemarle	101,575	0.8%	100,780	98,970	98,071	97,081	95,009	93,852	91,676	89,491	87,620
County of Greene	18,856	-2.8%	19,402	18,403	18,237	18,131	17,972	17,607	17,155	16,895	16,677
County of Fluvanna	26,033	0.2%	25,989	25,691	25,576	25,461	25,134	24,638	24,318	23,451	22,835
County of Madison	13,472	0.4%	13,424	13,308	13,358	13,332	13,429	13,291	13,106	12,902	12,865
County of Nelson	15,078	-0.1%	15,097	15,016	15,090	15,050	14,993	14,809	14,828	14,699	14,718
<b>Total</b>	<b>220,087</b>	<b>0.4%</b>	<b>219,163</b>	<b>214,863</b>	<b>213,386</b>	<b>211,185</b>	<b>208,075</b>	<b>205,263</b>	<b>201,680</b>	<b>197,719</b>	<b>195,410</b>

Unemployment Rate <sup>(2)</sup>  
Fiscal Years Ended June 30

	% Change		2011	2010	2009	2008	2007	2006	2005	2004	2003
	2012 <sup>5</sup>	2012/2011									
City of Charlottesville	6.6	4.8%	6.3	6.9	6.6	3.9	3.1	3.2	3.8	4.0	4.1
County of Albemarle	4.8	-5.9%	5.1	5.4	5.2	3.0	2.2	2.4	2.8	3.0	3.4
County of Greene	5.2	4.0%	5.0	5.9	5.9	3.3	2.1	2.3	2.9	3.1	4.1
County of Fluvanna	4.8	-2.0%	4.9	5.8	5.8	3.3	2.4	2.4	3.0	3.0	3.4
County of Madison	4.8	-4.0%	5.0	6.2	6.2	3.8	2.7	2.6	3.0	3.0	3.8
County of Nelson	5.3	-3.6%	5.5	6.2	6.5	3.6	2.7	2.7	3.2	3.6	3.6

Total Personal Income <sup>(3)</sup>  
Fiscal Years Ended

	% Change		2011	2010	2009	2008	2007	2006	2005	2004	2003
	2012 <sup>5</sup>	2012/2011									
Albemarle/Ch'ville <sup>(4)</sup>	7,493,869	10.6%	6,778,562	6,421,082	6,213,020	6,545,468	6,251,318	5,860,761	5,322,475	4,988,774	4,618,886
County of Greene	767,362	8.0%	710,441	666,063	640,318	643,028	590,973	547,950	495,969	433,886	405,935
County of Fluvanna	1,040,671	9.4%	951,419	894,204	883,986	883,083	814,673	759,028	683,257	625,938	568,918
County of Madison	523,987	9.3%	479,209	457,332	446,445	447,494	390,567	379,962	365,791	347,146	333,077
County of Nelson	640,628	6.5%	601,790	570,682	561,482	568,823	522,617	495,016	456,847	422,540	393,903

Per Capita Income <sup>(3)</sup>  
Fiscal Years Ended June 30

	% Change		2011	2010	2009	2008	2007	2006	2005	2004	2003
	2012 <sup>5</sup>	2012/2011									
Albemarle/Ch'ville <sup>(4)</sup>	51,255	8.9%	47,052	44,987	44,025	47,018	45,781	43,439	40,239	38,443	35,996
County of Greene	40,880	7.4%	38,073	36,093	35,011	34,900	33,141	31,220	28,877	25,666	24,347
County of Fluvanna	40,077	9.8%	36,507	34,710	34,561	34,517	32,259	30,621	27,934	26,536	24,783
County of Madison	39,696	9.1%	36,389	34,394	33,422	32,783	28,511	28,114	27,509	26,583	25,651
County of Nelson	43,207	8.4%	39,862	38,005	37,209	37,115	36,078	34,131	31,380	29,315	27,587

<sup>1</sup> Source: Weldon Cooper Center for Public Service

<sup>2</sup> Source: U.S. Bureau of Labor Statistics

<sup>3</sup> Source: Bureau of Economic Analysis/ US Department of Commerce

<sup>4</sup> Albemarle County standalone statistic unavailable

<sup>5</sup> 2013 information was unavailable at the time of this report

## CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Principal Employers in the Primary Air Trade Area <sup>(1)</sup>  
as of 2nd Quarter 2013

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1. University of Virginia / Blue Ridge Hospital
2. University of Virginia Medical Center
3. County of Albemarle
4. Wal Mart
5. Martha Jefferson Hospital
6. City of Charlottesville
7. UVA Health Services Foundation
8. State Farm Mutual Automobile Insurance
9. Dominion Virginia Power
10. Charlottesville City School Board
11. Louisa County Public School Board
12. U.S. Department of Defense
13. Fluvanna County Public School Board
14. Food Lion
15. Lakeland Tours
16. Northrop Grumman Corporation
17. Region Ten Community Services
18. Greene County School Board
19. Klockner Pentaplast America
20. Sevicelink Management Com Inc
21. Piedmont Virginia Community College
22. Lowes' Home Centers, Inc.
23. SNL Security LP
24. Wintergreen Partners
25. Atlantic Coast Athletic Club
26. GE Fanuc Automation North Corporation
27. Nelson County School Board
28. Assoc for Investment Management
29. Kroger
30. Aramark Campus LLC
31. Athena Innovative Solutions Inc
32. Crutchfield Corporation
33. State Farm Fire and Casualty Insurance
34. Postal Service
35. County of Louisa

<sup>(1)</sup> Primary trade area is defined as the Thomas Jefferson District: Charlottesville, Albemarle, Greene, Fluvanna, Louisa and Nelson

Source: Virginia Employment Commission,

Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, June) 2012.

Earliest comparative information was obtained from FY2006 Comprehensive Annual Financial Report.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Principal Employers in the Primary Air Trade Area <sup>(1)</sup>  
as of 2nd Quarter 2006

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1. University of Virginia
2. University of Virginia Health Sciences
3. County of Albemarle
4. Martha Jefferson Hospital
5. City of Charlottesville
6. Northrop Grumman Corporation
7. State Farm
8. National Ground Intelligence Center
9. Aramark Educational Group, Inc
10. Greene County Schools
11. Sam's Club
12. Food Lion
13. Pharmaceutical Research Association
14. Matthew Bender & Company
15. GE Fanuc Automation Manufacturing
16. Region Ten Community Services
17. Piedmont Virginia Community College
18. U.S. Postal Service
19. Crutchfield Corporation
20. Lakeland Tours
21. Americare Plus
22. Boar's Head Inn
23. Farmington Country Club
24. Kroger
25. FIC Staff Services
26. Thomas Jefferson Foundation
27. Lowes
28. SNL Security LP
29. Atlantic Coast Athletic Club
30. Westminster Canterbury of the Blue Ridge
31. McDonalds
32. Tiger Fuel Company
33. CFA Institute
34. Sodexo Service
35. Trinity Mission Healthcare & Rehabilitation

*(1) Primary trade area is defined as Charlottesville, Albemarle and Greene*

*Source: Virginia Employment Commission*

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**Independent Auditors' 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***

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**To The Honorable Members of The  
Charlottesville-Albemarle Airport Authority  
Charlottesville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Charlottesville-Albemarle Airport Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charlottesville-Albemarle Airport Authority's basic financial statements and have issued our report thereon dated December 30, 2013.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Charlottesville-Albemarle Airport Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Charlottesville-Albemarle Airport Authority's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charlottesville-Albemarle Airport Authority'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Co. Associates*

Charlottesville, Virginia  
December 30, 2013

## **Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and the Passenger Facility Charge (PFC) Program**

**To the Honorable Members of the  
Charlottesville-Albemarle Airport Authority  
Charlottesville, Virginia**

### **Report on Compliance for Each Major Federal Program**

We have audited Charlottesville-Albemarle Airport Authority's 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 Charlottesville-Albemarle Airport Authority's major federal programs for the year ended June 30, 2013, and the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration. Charlottesville-Albemarle Airport Authority's major federal programs are identified in the summary of auditors' 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 and those applicable to its passenger facility charge program.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Charlottesville-Albemarle Airport Authority'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*; and the Guide. Those standards, OMB Circular A-133 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 a major federal program or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Charlottesville-Albemarle Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program or the passenger facility charge program. However, our audit does not provide a legal determination of Charlottesville-Albemarle Airport Authority's compliance.

## *Opinion on Each Major Federal Program*

In our opinion, Charlottesville-Albemarle Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, and the passenger facility charge program, for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of Charlottesville-Albemarle Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charlottesville-Albemarle Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, and 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 each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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 and the Guide. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Co. Associates*

Charlottesville, Virginia  
December 30, 2013

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>Department of Transportation:</u>			
Direct Payments:			
Airport Improvement Program	20.106	N/A	\$ 7,486,803
Small Community Air Service Development Program	20.930	N/A	<u>500,000</u>
Total expenditures of federal awards			\$ <u><u>7,986,803</u></u>

This schedule presents the activity of all federally assisted programs of Charlottesville-Albemarle Airport Authority. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included herein. The schedule is presented using the accrual basis of accounting, which is described in note 2 to the financial statements.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	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 OMB Circular A-133?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.930	Small Community Air Service Development Program

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2013

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There were no federal award findings reported.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited  
Year Ended June 30, 2013

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Unexpended passenger facility charges as of July 1, 2012		\$	862,478
Collections:			
Passenger facility charges collected	\$	930,763	
Interest credited		<u>8,831</u>	939,594
Passenger facility charges expended for approved projects:			
Terminal building debt service	\$	75,779	
Runway 21 phase 1a extension and design		16,815	
Runway 21 phase 1b additional share		37,275	
Runway 21 phase 3 taxiway		70,000	
Runway 21 phase 4 ERSA embankment		280,000	
Offset localizer		<u>80</u>	<u>(479,949)</u>
Unexpended passenger facility charges as of June 30, 2013		\$	<u><u>1,322,123</u></u>
Reconciliation to cash as reported on the Statement of Net Position:			
Change in accounts receivable	\$	<u>(37,160)</u>	
Cash balance per Statement of Net Position		\$	<u><u>1,284,963</u></u>

This schedule presents the activity of the passenger facility charge program of the Charlottesville-Albemarle Airport Authority. The schedule is presented using the accrual basis of accounting, which is described in note 2 to the financial statements. A reconciliation to the cash balance reported in the Statement of Net Position is provided.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Findings and Questioned Costs  
Passenger Facility Charge Program  
Year Ended June 30, 2013

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Passenger Facility Charge**

Internal control over Passenger Facility Charge:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for Passenger Facility Charge:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Aviation and Safety in accordance with the Federal Aviation Administration (Guide) for its Passenger Facility Charge Program?	No
Identification of Program:	
Part 14 CFR 158      Passenger Facility Charge	

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Passenger Facility Charge Findings and Questioned Costs**

There are no Passenger Facility Charge findings and questioned costs to report.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Prior Year Findings and Questioned Costs  
Passenger Facility Charge Program  
Year Ended June 30, 2013

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There were no federal award findings reported.