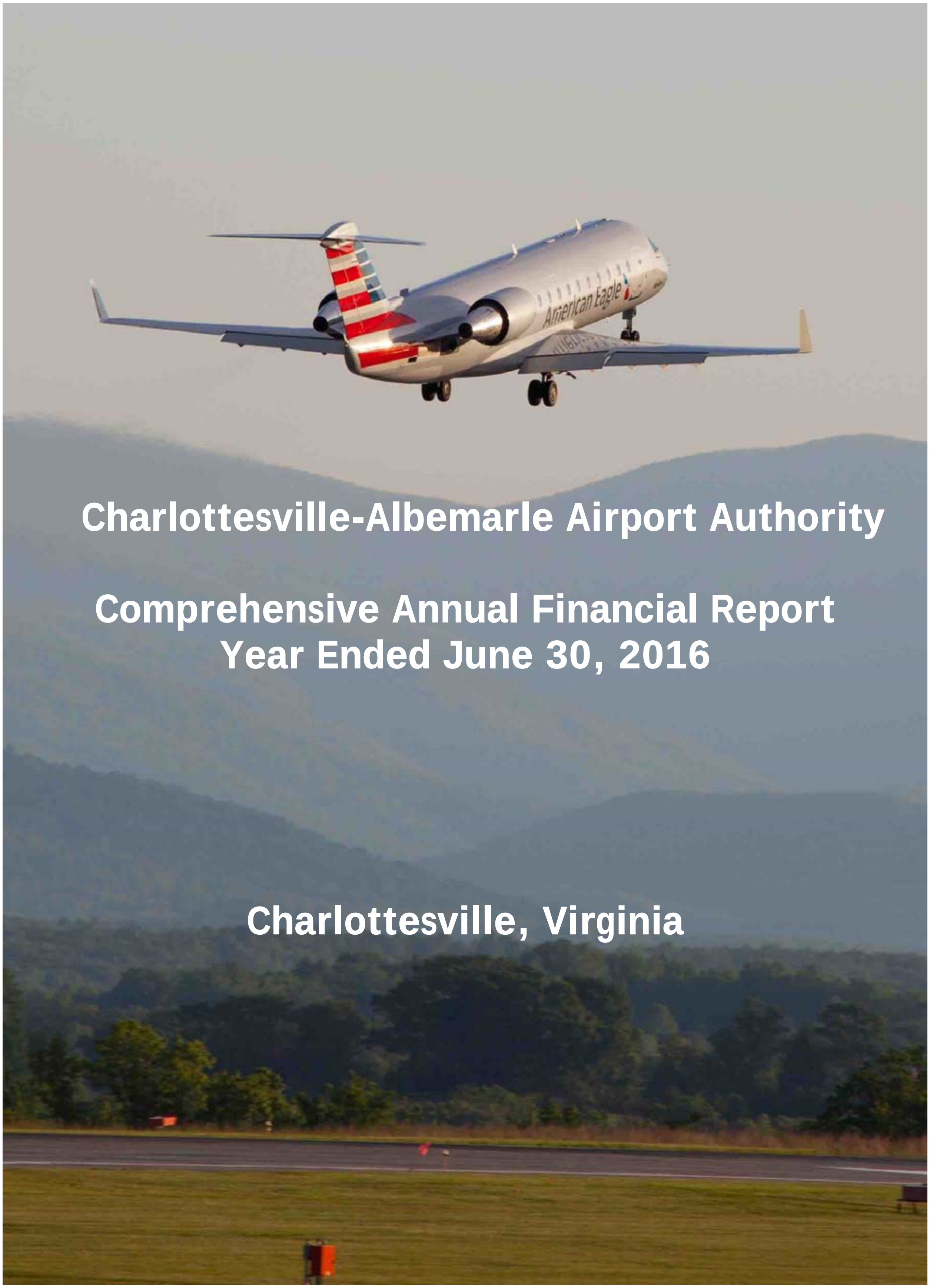

Charlottesville-Albemarle Airport Authority

Comprehensive Annual Financial Report
Year Ended June 30, 2016

Charlottesville, Virginia

Charlottesville-Albemarle Airport Authority
Charlottesville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2016

Prepared by the Administrative Division

Penny D. Shifflett
Director of Finance
www.gocho.com

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

December 20, 2016

DEAR HONORABLE MEMBERS OF
THE CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY:

I am pleased to submit for your review and information the fiscal year 2016 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, 2016 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, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 September 2000 Passenger Facility Charge Audit 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 meets 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), the County of Albemarle, Virginia (County), and surrounding region. 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 Economic Condition and Outlook

Jason Burch, Director of Air Service Development & Marketing

There are nine Central Virginia counties that make up the Charlottesville-Albemarle Airport's (CHO) local passenger traffic base. Known as the airport primary catchment area, these nine counties are bordered on the west by the Blue Ridge Mountains and are in the geographic center of the Commonwealth. A vibrant business-minded community, Charlottesville and the surrounding counties have a diverse make up of industries including technology, education, medical services, and viticulture, along with a growing military presence. The region is fundamentally sound economically with a well-developed transportation network that includes CHO, a thriving commercial airport.

With a lifestyle that offers remarkable outdoor living, including hiking trails with breathtaking mountain vistas contrasted with all of the amenities a vibrant urban downtown brings, Central Virginia's unmatched livability is lauded by its residents. The region continues its legacy of achieving the highest awards as a place to work and live. In the last 12 months alone, various national publications have named the City of Charlottesville as "one of the best cities in the United States for entrepreneurship", "one of the most exciting cities in Virginia", and "one of the best wine vacations in the world" to name a few.

In addition to its highly regarded quality of life, this region possesses a very diverse economy supported by strong commercial and business service sectors anchored by the University of Virginia and a thriving heritage tourism sector. The most recognizable and distinguishable tourism attractions in the region include the homes of three of the nation's founding fathers, i.e. Thomas Jefferson's Monticello, James Madison's Montpelier and James Monroe's Highland. These historic home sites are all within a short drive of CHO Airport. Monticello, alone, attracts approximately a half of a million guests each year and remains the main tourist attraction for the region. The Charlottesville downtown area and Michie Tavern, a local landmark, also contribute to a deep-rooted historical tourism industry. A host of other cultural and entertainment venues attract additional visitors, and these venues include the Charlottesville downtown pavilion, the Paramount Theatre, and the John Paul Jones Arena.

Virginia's wine industry continues to be quite prominent in the regional economy. Today the Commonwealth of Virginia is the 5th largest producer of wine in the United States generating annual sales of close to $1 billion dollars. Over thirty of the Commonwealth's wineries are located in the CHO Airport's primary catchment area, and proudly produce fine wines of national and international acclaim.

The region's economy has remained relatively steady thanks to the area's large employers such as the University of Virginia (UVA) and Martha Jefferson hospitals. Together these medical facilities support approximately 7,000 jobs and rank among the top employers for this region. Because of their missions, services and propensity to generate significant employment opportunities and payroll, both the University of Virginia and Martha Jefferson health care systems will continue to be catalysts for economic activity in this region.

The University of Virginia remains stable regardless of national economic impacts. With nearly 22,000 students and around 16,000 employees, it remains a commodity in the region moderating many recessionary economic forces. UVA has invested heavily in its research parks, one of which being located adjacent to CHO Airport. This 562-acre, 3-million-square-foot, mixed-use development is zoned for many commercial uses. According to the University of Virginia Foundation, it includes plans for a people-oriented corporate village to meet the needs of today's and tomorrow's businesses in a setting of unmatched natural beauty. The Park represents an evolution in development planning, uniting the harmony and community of Thomas Jefferson's Academical Village at UVA with a fully functioning office and research environment.

Economic Condition and Outlook Economic Condition and Outlook: (Continued)

In recent years, the Defense Intelligence Agency has been relocating many of its assets from Washington D.C. to its Albemarle County location in close proximity to the National Ground Intelligence Center. These organizations, along with other government institutions like the Judge Advocate General's legal center and school in Charlottesville have bolstered the government/defense industry in the area. This growing military presence is generating hundreds of millions of dollars in economic growth.

The quality of life that Central Virginia offers along with the economic activity generated through the many diverse industries will continue to yield opportunities for all forms of aviation to prosper and grow at the Charlottesville-Albemarle Airport.

Airport Outlook

Melinda Crawford, Executive Director

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. Much of CHO's economic impact on the region was highlighted in an advertising campaign which promotes CHO as "Your Airport".

CHO reached a record breaking high of 570,248 passengers in FY 2016, an increase of 9.1% over FY 2015. With these strong numbers, CHO has seen an overall increase of over 56% in enplaned passenger growth for the period of FY 2007 through FY 2016, a period when many similar-sized airports have experienced significant declines in passenger traffic. This increase in passenger traffic is attributable to American Airlines increasing its presence at CHO by adding daily flights to LaGuardia. Another factor that has driven this increase occurred when Delta Air Lines added a Boeing 717-200 to their fleet serving the CHO-Atlanta service which they continued in FY 2016. The seat configuration for that aircraft provides 110 seats per flight and this aircraft replaced the CRJ-200 that provided 50 seats. The Boeing 717-200 offers CHO's passengers a first/business class option, and similar options have been offered when American Airlines introduced CRJ-700s and CRJ-900s to its fleet routinely throughout the year.

CHO's overall load factors remain high at 84% for FY 2016 which are at historically peak levels. Most of CHO's connecting markets maintain load factors above 75%. CHO's Atlanta service averages a monthly load factor of 90% while American's service to Chicago remains strong with 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.

As illustrated in the Economic Outlook, the region surrounding the Airport provides economic strength, as well as an exemplary quality of life which only enhances the area's ability to attract and retain high-quality employers in industries such as health services, education, and tourism. 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 continues to grow 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 aviation industry further stabilizes.

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 address deficiencies that have been identified with the Authority's infrastructure/ facilities and 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 2014 capital plan began the design phase for a parking lot expansion project and a terminal improvement project. The construction for both of these projects was completed during FY 2016. The parking lot expansion added approximately 200 new parking spaces and was funded by the issuance of general revenue bonds through the Virginia Resource Authority along with minimal Airport funding. The terminal improvement project expanded and improved the terminal to allow for more passenger hold room space, bathroom rehabilitation and expansion, security checkpoint reconfiguration, a new business center and new concession areas. This project was funded by the VDOA, FAA authorized PFCs, and local funds. CHO also received an FAA grant in September 2014 to assist with the funding of the design of a runway/taxiway rehab project. This project designed the refurbishment of the existing runway/taxiway pavement which was last rehabbed in the late 1990's. FAA and VDOA funding has been secured for this construction project which is expected to begin in the spring CY-2017.

As CHO continues to see passenger growth, future capital projects will be planned and developed to keep up with capacity and security issues. Even though a parking lot expansion project was recently completed, a preliminary parking feasibility study is underway to examine future parking expansion possibilities. An airport-wide security upgrade is also scheduled and will be pursued dependent upon future FAA approval and funding. In addition to the security project, other terminal needs will be addressed as the original terminal systems continue to age and require refurbishment or replacement. Some of the terminal systems that have been identified for improvement or replacement include the terminal's HVAC system, escalators, elevators, roof system and baggage claim devices.

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.

Financial Controls: (Continued)

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 $15,000 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 signatory 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, 2010. 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 FY 2017 with an effective begin date of 7/1/17.

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 Uniform Guidance. 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 2015 Comprehensive Annual Financial Report (CAFR). This represents twenty-five 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,

Penny D. Shifflett

Penny D. Shifflett
Director of Finance

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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
PRINCIPAL OFFICIALS AS OF JUNE 30, 2016

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY BOARD

Chairman
Donald D. Long, Attorney, Lenhart Pettit

Vice-Chairman
Thomas C. Foley, Executive, County of Albemarle

Maurice Jones, City Manager, City of Charlottesville

CHARLOTTESVILLE-ALBEMARLE JOINT AIRPORT COMMISSION

Chairman
John Post

Vice-Chairman
George Benford

Victor Schiller

Donald D. Long

J. Addison Barnhardt

Brian Campbell

Chris Engel

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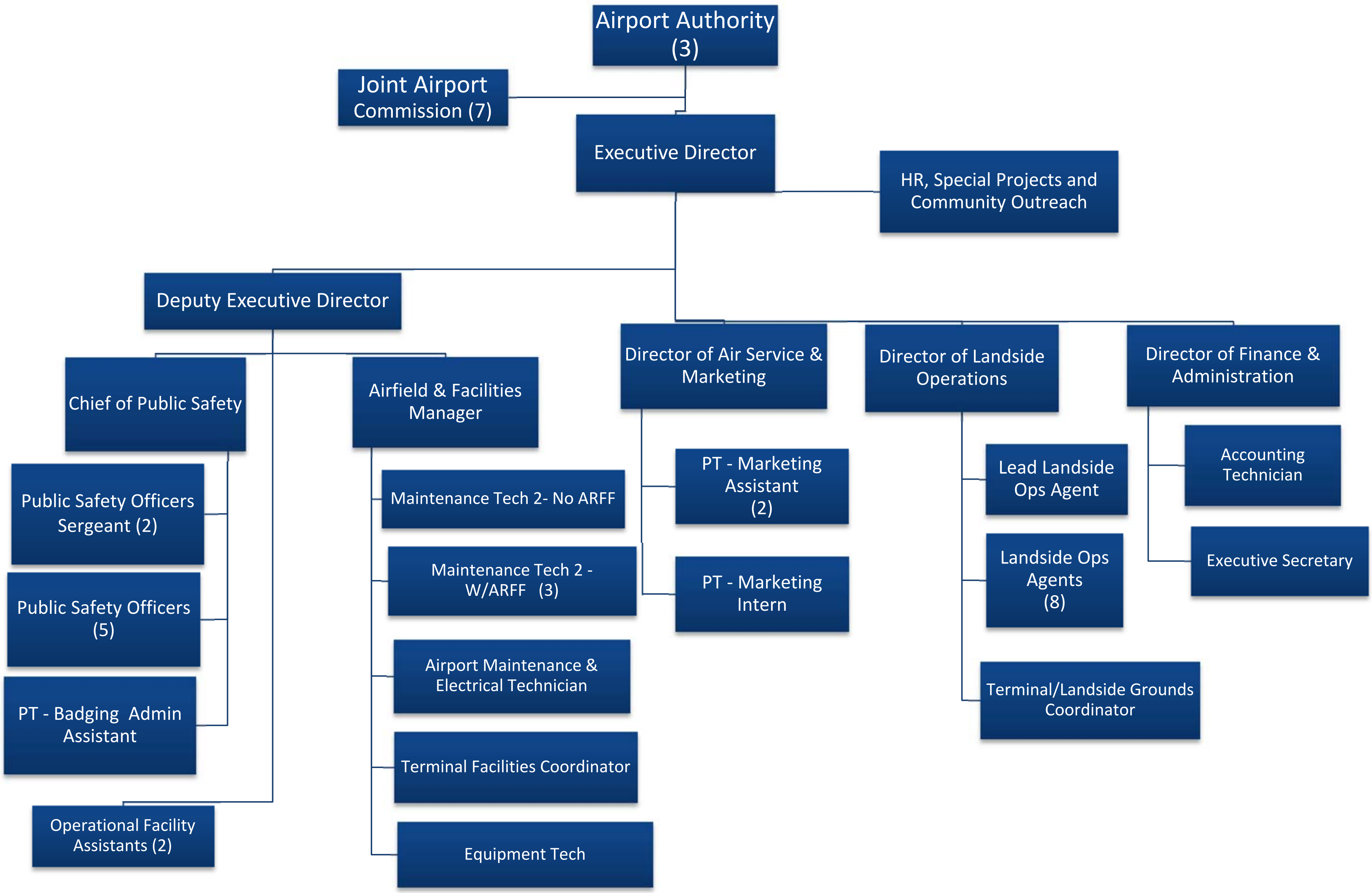
Charlottesville Albemarle Airport 2016 Organizational Chart



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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

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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, 2015

Jeffrey R. Emer

Executive Director/CEO

FINANCIAL SECTION

Independent Auditors' Report

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 Charlottesville-Albemarle Airport Authority, as of and for the year ended June 30, 2016, 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 Charlottesville-Albemarle Airport Authority, as of June 30, 2016, 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.

Change in Accounting Principles

As described in Note 14 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement Nos. 72 *Fair Value Measurement and Application* and 82 *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 and schedules related to pension funding on pages 21-28 and 73-75 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of passenger facility charges collected and expended 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 20, 2016, 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, Farmer, Cox Associates

Charlottesville, Virginia
December 20, 2016

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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, 2016. 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, 2016, the end of the Authority's fiscal year. The Statement shows all of the financial assets and liabilities 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, nonoperating revenues, nonoperating expenses, contributed capital and changes in net position during the fiscal year ended June 30, 2016. 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 increase in activity in relation to the prior fiscal year. Passenger enplanements increased 9% to 286,030. This increase in passenger traffic can be attributable, in part, to American Airlines increasing its presence at CHO by adding daily flights to LaGuardia. Also during FY 2015, Delta Air Lines included a Boeing 717-200 to their CHO-Atlanta service which they continued in FY 2016. The seat configuration for that aircraft provides 110 seats per flight and this aircraft replaced the CRJ-200 that provided 50 seats. The Boeing 717-200 offers CHO's passengers a first/business class option, and similar options have been offered when American Airlines introduced CRJ-700s and CRJ-900s to its fleet routinely throughout the year. Rental car revenue increased 7%. Parking revenue increased 5%. Both of these revenue streams are directly related to the increase in passenger traffic as there were no rate changes in either of these revenue categories for FY16. The increase in non-airline revenue reduced the amount required from airline rents in accordance with the current airline agreement. The reduction of airline rents was 22%.

General aviation, military activity and commercial carriers all showed a slight decrease in activity which did not have a negative impact on the financial aspects of the airport. The commercial activity showed a decrease in operations, however, the number of seats into the market increased because larger aircraft were introduced into the fleet.

	FY 2016	FY 2015	FY 2014
Enplanements (persons)	286,030	261,631	238,398
Aircraft Landed Weights (1000's of lbs)	295,144	279,089	272,683
Operations (take-off & landings):			
Commercial	19,782	20,049	20,214
General Aviation	37,031	48,307	50,825
Military	5,518	5,637	6,028
Total Operations	**62,331**	**73,993**	**77,067**

Financial Highlights

Summary of Operations & Changes in Net Position

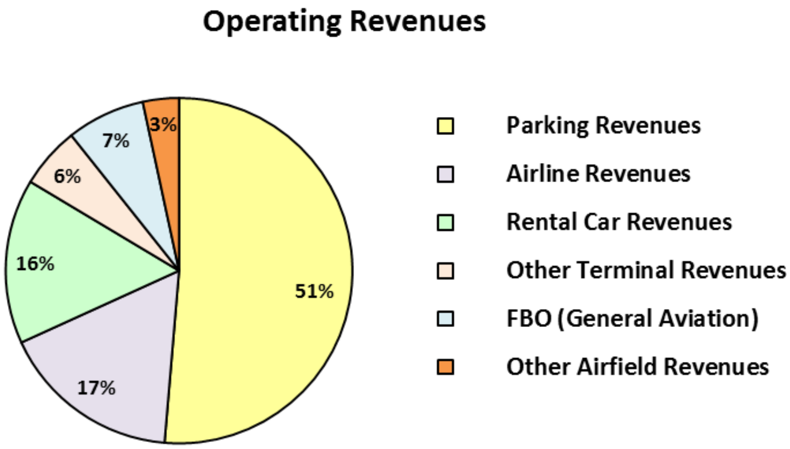
A summary of the Authority's Operations and Changes in Net Position at June 30, 2016 is set forth below:

Summary of Operations & Changes in Net Position	2016	2015	2014
Operations:			
Revenues	$ 6,085,694	$ 5,726,446	$ 5,438,985
Expenses	(4,766,160)	(4,442,964)	(4,285,964)
Income/(loss) before depreciation & nonoperating income/(expenses)	1,319,534	1,283,482	1,153,021
Nonoperating income/(expenses)	(155,946)	(360,664)	(518,624)
Income/(loss) before capital contributions & depreciation	1,163,588	922,818	634,397
Depreciation	(3,741,700)	(3,508,608)	(2,736,440)
Income/(loss) before capital contributions	(2,578,112)	(2,585,790)	(2,102,043)
Capital contributions	7,677,697	4,995,034	9,437,881
Net Position:			
Increase in net position	5,099,585	2,409,244	7,335,838
Total net position, beginning of year, as restated	95,461,602	93,052,358	86,668,530
Total net position, end of year	**$ 100,561,187**	**$ 95,461,602**	**$ 94,004,368**

The 5.3% increase in net position is due to completion of the terminal and parking lot projects. In 2016, beginning balances were restated to recognize bridge loans received from the Virginia Department of Aviation. The 2015 GASB 68 implementation resulted in a reduction to unrestricted net position. Beginning balances were restated in 2015 for GASB 68 implementation and to reflect the in-service date of the initial phases of Runway 21. Prior year balances as presented above were restated to reflect the capital asset and related deprecation restatement as well as the loans. However, information was not available to restate the 2014 presentation of items related to GASB 68.

Operating & Non-operating Revenue Highlights

The following chart shows the major sources and percentage of operating revenues for the fiscal year ended June 30, 2016:



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 41% of revenue in FY 2007 to 51% of operating revenues in FY 2016. Correspondingly, airline revenue has decreased from 21% of revenue in FY 2007 to 17% of operating revenues in FY 2016.

A summary of revenues for the year ended June 30, 2016 follows:

Summary of Revenues		**2016**		**2015**		**2014**
Operating:						
Parking Revenues	$	3,124,311	$	2,972,382	$	2,692,721
Airline Revenues		1,024,977		1,107,186		950,258
Rental Car Revenues		939,012		875,844		789,511
Other Terminal Revenues		348,110		274,861		305,912
FBO (General Aviation)		444,422		335,265		284,405
Other Airfield Revenues		204,862		160,908		416,179
Total Operating Revenues	$	6,085,694	$	5,726,446	$	5,438,986
Nonoperating:						
Interest Income	$	6,473	$	8,493	$	7,443
PFC Debt Service Income		-		-		31,575
Insurance Recovery		39,628		61,282		-
Airline Settlement Retained		417,921		335,434		-
Agency Reimbursements		50,000		150,000		180,000
Total Nonoperating Revenues	$	514,022	$	555,209	$	219,018
Total Revenues Prior to Capital Contributions	**$**	**6,599,716**	**$**	**6,281,655**	**$**	**5,658,004**
Capital Contributions		7,677,697		4,995,034		9,437,881
Total Revenues	**$**	**14,277,413**	**$**	**11,276,689**	**$**	**15,095,885**

Operating & Non-operating Revenue Highlights

The increases in parking and rental car revenue are directly related to the increase in passenger traffic. The increase in the other terminal revenues was due to the first year of operations of the new food and beverage concession, Tailwind, LLC, which has been well received by the traveling public. Another significant increase in revenue has resulted from the second year of the revised FBO agreement.

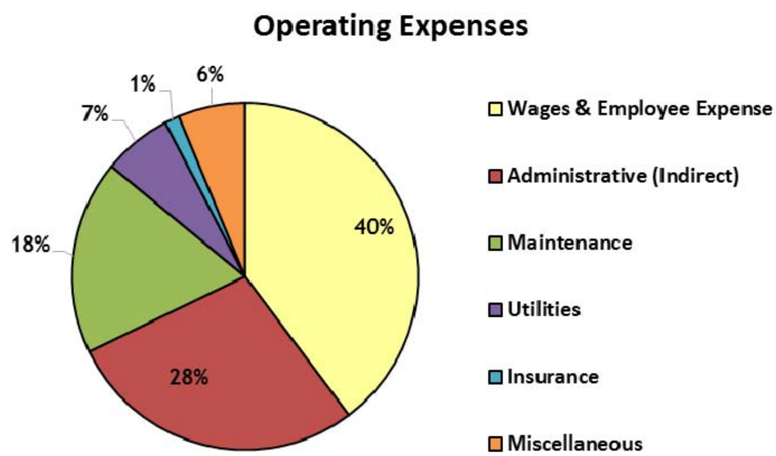
Operating & Non-operating Revenue Highlights (Continued)

Nonoperating revenues decreased 7%. The prior year increase of 153% was related to the recognition of airline settlement retention revenue from the prior two fiscal years. The airlines authorized the Airport to keep these revenues for its needs and approved retaining the fiscal year 2015 settlement again this year. The decrease is also related to $100,000 less in state entitlement debt service income.

Operating & Nonoperating Expense Highlights

The following chart illustrates the major sources and percentage of operating expenses for the fiscal year ended June 30, 2016:

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, 2016 follows:

Summary of Expenses		**2016**		**2015**		**2014**
Operating:						
Wages & Employee Expense	$	1,894,519	$	1,706,336	$	1,602,728
Administrative (Indirect)		1,340,086		1,135,760		1,174,382
Maintenance		861,817		930,080		826,332
Utilities		305,958		311,361		340,481
Insurance		65,574		68,877		61,111
Miscellaneous		298,206		290,550		280,930
Total Operating Expenses	$	4,766,160	$	4,442,964	$	4,285,964
Nonoperating:						
Interest Expense	$	157,167		202,983		232,742
Rental Car Service Facility Expense		142,076		155,430		169,466
Write-off of stopped project		-		139,539		-
Airline Settlement		370,725		417,921		335,434
Total Nonoperating Expenses	$	669,968	$	915,873	$	737,642
Total Expenses	**$**	**5,436,128**	**$**	**5,358,837**	**$**	**5,023,606**

Operating & Nonoperating Expense Highlights: (Continued)

Overall, expenses remained steady. There was a slight increase in wages and employee expenses associated with authorized staffing changes.

Financial Position Summary

The Statement of Net Position reports the Authority's financial position as of June 30, 2016. It represents the Authority's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $100,561,187 at June 30, 2016, a 5.3 percent increase, or $5,099,585 over June 30, 2015.

A condensed summary of the Authority's total net position at June 30, 2016 is set forth below:

	2016	2015	2014
Assets:			
Current unrestricted assets	$ 995,042	$ 1,836,945	$ 2,046,376
Restricted assets	8,484,390	6,386,567	5,281,586
Capital assets	97,759,584	94,548,065	93,342,811
Total assets	$ 107,239,016	$ 102,771,577	$ 100,670,773
Deferred outflows of resources	$ 358,057	$ 420,726	$ 357,388
Liabilities:			
Current liabilities	$ 1,928,729	$ 2,997,484	$ 2,570,716
Noncurrent liabilities	4,992,439	4,489,876	4,453,077
Total liabilities	$ 6,921,168	$ 7,487,360	$ 7,023,793
Deferred inflows of resources	$ 114,718	$ 243,341	$ -
Net Position:			
Net investment in capital assets	$ 92,756,326	$ 90,453,841	$ 88,641,919
Restricted	8,396,399	4,823,976	4,185,359
Unrestricted	(591,538)	183,785	1,177,090
Total Net Position	**$ 100,561,187**	**$ 95,461,602**	**$ 94,004,368**

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 2.6 percent as the result of the value of construction placed in service and equipment purchased. This category represents 92% of the Authority's net position as of June 30, 2016.

Financial Position Summary: (Continued)

Restricted net position (8% 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 increase of 74% in the total restricted cash balance in these funds compared to June 30, 2015 is the result of funds being collected in accordance with established authorizations to be used on planned or future projects.

Unrestricted net position is allocable for any reason by the Airport Authority. Unrestricted net position represents current assets and pension related deferred outflows of resources less current liabilities (other than notes payable) less accrued leave less net pension liability and pension related deferred inflows of resources. At June 30, 2016, there was a 421.8% decrease in unrestricted net position compared to June 30, 2015. This decrease is the result of unrestricted funds that were used to cover expenses that will be reimbursed by future collections of restricted funds.

Summary of Cash Flow Activities

Net cash provided by the operation of $1,130,592, is a 22%, or $202,105 increase over the prior year change. This was due, primarily, to increased wages due to staffing level increases. Net cash used in capital financing activities increased $279,708 as the result of grants and other funds received for projects and the issuance of debt for a parking lot expansion. There was an overall increase in cash and cash equivalents for the year of $1,418,649. This is an increase of 51% over the prior year change. Cash and cash equivalents totaled $8,009,389 at year-end which is a 22% increase over FY 2015.

Airline Signatory Rates and Charges

The Authority and its commercial service airlines are negotiating 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 signatory airlines in the form of an airline settlement at the conclusion of the fiscal year. The contract renewal expired June 30, 2010 placing the airlines in a holdover position. A renewal of the agreement is being re-negotiated. It is anticipated a new agreement will be in effect during FY 2017. Rates and charges for the signatory airlines over the last 36 months are as follows:

	FY 2016	FY 2015	FY 2014
Landing Fees (1,000 lbs unit)	1.95	1.95	1.86
Average Terminal Rental Rates (s.f.)	23.35	32.55	23.09
Airline Cost per Enplanement	3.58	4.20	3.99

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 2016, the Authority expended $6,953,220 on capital activities. These included construction projects mainly related to parking lot expansion, terminal renovation, runway rehabilitation, a pedestrian access ramp and stairs project, and the addition of a business center, and acquisition of 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 $10,614,797 were comprised of the following:

Capitalized Item		*Value*
Runway 21 Phase 5 Navaids	$	278,947
Offset Localizer		1,531,689
Air Carrier Apron Repair		111,138
Parking Lot Expansion		2,077,202
Terminal Renovation/Expansion		5,458,585
Luggage Edgemill and Overlay		16,360
Aviramps		224,284
Water Pump and Water Coils		36,426
Airfield Painting Equipment		17,734
Express Parking Station (New Lot)		18,175
Friction Tester		59,347
Security Camera Upgrade		55,490
Snow Removal Equipment		592,000
Chevy Tahoe and Upgrades		51,083
Mower		39,999
Other		46,338
Total	**$**	**10,614,797**

Long Term Debt Administration

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 2020 with interest of 5.789%. In 2015, the terms were amended to lower the interest rate to 2.200% beginning August 1, 2015 through 2020. 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, 2016 was $743,528.

In 2004, the Authority issued $6,703,274 in taxable Series 2004 Refunding Bonds dated April 14, 2004 maturing annually from 2004 through 2019 with interest of 4.750%. In 2015, the terms were amended to lower the interest rate to 2.550% beginning August 1, 2015 through 2020. The balance outstanding as of June 30, 2016 was $1,645,273.

In 2006, the Authority issued $710,000 in taxable Series 2006 Airport Revenue Bonds dated April 1, 2006 maturing annually from 2006 through 2020 with interest of 4.150% for the construction of a pay surface parking lot. The balance outstanding as of June 30, 2016 was $260,498.

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 was obtained for this loan as the land acquisition part of this project is still ongoing. During fiscal year 2016, an outstanding accounts receivable of $9,408 was written off and the remaining balance of 106,174 was paid off in August 2016.

Long Term Debt Administration (Continued)

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 outstanding balance of $107,812 was paid off in August 2016.

In fiscal year 2016, the Authority was notified of three additional bridge loans from VDOA outstanding. These were related to CS0004-22 for land acquisition in the amount of $316,149; CS0004-26 for EA/BCA in the amount of $365,785; and CS0004-25 for obstruction study in the amount of $52,948. These loans are scheduled for repayment in fiscal year 2018.

In 2014, the Authority issued $1,612,000 in taxable Series 214 Airport Revenue Bonds dated October 30, 2014 maturing annually from 2016 through 2025 with interest of 1.570%. The balance outstanding as of June 30, 2015 was $1,612,000.

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

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 was 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.

PFC Application No 15-22-C-00-CHO was approved by the FAA in November of 2015. This application authorized the collection of $3,009,078 to be used for identified eligible projects. This application expires in December 2019.

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 bi-annually by VRS as actuarially determined (9.06% during FY 2016).

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 Director of Finance, Charlottesville - Albemarle Airport Authority, 100 Bowen Loop Suite 200, Charlottesville, VA 22911.

Respectfully submitted,

Penny D. Shifflett

Penny D. Shifflett
Director of Finance

BASIC FINANCIAL STATEMENTS

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Statement of Net Position

At June 30, 2016

(With Comparative Totals for the Prior Year)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 601,800	$ 1,490,162
Prepaid insurance	95,833	4,981
Prepaid insurance - CFC facility	4,663	3,321
Other prepaid items	37,831	106,260
Accounts receivable - net	254,915	232,221
Total current unrestricted assets	$ 995,042	$ 1,836,945
Restricted assets:		
Capital Funds:		
Cash and cash equivalents	$ 114,202	$ 821,023
Receivable	837,059	1,057,170
Passenger Facility Charge Funds:		
Cash and cash equivalents	386,320	2,261,894
Receivable	191,872	181,660
Customer Facility Charge Funds:		
Cash and cash equivalents	1,875,296	1,642,447
Receivable	47,870	47,159
Renewal and Replacement Funds:		
Cash and cash equivalents	151,907	151,300
State Entitlement Funds:		
Cash and cash equivalents	4,732,656	157,973
Total current restricted assets	$ 8,337,182	$ 6,320,626
Total current assets	$ 9,332,224	$ 8,157,571
Noncurrent assets:		
Restricted assets:		
Revenue Bond Funds:		
Cash and cash equivalents	$ 147,208	$ 65,941
Capital assets:		
Land	$ 17,216,527	$ 17,216,527
Construction in progress	1,354,578	5,016,155
Building, improvements and equipment, net of accumulated depreciation	79,039,741	72,098,588
Intangibles, net of accumulated amortization	148,738	216,795
Total capital assets (net of accumulated depreciation and amortization)	$ 97,759,584	$ 94,548,065
Total noncurrent assets	$ 97,906,792	$ 94,614,006
Total assets	$ 107,239,016	$ 102,771,577
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of debt	$ 206,909	$ 282,149
Pension contributions made after measurement date	151,148	138,577
Total deferred outflows of resources	$ 358,057	$ 420,726

Exhibit A

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Statement of Net Position

At June 30, 2016

(With Comparative Totals for the Prior Year)

	2016	2015
LIABILITIES		
Current liabilities:		
Accounts payable:		
Operating	$ 551,346	$ 566,878
Unearned revenue	7,918	5,187
Accrued payroll and related liabilities	63,219	52,821
Accrued compensated absences	11,714	9,942
A/P security deposits/performance bonds	32,667	32,667
Due to VDOA--Bridge Loans	213,986	-
Revenue bonds payable	941,685	753,798
Accrued interest	18,203	13,600
Liabilities payable from restricted assets (accounts payable and retainage payable):		
Capital funds	87,991	1,562,591
Total current liabilities	$ 1,928,729	$ 2,997,484
Noncurrent Liabilities:		
Accrued compensated absences	$ 105,426	$ 89,483
Due to VDOA--Bridge Loans	734,882	958,276
Net pension liability	832,517	777,818
Revenue bonds payable	3,319,614	2,664,299
Total noncurrent liabilities	$ 4,992,439	$ 4,489,876
Total liabilities	$ 6,921,168	$ 7,487,360
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	$ 114,718	$ 243,341
NET POSITION		
Net investment in capital assets	$ 92,756,326	$ 90,453,841
Restricted for:		
Capital Projects	$ 863,270	$ 315,602
PFC fund	578,192	2,443,554
State Entitlement fund	4,732,656	157,973
Renewal & Replacement	151,907	151,300
CFC fund	1,923,166	1,689,606
Bond fund	147,208	65,941
Total restricted assets	$ 8,396,399	$ 4,823,976
Unrestricted	$ (591,538)	$ 183,785
Total net position	$ 100,561,187	$ 95,461,602

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

Exhibit B

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016
(With Comparative Totals for the Prior Year)

	2016	2015
Operating revenues:		
Parking	$ 3,124,311	$ 2,972,382
Terminal	1,736,106	1,729,166
Airfield	1,225,277	1,024,898
Total operating revenues	$ 6,085,694	$ 5,726,446
Operating expenses:		
Direct operating expenses:		
Parking	$ 785,825	$ 717,690
Terminal	1,538,814	1,479,373
Airfield	1,101,435	1,110,141
Total direct operating expenses	$ 3,426,074	$ 3,307,204
Indirect operating expense:		
Administrative	$ 1,340,086	$ 1,135,760
Total operating expenses	$ 4,766,160	$ 4,442,964
Operating income before depreciation and amortization	$ 1,319,534	$ 1,283,482
Depreciation and amortization	(3,741,700)	(3,508,608)
Operating income (loss)	$ (2,422,166)	$ (2,225,126)
Nonoperating revenues (expenses):		
Interest income	$ 6,473	$ 8,493
CFC expenses	(142,076)	(155,430)
Interest expense	(157,167)	(202,983)
Write-off of stopped project	-	(139,539)
State entitlement debt service income	50,000	150,000
Insurance recovery	39,628	61,282
Airline settlement retained (FY15)	417,921	335,434
Airline settlement	(370,725)	(417,921)
Total nonoperating revenue (expenses)	$ (155,946)	$ (360,664)
Net income (loss) before capital contributions	$ (2,578,112)	$ (2,585,790)
Capital contributions:		
Federal construction revenue	$ 1,190,093	$ 1,524,346
State construction revenue	4,658,843	1,754,316
PFC fund	1,199,886	1,113,749
CFC fund	628,875	587,074
Other Contributions	-	15,549
Total capital contributions	$ 7,677,697	$ 4,995,034
Net position		
Increase in net position	$ 5,099,585	$ 2,409,244
Total net position, beginning of year-as restated	95,461,602	93,052,358
Total net position, end of year	$ 100,561,187	$ 95,461,602

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

Exhibit C

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for the Prior Year)

	2016	2015
Cash flows from operating activities:		
Cash received from providing services	$ 6,065,731	$ 5,799,311
Cash paid to suppliers	(2,238,401)	(2,459,018)
Cash paid to and for employees	(2,696,738)	(2,411,806)
Net cash provided by (used for) operating activities	$ 1,130,592	$ 928,487
Cash flows from capital and related financing activities:		
Interest paid on debt	$ (98,031)	$ (188,223)
Acquisition of property and equipment	(1,160,107)	(1,005,281)
Disposal of property and equipment (insurance recovery)	39,628	61,282
Additions to construction in progress	(7,270,584)	(3,381,858)
Long-term debt proceeds	1,597,000	15,000
Debt service paid	(753,798)	(696,907)
State debt service reimbursement	50,000	150,000
Contributions from Virginia Department of Aviation	4,859,195	1,728,588
Contributions from Federal Aviation Administration	1,200,443	1,639,931
Contributions from Passenger Facility Charge (PFC)	1,189,674	1,095,487
Contributions from Customer Facility Charge (CFC)	628,164	583,857
Net cash provided by (used for) capital and related financing activities	$ 281,584	$ 1,876
Cash flows from investing activities:		
Investment interest earned	$ 6,473	$ 8,493
Net increase (decrease) in cash and cash equivalents	1,418,649	938,856
Cash and cash equivalents at beginning of year (including restricted accounts)	6,590,740	5,651,884
Cash and cash equivalents at end of year (including restricted accounts)	$ 8,009,389	$ 6,590,740
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating loss	$ (2,422,166)	$ (2,225,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	$ 3,741,700	$ 3,508,608
CFC operations	(119,838)	(97,733)
Pension expense per GASB 68 calculation	-	69,149
Changes in operating assets and liabilities and deferred outflows/ inflows of resources:		
Accounts receivable	(22,694)	71,165
Prepaid items	(22,423)	(80,585)
Pension contributions subsequent to measurement date	(12,571)	(138,577)
Accounts payable - operating	31,664	(161,741)
Accounts payable - security deposits/performance bonds	-	(18,333)
Accrued payroll and related liabilities	10,398	2,429
Accrued compensated absences	17,715	(2,469)
Unearned revenue	2,731	1,700
Net pension liability	54,699	-
Deferred inflows related to measurement of net pension liability	(128,623)	-
Total adjustments	$ 3,552,758	3,153,613
Net cash provided by (used for) operating activities	$ 1,130,592	$ 928,487
Schedule of non-cash capital and related financing activities:		
Increase (decrease) in capital contribution receivables	$ (199,799)	$ 52,829
Write-off of AR related to bridge loans	$ (9,408)	$ -
Write-off of SRE design costs - scrapped project	$ -	$ 139,539

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

Charlottesville - Albemarle Airport Authority
Notes to Financial Statements

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"), the County of Albemarle, Virginia (the "County"), and the surrounding region. 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.

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 nonoperating revenues and expenses.

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

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.

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.

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

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, 2006 and 2014 airport revenue refunding bond proceeds held in Escrow Funds.

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.

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 CFC General fund are transferred to the QTA Maintenance Fund for future long term maintenance expenses.

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.

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

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 acquisition 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, 2016 was $3,741,700. 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 Outflows 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 has two items that qualify for reporting in this category:

One item 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. Amortization expense for the year ended June 30, 2016 was $75,239.

The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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

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 has one type of item that qualifies for reporting in this category:

Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

Net Position – 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.

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, 2016 consist of the following:

Restricted Assets:	Cash & Cash Equivalents	Receivables	Total Restricted Assets
Capital Projects	$ 114,202	$ 837,059	$ 951,261
PFC Fund	386,320	191,872	578,192
State Entitlement Fund	4,732,656	-	4,732,656
Renewal & Replacement	151,907	-	151,907
CFC Fund	1,875,296	47,870	1,923,166
Bond Fund	147,208	-	147,208
Total Restricted Assets	$ 7,407,589	$ 1,076,801	$ 8,484,390

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

Custodial Credit Risk (Investments)

The Authority has a formal investment policy. In addition to the requirements set forth by the 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.

NOTE 4 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments) (Continued)

As of June 30, 2016, 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 $147,208 on June 30, 2016 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, 2016:

Summary of Cash and Investments:		
Cash on hand and cash items	$	5,500
Carrying value of deposits		7,856,681
Investments		147,208
Total	$	8,009,389
Per Financial Statements:		
Cash and cash equivalents:		
Operating	$	601,800
Restricted Capital Projects		114,202
Restricted PFC Fund		386,320
Restricted CFC Fund		1,875,296
Restricted Renewal & Replacement		151,907
Restricted Entitlement		4,732,656
Restricted Bond Funds		147,208
Total per financial statements	$	8,009,389

Interest Rate Risk

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

NOTE 4 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
	6/30/2016	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds	$ 147,208	$ 147,208	$ -	$ -

NOTE 5 – ACCOUNTS RECEIVABLE:

Details of changes in Accounts Receivable for the fiscal year ended June 30, 2016 are as follows:

		Non Restricted Assets	Restricted Assets	Total Accounts Receivable
Accounts Receivable				
Operating	$	254,915 $	- $	254,915
Capital		-	837,059	837,059
Passenger Facility Charge		-	191,872	191,872
Rental Car Facility Charge		-	47,870	47,870
	$	254,915 $	1,076,801 $	1,331,716

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 $22,694 over fiscal year 2015.

Capital Receivable – Capital decreased $220,111 from fiscal year 2015 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 $202,045, the Federal Government in the amount of $619,465, and others in the amount of $15,549.

Passenger Facility Charge- Passenger facility charge receivables represent the accrual for funds received in July and August 2016 for the period June 2016.

Rental Car Facility Charge – Customer facility charge receivables represent the accrual for funds received in July 2016 for the period June 2016.

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

Net capital assets increased $3,211,519 as the result of several construction projects. 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. Details of changes in capital assets and construction in progress for the fiscal year ended June 30, 2016 follows on the next page as previously discussed in the Letter of Transmittal.

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not depreciated:				
Land	$ 17,216,527	$ -	$ -	$ 17,216,527
Construction in progress:				
Runway 21 Phase 5 Navaids	$ 278,447	$ 500	$ 278,947	$ -
Offset Localizer	1,531,689	-	1,531,689	-
Air Carrier Apron Repair	111,138	-	111,138	-
Parking Lot Expansion	429,973	1,647,229	2,077,202	-
Terminal Renovation/Expansion	2,286,963	3,171,622	5,458,585	-
Runway Rehabilitation	339,469	730,921	-	1,070,390
Sanford Land Relocation Project	8,492	-	-	8,492
Triturator	29,984	56,793	-	86,777
Pedestrian Access Ramp and Stairs	-	104,582	-	104,582
Business Center	-	76,112	-	76,112
Escalator Chain Replacement	-	8,225	-	8,225
Total construction in progress	$ 5,016,155	$ 5,795,984	$ 9,457,561	$ 1,354,578
Total capital assets not depreciated	$ 22,232,682	$ 5,795,984	$ 9,457,561	$ 18,571,105
Capital and other assets depreciated:				
Buildings	$ 29,911,760	$ 5,495,013	$ -	$ 35,406,773
Improvements other than buildings	74,166,527	2,146,059	-	76,312,586
Machinery & equipment	6,713,219	880,163	-	7,593,382
Infrastructure	12,176,100	2,093,562	-	14,269,662
Intangibles	1,089,663	-	-	1,089,663
Total capital assets depreciated	$ 124,057,269	$ 10,614,797	$ -	$ 134,672,066
Less accumulated depreciation for:				
Buildings	$ 16,959,337	$ 812,389	$ -	$ 17,771,726
Improvements other than buildings	24,382,317	2,169,803	-	26,552,120
Machinery & equipment	5,324,640	246,795	-	5,571,435
Infrastructure	4,202,724	444,657	-	4,647,381
Intangibles	872,868	68,057	-	940,925
Total accumulated depreciation	$ 51,741,886	$ 3,741,701	$ -	$ 55,483,587
Total net capital assets depreciated	$ 72,315,383	$ 6,873,096	$ -	$ 79,188,479
Net Capital Assets	$ 94,548,065	$ 12,669,080	$ 9,457,561	$ 97,759,584

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2016:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds	$ 3,418,097	$ 1,597,000	$ (753,798)	$ 4,261,299
Bridge Loans VDOA	958,276	-	(9,408)	948,868
Compensated Absences	99,425	112,709	(94,994)	117,140
Net Pension Liability	777,818	465,480	(410,781)	832,517
Total	$ 5,253,616	$ 2,175,189	$ (1,268,981)	$ 6,159,824

At June 30, 2016, 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% through 8/1/15 and 2.200% through 2020 principal payable monthly in various incremental amounts, ranging from $11,196 due on July 1, 2014 to $14,707 in 2020	$ 743,528	$ 162,081
$6,703,274 Airport Revenue Refunding Bond dated April 14, 2004, interest rate of 4.750% through 8/1/15 and 2.550% through 2020 principal payable monthly in various incremental amounts, ranging from $41,532 due on July 1, 2014 to $50,104 in 2019	1,645,273	567,175
$710,000 Airport Revenue Bond for construction of a pay surface parking lot dated April 1, 2006, interest rate of 4.150% and principal payable semi--annually in various incremental amounts, ranging from $24,026 due on June 1, 2014 to $31,378 in 2020	260,498	53,801
$1,612,000 Airport Revenue Bond dated October 30, 2014, interest rate of 1.570% principal payable semi-annually in various incremental amounts, ranging from $79,004 due on July 1, 2016 to $90,944 due in 2025	1,612,000	158,628
Total Revenue Bonds	$ 4,261,299	$ 941,685

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

At June 30, 2016, the Authority's long-term obligations consisted of the following: (Continued)

	Total	Current
Bridge Loans from Virginia Department of Aviation (VDOA)		
Various Projects:		
CS0004-22 Grant Agreement effective June 1, 2000 (land acquisition)	$ 316,149	$ -
CS0004-26 Grant Agreement effective September 23, 2004 (EA/BCA)	365,785	-
CS0004-25 Grant Agreement effective March 23, 2005 (Obstruction Study)	52,948	-
Runway Extension Project:		
CS0004-37 Grant Agreement effective April 9, 2010 - payoff August 2016	106,174	106,174
CS0004-41 Grant Agreement effective Nov. 7, 2012 - payoff August 2016	107,812	107,812
Total Bridge Loans *	$ 948,868	$ 213,986
Compensated Absences	$ 117,140	$ 11,714
Net Pension Liability	$ 832,517	$ -
Total long-term obligations	$ 6,159,824	$ 1,167,385

* Bridge loans through VDOA have a repayment period of 4 years from start date. Management was notified about the older bridge loans during fiscal year 2016. Original proceeds were recorded as state grants instead of loans requiring a restatement in fiscal year 2016. Repayment is scheduled for fiscal year 2018.

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.

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

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.

Year Ended June 30	Series 2002 $2,222,078 Issue Principal	Series 2002 $2,222,078 Issue Interest	Series 2004 $6,703,274 Issue Principal	Series 2004 $6,703,274 Issue Interest	Series 2006 $710,000 Issue Principal	Series 2006 $710,000 Issue Interest
2017	$ 162,081	$ 14,730	$ 567,175	$ 35,356	$ 53,801	$ 10,258
2018	165,683	11,128	581,808	20,723	56,056	8,002
2019	169,365	7,446	496,290	5,819	58,407	5,652
2020	173,129	3,682	-	-	60,856	3,203
2021	73,270	403	-	-	31,378	651
Total	$ 743,528	$ 37,389	$ 1,645,273	$ 61,898	$ 260,498	$ 27,766
Less current portion	162,081		567,175		53,801	
Total long-term obligations	$ 581,447		$ 1,078,098		$ 206,697	

Year Ended June 30	Series 2014 $1,612,000 Issue Principal	Series 2014 $1,612,000 Issue Interest	Total Debt Summary $11,247,352 Principal	Total Debt Summary $11,247,352 Interest
2017	$ 158,628	$ 24,688	$ 941,685	$ 85,032
2018	161,128	22,188	964,675	62,041
2019	163,668	19,648	887,730	38,565
2020	166,248	17,068	400,233	23,953
2021	168,868	14,448	273,516	15,502
2022-2026	793,460	31,469	793,460	31,469
Total	$ 1,612,000	$ 129,509	$ 4,261,299	$ 256,562
Less current portion	158,628		941,685	
Total long-term obligations	$ 1,453,372		$ 3,319,614	

NOTE 8 – LEASES:

The Authority's leasing operations consist of the leasing of office and terminal space to airlines and other tenants. 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 some leased space is not determinable because the leased portions of assets are not significant to the total square footage of the facility. Significant new lease agreements are described below.

NOTE 8 – LEASES: (CONTINUED)

On August 28, 2014, the Authority purchased the leasehold agreement with Aviation Development Group (ADG) for $320,000, which will provide the Authority with much needed storage space for airfield maintenance/snow removal equipment. A temporary benefit of this purchase is increased rental revenue from the assumption of the existing sublease through its remaining term. In the original "Deed of Lease" agreement dated March 24, 1997, the Authority authorized the lease of approximately 45,870 sq. ft. of property to ADG for the installation, construction, establishment and operation of no more than four 60' x 60' buildings for airplane storage. This lease was for a term of 25 years and provided the Tenant with a single seven-year additional term option. ADG later constructed Hangar Unit D2 (a 60' x 60' box hangar) in 1997, built Hangar Unit D3 (a second 65' x 60' box hangar) in 2007, and developed additional site locations for the future construction of two similar sized box hangars (Hangar Unit D1 & Hangar Unit D4). ADG then entered into a sublease agreement with Jackson Air Charter which expires on November 1, 2017. The sublease is for hangar (Unit D3) generating monthly income of $1,700, with expected income of $20,400 in 2016 and $6,800 in 2017. Once that lease expires, it is the Authority's intention to use that hangar for additional storage for airfield maintenance on snow removal equipment. The carrying value of the property at June 30, 2016 was $292,000.

On April 1, 2015, the Authority entered into a lease with Piedmont Hawthorne Aviation, LLC d/b/a Landmark Aviation for approximately 649,602 square feet of space to be used to operate a general fixed-base operation (FBO). The term of the lease is for a period of 25 years commencing April 1, 2015 and expiring at March 31, 2040 unless earlier terminated or cancelled, pursuant to the provisions of the lease. Provided the lessee is not in default under the agreement at the time of exercise and has spent at least $500,000 in facility improvements, the lessee shall have two options to extend the term for 5 years each. Annual rental payments are to be paid monthly with scheduled annual increases of 1.5% and two other scheduled increases when capital improvements are made and titles revert to the Authority. In addition, the lessee shall pay additional fees including fuel flowage fees, landing fees, and other fees as outlined in the agreement. The carrying value of the space leased is not determinable.

Future lease payments are as follows:

Year	Amount
2017	$ 177,866
2018	180,534
2019	183,242
2020	185,990
2021	188,780
2022-2026	1,340,955
2027-2031	2,060,385
2032-2036	2,313,152
2037-2041	2,491,922
2042-2046	2,684,507
2047-2051	2,741,371
Total	$ 14,548,704

NOTE 8 – LEASES: (CONTINUED)

On April 29, 2015, the Authority entered into a restaurant/retail/vending concession agreement with Tailwind for a term of 10 years commencing May 1, 2015 and continuing through April 30, 2025. The concessionaire shall make monthly payments to the Authority for a percentage of gross receipts from food/beverages, alcoholic beverages, retail sales and vending sales based on a tiered system with a minimum annual guarantee (MAG) of $50,000. In year 2 and each subsequent year, the MAG is an amount equal to 85% of the previous year's actual rent paid, or $50,000, whichever is greater. As part of the agreement, the Authority will contribute a maximum of $125,000 toward the Concessionaire's initial capital investment cost in the form of a Concession Fee Credit. This credit will be applied to monthly payments due from Concessionaire beginning with the month in which Concessionaire assumes operation of the concessions, not to exceed $25,000 annually. The credit will be applied as a pro-rated monthly credit against amounts payable during the first five years following the commencement date. In addition, the Authority shall charge the market rate for any storage or office space leased to the Concessionaire by the Authority. Tailwind began operations in August 2015.

NOTE 9 – 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 $117,140 as of June 30, 2016. Of this amount, 10 percent or $11,714 has been estimated as a current liability.

The Authority has a policy that upon separation on good terms, full time employees with 5 or more years of service will receive $125 for each year of service, for a maximum of 30 years. As of June 30, 2016, the potential amount of payout for current employees is $29,750. This is not recorded as a liability due to the uncertainty of the payment.

NOTE 10 - PENSION PLAN:

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td></td><td></td><td>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Vesting (Cont.)</td><td>Vesting (Cont.)</td><td>Vesting (Cont.)
<u>Defined Contributions Component:</u> (Cont.)
Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.
• After two years, a member is 50% vested and may withdraw 50% of employer contributions.
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.</td></tr>
<tr><td>Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1</td></tr>
</table>

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Calculating the Benefit (Cont.)
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</td><td>Calculating the Benefit (Cont.)</td><td>Calculating the Benefit (Cont.)
<u>Defined Contribution Component:</u>
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td></tr>
<tr><td>Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</td></tr>
<tr><td>Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</td><td>Service Retirement Multiplier
VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.</td><td>Service Retirement Multiplier
<u>Defined Benefit Component:</u>
VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Not applicable.</td></tr>
</table>

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	3
Non-vested Inactive members	10
Inactive members active elsewhere in VRS	8
Total inactive members	21
Active members	29
Total covered employees	61

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. 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 5.00% member contribution. This could be phased in over a period of 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.

The Authority's contractually required contribution rate for the year ended June 30, 2016 was 9.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTE 10 - PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $151,148 and $138,577 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35%
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75%
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 10 - PENSION PLAN: (CONTINUED)

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 10 - PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 4,781,145	$ 4,003,327	$ 777,818
Changes for the year:			
Service cost	$ 134,497	$ -	$ 134,497
Interest	328,487	-	328,487
Differences between expected and actual experience	(13,370)	-	(13,370)
Contributions - employer	-	137,753	(137,753)
Contributions - employee	-	75,656	(75,656)
Net investment income	-	184,002	(184,002)
Benefit payments, including refunds of employees contributions	(176,953)	(176,953)	-
Administrative expenses	-	(2,456)	2,456
Other changes	-	(40)	40
Net changes	$ 272,661	$ 217,962	$ 54,699
Balances at June 30, 2015	$ 5,053,806	$ 4,221,289	$ 832,517

NOTE 10 - PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
Authority's Net Pension Liability	$ 1,576,673	$ 832,517	$ 221,139

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

For the year ended June 30, 2016, the Authority recognized pension expense of $63,829. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 10,148
Net difference between projected and actual earnings on pension plan investments	-	104,570
Employer contributions subsequent to the measurement date	151,148	-
Total	$ 151,148	$ 114,718

$151,148 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	$ (44,573)
2018	(44,573)
2019	(44,574)
2020	19,002
Thereafter	-

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 Uniform Guidance. 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, 2016, the Authority had one major project in the design phase, which is presented in the financial statements as Construction in Progress. Presented is the project, contract amount, expenditures to date and balance of the contract remaining:

	Contract Amounts	Expenditures To Date	Balance of Contracts
Runway 21 Rehabilitation Design	$ 1,109,014	$ 1,053,563	$ 55,451
Total	$ 1,109,014	$ 1,053,563	$ 55,451

NOTE 13 – LITIGATION:

At June 30, 2016, 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 – ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* **and Statement No. 71,** *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***:**

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. Net position was restated for GASB 68 implementation, to reflect the capitalization of Runway 21 phases 1, 1B, and 2, which were in use as of January 2013 even though substantial completion of the full project was established on August 19, 2014, and to recognize outstanding bridge loans. The restatements are as follows:

		Amount
Net Position as reported at June 30, 2014		$ 95,462,876
GASB 68 implementation		(952,010)
Capital Assets (Runway 21):		
Improvements other than buildings	20,431,766	
Construction in progress	(20,431,766)	
Accumulated depreciation	(723,626)	(723,626)
Bridge Loans:		
CS0004-22	(316,149)	
CS0004-25	(52,948)	
CS0004-26	(365,785)	(734,882)
Net Position as restated at July 1, 2014		$ 93,052,358

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The Authority implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Authority's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 4.

NOTE 14 – ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Authority early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 15 – SUBSEQUENT EVENTS:

On September 20, 2016, the FAA awarded a grant in the amount not to exceed $11,872,035 to fund 90% of the engineering and construction costs to rehabilitate the runway and taxiway. Virginia Department of Aviation entitlements will be used to fund the remaining 10% of the project.

NOTE 16 – UPCOMING PRONOUNCEMENTS:

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact this standard will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	$ 134,497	$ 131,276
Interest	328,487	308,435
Differences between expected and actual experience	(13,370)	-
Benefit payments, including refunds of employee contributions	(176,953)	(129,551)
Net change in total pension liability	$ 272,661	$ 310,160
Total pension liability - beginning	4,781,145	4,470,985
Total pension liability - ending (a)	$ 5,053,806	$ 4,781,145
Plan fiduciary net position		
Contributions - employer	$ 137,753	$ 120,121
Contributions - employee	75,656	72,514
Net investment income	184,002	544,205
Benefit payments, including refunds of employee contributions	(176,953)	(129,551)
Administrative expense	(2,456)	(2,845)
Other	(40)	29
Net change in plan fiduciary net position	$ 217,962	$ 604,473
Plan fiduciary net position - beginning	4,003,327	3,398,854
Plan fiduciary net position - ending (b)	$ 4,221,289	$ 4,003,327
Authority's net pension liability - ending (a) - (b)	$ 832,517	$ 777,818
Plan fiduciary net position as a percentage of the total pension liability	83.53%	83.73%
Covered payroll	$ 1,529,547	$ 1,451,427
Authority's net pension liability as a percentage of covered payroll	54.43%	53.59%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	$ 151,148	$ 151,148	$ -	$ 1,668,303	9.06%
2015	138,577	138,577	-	1,529,547	9.06%
2014	120,178	120,178	-	1,451,427	8.28%
2013	105,623	105,623	-	1,275,645	8.28%
2012	62,448	62,448	-	1,187,227	5.26%
2011	57,074	57,074	-	1,085,050	5.26%
2010	85,883	85,883	-	1,121,187	7.66%
2009	82,356	82,356	-	1,075,144	7.66%
2008	111,021	111,021	-	1,070,597	10.37%
2007	119,125	119,125	-	1,110,209	10.73%

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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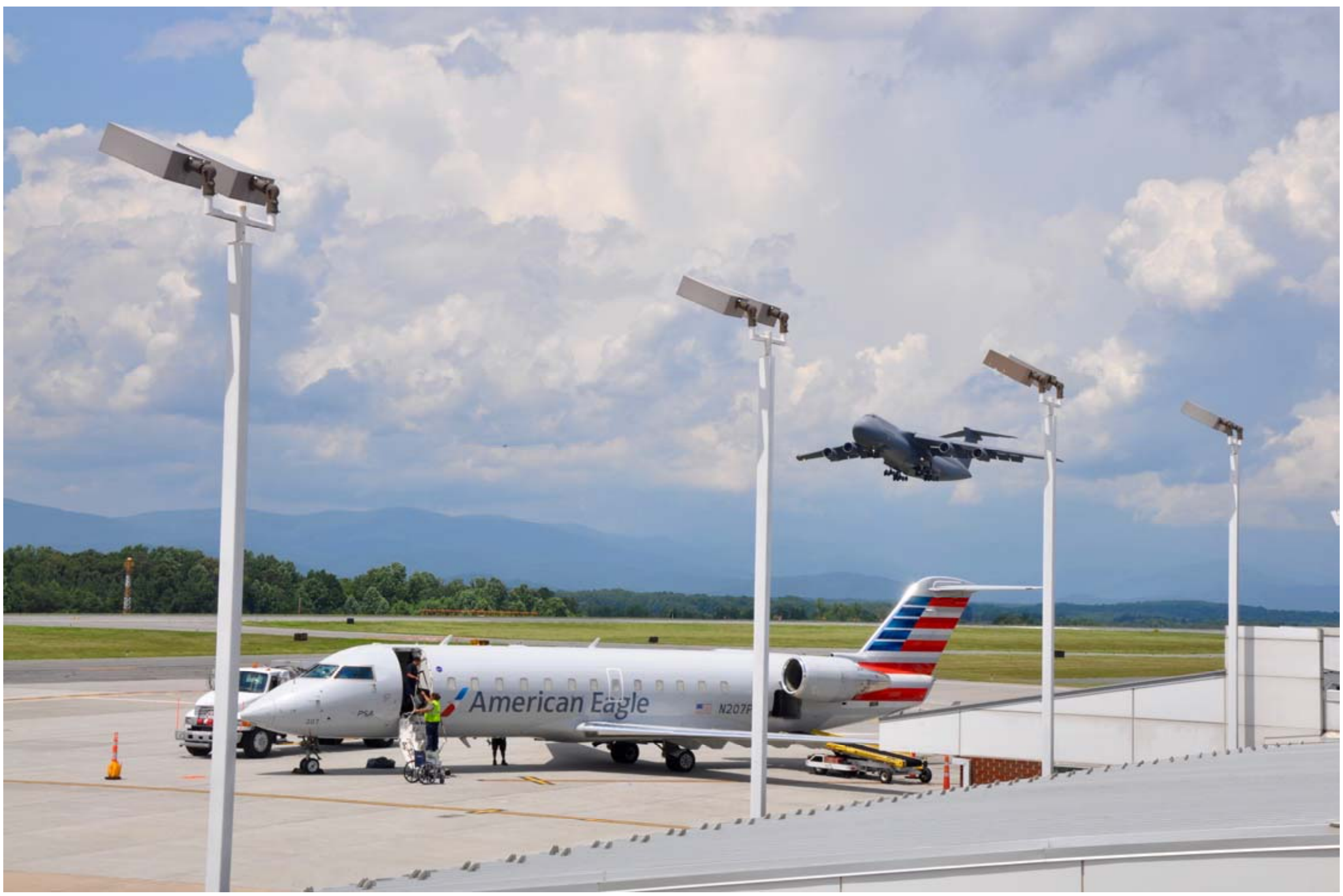
OTHER SUPPLEMENTARY INFORMATION



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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Schedule of Administrative Expenses - Allocated

Year Ended June 30, 2016

	Terminal	Parking	Total
Administrative Expenses:			
Payroll	$ 543,040	$ 95,831	$ 638,871
Dues and subscriptions	8,871	1,566	10,437
Education	2,234	394	2,628
Travel	28,725	5,069	33,794
Advertising Promotion	277,483	48,968	326,450
Professional fees	111,288	19,639	130,927
Human Resource	17,385	3,068	20,453
Insurance	24,181	4,267	28,448
Office expense	46,027	8,122	54,149
Computer	63,605	11,224	74,829
Equipment lease	4,363	770	5,133
Utilities-phone	11,872	2,095	13,967
Total	$ 1,139,074	$ 201,013	$ 1,340,086

Schedule 2

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Reconciliation of Statement of Revenues, Expenses and Changes in Net Position
to June 30, 2016 Authority Monthly Profit & Loss Statement

		2016
Operating revenues:		
Airline Landing fees	$	575,993
Airline Rents		448,984
Fuel fees		8,029
Rental Car Revenue		939,012
Rents		221,857
Miscellaneous Concession Fees		91,220
Parking Revenues		3,124,311
Food, Gift and Vending		70,536
Fixed Base Operation		444,422
Agency Reimbursements		84,543
Miscellaneous		76,787
Total operating revenues	$	6,085,694
Operating expenses:		
Payroll	$	2,533,390
Contractual Services		566
Maintenance		488,439
Maintenance - equipment		108,715
Vehicle gas and oil		29,451
ARFF		51,449
Snow removal		25,043
Utilities		319,925
Insurance		94,022
Education and travel		68,426
Safety		92,489
Supplies and office expense		59,606
IT Expense, Equipment Lease		79,962
Janitorial		158,720
Promotion & Air Service Development		326,450
Professional Fees		130,927
Uniforms		16,087
Miscellaneous		182,493
Total operating expenses	$	4,766,160
Operating income before depreciation and amortization	$	1,319,534
Nonoperating revenues (expenses):		
Interest income	$	6,473
Interest expense		(157,167)
GASB 68 adjustment		(86,495)
Capitalized mower, tire changer, tester		(59,063)
Debt service adjustment		(523,557)
State entitlement debt service income		50,000
Coverage Fund Transfer		(179,000)
Total nonoperating revenue (expenses)	$	(948,809)
Airline Settlement	$	370,725

STATISTICAL SECTION

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Statistical Section

Contents | Pages

Financial Trends

These tables contain trend information to help the reader understand how the Airport Authority's financial performance and well-being have changed over time.

Revenue Capacity

This table contains information to help the reader understand the role passengers and airlines play in generating the Airport Authority's revenue.

Debt Capacity

These tables present information to help the reader assess the Airport Authority's revenue and expense ratios to better evaluate the affordability of present and future debt.

Operating Information

These tables contain information about the Airport Authority's operations to help the reader understand how the Airport's financial information relates to the services the Airport provides and the activities it performs.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Airport Authority's financial activities take place and to help make comparisons over time and with other governments.

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

	2016	2015	2014	2013
Operating revenues				
Airfield	$ 1,225,277	$ 1,024,898	$ 1,027,690	$ 1,002,703
Terminal	1,736,106	1,729,166	1,718,574	2,027,072
Parking	3,124,311	2,972,382	2,692,721	2,192,110
Total operating revenues	$ 6,085,694	$ 5,726,446	$ 5,438,985	$ 5,221,885
Nonoperating revenues				
Interest Income	$ 6,473	$ 8,493	$ 7,443	$ 14,438
Other income	457,549	396,716	-	19,904
PFC debt service income	-	-	31,575	75,779
State entitlement reimbursements	50,000	150,000	180,000	150,000
Total nonoperating revenues	$ 514,022	$ 555,209	$ 219,018	$ 260,121
Total Revenues	$ 6,599,716	$ 6,281,655	$ 5,658,003	$ 5,482,006
Operating expenses				
Operations	$ 3,426,074	$ 3,307,204	$ 3,111,581	$ 2,782,343
Administrative	1,340,086	1,135,760	1,174,382	1,565,542
Depreciation & amortization	3,741,700	3,508,608	3,460,065	2,959,706
Total operating expenses	$ 8,507,860	$ 7,951,572	$ 7,746,028	$ 7,307,591
Nonoperating expenses				
Rental Car QTA expenses	$ 142,076	$ 155,430	$ 169,466	$ 179,462
Interest Expense	157,167	202,983	232,742	256,007
Airline Settlement	370,725	417,921	335,434	241,515
Other expenses	-	139,539	-	-
Total nonoperating expenses	$ 669,968	$ 915,873	$ 737,642	$ 676,984
Total Expenses	$ 9,177,828	$ 8,867,445	$ 8,483,670	$ 7,984,575
Capital Contributions	7,677,697	4,995,034	9,437,881	11,917,822
Increase (Decrease) in Net Position	$ 5,099,585	$ 2,409,244	$ 6,612,214	$ 9,415,253
Net Position at Year-End				
Net investment in capital assets	$ 92,756,326	$ 90,453,841	$ 88,641,919	$ 83,988,096
Restricted	8,396,399	4,823,976	4,185,359	3,010,454
Unrestricted	(591,538)	183,785	1,177,090	1,128,487
Total Net Position	$ 100,561,187	$ 95,461,602	$ 94,004,368	$ 88,127,037

Source: Authority's audited financial statements.

Table 1

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Total Annual Revenues, Expenses and Changes in Net Position

For Years Ended June 30

2012	2011	2010	2009	2008	2007
$ 878,886	$ 875,078	$ 746,636	$ 742,401	$ 854,018	$ 771,295
1,492,613	1,696,058	1,705,861	1,652,550	1,510,598	1,696,962
2,205,473	2,001,761	1,621,417	1,600,779	1,734,476	1,732,821
$ 4,576,972	$ 4,572,897	$ 4,073,914	$ 3,995,730	$ 4,099,092	$ 4,201,078
$ 16,247	$ 32,048	$ 31,883	$ 19,629	$ 103,852	$ 172,350
19,903	19,903	58,431	-	-	-
75,779	75,779	75,779	75,779	75,779	75,779
200,000	150,000	249,903	249,903	144,903	249,903
$ 311,929	$ 277,730	$ 415,996	$ 345,311	$ 324,534	$ 498,032
$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041	$ 4,423,626	$ 4,699,110
$ 2,805,737	$ 2,580,515	$ 2,441,050	$ 2,385,976	$ 2,603,191	$ 2,416,251
982,347	1,063,871	1,062,538	878,808	787,170	1,215,424
3,007,771	3,100,566	2,993,505	2,883,062	2,713,812	2,317,274
$ 6,795,855	$ 6,744,952	$ 6,497,093	$ 6,147,846	$ 6,104,173	$ 5,948,949
$ 184,567	$ 197,516	$ 186,401	$ 194,229	$ 206,014	$ 110,377
280,151	303,214	325,205	346,209	366,260	386,743
40,388	186,485	50,469	63,967	69,666	69,221
-	-	-	-	-	-
$ 505,106	$ 687,215	$ 562,075	$ 604,405	$ 641,940	$ 566,341
$ 7,300,961	$ 7,432,167	$ 7,059,168	$ 6,752,251	$ 6,746,113	$ 6,515,290
6,536,431	8,630,865	3,608,297	3,798,360	5,941,692	8,624,393
$ 4,124,371	$ 6,049,325	$ 1,039,039	$ 1,387,150	$ 3,619,205	$ 6,808,213
$ 73,977,560	$ 72,091,435	$ 65,433,945	$ 63,453,097	$ 62,130,360	$ 57,205,397
3,328,689	1,295,013	2,004,322	2,795,443	2,843,220	3,692,524
1,214,317	1,009,747	908,602	1,059,290	947,100	1,403,556
$ 78,520,566	$ 74,396,195	$ 68,346,869	$ 67,307,830	$ 65,920,680	$ 62,301,477

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

	2016	2015	2014
Cash Flows from operating activities			
Cash received from providing services	$ 6,065,731	$ 5,799,311	$ 5,452,654
Cash paid to suppliers	(2,238,401)	(2,459,018)	(2,050,921)
Cash paid to and for employers	(2,696,738)	(2,411,806)	(2,242,183)
Net cash provided by (used for) operating activities	$ 1,130,592	$ 928,487	$ 1,159,550
Cash Flows from investing activities			
Investment interest earned	$ 6,473	$ 8,493	$ 7,443
Net cash provided by (used for) investing activities	$ 6,473	$ 8,493	$ 7,443
Cash flows from capital and related financing activities			
Interest paid on debt	$ (98,031)	$ (188,223)	$ (221,745)
Acquisition of property and equipment	(1,160,107)	(1,005,281)	(290,144)
Disposal of property and equipment	39,628	61,282	-
Additions to construction in progress	(7,270,584)	(3,381,858)	(9,722,666)
Long-term debt proceeds	1,597,000	15,000	-
Bridge Loans from VDOA	-	-	107,812
Debt Service Paid	(753,798)	(696,907)	(675,827)
PFC debt service income	-	-	31,575
State debt service reimbursement	50,000	150,000	180,000
Airline Settlement	-	-	(241,515)
Contributions from Virginia Department of Aviation	4,859,195	1,728,588	3,126,795
Contributions from Virginia Department of Transporatation	-	-	-
Contributions from Federal Aviation Administration	1,200,443	1,639,931	6,025,707
Contributions from others	-	-	-
Contributions from Passenger Facility Charge (PFC)	1,189,674	1,095,487	950,914
Contributions from Customer Facility Charge (CFC)	628,164	583,857	542,451
Net cash provided by (used for) capital and related financing activities	$ 281,584	$ 1,876	$ (186,643)
Increase (decrease) in cash and cash equivalents for the year	$ 1,418,649	$ 938,856	$ 980,350
Cash and cash equivalents at beginning of year (including restricted accounts)	6,590,740	5,651,884	4,671,534
Cash and cash equivalents at end of year (including restricted accounts)	$ 8,009,389	$ 6,590,740	$ 5,651,884

Source: Authority's Audited Financial Statements.

Table 2

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

2013	2012	2011	2010	2009	2008	2007
$ 5,144,453	$ 4,648,998	$ 4,475,981	$ 3,996,819	$ 3,905,494	$ 4,141,882	$ 4,192,034
(2,461,160)	(2,005,564)	(1,822,557)	(1,809,366)	(1,542,617)	(1,812,712)	(1,941,141)
(1,897,846)	(1,932,329)	(1,704,683)	(1,801,350)	(1,737,953)	(1,747,619)	(1,851,924)
$ 785,447	$ 711,105	$ 948,741	$ 386,103	$ 624,924	$ 581,551	$ 398,969
$ 14,438	$ 16,247	$ 32,048	$ 32,105	$ 19,407	$ 103,852	$ 172,350
$ 14,438	$ 16,247	$ 32,048	$ 32,105	$ 19,407	$ 103,852	$ 172,350
$ (266,267)	$ (296,471)	$ (325,241)	$ (352,648)	$ (378,756)	$ (403,627)	$ (427,321)
(140,283)	(202,414)	(139,112)	(64,230)	(123,412)	(773,293)	(194,527)
-	-	-	-	-	-	-
(9,380,838)	(6,678,361)	(8,047,018)	(3,460,914)	(4,022,413)	(5,687,367)	(9,064,988)
-	-	-	-	-	-	-
3,599	85,524	-	-	-	-	-
(643,744)	(613,541)	(584,770)	(557,364)	(531,256)	(506,384)	(484,589)
75,779	75,779	75,779	75,779	75,779	75,779	75,779
169,904	219,903	169,903	249,903	249,903	144,903	249,903
(40,388)	(186,485)	(50,469)	-	-	-	-
3,343,355	2,600,232	5,154,750	1,158,672	1,029,131	2,074,422	2,223,581
-	-	113,776	9,733	-	-	-
5,694,804	3,060,198	2,059,476	1,308,008	1,117,292	3,311,622	5,997,281
-	-	23,017	7,880	739	-	85,624
826,658	866,746	627,088	353,211	656,356	682,049	764,639
522,280	525,267	403,519	424,596	335,310	373,360	344,292
$ 164,859	$ (629,147)	$ (519,302)	$ (847,374)	$ (1,591,327)	$ (708,536)	$ (430,326)
$ 964,744	$ 98,205	$ 461,487	$ (429,166)	$ (946,996)	$ (23,133)	$ 140,993
3,706,790	3,608,585	3,147,098	3,576,264	4,523,260	4,546,393	4,405,400
$ 4,671,534	$ 3,706,790	$ 3,608,585	$ 3,147,098	$ 3,576,264	$ 4,523,260	$ 4,546,393

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Principal Revenue Sources, Cost per Enplaned Passenger and
Scheduled Airline Rates and Charges
For Years Ended June 30

	2016	2015	2014	2013
PRINCIPAL REVENUE SOURCES				
Airline revenues				
Landing Fees	$ 575,993	$ 528,725	$ 519,424	$ 487,995
Terminal Rents	448,984	578,461	430,834	448,784
Total airline revenues	$ 1,024,977	$ 1,107,186	$ 950,258	$ 936,779
Percentage of total revenues	16%	18%	17%	17%
Nonairline revenues				
Parking	$ 3,124,311	$ 2,972,382	$ 2,692,720	$ 2,192,110
Rental Car	939,012	875,844	789,511	760,550
Other	997,394	771,034	1,006,496	1,332,446
Total nonairline revenues	$ 5,060,717	$ 4,619,260	$ 4,488,727	$ 4,285,106
Percentage of total revenues	77%	74%	79%	78%
Nonoperating revenues				
Interest income	$ 6,473	$ 8,493	$ 7,443	$ 14,438
Other income	507,549	546,716	211,575	245,683
Total nonoperating revenues	$ 514,022	$ 555,209	$ 219,018	$ 260,121
Percentage of total revenues	8%	9%	4%	5%
Total revenues	$ 6,599,716	$ 6,281,655	$ 5,658,003	$ 5,482,006
Enplaned passengers (excluding charters)	286,030	261,631	238,398	227,874
Total revenue per enplaned passenger	$ 23.07	$ 24.01	$ 23.73	$ 24.06
Airline cost per enplaned passenger	$ 3.58	$ 4.23	$ 3.99	$ 4.11
SIGNATORY AIRLINES RATES AND CHARGES				
Landing Fee (per 1,000 lbs MGLW)	$ 1.95	$ 1.95	$ 1.86	$ 1.84
Average Annual Terminal Rental Rate (per s. f.)	$ 23.35	$ 32.55	$ 23.09	$ 21.58

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

Table 3

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Principal Revenue Sources, Cost per Enplaned Passenger and

Scheduled Airline Rates and Charges

For Years Ended June 30

2012	2011	2010	2009	2008	2007
$ 410,214	$ 446,621	$ 389,948	$ 401,028	$ 460,408	$ 404,054
428,943	443,901	460,565	490,750	505,191	496,143
$ 839,157	$ 890,522	$ 850,513	$ 891,778	$ 965,599	$ 900,197
18%	19%	19%	21%	22%	19%
$ 2,205,473	$ 2,001,761	$ 1,621,417	$ 1,600,779	$ 1,734,476	$ 1,732,821
761,187	1,006,860	907,184	827,169	756,212	710,716
771,155	673,754	694,800	676,004	642,805	857,344
$ 3,737,815	$ 3,682,375	$ 3,223,401	$ 3,103,952	$ 3,133,493	$ 3,300,881
76%	76%	72%	72%	71%	70%
$ 16,247	$ 32,048	$ 31,883	$ 19,629	$ 103,852	$ 172,350
295,682	245,682	384,113	325,682	220,682	325,682
$ 311,929	$ 277,730	$ 415,996	$ 345,311	$ 324,534	$ 498,032
6%	6%	9%	8%	7%	11%
$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041	$ 4,423,626	$ 4,699,110
231,907	203,404	183,543	173,823	177,494	183,392
$ 21.08	$ 23.85	$ 24.46	$ 24.97	$ 24.92	$ 25.62
$ 3.62	$ 4.38	$ 4.63	$ 5.13	$ 5.24	$ 4.91
$ 1.78	$ 1.77	$ 1.58	$ 1.59	$ 1.55	$ 1.33
$ 22.82	$ 22.78	$ 23.64	$ 23.68	$ 24.43	$ 25.94

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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Parking Rates Per Lot

Fiscal Years Ended June 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Short Term	$ 10	$ 10	$ 10	$ 8	$ 8	$ 8	$ 12	$ 12	$ 12	$ 9.5
Long Term	10	10	10	8	8	8	7	7	7	7
Economy	8	8	8	8	8	8	7	7	7	7
Overflow	8	-	-	-	-	-	-	-	-	-

Source: Airport Authority Records

Note: The old employee lot became the overflow lot in FY 2016.

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Revenue Bond Debt Service Coverage

For Years Ended June 30

	2016	2015	2014	2013
NET REVENUES				
Operating Revenues	$ 6,085,694	$ 5,726,446	$ 5,438,985	$ 5,221,885
Interest Income	6,473	8,493	7,443	14,438
Agency Reimbursements	50,000	150,000	180,000	169,904
PFC Income*	-	-	31,575	75,779
Other Income	39,628	61,282	-	-
Total Revenues	$ 6,181,795	$ 5,946,221	$ 5,658,003	$ 5,482,006
Less: Operating Expenses	$ (4,766,160)	$ (4,442,964)	$ (4,285,964)	$ (4,347,885)
Net Revenues	$ 1,415,635	$ 1,503,257	$ 1,372,039	$ 1,134,121
Aggregate Debt Service**	$ 673,249	$ 690,776	$ 703,216	$ 713,606
Debt Service Coverage	2.10	2.18	1.95	1.59

Source: Authority's audited financial statements.

*Portion of PFC Income allowed for debt coverage calculation.

**Net of CFC Debt.

Table 5

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Revenue Bond Debt Service Coverage

For Years Ended June 30

2012	2011	2010	2009	2008	2007
$ 4,576,972	$ 4,572,897	$ 4,073,914	$ 3,995,730	$ 4,099,092	$ 4,201,078
16,247	32,048	31,883	19,629	103,852	172,350
219,903	169,903	249,903	249,903	144,903	249,903
75,779	75,779	75,779	75,779	75,779	75,779
-	-	58,431	-	-	-
$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041	$ 4,423,626	$ 4,699,110
$ (3,788,084)	$ (3,644,386)	$ (3,503,588)	$ (3,264,784)	$ (3,390,361)	$ (3,631,675)
$ 1,100,817	$ 1,206,241	$ 986,322	$ 1,076,257	$ 1,033,265	$ 1,067,435
$ 715,655	$ 715,655	$ 715,655	$ 715,655	$ 715,655	$ 715,655
1.54	1.69	1.38	1.50	1.44	1.49

Table 6

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Ratios of Outstanding Debt Service by Type

Fiscal Year Ended June 30

	Bonds	Notes Payable	VDOA Bridge Loans	Total Outstanding Debt	(1) Less Bonds Series 2002 $2,222,078	Net Operational Outstanding Debt	Debt Expense/ Operating Expense	(2) Percentage of Personal Income	(3) Debt Per Enplaned Passenger
2007	$ 11,212,484	$ 161,716	$ -	$ 11,374,200	$ 2,931,535	$ 8,442,665	20%	0.75	62.02
2008	10,327,350	136,836	-	10,464,186	2,737,178	7,727,008	21%	0.87	58.96
2009	9,442,219	111,957	-	9,554,176	2,542,822	7,011,354	22%	0.92	54.96
2010	8,557,085	87,077	-	8,644,162	2,348,465	6,295,697	20%	1.04	47.10
2011	7,671,952	59,255	-	7,731,207	2,154,109	5,577,098	20%	1.23	38.01
2012	6,786,823	37,319	109,262	6,933,404	1,959,754	4,973,650	19%	1.51	29.90
2013	4,954,811	12,239	958,276	5,925,326	1,357,955	4,567,371	16%	1.83	26.00
2014	4,100,004	-	958,276	5,058,280	1,036,503	4,021,777	16%	2.30	21.22
2015	3,418,097	-	958,276	4,376,373	898,529	3,477,844	16%	unavailable	16.73
2016	4,261,299	-	948,868	5,210,167	743,528	4,466,639	14%	unavailable	18.22

Source: Authority's audited financial statements and records

[1] Ratios of Outstanding Debt includes Series 2002 Rental Car Facility which is not part of Operations

[2] Calculated from table twelve total personal income combined for the region

[3] Calculated by taking total outstanding debt and divide by enplaned passengers

Table 7

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Airline Landed Weights

Last Ten Fiscal Years

(in thousands of pounds)

Scheduled Air Carriers	2016	% Total	2015	2014	2013	2012	2011	2010	2009	2008	2007
US Airways	133,784	*45.3%*	129,395	128,699	129,014	165,013	164,390	143,813	150,988	154,214	151,072
Delta Airlines	69,637	*23.6%*	68,952	67,781	60,791	49,162	51,512	65,518	43,287	71,393	80,511
United Express	33,114	*11.2%*	36,225	44,160	47,729	40,576	40,480	40,024	39,709	41,213	39,862
American Airlines[1]	58,609	*19.9%*	44,517	28,047	27,565	32,003	1,111	-	-	-	-
Allegiant Airlines[3]	-	*0.0%*	-	3,996	-	-	-	-	-	-	-
Northwest Airlink[2]	-	-	-	-	-	-	-	-	22,617	20,520	20,492
Total	295,144		279,089	272,683	265,099	286,754	257,493	249,355	256,601	287,340	291,937

Percentage increase/decrease FY 2016/FY 2015: 6%

Source: Airport Authority Records

[1]American commenced service June 9, 2011

[2]Northwest merged with Delta Airlines effective March 1, 2009

[3]Allegiant Airlines commenced service in November 2013, ended in February 2014

Table 8

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Enplaned Passengers

Fiscal Year Ended June 30,

	2016	% of Total	2015	2014	2013	2012	2011	2010	2009	2008	2007
USAirways[4]	-	*0%*	121,400	114,356	109,611	126,243	126,798	100,322	96,254	84,329	84,422
Delta Airlines	75,266	*26%*	69,385	58,363	53,174	45,630	44,589	52,973	34,309	50,009	53,149
United Express	30,533	*11%*	30,925	36,499	39,403	35,780	30,418	30,248	27,695	29,585	31,336
American Airlines[1]	180,231	*63%*	39,921	25,956	25,686	24,254	1,599	-	-	-	-
Allegiant Airlines[3]	-	*0%*	-	3,224	-	-	-	-	-	-	-
Northwest Airlink[2]	-	*0%*	-	-	-	-	-	-	15,565	13,571	14,485
Total	286,030		261,631	238,398	227,874	231,907	203,404	183,543	173,823	177,494	183,392
% Incr/(Dec)	9%		10%	5%	-2%	14%	11%	6%	-2%	-3%	-2%

Source: Airport Authority records

[1]Commenced service June 9, 2011

[2]Merged with Delta Airlines March 1, 2009

[3]Allegiant Airlines commenced service in November 2013, ended in February 2014

[4]American/U.S. Airways merger officially took place in October 2015. Combined U.S. Airways figures with American.

Table 9

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Aircraft Operations Summary

Last Ten Fiscal Years

Fiscal Year	Air Carrier	General Aviation	Military	Total
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
2014	20,214	50,825	6,028	77,067
2015	20,049	48,307	5,637	73,993
2016	19,782	37,031	5,518	62,331
Average Annual Change	-0.42%	-2.64%	6.64%	-1.40%

Source: Airport Authority records

Table 10

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Top 50 Origin Destination Markets

Year Ended Quarter 2 2016				Year Ended Quarter 2 2007			
Rank	**Airport Code**	**City**	**Total Passengers**	**Rank**	**Airport Code**	**City**	**Total Passengers**
1	ORD	Chicago O'Hare	41,382	1	ATL	Atlanta	19,000
2	LGA	New York La Guardia	29,272	2	ORD	Chicago O'Hare	12,400
3	ATL	Atlanta	27,196	3	SFO	San Francisco	10,410
4	SFO	San Francisco	18,483	4	LAX	Los Angeles	8,880
5	DEN	Denver	17,282	5	CLT	Charlotte	8,630
6	DFW	Dallas/Fort Worth	15,889	6	TPA	Tampa	8,550
7	CLT	Charlotte	14,756	7	BOS	Boston	8,430
8	LAX	Los Angeles	14,269	8	DTW	Detroit	7,040
9	IAH	Houston Intercontinental	11,957	9	DEN	Denver	6,920
10	MCO	Orlando	11,567	10	MCO	Orlando	6,410
11	BOS	Boston	11,516	11	FLL	Fort Lauderdale	6,050
12	TPA	Tampa	10,142	12	CVG	Cincinnati/Ohio	5,520
13	SEA	Seattle/Tacoma	9,896	13	LAS	Las Vegas	5,500
14	SAN	San Diego	9,812	14	PHX	Phoenix	5,490
15	PHX	Phoenix	9,122	15	DFW	Dallas/Fort Worth	5,310
16	MSY	New Orleans	8,828	16	BNA	Nashville	5,130
17	AUS	Austin	8,056	17	MSP	Minneapolis	5,120
18	FLL	Fort Lauderdale	8,026	18	SEA	Seattle/Tacoma	5,120
19	MSP	Minneapolis	7,883	19	IAH	Houston Intercontinental	4,430
20	LAS	Las Vegas	7,185	20	MSY	New Orleans	4,310
21	MIA	Miami	7,131	21	SAN	San Diego	4,040
22	PHL	Philadelphia	6,536	22	PBI	West Palm Beach	4,030
23	BNA	Nashville	6,526	23	MCI	Kansas City	3,770
24	JAX	Jacksonville	6,297	24	JAX	Jacksonville	3,560
25	DTW	Detroit	6,067	25	MEM	Memphis	3,540
26	PBI	West Palm Beach	5,949	26	MIA	Miami	3,490
27	SAT	San Antonio	5,831	27	STL	St. Louis	3,470
28	RSW	Fort Myers	5,793	28	LGA	New York La Guardia	3,250
29	STL	St. Louis	5,549	29	BHM	Birmingham	3,200
30	SLC	Salt Lake City	5,536	30	MKE	Milwaukee	3,200
31	MCI	Kansas City	5,230	31	IND	Indianapolis	3,080
32	PDX	Portland	4,742	32	RSW	Fort Myers	2,980
33	IND	Indianapolis	4,262	33	PDX	Portland	2,800
34	MKE	Milwaukee	4,124	34	BDL	Hartford	2,790
35	MEM	Memphis	4,045	35	CHS	Charleston	2,590
36	BDL	Hartford	3,791	36	SLC	Salt Lake City	2,560
37	CHS	Charleston	3,742	37	AUS	Austin	2,260
38	BHM	Birmingham	3,623	38	PVD	Providence	2,260
39	SRQ	Sarasota/Bradenton	3,312	39	CLE	Cleveland/Ohio	2,170
40	MSN	Madison	3,234	40	SAT	San Antonio	2,170
41	OKC	Oklahoma City	2,944	41	ABQ	Albuquerque	2,160
42	EWR	New York Newark	2,770	42	HSV	Huntsville/Alabama	1,970
43	SMF	Sacramento	2,525	43	PWM	Portland	1,760
44	OMA	Omaha	2,413	44	MHT	Manchester/New Hampshire	1,750
45	PVD	Providence	2,399	45	CMH	Columbus/Ohio	1,700
46	SDF	Louisville	2,313	46	GRR	Grand Rapids Michigan	1,500
47	ABQ	Albuquerque	2,281	47	HNL	Honolulu/Oahu	1,460
48	SAV	Savannah	2,229	48	SDF	Louisville	1,460
49	PWM	Portland	2,225	49	SAV	Savannah	1,430
50	TUL	Tulsa	2,080	50	LIT	Little Rock/Arkansas	1,420
	Total - Top 50 Domestic Markets		418,015				
	Total - All Domestic Markets		506,462		**Grand Total**		**226,470**

Source: YE 2Q 2016 U.S. DOT, Origin-Destination Passenger Survey, FMg Database via Diio Online Portal

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

Table 11

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Acres (+/-):	705	705	705	705	705	705	705	705	702	661
Runways:										
3/21 North/South ILS 3/GPS	6,801	6,801	6,801	6,801	6,001	6,001	6,001	6,001	6,001	6,001
	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.	by 150 ft.
Terminal:										
Airlines - sq. ft.	25,294	25,353	25,353	25,353	25,353	25,353	25,353	25,353	25,353	23,336
Rental Car - sq. ft.	270	270	270	270	270	270	270	270	270	270
Market - sq. ft.	2,500	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
TSA - sq. ft.	496	496	700	700	700	700	700	700	700	700
Total	28,560	27,719	27,923	27,923	27,923	27,923	27,923	27,923	27,923	25,906
# of passenger gates	5	5	5	5	5	5	5	5	5	5
# of loading bridges	1	1	1	1	1	1	1	1	1	1
# of Concessionaires in Terminal	4	4	4	4	4	4	4	4	4	4
# of Rental Car Agencies in Terminal	3	3	3	3	3	3	3	3	3	3
Parking:										
Spaces assigned:										
Short-term	108	108	108	108	108	108	108	108	108	108
Long-term	748	748	748	748	748	748	748	748	748	748
Economy	132	132	132	132	132	132	132	132	132	132
Overflow[1]	213	-	-	-	-	-	-	-	-	-
Small GA Lot[2]	65	-	-	-	-	-	-	-	-	-
Rental Cars	303	303	303	303	303	303	303	303	303	303
Employees[1]	146	175	175	175	175	175	175	175	175	175
Total	1,715	1,466	1,466	1,466	1,466	1,466	1,466	1,466	1,466	1,466
Cargo:										
None										
Employees:										
Administrative	7	7	7	7	6	6	6	5	5	5
Public Safety	8	8	7	7	7	7	6	6	6	7
Maintenance	7	7	7	6	6	5	7	7	8	8
CSO	2	0	0	4	4	4	4	3	4	2
Parking	8	8	9	5	5	5	5	5	5	6
Equipment Technician	1	1	1	1	1	1	1	1	1	1
Total f/t employees (2080) hrs. per yr.	33	31	31	30	29	28	29	27	29	29
Hangars:										
T-Hangar Units	4	4	4	4	4	4	4	4	4	4
Conventional Units	5	5	5	5	5	5	5	5	5	5

[1] When the new employee lot was completed during FY16, the old employee lot became the overflow lot.

[2] This lot was previously included in the FBO leasehold, but under the new agreement, it clarified these spaces were airport spaces.

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Demographic Information

Population in the Primary Trade Area [1] Fiscal Years Ended June 30

	2015[5]	% Change 2015/2014	2014	2013	2012
City of Charlottesville	48,210	*0.9%*	47,783	46,623	45,073
County of Albemarle	105,051	*1.3%*	103,707	102,731	101,575
County of Greene	19,840	*1.1%*	19,618	19,320	18,856
County of Fluvanna	26,162	*0.7%*	25,970	26,019	26,033
County of Madison	13,099	*-1.9%*	13,353	13,333	13,472
County of Nelson	14,993	*-0.5%*	15,074	15,031	15,078
Total	227,355	*0.8%*	225,505	220,087	219,163

Unemployment Rate [2] Fiscal Years Ended June 30

	2016	% Change 2016/2015	2015	2014	2013
City of Charlottesville	3.5	*-22.2%*	4.5	5.4	4.3
County of Albemarle	3.7	*-21.3%*	4.7	4.8	4.4
County of Greene	3.1	*-27.9%*	4.3	4.3	3.8
County of Fluvanna	3.3	*-23.3%*	4.3	4.6	4.2
County of Madison	3.3	*-17.5%*	4.0	4.3	4.0
County of Nelson	3.5	*-22.2%*	4.5	4.8	4.6

Total Personal Income [3] Fiscal Years Ended June 30

	2015[5]	% Change 2015/2014	2014	2013	2012
Albemarle/Charlottesville[4]		*-100.0%*	8,795,194	7,764,329	7,493,869
County of Greene		*-100.0%*	701,736	791,878	767,362
County of Fluvanna		*-100.0%*	967,881	1,072,290	1,040,671
County of Madison		*-100.0%*	541,990	530,597	523,987
County of Nelson		*-100.0%*	629,685	675,564	640,628
	0		11,636,486	10,834,658	10,466,517

Per Capita Income [3] Fiscal Years Ended June 30

	2015[5]	% Change 2015/2014	2014	2013	2012
Albemarle/Charlottesville[4]		*-100.0%*	58,603	52,963	51,255
County of Greene		*-100.0%*	36,873	42,112	40,880
County of Fluvanna		*-100.0%*	37,095	41,278	40,077
County of Madison		*-100.0%*	41,194	40,197	39,696
County of Nelson		*-100.0%*	42,403	45,680	43,207
	0		216,168	222,230	215,115

[1] Source: Weldon Cooper Center for Public Service (Estimate)

[2] Source: U.S. Bureau of Labor Statistics

[3] Source: Bureau of Economic Analysis/ US Department of Commerce

[4] Albemarle County standalone statistic unavailable

[5] 2015 information not available

Table 12

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Demographic Information

2011	2010	2009	2008	2007	2006
44,471	43,475	43,054	42,130	41,538	41,066
100,780	98,970	98,071	97,081	95,009	93,852
19,402	18,403	18,237	18,131	17,972	17,607
25,989	25,691	25,576	25,461	25,134	24,638
13,424	13,308	13,358	13,332	13,429	13,291
15,097	15,016	15,090	15,050	14,993	14,809
214,863	213,386	211,185	208,075	205,263	201,680

2012	2011	2010	2009	2008	2007
6.6	6.3	6.9	6.6	3.9	3.1
4.8	5.1	5.4	5.2	3.0	2.2
5.2	5.0	5.9	5.9	3.3	2.1
4.8	4.9	5.8	5.8	3.3	2.4
4.8	5.0	6.2	6.2	3.8	2.7
5.3	5.5	6.2	6.5	3.6	2.7

2011	2010	2009	2008	2007	2006
6,778,562	6,421,082	6,213,020	6,545,468	6,251,318	5,860,761
710,441	666,063	640,318	643,028	590,973	547,950
951,419	894,204	883,986	883,083	814,673	759,028
479,209	457,332	446,445	447,494	390,567	379,962
601,790	570,682	561,482	568,823	522,617	495,016
9,521,421	9,009,363	8,745,251	9,087,896	8,570,148	8,042,717

2011	2010	2009	2008	2007	2006
47,052	44,987	44,025	47,018	45,781	43,439
38,073	36,093	35,011	34,900	33,141	31,220
36,507	34,710	34,561	34,517	32,259	30,621
36,389	34,394	33,422	32,783	28,511	28,114
39,862	38,005	37,209	37,115	36,078	34,131
197,883	188,189	184,228	186,333	175,770	167,525

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Principal Employers in the Primary Air Trade Area [(1)]

As of 1st Quarter 2016	As of 2nd Quarter 2007
1. University of Virginia / Blue Ridge Hospital	1. University of Virginia
2. University of Virginia Medical Center	2. University of Virginia Health Services
3. County of Albemarle	3. County of Albemarle
4. Martha Jefferson Hospital	4. Martha Jefferson Hospital
5. City of Charlottesville	5. City of Charlottesville
6. State Farm Mutual Automobile Insurance	6. Northrop Grumman Corporation
7. UVA Health Services Foundation	7. GE Fanuc Automation Manufacturing
8. Charlottesville City School Board	8. National Ground Intelligence Center
9. U.S. Department of Defense	9. Aramark Educational Group, Inc.
10. Fluvanna County Public School Board	10. Greene County Schools
11. Walmart	11. Region Ten Community Services
12. Lakeland Tours	12. Adams & Garth Staffing
13. Food Lion	13. State Farm
14. Region Ten Community Services	14. Walmart
15. Servicelink Management Com Inc.	15. Food Lion
16. Wintergreen Resort	16. Pharmaceutical Research Associates
17. Northrop Grumman Corporation	17. Matthew Bender & Company
18. Greene County School Board	18. Atlantic Coast Athletic Club
19. Piedmont Virginia Community College	19. Westminster Canterbury of the Blue Ridge
20. SNL Security LP	20. Piedmont Virginia Community College
21. Troy Construction, LLC.	21. U.S. Postal Service
22. Aramark Campus	22. Crutchfield Corporation
23. Atlantic Coast Athletic Club	23. Lakeland Tours
24. Nelson County School Board	24. Americare Plus
25. Buckingham County School Board	25. Boar's Head Inn
26. Assoc. for Investment Management	26. Farmington Country Club
27. Kroger	27. Kroger
28. GE Fanuc Automation North Corporation	28. FIC Staffing Services
29. Crutchfield Corporation	29. Thomas Jefferson Foundation
30. Thomas Jefferson Memorial	30. Lowes
31. Postal Service	31. SNL Security LP
32. Buckingham Correctional Center	32. McDonalds
33. Harris Teeter Supermarket	33. Tiger Fuel Company
34. Fluvanna Correctional Center	34. CFA Institute
35. Boar's Head Inn	35. Sodexho Service

[(1)] Primary trade area is defined as the Thomas Jefferson District: Charlottesville, Albemarle, Greene Fluvanna, Louisa and Nelson

Source: Virginia Employment Commission, Community Profiles, Publications, Planning Regions, 1st Quarter QECW (January, February, March) 2016. Earliest comparative information was obtained from FY2006 Comprehensive Annual Financial Report.

COMPLIANCE SECTION

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*

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, 2016, 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 20, 2016.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, Cox Associates

Charlottesville, Virginia
December 20, 2016

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance 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 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, 2016, 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Guide. Those standards, the Uniform Guidance 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, 2016.

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 the Uniform Guidance 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 and the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 20, 2016

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Transportation:			
FAA Direct Payments:			
Airport Improvement Program	20.106	N/A	$ 1,190,093
Total expenditures of federal awards			$ 1,190,093

Basis of Presentation

This schedule includes the federal award activity of Charlottesville-Albemarle Airport Authority under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Summary of Significant Accounting Policies

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

Subrecipients

No awards were passed through to subrecipients.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

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.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

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, 2016

Unexpended passenger facility charges as of July 1, 2015		$ 2,261,894
Collections:		
Passenger facility charges collected	$ 1,192,250	
Interest credited	7,636	1,199,886
Passenger facility charges expended for approved projects:		
Runway 21 preliminary design	$ 1,148,607	
Terminal building expansion/rehab	73,504	
Runway 21 phase 1A	998,354	
Runway 21 phase 1B	844,783	(3,065,248)
Unexpended passenger facility charges as of June 30, 2016		$ 396,532
Reconciliation to cash as reported on the Statement of Net Position:		
Change in accounts receivable		$ (10,212)
Cash balance per Statement of Net Position		$ 386,320

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, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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.

Summary Schedule of Prior Audit Findings
Passenger Facility Charge Program
Year Ended June 30, 2016

There were no Passenger Facility Charges findings reported.