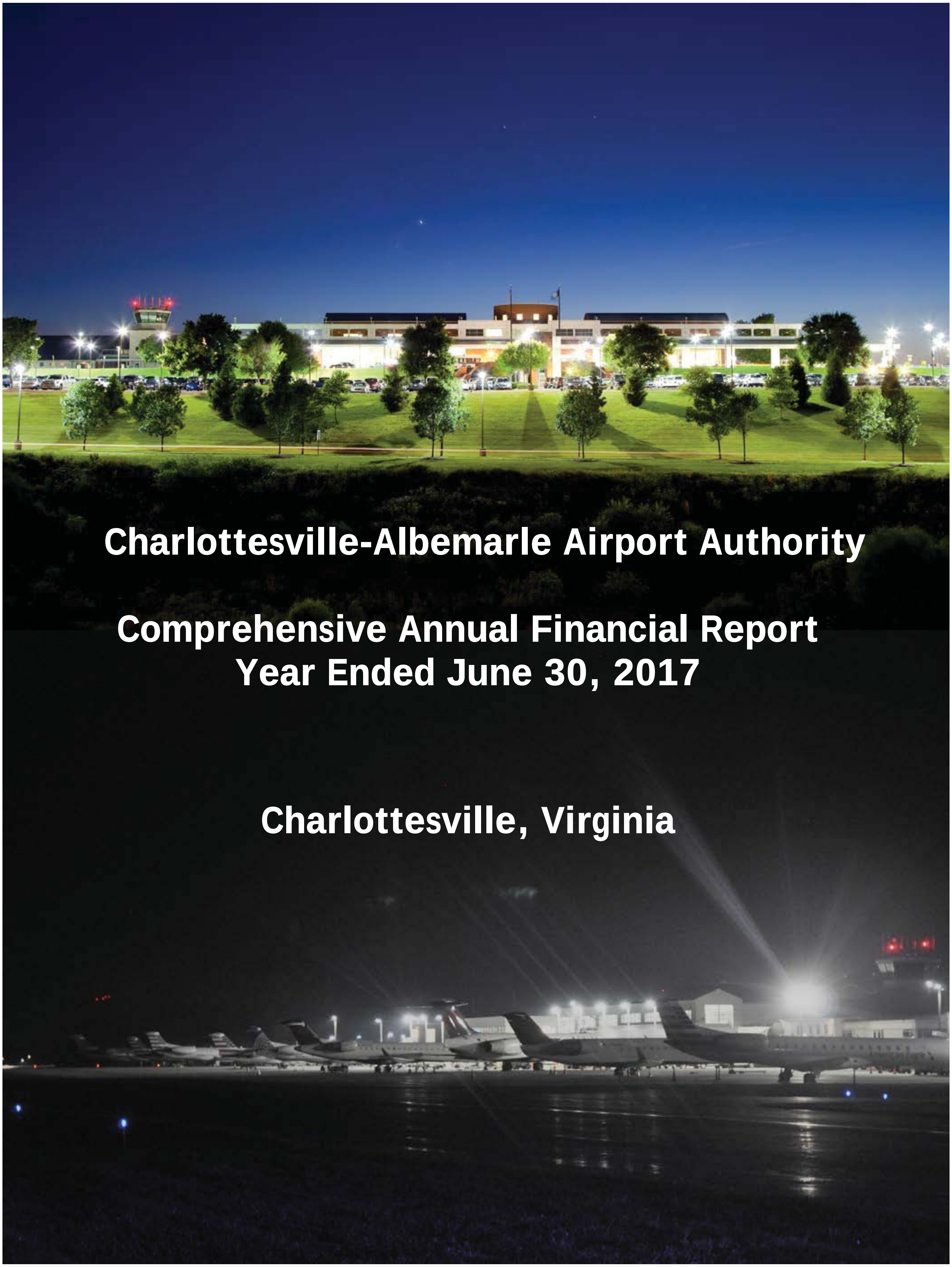

# Charlottesville-Albemarle Airport Authority

## Comprehensive Annual Financial Report
## Year Ended June 30, 2017

### Charlottesville, Virginia

# Charlottesville-Albemarle Airport Authority
## Charlottesville, Virginia
## Comprehensive Annual Financial Report
## Year Ended June 30, 2017

**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, 2017**

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**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**YEAR ENDED JUNE 30, 2017**

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# INTRODUCTORY SECTION

CHARLOTTESVILLE ALBEMARLE AIRPORT

**December 7, 2017**

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

I am pleased to submit for your review and information the fiscal year 2017 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, 2017 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, 2017 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 County, as appointed by the City Council and the County Board of Supervisors.

**Economic Condition and Outlook 2017**
Jason Burch, Director of Air Service Development & Marketing

There are eight counties in Central Virginia and two in the Shenandoah Valley that make up the Charlottesville Albemarle Airport's (CHO Airport) local passenger traffic base. These counties are considered the Airport Catchment Area. CHO Airport is supported by communities that are situated along the foothills on both sides of the Blue Ridge Mountains. These communities extend across the Piedmont region towards Richmond to the East and Washington D.C. to the North. 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 strong government presence. The region is economically sound with a well-developed transportation network which 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 and the Shenandoah Valley's unmatched livability are lauded by its residents. The region continues its legacy of achieving the highest awards as a place to work and live. In fact, in the last 12 months Charlottesville alone was selected for the following awards:

- One of America's Best Small Cities for Foodies - Travelocity 2016
- 15 Best Places to Live in the U.S. (#3) - NY Post 2016
- Healthiest Small Town in the U.S. - Health Line 2016
- 50 Best College Towns (#7) - College Rank 2016
- Top 50 Best Cities for Entrepreneurs (#4) - Entrepreneur Magazine & Livability.com 2016
- Top 100 Best Places to Live (#21) - Livability.com 2016
- 10 hippest Mid-Sized Cities in America - gogobot 2016
- Five Great Places to Visit in 2016 - Off Metro NY.
- *Data courtesy of Charlottesville.org

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 (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) Health System and the Sentara Martha Jefferson Health Care System. 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 the Sentara Martha Jefferson Health Care System will continue to be catalysts for economic activity in this region.

**Economic Condition and Outlook 2017: (Continued)**

The University of Virginia remains stable regardless of national economic impacts. With nearly 22,000 students and around 30,000 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.

Several years ago the Defense Intelligence Agency relocated 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 2017 Virginia Airport System Economic Impact Study prepared by the Virginia Department of Aviation (VDOA) indicated that CHO's total annual economic impact had grown to over $300 million in 2016 which was more than double the estimated $127 million in the VDOA's 2010 analysis. The Study also reports that CHO generates 2,227 jobs paying $105 million in annual wages.

CHO served a record breaking 628,611 total passengers in FY 2017, an increase of 10.2% over the 570,248 total passengers CHO served in FY 2016. With these strong numbers, CHO has seen an overall increase of over 77% in enplaned passenger growth for the period of FY 2008 through FY 2017, a period of time when many similar-sized airports have experienced moderate increases or, in some case, declines in passenger traffic. This increase in passenger traffic is attributable, in part, to Delta Air Lines adding the 5th daily CRJ-200 flight to Atlanta in May, 2017 and United Airlines adding non-stop Chicago service in June. All of CHO's three airlines have introduced larger aircraft to their fleets routinely throughout the year which has also increased the airline seat capacity at this airport.

Even with this increased seat capacity, CHO's overall load factors have remained high at 80% for FY 2017. 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 79%. These strong load factors allow CHO to be able to retain its existing services while engaging current airlines in the possibility of increasing frequency or capacity to its current markets and possibly adding new destinations.

**Airport Outlook: (Continued)**

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. 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 expands.

**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 FAA, the VDOA and the Authority's Passenger Facility Charge (PFC) program.

CHO 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 funding in the amount of $11.9 million and VDOA funding in the amount of $1.3 million was secured for the Runway 3-21 Rehabilitation Construction Project in FY17. The project began in the spring of 2017, and it is anticipated that the project will be completed in the spring of 2018.

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 completed in FY16, a new project to design additional surface parking lots is being planned for the winter of 2017. This expansion project will be constructed in 2018 and provide approximately a 22% increase in public parking capacity or approximately 300 additional parking spaces. In addition to a public parking expansion project, an air carrier ramp expansion project will be designed in 2018, with construction to follow in 2018-2019. This project will allow for an air carrier ramp expansion to accommodate 3-4 additional aircraft parking spaces.

In addition to public parking and air carrier ramp improvements, several projects are planned to address terminal needs. These projects 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 escalators, elevators, roof system and baggage claim devices. Several other projects that will provide for the comfort of CHO's passengers are being planned and will be pursued in 2018. These include the installation of charging stations for passengers' electronic devices, the upgrading of the existing flight display system, and incorporation of a new digital public address system. A land acquisition project is also planned for the winter of 2017 to purchase property adjacent to the terminal entrance. This property will then be available for future terminal area development. An Airport Layout Plan update is being pursued to identify several of these projects.

## Financial Controls

*Accounting and Budgetary Controls*

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

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

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

Through its Indenture of Trust and residual airline use agreement (which is currently in a hold-over status), 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.

4. The preliminary budget is presented to the Authority for review and approval.

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 operates within the provisions of an Airline-Airport Use and Lease Agreement. 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. If negotiations are completed, a new agreement could be executed during FY 2019 with an effective begin date of 7/1/18. Both the airlines and the airport continue to operate within the hold-over provisions established by the agreement and the airlines continue to provide the required insurance, bonds, etc. until the new agreement is finalized.

*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 2016 Comprehensive Annual Financial Report (CAFR). This represents twenty-six 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 and Administration, 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 and Administration**

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# CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
# PRINCIPAL OFFICIALS AS OF JUNE 30, 2017

## *CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY BOARD*

Chairman
Donald D. Long, Attorney, Lenhart Pettit

Vice-Chairman
Maurice Jones, City Manager, City of Charlottesville

Lee Catlin, Assistant County Executive, County of Albemarle

## *CHARLOTTESVILLE-ALBEMARLE JOINT AIRPORT COMMISSION*

Chairman
John Post

Vice-Chairman
J. Addison Barnhardt

Donald D. Long

Chris Engel

Brian Campbell

Michael Prichard

Eric Walden

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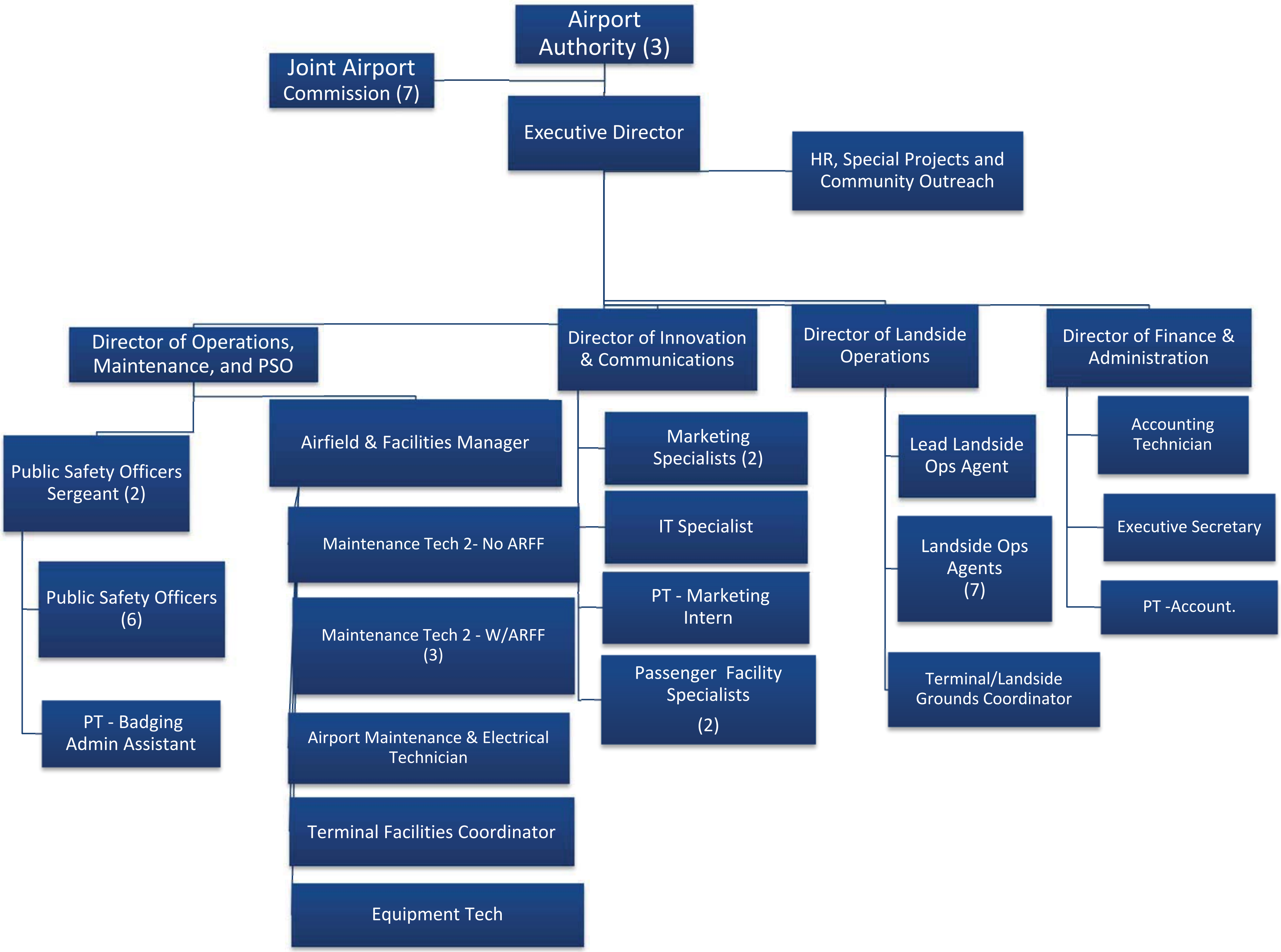
# Charlottesville Albemarle Airport 2017 Organizational Chart



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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, 2016**

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 the business-type activities of Charlottesville-Albemarle Airport Authority, as of and for the year ended June 30, 2017, 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, 2017, 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.

*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 21-29 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* 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.

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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 4, 2017, 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 4, 2017

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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, 2017. 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, 2017, 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, 2017. 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 10% to 315,099. This increase in passenger traffic is attributable, in part, to Delta Air Lines adding the 5$^{th}$ daily CRJ-200 flight to Atlanta in May, 2017 and United Airlines adding non-stop Chicago service in June. All of the Authority's three airlines have introduced larger aircraft to their fleets routinely throughout the year which has also increased the airline seat capacity allowing additional passengers to utilize the Airport. Rental car revenue increased 8%. Parking revenue also increased 8%. Both of these revenue streams are directly related to the increase in passenger traffic as there were no rate adjustments in either of these revenue categories for FY17.

**Airport Activities and Highlights: (Continued)**

In FY17, the Authority experienced a slight increase in general aviation, military activity and commercial carriers' operations. The increase in the commercial carrier operations and additional landing weights of their aircraft fleet had a positive impact on the financial aspect of the airport. The increased general aviation and military activity had little impact.

| | FY 2017 | FY 2016 | FY 2015 |
|---|---|---|---|
| Enplanements (persons) | 315,099 | 286,030 | 261,631 |
| Aircraft Landed Weights (1000's of lbs) | 364,466 | 295,144 | 279,089 |
| Operations (take-off & landings): | | | |
| Commercial | 23,143 | 19,782 | 20,049 |
| General Aviation | 39,371 | 37,031 | 48,307 |
| Military | 6,344 | 5,518 | 5,637 |
| **Total Operations** | **68,858** | **62,331** | **73,993** |

## Financial Highlights

*Summary of Operations & Changes in Net Position*

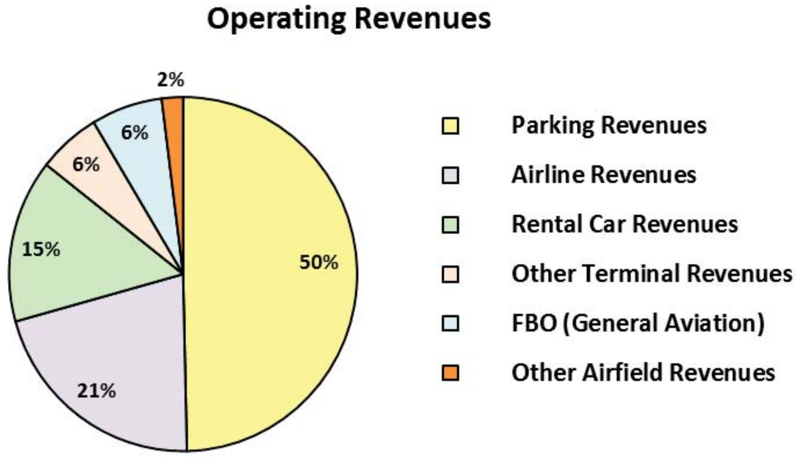
A summary of the Authority's Operations and Changes in Net Position at June 30, 2017 is set forth below:

| Summary of Operations & Changes in Net Position | 2017 | 2016 | 2015 |
|---|---|---|---|
| Operations: | | | |
| Revenues | $ 6,809,025 | $ 6,085,694 | $ 5,726,446 |
| Expenses | (5,072,361) | (4,766,160) | (4,442,964) |
| Income/(loss) before depreciation & nonoperating income/(expenses) | 1,736,664 | 1,319,534 | 1,283,482 |
| Nonoperating income/(expenses) | 147,279 | (155,946) | (360,664) |
| Income/(loss) before capital contributions & depreciation | 1,883,943 | 1,163,588 | 922,818 |
| Depreciation | (4,093,426) | (3,741,700) | (3,508,608) |
| Income/(loss) before capital contributions | (2,209,483) | (2,578,112) | (2,585,790) |
| Capital contributions | 5,523,173 | 7,677,697 | 4,995,034 |
| Net Position: | | | |
| Increase in net position | 3,313,690 | 5,099,585 | 2,409,244 |
| Total net position, beginning of year | 100,561,187 | 95,461,602 | 93,052,358 |
| **Total net position, end of year** | **$ 103,874,877** | **$ 100,561,187** | **$ 95,461,602** |

The 3.3% increase in net position is due to the increase in passenger traffic that resulted in increases to the Airport's primary revenue sources.

*Operating & Non-operating Revenue Highlights*

The following chart shows the major sources and percentage of operating revenues for the fiscal year ended June 30, 2017:




As illustrated in the Statistical section of this document, parking revenue, airline revenue and rental car revenue have remained the primary sources of revenues; parking revenue has grown from 42% of operating revenue in FY 2008 to 50% in FY 2017. As non-airline revenue streams (i.e. parking, rental car, concessions, and FBO) have increased, airline revenue has decreased in its percentage of operating revenue from 24% in FY 2008 to 21% in FY 2017.

A summary of revenues for the year ended June 30, 2017 follows:

| **Summary of Revenues** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Operating: | | | |
| Parking Revenues | $ 3,380,734 | $ 3,124,311 | $ 2,972,382 |
| Airline Revenues | 1,432,737 | 1,024,977 | 1,107,186 |
| Rental Car Revenues | 1,015,613 | 939,012 | 875,844 |
| Other Terminal Revenues | 394,858 | 348,110 | 274,861 |
| FBO (General Aviation) | 450,883 | 444,422 | 335,265 |
| Other Airfield Revenues | 134,200 | 204,862 | 160,908 |
| *Total Operating Revenues* | $ 6,809,025 | $ 6,085,694 | $ 5,726,446 |
| Nonoperating: | | | |
| Interest Income | $ 4,618 | $ 6,473 | $ 8,493 |
| Insurance Recovery | 6,042 | 39,628 | 61,282 |
| Airline Settlement Retained | 370,725 | 417,921 | 335,434 |
| Agency Reimbursements | 50,000 | 50,000 | 150,000 |
| *Total Nonoperating Revenues* | $ 431,385 | $ 514,022 | $ 555,209 |
| **Total Revenues Prior to Capital Contributions** | **$ 7,240,410** | **$ 6,599,716** | **$ 6,281,655** |
| Capital Contributions | 5,523,173 | 7,677,697 | 4,995,034 |
| **Total Revenues** | **$ 12,763,583** | **$ 14,277,413** | **$ 11,276,689** |

*Operating & Non-operating Revenue Highlights*

The increases in parking and rental car revenues are directly related to the growing passenger traffic that the airport has experienced. The increase in the other terminal revenues, i.e. the food and beverage concession which is operated by Tailwind, LLC, can be attributed to the successful first complete year of this entity's operation coupled with increased passenger traffic. The retail section for this concessionaire opened in January 2016, therefore FY17 is the first complete year of full operations.

*Operating & Non-operating Revenue Highlights (Continued)*

Nonoperating revenues decreased 16%, compared to a prior year decrease of 7%. The fluctuation in this category is attributed to the variance in the amount of airline settlement retained between the two fiscal years, and in the two prior years the Authority had also received significant insurance recovery proceeds which were not applicable to FY17.

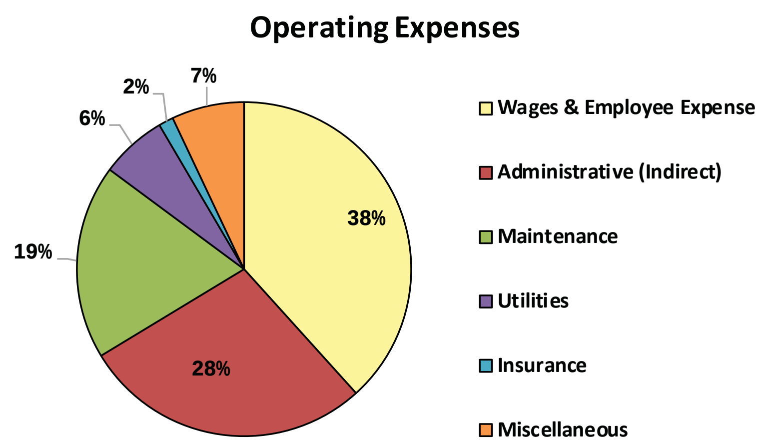
*Capital Contributions*

Capital contributions decreased in FY17 due to the bulk of the terminal expansion and rehabilitation project being completed during FY16. In FY17, the design phase of the Runway Rehabilitation project was completed and the construction phase began.

*Operating & Nonoperating Expense Highlights*

The following chart illustrates the major sources and percentage of operating expenses for the fiscal year ended June 30, 2017:

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, 2017 follows:

| **Summary of Expenses** | **2017** | **2016** | **2015** |
|---|---|---|---|
| Operating: | | | |
| Wages & Employee Expense | $ 1,943,458 | $ 1,894,519 | $ 1,706,336 |
| Administrative (Indirect) | 1,421,002 | 1,340,086 | 1,135,760 |
| Maintenance | 954,741 | 861,817 | 930,080 |
| Utilities | 324,559 | 305,958 | 311,361 |
| Insurance | 72,580 | 65,574 | 68,877 |
| Miscellaneous | 356,021 | 298,206 | 290,550 |
| *Total Operating Expenses* | $ 5,072,361 | $ 4,766,160 | $ 4,442,964 |
| Nonoperating: | | | |
| Interest Expense | $ 142,697 | 157,167 | 202,983 |
| Rental Car Service Facility Expense | 141,409 | 142,076 | 155,430 |
| Write-off of stopped project | - | - | 139,539 |
| Airline Settlement | - | 370,725 | 417,921 |
| *Total Nonoperating Expenses* | $ 284,106 | $ 669,968 | $ 915,873 |
| **Total Expenses** | **$ 5,356,467** | **$ 5,436,128** | **$ 5,358,837** |

*Operating & Nonoperating Expense Highlights: (Continued)*

Overall, the Authority has been able to keep expenses relatively steady while continuing to provide additional services and infrastructure for its growing passenger traffic. There was a slight increase in wages and employee expenses associated with authorized staffing changes, and the age of the facilities have required additional maintenance and operational costs to be incurred. Since the Authority remains in a hold-over status with its airline use agreements, the airline settlement is not applicable. The FY17 statements have been modified to reflect this status.

*Financial Position Summary*

The Statement of Net Position reports the Authority's financial position as of June 30, 2017. 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 $103,874,877 at June 30, 2017, a 3.3 percent increase, or $3,313,690 over June 30, 2016.

A condensed summary of the Authority's total net position at June 30, 2017 is set forth below:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Assets: | | | |
| Current unrestricted assets | $ 1,473,648 | $ 995,042 | $ 1,836,945 |
| Restricted assets | 11,291,447 | 8,484,390 | 6,386,567 |
| Capital assets | 96,760,588 | 97,759,584 | 94,548,065 |
| Total assets | $ 109,525,683 | $ 107,239,016 | $ 102,771,577 |
| Deferred outflows of resources | $ 365,915 | $ 358,057 | $ 420,726 |
| Liabilities: | | | |
| Current liabilities | $ 1,812,317 | $ 1,928,729 | $ 2,997,484 |
| Noncurrent liabilities | 4,166,396 | 4,992,439 | 4,489,876 |
| Total liabilities | $ 5,978,713 | $ 6,921,168 | $ 7,487,360 |
| Deferred inflows of resources | $ 38,008 | $ 114,718 | $ 243,341 |
| Net Position: | | | |
| Net investment in capital assets | $ 92,837,835 | $ 92,756,326 | $ 90,453,841 |
| Restricted | 10,787,497 | 8,396,399 | 4,823,976 |
| Unrestricted | 249,545 | (591,538) | 183,785 |
| **Total Net Position** | **$ 103,874,877** | **$ 100,561,187** | **$ 95,461,602** |

*Financial Position Summary: (Continued)*

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 .09% which resulted from the equipment purchased during the year. This category represents 89% of the Authority's net position as of June 30, 2017.

*Restricted net position* (10% of total net position) includes funds that are restricted in use such as the PFC funds, federal and state grant funds, and Customer Facility Charge (CFC) funds less related liabilities. The increase of 34% in the total restricted cash balance in these funds compared to June 30, 2016 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, 2017, there was a 142.19% increase in unrestricted net position compared to June 30, 2016. This increase is attributed to the increase in revenues overall which is directly related to the increase in passenger traffic.

*Summary of Cash Flow Activities*

Net cash provided by the operation of $1,594,996, is a 41%, or $464,404 increase over the prior year. This was due, primarily, to the increase in passenger traffic which resulted in the increase in cash received from services. Net cash provided by capital financing activities increased $1,090,628 as the result of grants and other funds received for projects and project expenses. There was an overall increase in cash and cash equivalents for the year of $2,971,826. This is an increase of 109% over the prior year change. Cash and cash equivalents totaled $10,981,215 at year-end which is a 37% increase over FY 2016.

*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, which utilized a full residual rate-making methodology. This agreement allowed 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 was returned to the signatory airlines in the form of an airline settlement at the conclusion of the fiscal year. The contract expired June 30, 2010 placing the airlines in a holdover position which does not require for the distribution of the airline settlement. A replacement agreement has not been completed, but continues in negotiation. If negotiations are completed, a new agreement could be executed during FY 2019 with an effective begin date of 7/1/18. Rates and charges for the airlines over the last 36 months are as follows:

| | **FY 2017** | **FY 2016** | **FY 2015** |
|---|---|---|---|
| Landing Fees (1,000 lbs unit) | 2.04 | 1.95 | 1.95 |
| Average Terminal Rental Rates (s.f.) | 44.34 | 23.35 | 32.55 |
| Airline Cost per Enplanement | 4.55 | 3.58 | 4.20 |

*Airline Signatory Rates and Charges: (Continued)*

The average terminal rental rates were increased in FY17 due to two main factors. The first factor was that the terminal building was re-surveyed after the recent improvement project and the square footages for each airline were adjusted to reflect the infrastructure changes. The second factor occurred when the leasehold areas for the airlines were reduced in the ticketing area to remove the queue, and the area containing the out-bound baggage system was also removed from airline leased areas. These two events resulted in an overall reduction of total square footage from their leasehold areas thereby increasing the rates per square foot. 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 2017, the Authority expended $3,094,430 on capital activities. These included construction projects mainly related to runway rehabilitation, a pedestrian access stairs project, a triturator, 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 $857,065 were comprised of the following:

| *Capitalized Item* | | *Value* |
|---|---|---|
| Triturator | $ | 418,094 |
| Portable Water Cabinet | | 15,752 |
| Escalator Chain | | 23,500 |
| Terminal Renovation/Expansion | | 15,534 |
| Cooling Tower Replacement | | 11,218 |
| Conference Room Office Conversion | | 9,431 |
| Admin Kitchen Upgrade | | 18,023 |
| HVAC Upgrade | | 121,933 |
| PSO Tahoe Equipment | | 13,493 |
| Portable 800MHz Radios | | 25,015 |
| ARFF ATV | | 33,425 |
| Loader | | 84,432 |
| Portable Fire Extinguisher for ATV | | 10,830 |
| Bush Hog | | 15,790 |
| Elevating Platform (Lift) | | 8,114 |
| Other | | 32,481 |
| **Total** | **$** | **857,065** |

*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 CFC collected and remitted by the rental car concessionaires. The balance outstanding as of June 30, 2017 was $581,446.

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, 2017 was $1,078,099.

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, 2017 was $206,697.

In April 2010, the Authority obtained a bridge loan from the 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 was 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.

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 reimbursed 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 2019 utilizing FAA entitlement proceeds.

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, 2017 was $1,453,298.

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 FAA authorized the Authority to impose a 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.

*Passenger Facilities Charge (PFC): (Continued)*

The last application that was approved by the FAA was PFC Application No 15-22-C-00-CHO 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.

Preliminary work on an additional PFC application was started in FY17 and will be completed in FY18. This application will allow for funding of projects associated with terminal infrastructure improvements and other eligible projects.

*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 (7.17% during FY 2017).

*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, 2017

(With Comparative Totals for the Prior Year)

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,054,110 | $ 601,800 |
| Prepaid insurance | 102,779 | 95,833 |
| Prepaid insurance - CFC facility | 5,011 | 4,663 |
| Other prepaid items | 2,955 | 37,831 |
| Accounts receivable - net | 308,793 | 254,915 |
| Total current unrestricted assets | $ 1,473,648 | $ 995,042 |
| Restricted assets: | | |
| Capital Funds: | | |
| Cash and cash equivalents | $ 242,457 | $ 114,202 |
| Receivable | 1,081,988 | 837,059 |
| Passenger Facility Charge Funds: | | |
| Cash and cash equivalents | 1,643,953 | 386,320 |
| Receivable | 227,343 | 191,872 |
| Customer Facility Charge Funds: | | |
| Cash and cash equivalents | 2,280,391 | 1,875,296 |
| Receivable | 55,011 | 47,870 |
| Renewal and Replacement Funds: | | |
| Cash and cash equivalents | 152,515 | 151,907 |
| State Entitlement Funds: | | |
| Cash and cash equivalents | 5,460,421 | 4,732,656 |
| Total current restricted assets | $ 11,144,079 | $ 8,337,182 |
| Total current assets | $ 12,617,727 | $ 9,332,224 |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Revenue Bond Funds: | | |
| Cash and cash equivalents | $ 147,368 | $ 147,208 |
| Capital assets: | | |
| Land | $ 17,216,527 | $ 17,216,527 |
| Construction in progress | 3,591,943 | 1,354,578 |
| Building, improvements and equipment, net of accumulated depreciation | 75,871,437 | 79,039,741 |
| Intangibles, net of accumulated amortization | 80,681 | 148,738 |
| Total capital assets (net of accumulated depreciation and amortization) | $ 96,760,588 | $ 97,759,584 |
| Total noncurrent assets | $ 96,907,956 | $ 97,906,792 |
| Total assets | $ 109,525,683 | $ 107,239,016 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Loss on refunding of debt | $ 131,669 | $ 206,909 |
| Pension contributions made after measurement date | 121,699 | 151,148 |
| Items related to measurement of net pension liability | 112,547 | - |
| Total deferred outflows of resources | $ 365,915 | $ 358,057 |

**Exhibit A**

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Statement of Net Position

At June 30, 2017

(With Comparative Totals for the Prior Year)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable: | | | | |
| Operating | $ | 214,495 | $ | 551,346 |
| Unearned revenue | | 7,378 | | 7,918 |
| Accrued payroll and related liabilities | | 63,144 | | 63,219 |
| Compensated absences | | 10,864 | | 11,714 |
| A/P security deposits/performance bonds | | 32,667 | | 32,667 |
| Due to VDOA--Bridge Loans | | - | | 213,986 |
| Revenue bonds payable | | 964,675 | | 941,685 |
| Accrued interest | | 15,144 | | 18,203 |
| Liabilities payable from restricted assets (accounts payable and retainage payable): | | | | |
| Capital funds | | 503,950 | | 87,991 |
| Total current liabilities | $ | 1,812,317 | $ | 1,928,729 |
| Noncurrent Liabilities: | | | | |
| Compensated absences | $ | 97,777 | $ | 105,426 |
| Due to VDOA--Bridge Loans | | 734,882 | | 734,882 |
| Net pension liability | | 978,872 | | 832,517 |
| Revenue bonds payable | | 2,354,865 | | 3,319,614 |
| Total noncurrent liabilities | $ | 4,166,396 | $ | 4,992,439 |
| Total liabilities | $ | 5,978,713 | $ | 6,921,168 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Items related to measurement of net pension liability | $ | 38,008 | $ | 114,718 |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ | 92,837,835 | $ | 92,756,326 |
| Restricted for: | | | | |
| Capital Projects | $ | 820,495 | $ | 863,270 |
| PFC fund | | 1,871,296 | | 578,192 |
| State Entitlement fund | | 5,460,421 | | 4,732,656 |
| Renewal & Replacement | | 152,515 | | 151,907 |
| CFC fund | | 2,335,402 | | 1,923,166 |
| Bond fund | | 147,368 | | 147,208 |
| Total restricted assets | $ | 10,787,497 | $ | 8,396,399 |
| Unrestricted | $ | 249,545 | $ | (591,538) |
| Total net position | $ | 103,874,877 | $ | 100,561,187 |

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, 2017

(With Comparative Totals for the Prior Year)

| | 2017 | 2016 |
|---|---|---|
| Operating revenues: | | |
| Parking | $ 3,380,734 | $ 3,124,311 |
| Terminal | 2,100,201 | 1,736,106 |
| Airfield | 1,328,090 | 1,225,277 |
| Total operating revenues | $ 6,809,025 | $ 6,085,694 |
| Operating expenses: | | |
| Direct operating expenses: | | |
| Parking | $ 830,167 | $ 785,825 |
| Terminal | 1,562,057 | 1,538,814 |
| Airfield | 1,259,135 | 1,101,435 |
| Total direct operating expenses | $ 3,651,359 | $ 3,426,074 |
| Indirect operating expense: | | |
| Administrative | $ 1,421,002 | $ 1,340,086 |
| Total operating expenses | $ 5,072,361 | $ 4,766,160 |
| Operating income before depreciation and amortization | $ 1,736,664 | $ 1,319,534 |
| Depreciation and amortization | (4,093,426) | (3,741,700) |
| Operating income (loss) | $ (2,356,762) | $ (2,422,166) |
| Nonoperating revenues (expenses): | | |
| Interest income | $ 4,618 | $ 6,473 |
| CFC expenses | (141,409) | (142,076) |
| Interest expense | (142,697) | (157,167) |
| State entitlement debt service income | 50,000 | 50,000 |
| Insurance recovery | 6,042 | 39,628 |
| Airline settlement retained (FY16 & FY15) | 370,725 | 417,921 |
| Airline settlement | - | (370,725) |
| Total nonoperating revenue (expenses) | $ 147,279 | $ (155,946) |
| Net income (loss) before capital contributions | $ (2,209,483) | $ (2,578,112) |
| Capital contributions: | | |
| Federal construction revenue | $ 1,530,778 | $ 1,190,093 |
| State construction revenue | 1,986,023 | 4,658,843 |
| PFC fund | 1,330,207 | 1,199,886 |
| CFC fund | 670,165 | 628,875 |
| Other Contributions | 6,000 | - |
| Total capital contributions | $ 5,523,173 | $ 7,677,697 |
| Net position | | |
| Increase in net position | $ 3,313,690 | $ 5,099,585 |
| Total net position, beginning of year | 100,561,187 | 95,461,602 |
| Total net position, end of year | $ 103,874,877 | $ 100,561,187 |

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, 2017
(With Comparative Totals for the Prior Year)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Cash received from providing services | $ | 6,754,607 | $ | 6,065,731 |
| Cash paid to suppliers | | (2,379,061) | | (2,238,401) |
| Cash paid to and for employees | | (2,780,550) | | (2,696,738) |
| Net cash provided by (used for) operating activities | $ | 1,594,996 | $ | 1,130,592 |
| Cash flows from capital and related financing activities: | | | | |
| Interest paid on debt | $ | (84,959) | $ | (98,031) |
| Acquisition of property and equipment | | (290,925) | | (1,160,107) |
| Disposal of property and equipment (insurance recovery) | | 6,042 | | 39,628 |
| Additions to construction in progress | | (2,387,834) | | (7,270,584) |
| Long-term debt proceeds | | - | | 1,597,000 |
| Payment of bridge loans from VDOA | | (213,986) | | - |
| Debt service paid | | (941,759) | | (753,798) |
| State debt service reimbursement | | 50,000 | | 50,000 |
| Contributions from Virginia Department of Aviation | | 1,970,047 | | 4,859,195 |
| Contributions from Federal Aviation Administration | | 1,333,083 | | 1,200,443 |
| Contributions from others | | (25,257) | | - |
| Contributions from Passenger Facility Charge (PFC) | | 1,294,736 | | 1,189,674 |
| Contributions from Customer Facility Charge (CFC) | | 663,024 | | 628,164 |
| Net cash provided by (used for) capital and related financing activities | $ | 1,372,212 | $ | 281,584 |
| Cash flows from investing activities: | | | | |
| Investment interest earned | $ | 4,618 | $ | 6,473 |
| Net increase (decrease) in cash and cash equivalents | | 2,971,826 | | 1,418,649 |
| Cash and cash equivalents at beginning of year (including restricted accounts) | | 8,009,389 | | 6,590,740 |
| Cash and cash equivalents at end of year (including restricted accounts) | $ | 10,981,215 | $ | 8,009,389 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating loss | $ | (2,356,762) | $ | (2,422,166) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation and amortization expense | $ | 4,093,426 | $ | 3,741,700 |
| CFC operations | | (127,027) | | (119,838) |
| Changes in operating assets and liabilities and deferred outflows/ inflows of resources: | | | | |
| Accounts receivable | | (53,878) | | (22,694) |
| Prepaid items | | 27,930 | | (22,423) |
| Pension contributions subsequent to measurement date | | 29,449 | | (12,571) |
| Deferred outflows related to measurement of net pension liability | | (112,547) | | - |
| Accounts payable - operating | | 33,874 | | 31,664 |
| Accrued payroll and related liabilities | | (75) | | 10,398 |
| Accrued compensated absences | | (8,499) | | 17,715 |
| Unearned revenue | | (540) | | 2,731 |
| Net pension liability | | 146,355 | | 54,699 |
| Deferred inflows related to measurement of net pension liability | | (76,710) | | (128,623) |
| Total adjustments | $ | 3,951,758 | | 3,552,758 |
| Net cash provided by (used for) operating activities | $ | 1,594,996 | $ | 1,130,592 |
| Schedule of non-cash capital and related financing activities: | | | | |
| Increase (decrease) in capital contribution receivables | $ | 287,540 | $ | (199,799) |
| Write-off of AR related to bridge loans | $ | - | $ | (9,408) |

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

**Charlottesville - Albemarle Airport Authority**
**Notes to Financial Statements**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## *NOTE 1 - FINANCIAL REPORTING ENTITY:*

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

The Authority is organized for the purpose of acquiring, constructing, reconstructing, maintaining, repairing and operating an airport to serve the needs of the City of Charlottesville, Virginia (the "City"), 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. In addition, the Authority is allowed to apply for PFC Funds that are reimbursements of State Entitlement Funds Once the application is approved, the funds collected are considered State Entitlement Funds and are 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. However, donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition. 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, 2017 was $4,093,426. 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 three 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, 2017 was $75,239.

The other two items are related to pensions. The first 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. Certain items related to the measurement of the net pension liability are reported as deferred outflows of resources. This includes the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, 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.

Discretionary Fund – Funds that are segregated that are not related, in any way, to the airline agreement.

*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, 2017 consist of the following:

| Restricted Assets: | | Cash & Cash Equivalents | | Receivables | | Total Restricted Assets |
|---|---|---|---|---|---|---|
| Capital Projects | $ | 242,457 | $ | 1,081,988 | $ | 1,324,445 |
| PFC Fund | | 1,643,953 | | 227,343 | | 1,871,296 |
| State Entitlement Fund | | 5,460,421 | | - | | 5,460,421 |
| Renewal & Replacement | | 152,515 | | - | | 152,515 |
| CFC Fund | | 2,280,391 | | 55,011 | | 2,335,402 |
| Bond Fund | | 147,368 | | - | | 147,368 |
| **Total Restricted Assets** | $ | 9,927,105 | $ | 1,364,342 | $ | 11,291,447 |

## *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, 2017, 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 $147,368 on June 30, 2017 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, 2017:

| | | |
|---|---|---|
| Summary of Cash and Investments: | | |
| Cash on hand and cash items | $ | 5,500 |
| Carrying value of deposits | | 10,828,347 |
| Investments | | 147,368 |
| Total | $ | 10,981,215 |
| | | |
| Per Financial Statements: | | |
| Cash and cash equivalents: | | |
| Operating | $ | 1,054,110 |
| Restricted Capital Projects | | 242,457 |
| Restricted PFC Fund | | 1,643,953 |
| Restricted CFC Fund | | 2,280,391 |
| Restricted Renewal & Replacement | | 152,515 |
| Restricted Entitlement | | 5,460,421 |
| Restricted Bond Funds | | 147,368 |
| Total per financial statements | $ | 10,981,215 |

### 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, 2017:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | 6/30/2017 | 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 | $ 147,368 | $ 147,368 | $ - | $ - |

*NOTE 5 – ACCOUNTS RECEIVABLE:*

Details of changes in Accounts Receivable for the fiscal year ended June 30, 2017 are as follows:

| | Non Restricted Assets | Restricted Assets | Total Accounts Receivable |
|---|---|---|---|
| Accounts Receivable | | | |
| Operating | $ 308,793 | $ - | $ 308,793 |
| Capital | - | 1,081,988 | 1,081,988 |
| Passenger Facility Charge | - | 227,343 | 227,343 |
| Rental Car Facility Charge | - | 55,011 | 55,011 |
| | $ 308,793 | $ 1,364,342 | $ 1,673,135 |

*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 $53,878 over fiscal year 2016.

*Capital Receivable* – Capital increased $244,929 from fiscal year 2016 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 $218,022, the Federal Government in the amount of $817,160, and others in the amount of $46,806.

*Passenger Facility Charge*- Passenger facility charge receivables represent the accrual for funds received in July and August 2017 for the period June 2017.

*Rental Car Facility Charge* – Customer facility charge receivables represent the accrual for funds received in July 2017 for the period June 2017.

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

Net capital assets increased $998,996 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, 2017 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, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|---|---|---|---|
| Capital assets not depreciated: | | | | |
| Land | $ 17,216,527 | $ - | $ - | $ 17,216,527 |
| Construction in progress: | | | | |
| Parking Lot Expansion | $ - | $ 2,901 | $ 2,901 | $ - |
| Runway Rehabilitation | 1,070,390 | 1,623,721 | - | 2,694,111 |
| Sanford Land Relocation Project | 8,492 | - | - | 8,492 |
| Triturator | 86,777 | 331,317 | 418,094 | - |
| Pedestrian Access Ramp and Stairs | 104,582 | 44,924 | - | 149,506 |
| Pedestrian Access Ramp and Canopy | - | 780 | - | 780 |
| Business Center | 76,112 | 117,894 | - | 194,006 |
| Charging Stations | - | 6,000 | - | 6,000 |
| Long-term Stair Replacement | - | 531,656 | - | 531,656 |
| Replace Cooling Tower | - | 121,933 | 121,933 | - |
| Escalator Chain Replacement | 8,225 | 15,275 | 23,500 | - |
| Air Carrier Terminal Apron Repair | - | 2,540 | - | 2,540 |
| 800 MHz Radio | - | 4,852 | - | 4,852 |
| Total construction in progress | $ 1,354,578 | $ 2,803,793 | $ 566,428 | $ 3,591,943 |
| Total capital assets not depreciated | $ 18,571,105 | $ 2,803,793 | $ 566,428 | $ 20,808,470 |
| Capital and other assets depreciated: | | | | |
| Buildings | $ 35,406,773 | $ 199,638 | $ 74,232 | $ 35,532,179 |
| Improvements other than buildings | 76,312,586 | 45,333 | 517,044 | 75,840,875 |
| Machinery & equipment | 7,593,382 | 609,193 | 222,413 | 7,980,162 |
| Infrastructure | 14,269,662 | 2,901 | - | 14,272,563 |
| Intangibles | 1,089,663 | - | - | 1,089,663 |
| Total capital assets depreciated | $ 134,672,066 | $ 857,065 | $ 813,689 | $ 134,715,442 |
| Less accumulated depreciation for: | | | | |
| Buildings | $ 17,771,726 | $ 997,631 | $ 74,232 | $ 18,695,125 |
| Improvements other than buildings | 26,552,120 | 2,235,108 | 517,044 | 28,270,184 |
| Machinery & equipment | 5,571,435 | 312,905 | 222,413 | 5,661,927 |
| Infrastructure | 4,647,381 | 479,725 | - | 5,127,106 |
| Intangibles | 940,925 | 68,057 | - | 1,008,982 |
| Total accumulated depreciation | $ 55,483,587 | $ 4,093,426 | $ 813,689 | $ 58,763,324 |
| Total net capital assets depreciated | $ 79,188,479 | $ (3,236,361) | $ - | $ 75,952,118 |
| Net Capital Assets | $ 97,759,584 | $ (432,568) | $ 566,428 | $ 96,760,588 |

*NOTE 7 – LONG-TERM OBLIGATIONS:*

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Revenue Bonds | $ 4,261,299 | $ - | $ (941,759) | $ 3,319,540 |
| Bridge Loans VDOA | 948,868 | - | (213,986) | 734,882 |
| Compensated Absences | 117,140 | 96,491 | (104,990) | 108,641 |
| Net Pension Liability | 832,517 | 496,206 | (349,851) | 978,872 |
| Total | $ 6,159,824 | $ 592,697 | $ (1,610,586) | $ 5,141,935 |

At June 30, 2017, 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 | $ 581,446 | $ 165,683 |
| $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 | 1,078,099 | 581,808 |
| $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 | 206,697 | 56,056 |
| $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 | 1,453,298 | 161,128 |
| Total Revenue Bonds | $ 3,319,540 | $ 964,675 |

## *NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)*

At June 30, 2017, 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 | - |
| Total Bridge Loans * | $ 734,882 | $ - |
| Compensated Absences | $ 108,641 | $ 10,864 |
| Net Pension Liability | $ 978,872 | $ - |
| Total long-term obligations | $ 5,141,935 | $ 975,539 |

* Bridge loans through VDOA have a repayment period of 4 years from start date. Repayment is scheduled for fiscal year 2019.

### 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 Interest | Series 2004 $6,703,274 Issue Principal | Series 2004 Interest | Series 2006 $710,000 Issue Principal | Series 2006 Interest |
|---|---|---|---|---|---|---|
| 2018 | $ 165,683 | $ 11,128 | $ 581,808 | $ 20,723 | $ 56,056 | $ 8,002 |
| 2019 | 169,365 | 7,446 | 496,291 | 5,819 | 58,407 | 5,652 |
| 2020 | 173,129 | 3,682 | - | - | 60,856 | 3,203 |
| 2021 | 73,269 | 403 | - | - | 31,378 | 651 |
| Total | $ 581,446 | $ 22,659 | $ 1,078,099 | $ 26,542 | $ 206,697 | $ 17,508 |
| Less current portion | 165,683 | | 581,808 | | 56,056 | |
| Total long-term obligations | $ 415,763 | | $ 496,291 | | $ 150,641 | |

| Year Ended June 30 | Series 2014 $1,612,000 Issue Principal | Series 2014 Interest | Total Debt Summary $11,247,352 Principal | Total Debt Summary Interest |
|---|---|---|---|---|
| 2018 | $ 161,128 | $ 22,188 | $ 964,675 | $ 62,041 |
| 2019 | 163,668 | 19,648 | 887,731 | 38,565 |
| 2020 | 166,248 | 17,068 | 400,233 | 23,953 |
| 2021 | 168,868 | 14,448 | 273,515 | 15,502 |
| 2022 | 171,530 | 11,787 | 171,530 | 11,787 |
| 2023-2026 | 621,856 | 19,682 | 621,856 | 19,682 |
| Total | $ 1,453,298 | $ 104,821 | $ 3,319,540 | $ 171,530 |
| Less current portion | 161,128 | | 964,675 | |
| Total long-term obligations | $ 1,292,170 | | $ 2,354,865 | |

*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.

*NOTE 8 – LEASES: (CONTINUED)*

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.

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 intent to renew that agreement or search for another tenant. The carrying value of the property at June 30, 2017 was $276,000.

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 |
|---|---|---|
| 2018 | $ | 180,534 |
| 2019 | | 183,242 |
| 2020 | | 185,990 |
| 2021 | | 188,780 |
| 2022 | | 191,612 |
| 2023-2027 | | 1,516,717 |
| 2028-2032 | | 2,141,969 |
| 2033-2037 | | 2,347,849 |
| 2038-2042 | | 2,529,300 |
| 2043-2047 | | 2,724,775 |
| 2048-2051 | | 2,180,069 |
| Total | $ | 14,370,837 |

*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 $108,641 as of June 30, 2017. Of this amount, 10 percent or $10,864 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, 2017, the potential amount of payout for current employees is $28,625. 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 a 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**<br>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**<br>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**<br>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")<br><br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>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<br>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.<br><br>Hybrid Opt-In Election<br>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.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>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<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• 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.<br><br>*Non-Eligible Members<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• 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 are paying the full 5% as of 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 are paying the full 5% as of 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**<br>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**<br>Same as Plan 1. | **Creditable Service**<br>**Defined Benefit Component:**<br>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.<br><br>**Defined Contributions Component:**<br>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**<br>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.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component:**<br>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.<br>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.<br><br>**Defined Contributions Component:**<br>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.<br><br>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.)<br><u>Defined Contributions Component:</u> (Cont.)<br>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.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½.</td></tr>
<tr><td>Calculating the Benefit<br>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<br>See definition under Plan 1.</td><td>Calculating the Benefit<br><u>Defined Benefit Component:</u><br>See definition under Plan 1</td></tr>
</table>

*NOTE 10 - PENSION PLAN: (CONTINUED)*

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Calculating the Benefit (Cont.)**<br>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. | **Calculating the Benefit (Cont.)** | **Calculating the Benefit (Cont.)**<br>**Defined Contribution Component:**<br>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. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>**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%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.<br><br>**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. | **Service Retirement Multiplier**<br>**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.<br><br>**Sheriffs and regional jail superintendents:** Same as Plan 1.<br><br>**Political subdivision hazardous duty employees:** Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>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.<br><br>**Sheriffs and regional jail superintendents:** Not applicable.<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Not applicable. |

*NOTE 10 - PENSION PLAN: (CONTINUED)*

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Normal Retirement Age**<br>**VRS:** Age 65.<br><br>**Political subdivisions hazardous duty employees:** Age 60. | **Normal Retirement Age**<br>**VRS:** Normal Social Security retirement age.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Normal Retirement Age**<br>**Defined Benefit Component:**<br>**VRS:** Same as Plan 2.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br>**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.<br><br>**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**<br>**VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Unreduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**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.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Reduced Retirement Eligibility**<br>**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**<br>**VRS:** Age 60 with at least five years (60 months) of creditable service. | **Earliest Reduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**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)*

<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>Earliest Reduced Retirement Eligibility (Cont.)<br><br>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</td><td>Earliest Reduced Retirement Eligibility (Cont.)<br><br>Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>Earliest Reduced Retirement Eligibility (Cont.)<br><br>Political subdivisions hazardous duty employees: Not applicable.<br><br><u>Defined Contribution Component:</u><br>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td>Cost-of-Living Adjustment (COLA) in Retirement<br>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%.<br><br><u>Eligibility:</u><br>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.<br><br>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.</td><td>Cost-of-Living Adjustment (COLA) in Retirement<br>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%.<br><br><u>Eligibility:</u><br>Same as Plan 1.</td><td>Cost-of-Living Adjustment (COLA) in Retirement<br><u>Defined Benefit Component:</u><br>Same as Plan 2.<br><br><u>Defined Contribution Component:</u><br>Not applicable.<br><br><u>Eligibility:</u><br>Same as Plan 1 and Plan 2.</td></tr>
</table>

*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.)**<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• 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.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>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**<br>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.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | **Disability Coverage**<br>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.<br><br>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | **Disability Coverage**<br>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.<br><br>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**<br>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**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component:**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.<br>• 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.<br><br>**Defined Contribution Component:**<br>Not applicable. |

*NOTE 10 - PENSION PLAN: (CONTINUED)*

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-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, 2015 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 | 7 |
| Inactive members active elsewhere in VRS | 8 |
| Total inactive members | 18 |
| Active members | 31 |
| Total covered employees | 60 |

*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, 2017 was 7.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

## *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 $121,699 and $151,148 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Net Pension Liability*

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

*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, 2015, 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, 2016.

| | |
|---|---|
| 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, 2015 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, 2015, 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, 2016.

| | |
|---|---|
| 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, 2015 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, 2015 | $ 5,053,806 | $ 4,221,289 | $ 832,517 |
| Changes for the year: | | | |
| Service cost | $ 145,571 | $ - | $ 145,571 |
| Interest | 348,038 | - | 348,038 |
| Differences between expected and actual experience | (40,416) | - | (40,416) |
| Contributions - employer | - | 149,543 | (149,543) |
| Contributions - employee | - | 81,830 | (81,830) |
| Net investment income | - | 78,062 | (78,062) |
| Benefit payments, including refunds of employees contributions | (163,556) | (163,556) | - |
| Administrative expenses | - | (2,565) | 2,565 |
| Other changes | - | (32) | 32 |
| Net changes | $ 289,637 | $ 143,282 | $ 146,355 |
| Balances at June 30, 2016 | $ 5,343,443 | $ 4,364,571 | $ 978,872 |

*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 | | |
|---|---|---|---|
| | **1% Decrease (6.00%)** | **Current Discount (7.00%)** | **1% Increase (8.00%)** |
| Authority's Net Pension Liability | $ 1,739,512 | $ 978,872 | $ 352,123 |

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

For the year ended June 30, 2017, the Authority recognized pension expense of $106,641. At June 30, 2017, 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 | $ | $ 38,008 |
| Net difference between projected and actual earnings on pension plan investments | 112,547 | - |
| Employer contributions subsequent to the measurement date | 121,699 | - |
| Total | $ 234,246 | $ 38,008 |

$121,699 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, 2018. 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** | |
|---|---|
| 2018 | $ (9,966) |
| 2019 | (9,967) |
| 2020 | 53,609 |
| 2021 | 40,863 |
| 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 regulations 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, 2017, the Authority had one two major projects in the construction phase, which are 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 |
|---|---|---|---|
| Parking Steps Construction | $ 459,458 | $ 427,412 | $ 32,046 |
| Runway Rehabilitation Construction | 11,957,145 | 1,074,373 | 10,882,772 |
| Total | $ 12,416,603 | $ 1,501,785 | $ 10,914,818 |

## *NOTE 13 – LITIGATION:*

At June 30, 2017, 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 – UPCOMING PRONOUNCEMENTS:*

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

# REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Changes in Net Pension Liability and Related Ratios
Years Ended June 30, 2015 through June 30, 2017

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Total pension liability** | | | |
| Service cost | $ 145,571 | $ 134,497 | $ 131,276 |
| Interest | 348,038 | 328,487 | 308,435 |
| Differences between expected and actual experience | (40,416) | (13,370) | - |
| Benefit payments, including refunds of employee contributions | (163,556) | (176,953) | (129,551) |
| **Net change in total pension liability** | $ 289,637 | $ 272,661 | $ 310,160 |
| **Total pension liability - beginning** | 5,053,806 | 4,781,145 | 4,470,985 |
| **Total pension liability - ending (a)** | $ 5,343,443 | $ 5,053,806 | $ 4,781,145 |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 149,543 | $ 137,753 | $ 120,121 |
| Contributions - employee | 81,830 | 75,656 | 72,514 |
| Net investment income | 78,062 | 184,002 | 544,205 |
| Benefit payments, including refunds of employee contributions | (163,556) | (176,953) | (129,551) |
| Administrative expense | (2,565) | (2,456) | (2,845) |
| Other | (32) | (40) | 29 |
| **Net change in plan fiduciary net position** | $ 143,282 | $ 217,962 | $ 604,473 |
| **Plan fiduciary net position - beginning** | 4,221,289 | 4,003,327 | 3,398,854 |
| **Plan fiduciary net position - ending (b)** | $ 4,364,571 | $ 4,221,289 | $ 4,003,327 |
| **Authority's net pension liability - ending (a) - (b)** | $ 978,872 | $ 832,517 | $ 777,818 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 81.68% | 83.53% | 83.73% |
| **Covered payroll** | $ 1,668,303 | $ 1,529,547 | $ 1,451,427 |
| **Authority's net pension liability as a percentage of covered payroll** | 58.67% | 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
Years Ended June 30, 2008 through June 30, 2017

| 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) |
|---|---|---|---|---|---|
| 2017 | $ 121,699 | $ 121,699 | $ - | $ 1,709,207 | 7.12% |
| 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% |

**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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

## OTHER SUPPLEMENTARY INFORMATION

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Schedule 1

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Administrative Expenses - Allocated

Year Ended June 30, 2017

| | Terminal | Parking | Total |
|---|---|---|---|
| Administrative Expenses: | | | |
| Payroll | $ 573,525 | $ 101,210 | $ 674,735 |
| Dues and subscriptions | 9,832 | 1,735 | 11,567 |
| Education | 3,506 | 619 | 4,125 |
| Travel | 26,674 | 4,707 | 31,381 |
| Advertising Promotion | 285,482 | 50,379 | 335,861 |
| Professional fees | 115,694 | 20,417 | 136,110 |
| Human Resource | 47,012 | 8,296 | 55,308 |
| Insurance | 21,855 | 3,857 | 25,712 |
| Office expense | 42,870 | 7,565 | 50,435 |
| Computer | 58,785 | 10,374 | 69,159 |
| Equipment lease | 4,947 | 873 | 5,820 |
| Utilities-phone | 17,671 | 3,118 | 20,789 |
| Total | $ 1,207,853 | $ 213,150 | $ 1,421,002 |

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# STATISTICAL SECTION

## CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
## Statistical Section

<u>Contents</u> | <u>Pages</u>

### 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.


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


| | | |
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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.


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

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Operating revenues | | | | |
| Airfield | $ 1,328,090 | $ 1,225,277 | $ 1,024,898 | $ 1,027,690 |
| Terminal | 2,100,201 | 1,736,106 | 1,729,166 | 1,718,574 |
| Parking | 3,380,734 | 3,124,311 | 2,972,382 | 2,692,721 |
| Total operating revenues | $ 6,809,025 | $ 6,085,694 | $ 5,726,446 | $ 5,438,985 |
| Nonoperating revenues | | | | |
| Interest Income | $ 4,618 | $ 6,473 | $ 8,493 | $ 7,443 |
| Other income | 376,767 | 457,549 | 396,716 | - |
| PFC debt service income | - | - | - | 31,575 |
| State entitlement reimbursements | 50,000 | 50,000 | 150,000 | 180,000 |
| Total nonoperating revenues | $ 431,385 | $ 514,022 | $ 555,209 | $ 219,018 |
| **Total Revenues** | $ 7,240,410 | $ 6,599,716 | $ 6,281,655 | $ 5,658,003 |
| Operating expenses | | | | |
| Operations | $ 3,651,359 | $ 3,426,074 | $ 3,307,204 | $ 3,111,581 |
| Administrative | 1,421,002 | 1,340,086 | 1,135,760 | 1,174,382 |
| Depreciation & amortization | 4,093,426 | 3,741,700 | 3,508,608 | 3,460,065 |
| Total operating expenses | $ 9,165,787 | $ 8,507,860 | $ 7,951,572 | $ 7,746,028 |
| Nonoperating expenses | | | | |
| Rental Car QTA expenses | $ 141,409 | $ 142,076 | $ 155,430 | $ 169,466 |
| Interest Expense | 142,697 | 157,167 | 202,983 | 232,742 |
| Airline Settlement | - | 370,725 | 417,921 | 335,434 |
| Other expenses | - | - | 139,539 | - |
| Total nonoperating expenses | $ 284,106 | $ 669,968 | $ 915,873 | $ 737,642 |
| **Total Expenses** | $ 9,449,893 | $ 9,177,828 | $ 8,867,445 | $ 8,483,670 |
| Capital Contributions | 5,523,173 | 7,677,697 | 4,995,034 | 9,437,881 |
| **Increase (Decrease) in Net Position** | $ 3,313,690 | $ 5,099,585 | $ 2,409,244 | $ 6,612,214 |
| **Net Position at Year-End** | | | | |
| Net investment in capital assets | $ 92,837,835 | $ 92,756,326 | $ 90,453,841 | $ 88,641,919 |
| Restricted | 10,787,497 | 8,396,399 | 4,823,976 | 4,185,359 |
| Unrestricted | 249,545 | (591,538) | 183,785 | 1,177,090 |
| **Total Net Position** | $ 103,874,877 | $ 100,561,187 | $ 95,461,602 | $ 94,004,368 |

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

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| $ 1,002,703 | $ 878,886 | $ 875,078 | $ 746,636 | $ 742,401 | $ 854,018 |
| 2,027,072 | 1,492,613 | 1,696,058 | 1,705,861 | 1,652,550 | 1,510,598 |
| 2,192,110 | 2,205,473 | 2,001,761 | 1,621,417 | 1,600,779 | 1,734,476 |
| $ 5,221,885 | $ 4,576,972 | $ 4,572,897 | $ 4,073,914 | $ 3,995,730 | $ 4,099,092 |
| $ 14,438 | $ 16,247 | $ 32,048 | $ 31,883 | $ 19,629 | $ 103,852 |
| 19,904 | 19,903 | 19,903 | 58,431 | - | - |
| 75,779 | 75,779 | 75,779 | 75,779 | 75,779 | 75,779 |
| 150,000 | 200,000 | 150,000 | 249,903 | 249,903 | 144,903 |
| $ 260,121 | $ 311,929 | $ 277,730 | $ 415,996 | $ 345,311 | $ 324,534 |
| $ 5,482,006 | $ 4,888,901 | $ 4,850,627 | $ 4,489,910 | $ 4,341,041 | $ 4,423,626 |
| $ 2,782,343 | $ 2,805,737 | $ 2,580,515 | $ 2,441,050 | $ 2,385,976 | $ 2,603,191 |
| 1,565,542 | 982,347 | 1,063,871 | 1,062,538 | 878,808 | 787,170 |
| 2,959,706 | 3,007,771 | 3,100,566 | 2,993,505 | 2,883,062 | 2,713,812 |
| $ 7,307,591 | $ 6,795,855 | $ 6,744,952 | $ 6,497,093 | $ 6,147,846 | $ 6,104,173 |
| $ 179,462 | $ 184,567 | $ 197,516 | $ 186,401 | $ 194,229 | $ 206,014 |
| 256,007 | 280,151 | 303,214 | 325,205 | 346,209 | 366,260 |
| 241,515 | 40,388 | 186,485 | 50,469 | 63,967 | 69,666 |
| - | - | - | - | - | - |
| $ 676,984 | $ 505,106 | $ 687,215 | $ 562,075 | $ 604,405 | $ 641,940 |
| $ 7,984,575 | $ 7,300,961 | $ 7,432,167 | $ 7,059,168 | $ 6,752,251 | $ 6,746,113 |
| 11,917,822 | 6,536,431 | 8,630,865 | 3,608,297 | 3,798,360 | 5,941,692 |
| $ 9,415,253 | $ 4,124,371 | $ 6,049,325 | $ 1,039,039 | $ 1,387,150 | $ 3,619,205 |
| $ 83,988,096 | $ 73,977,560 | $ 72,091,435 | $ 65,433,945 | $ 63,453,097 | $ 62,130,360 |
| 3,010,454 | 3,328,689 | 1,295,013 | 2,004,322 | 2,795,443 | 2,843,220 |
| 1,128,487 | 1,214,317 | 1,009,747 | 908,602 | 1,059,290 | 947,100 |
| $ 88,127,037 | $ 78,520,566 | $ 74,396,195 | $ 68,346,869 | $ 67,307,830 | $ 65,920,680 |

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Cash Flows from operating activities | | | |
| Cash received from providing services | $ 6,754,607 | $ 6,065,731 | $ 5,799,311 |
| Cash paid to suppliers | (2,379,061) | (2,238,401) | (2,459,018) |
| Cash paid to and for employers | (2,780,550) | (2,696,738) | (2,411,806) |
| Net cash provided by (used for) operating activities | $ 1,594,996 | $ 1,130,592 | $ 928,487 |
| Cash Flows from investing activities | | | |
| Investment interest earned | $ 4,618 | $ 6,473 | $ 8,493 |
| Net cash provided by (used for) investing activities | $ 4,618 | $ 6,473 | $ 8,493 |
| Cash flows from capital and related financing activities | | | |
| Interest paid on debt | $ (84,959) | $ (98,031) | $ (188,223) |
| Acquisition of property and equipment | (290,925) | (1,160,107) | (1,005,281) |
| Disposal of property and equipment | 6,042 | 39,628 | 61,282 |
| Additions to construction in progress | (2,387,834) | (7,270,584) | (3,381,858) |
| Long-term debt proceeds | - | 1,597,000 | 15,000 |
| Bridge Loans from VDOA | (213,986) | - | - |
| Debt Service Paid | (941,759) | (753,798) | (696,907) |
| PFC debt service income | - | - | - |
| State debt service reimbursement | 50,000 | 50,000 | 150,000 |
| Airline Settlement | - | - | - |
| Contributions from Virginia Department of Aviation | 1,970,047 | 4,859,195 | 1,728,588 |
| Contributions from Virginia Department of Transporatation | - | - | - |
| Contributions from Federal Aviation Administration | 1,333,083 | 1,200,443 | 1,639,931 |
| Contributions from others | (25,257) | - | - |
| Contributions from Passenger Facility Charge (PFC) | 1,294,736 | 1,189,674 | 1,095,487 |
| Contributions from Customer Facility Charge (CFC) | 663,024 | 628,164 | 583,857 |
| Net cash provided by (used for) capital and related financing activities | $ 1,372,212 | $ 281,584 | $ 1,876 |
| Increase (decrease) in cash and cash equivalents for the year | $ 2,971,826 | $ 1,418,649 | $ 938,856 |
| Cash and cash equivalents at beginning of year (including restricted accounts) | 8,009,389 | 6,590,740 | 5,651,884 |
| Cash and cash equivalents at end of year (including restricted accounts) | $ 10,981,215 | $ 8,009,389 | $ 6,590,740 |

Source: Authority's Audited Financial Statements.

**Table 2**

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| $ 5,452,654 | $ 5,144,453 | $ 4,648,998 | $ 4,475,981 | $ 3,996,819 | $ 3,905,494 | $ 4,141,882 |
| (2,050,921) | (2,461,160) | (2,005,564) | (1,822,557) | (1,809,366) | (1,542,617) | (1,812,712) |
| (2,242,183) | (1,897,846) | (1,932,329) | (1,704,683) | (1,801,350) | (1,737,953) | (1,747,619) |
| $ 1,159,550 | $ 785,447 | $ 711,105 | $ 948,741 | $ 386,103 | $ 624,924 | $ 581,551 |
| $ 7,443 | $ 14,438 | $ 16,247 | $ 32,048 | $ 32,105 | $ 19,407 | $ 103,852 |
| $ 7,443 | $ 14,438 | $ 16,247 | $ 32,048 | $ 32,105 | $ 19,407 | $ 103,852 |
| $ (221,745) | $ (266,267) | $ (296,471) | $ (325,241) | $ (352,648) | $ (378,756) | $ (403,627) |
| (290,144) | (140,283) | (202,414) | (139,112) | (64,230) | (123,412) | (773,293) |
| - | - | - | - | - | - | - |
| (9,722,666) | (9,380,838) | (6,678,361) | (8,047,018) | (3,460,914) | (4,022,413) | (5,687,367) |
| - | - | - | - | - | - | - |
| 107,812 | 3,599 | 85,524 | - | - | - | - |
| (675,827) | (643,744) | (613,541) | (584,770) | (557,364) | (531,256) | (506,384) |
| 31,575 | 75,779 | 75,779 | 75,779 | 75,779 | 75,779 | 75,779 |
| 180,000 | 169,904 | 219,903 | 169,903 | 249,903 | 249,903 | 144,903 |
| (241,515) | (40,388) | (186,485) | (50,469) | - | - | - |
| 3,126,795 | 3,343,355 | 2,600,232 | 5,154,750 | 1,158,672 | 1,029,131 | 2,074,422 |
| - | - | - | 113,776 | 9,733 | - | - |
| 6,025,707 | 5,694,804 | 3,060,198 | 2,059,476 | 1,308,008 | 1,117,292 | 3,311,622 |
| - | - | - | 23,017 | 7,880 | 739 | - |
| 950,914 | 826,658 | 866,746 | 627,088 | 353,211 | 656,356 | 682,049 |
| 542,451 | 522,280 | 525,267 | 403,519 | 424,596 | 335,310 | 373,360 |
| $ (186,643) | $ 164,859 | $ (629,147) | $ (519,302) | $ (847,374) | $ (1,591,327) | $ (708,536) |
| $ 980,350 | $ 964,744 | $ 98,205 | $ 461,487 | $ (429,166) | $ (946,996) | $ (23,133) |
| 4,671,534 | 3,706,790 | 3,608,585 | 3,147,098 | 3,576,264 | 4,523,260 | 4,546,393 |
| $ 5,651,884 | $ 4,671,534 | $ 3,706,790 | $ 3,608,585 | $ 3,147,098 | $ 3,576,264 | $ 4,523,260 |

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Principal Revenue Sources, Cost per Enplaned Passenger and

Scheduled Airline Rates and Charges

For Years Ended June 30

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **PRINCIPAL REVENUE SOURCES** | | | | | |
| Airline revenues | | | | | |
| Landing Fees | $ 743,007 | $ 575,993 | $ 528,725 | $ 519,424 | $ 487,995 |
| Terminal Rents | 689,730 | 448,984 | 578,461 | 430,834 | 448,784 |
| Total airline revenues | $ 1,432,737 | $ 1,024,977 | $ 1,107,186 | $ 950,258 | $ 936,779 |
| Percentage of total revenues | 20% | 16% | 18% | 17% | 17% |
| Nonairline revenues | | | | | |
| Parking | $ 3,380,734 | $ 3,124,311 | $ 2,972,382 | $ 2,692,720 | $ 2,192,110 |
| Rental Car | 1,015,613 | 939,012 | 875,844 | 789,511 | 760,550 |
| Other | 979,942 | 997,394 | 771,034 | 1,006,496 | 1,332,446 |
| Total nonairline revenues | $ 5,376,289 | $ 5,060,717 | $ 4,619,260 | $ 4,488,727 | $ 4,285,106 |
| Percentage of total revenues | 74% | 77% | 74% | 79% | 78% |
| Nonoperating revenues | | | | | |
| Interest income | $ 4,618 | $ 6,473 | $ 8,493 | $ 7,443 | $ 14,438 |
| Other income | 426,767 | 507,549 | 546,716 | 211,575 | 245,683 |
| Total nonoperating revenues | $ 431,385 | $ 514,022 | $ 555,209 | $ 219,018 | $ 260,121 |
| Percentage of total revenues | 6% | 8% | 9% | 4% | 5% |
| Total revenues | $ 7,240,411 | $ 6,599,716 | $ 6,281,655 | $ 5,658,003 | $ 5,482,006 |
| Enplaned passengers (excluding charters) | 315,099 | 286,030 | 261,631 | 238,398 | 227,874 |
| Total revenue per enplaned passenger | $ 22.98 | $ 23.07 | $ 24.01 | $ 23.73 | $ 24.06 |
| Airline cost per enplaned passenger | $ 4.55 | $ 3.58 | $ 4.23 | $ 3.99 | $ 4.11 |
| **SIGNATORY AIRLINES RATES AND CHARGES** | | | | | |
| Landing Fee (per 1,000 lbs MGLW) | $ 2.04 | $ 1.95 | $ 1.95 | $ 1.86 | $ 1.84 |
| Average Annual Terminal Rental Rate (per s. f.) | $ 44.34 | $ 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 |
|---|---|---|---|---|
| $ 410,214 | $ 446,621 | $ 389,948 | $ 401,028 | $ 460,408 |
| 428,943 | 443,901 | 460,565 | 490,750 | 505,191 |
| $ 839,157 | $ 890,522 | $ 850,513 | $ 891,778 | $ 965,599 |
| 18% | 19% | 19% | 21% | 22% |
| $ 2,205,473 | $ 2,001,761 | $ 1,621,417 | $ 1,600,779 | $ 1,734,476 |
| 761,187 | 1,006,860 | 907,184 | 827,169 | 756,212 |
| 771,155 | 673,754 | 694,800 | 676,004 | 642,805 |
| $ 3,737,815 | $ 3,682,375 | $ 3,223,401 | $ 3,103,952 | $ 3,133,493 |
| 76% | 76% | 72% | 72% | 71% |
| $ 16,247 | $ 32,048 | $ 31,883 | $ 19,629 | $ 103,852 |
| 295,682 | 245,682 | 384,113 | 325,682 | 220,682 |
| $ 311,929 | $ 277,730 | $ 415,996 | $ 345,311 | $ 324,534 |
| 6% | 6% | 9% | 8% | 7% |
| $ 4,888,901 | $ 4,850,627 | $ 4,489,910 | $ 4,341,041 | $ 4,423,626 |
| 231,907 | 203,404 | 183,543 | 173,823 | 177,494 |
| $ 21.08 | $ 23.85 | $ 24.46 | $ 24.97 | $ 24.92 |
| $ 3.62 | $ 4.38 | $ 4.63 | $ 5.13 | $ 5.24 |
| $ 1.78 | $ 1.77 | $ 1.58 | $ 1.59 | $ 1.55 |
| $ 22.82 | $ 22.78 | $ 23.64 | $ 23.68 | $ 24.43 |

**Table 4**

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Parking Rates Per Lot

Fiscal Years Ended June 30

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Short Term | $ 10 | $ 10 | $ 10 | $ 10 | $ 8 | $ 8 | $ 8 | $ 12 | $ 12 | $ 12 |
| Long Term | 10 | 10 | 10 | 10 | 8 | 8 | 8 | 7 | 7 | 7 |
| Economy | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 |
| Overflow | 8 | 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

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| NET REVENUES | | | | |
| Operating Revenues | $ 6,809,025 | $ 6,085,694 | $ 5,726,446 | $ 5,438,985 |
| Interest Income | 4,618 | 6,473 | 8,493 | 7,443 |
| Agency Reimbursements | 50,000 | 50,000 | 150,000 | 180,000 |
| PFC Income* | - | - | - | 31,575 |
| Other Income | 6,042 | 39,628 | 61,282 | - |
| Total Revenues | $ 6,869,685 | $ 6,181,795 | $ 5,946,221 | $ 5,658,003 |
| Less: Operating Expenses | $ (5,072,361) | $ (4,766,160) | $ (4,442,964) | $ (4,285,964) |
| Net Revenues | $ 1,797,324 | $ 1,415,635 | $ 1,503,257 | $ 1,372,039 |
| Aggregate Debt Service** | $ 849,907 | $ 673,249 | $ 690,776 | $ 703,216 |
| Debt Service Coverage | 2.11 | 2.10 | 2.18 | 1.95 |

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

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| $ 5,221,885 | $ 4,576,972 | $ 4,572,897 | $ 4,073,914 | $ 3,995,730 | $ 4,099,092 |
| 14,438 | 16,247 | 32,048 | 31,883 | 19,629 | 103,852 |
| 169,904 | 219,903 | 169,903 | 249,903 | 249,903 | 144,903 |
| 75,779 | 75,779 | 75,779 | 75,779 | 75,779 | 75,779 |
| - | - | - | 58,431 | - | - |
| $ 5,482,006 | $ 4,888,901 | $ 4,850,627 | $ 4,489,910 | $ 4,341,041 | $ 4,423,626 |
| $ (4,347,885) | $ (3,788,084) | $ (3,644,386) | $ (3,503,588) | $ (3,264,784) | $ (3,390,361) |
| $ 1,134,121 | $ 1,100,817 | $ 1,206,241 | $ 986,322 | $ 1,076,257 | $ 1,033,265 |
| $ 713,606 | $ 715,655 | $ 715,655 | $ 715,655 | $ 715,655 | $ 715,655 |
| 1.59 | 1.54 | 1.69 | 1.38 | 1.50 | 1.44 |

**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 |
|---|---|---|---|---|---|---|---|---|---|
| 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% | 2.79 | 16.73 |
| 2016 | 4,261,299 | - | 948,868 | 5,210,167 | 743,528 | 4,466,639 | 14% | unavailable | 16.54 |
| 2017 | 3,319,540 | - | 734,882 | 4,054,422 | 581,446 | 3,472,976 | 17% | unavailable | #DIV/0! |

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

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Airline Landed Weights

Last Ten Fiscal Years

*(in thousands of pounds)*

| Scheduled Air Carriers | 2017 | % Total | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US Airways | - | - | 133,784 | 129,395 | 128,699 | 129,014 | 165,013 | 164,390 | 143,813 | 150,988 | 154,214 |
| Delta Airlines | 83,132 | *22.8%* | 69,637 | 68,952 | 67,781 | 60,791 | 49,162 | 51,512 | 65,518 | 43,287 | 71,393 |
| United Express | 36,353 | *10.0%* | 33,114 | 36,225 | 44,160 | 47,729 | 40,576 | 40,480 | 40,024 | 39,709 | 41,213 |
| American Airlines[1] | 244,981 | *67.2%* | 58,609 | 44,517 | 28,047 | 27,565 | 32,003 | 1,111 | - | - | - |
| Allegiant Airlines[3] | - | - | - | - | 3,996 | - | - | - | - | - | - |
| Northwest Airlink[2] | - | - | - | - | - | - | - | - | - | 22,617 | 20,520 |
| Total | 364,466 | | 295,144 | 279,089 | 272,683 | 265,099 | 286,754 | 257,493 | 249,355 | 256,601 | 287,340 |

Percentage increase/decrease FY 2017/FY 2016: 23%

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,

| | 2017 | % of Total | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| USAirways[4] | - | 0% | - | 121,400 | 114,356 | 109,611 | 126,243 | 126,798 | 100,322 | 96,254 | 84,329 |
| Delta Airlines | 84,332 | 27% | 75,266 | 69,385 | 58,363 | 53,174 | 45,630 | 44,589 | 52,973 | 34,309 | 50,009 |
| United Express | 31,761 | 10% | 30,533 | 30,925 | 36,499 | 39,403 | 35,780 | 30,418 | 30,248 | 27,695 | 29,585 |
| American Airlines[1] | 199,006 | 63% | 180,231 | 39,921 | 25,956 | 25,686 | 24,254 | 1,599 | - | - | - |
| Allegiant Airlines[3] | - | 0% | - | - | 3,224 | - | - | - | - | - | - |
| Northwest Airlink[2] | - | 0% | - | - | - | - | - | - | - | 15,565 | 13,571 |
| Total | 315,099 | | 286,030 | 261,631 | 238,398 | 227,874 | 231,907 | 203,404 | 183,543 | 173,823 | 177,494 |
| % Incr/(Dec) | 10% | | 9% | 10% | 5% | -2% | 14% | 11% | 6% | -2% | -3% |

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 |
|---|---|---|---|---|
| 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 |
| 2017 | 23,143 | 39,371 | 6,344 | 68,858 |
| Average Annual Change | -0.14% | -4.48% | 3.80% | -2.62% |

Source: Airport Authority records

Table 10

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**
**Top 50 Origin Destination Markets**

| Year Ended Quarter 2 2017 | | | | Year Ended Quarter 2 2008 | | | |
|---|---|---|---|---|---|---|---|
| Rank | Airport Code | City | Total Passengers | Rank | Airport Code | City | Total Passengers |
| 1 | ATL | Atlanta | 40,190 | 1 | ATL | Atlanta | 17,410 |
| 2 | ORD | Chicago O'Hare | 38,543 | 2 | TPA | Tampa | 12,190 |
| 3 | LGA | New York La Guardia | 30,632 | 3 | ORD | Chicago O'Hare | 11,650 |
| 4 | SFO | San Francisco | 21,082 | 4 | BOS | Boston | 11,510 |
| 5 | DEN | Denver | 18,740 | 5 | SFO | San Francisco | 11,170 |
| 6 | LAX | Los Angeles | 17,246 | 6 | LAX | Los Angeles | 8,830 |
| 7 | DFW | Dallas/Fort Worth | 16,267 | 7 | FLL | Fort Lauderdale | 8,770 |
| 8 | CLT | Charlotte | 16,090 | 8 | CLT | Charlotte | 8,690 |
| 9 | BOS | Boston | 14,543 | 9 | MCO | Orlando | 8,660 |
| 10 | TPA | Tampa | 12,715 | 10 | DEN | Denver | 7,470 |
| 11 | MCO | Orlando | 12,675 | 11 | DTW | Detroit | 7,040 |
| 12 | IAH | Houston Intercontinental | 12,456 | 12 | MSP | Minneapolis | 6,910 |
| 13 | PHX | Phoenix | 10,749 | 13 | LAS | Las Vegas | 6,010 |
| 14 | SEA | Seattle/Tacoma | 10,133 | 14 | PHX | Phoenix | 5,810 |
| 15 | SAN | San Diego | 9,615 | 15 | SEA | Seattle/Tacoma | 4,790 |
| 16 | LAS | Las Vegas | 9,130 | 16 | DFW | Dallas/Fort Worth | 4,570 |
| 17 | AUS | Austin | 8,907 | 17 | BNA | Nashville | 4,560 |
| 18 | MSP | Minneapolis | 8,431 | 18 | IAH | Houston Intercontinental | 4,530 |
| 19 | FLL | Fort Lauderdale | 8,165 | 19 | MCI | Kansas City | 4,120 |
| 20 | MSY | New Orleans | 8,081 | 20 | SAN | San Diego | 4,100 |
| 21 | MIA | Miami | 7,597 | 21 | MKE | Milwaukee | 3,910 |
| 22 | BNA | Nashville | 7,415 | 22 | BDL | Hartford | 3,800 |
| 23 | STL | St. Louis | 7,305 | 23 | CVG | Cincinnati/Ohio | 3,780 |
| 24 | DTW | Detroit | 7,044 | 24 | JAX | Jacksonville | 3,710 |
| 25 | PHL | Philadelphia | 7,011 | 25 | RSW | Fort Myers | 3,670 |
| 26 | PBI | West Palm Beach | 6,657 | 26 | MSY | New Orleans | 3,660 |
| 27 | SLC | Salt Lake City | 6,552 | 27 | PBI | West Palm Beach | 3,650 |
| 28 | RSW | Fort Myers | 6,425 | 28 | MIA | Miami | 3,400 |
| 29 | JAX | Jacksonville | 6,295 | 29 | PDX | Portland | 2,910 |
| 30 | IND | Indianapolis | 5,879 | 30 | MEM | Memphis | 2,880 |
| 31 | MCI | Kansas City | 5,819 | 31 | IND | Indianapolis | 2,610 |
| 32 | SAT | San Antonio | 5,815 | 32 | SAT | San Antonio | 2,400 |
| 33 | PDX | Portland | 4,671 | 33 | STL | St. Louis | 2,400 |
| 34 | BDL | Hartford | 4,439 | 34 | BHM | Birmingham | 2,350 |
| 35 | CHS | Charleston | 4,248 | 35 | AUS | Austin | 2,280 |
| 36 | MKE | Milwaukee | 4,167 | 36 | HSV | Huntsville/Alabama | 2,200 |
| 37 | MEM | Memphis | 4,032 | 37 | CLE | Cleveland/Ohio | 2,110 |
| 38 | EWR | New York Newark | 3,737 | 38 | PVD | Providence | 2,090 |
| 39 | BHM | Birmingham | 3,600 | 39 | LGA | New York La Guardia | 2,070 |
| 40 | MSN | Madison | 3,262 | 40 | CHS | Charleston | 1,920 |
| 41 | OMA | Omaha | 3,104 | 41 | ABQ | Albuquerque | 1,840 |
| 42 | SRQ | Sarasota/Bradenton | 3,063 | 42 | SAV | Savannah | 1,790 |
| 43 | PVD | Providence | 3,046 | 43 | SLC | Salt Lake City | 1,690 |
| 44 | SMF | Sacramento | 2,795 | 44 | TLH | Tallahassee/Florida | 1,620 |
| 45 | ABQ | Albuquerque | 2,622 | 45 | LIT | Little Rock/Arkansas | 1,540 |
| 46 | PWM | Portland | 2,314 | 46 | ALB | Albany/New York | 1,530 |
| 47 | SNA | Orange County | 2,303 | 47 | SRQ | Sarasota-Bradenton/Florida | 1,490 |
| 48 | CMH | Columbus | 2,265 | 48 | GNV | Gainesville/Florida | 1,390 |
| 49 | OKC | Oklahoma City | 2,235 | 49 | PWM | Portland/Maine/USA | 1,340 |
| 50 | BTV | Burlington | 2,187 | 50 | HNL | Honolulu/Oahu | 1,310 |
| | Total - Top 50 Domestic Markets | | 462,294 | | | | |
| | Total - All Domestic Markets | | 562,148 | | **Grand Total** | | **232,130** |

**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

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Acres (+/-):** | 705 | 705 | 705 | 705 | 705 | 705 | 705 | 705 | 705 | 702 |
| **Runways:** | | | | | | | | | | |
| 3/21 North/South ILS 3/GPS | 6,801 by 150 ft. | 6,801 by 150 ft. | 6,801 by 150 ft. | 6,801 by 150 ft. | 6,801 by 150 ft. | 6,001 by 150 ft. | 6,001 by 150 ft. | 6,001 by 150 ft. | 6,001 by 150 ft. | 6,001 by 150 ft. |
| **Terminal:** | | | | | | | | | | |
| Airlines - sq. ft. | 20,038 | 25,294 | 25,353 | 25,353 | 25,353 | 25,353 | 25,353 | 25,353 | 25,353 | 25,353 |
| Rental Car - sq. ft. | 660 | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 270 |
| Market - sq. ft. | 2,790 | 2,500 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| TSA - sq. ft. | 496 | 496 | 496 | 700 | 700 | 700 | 700 | 700 | 700 | 700 |
| Total | 23,984 | 28,560 | 27,719 | 27,923 | 27,923 | 27,923 | 27,923 | 27,923 | 27,923 | 27,923 |
| # 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 | 743 | 748 | 748 | 748 | 748 | 748 | 748 | 748 | 748 | 748 |
| Economy | 132 | 132 | 132 | 132 | 132 | 132 | 132 | 132 | 132 | 132 |
| Overflow[1] | 196 | 216 | - | - | - | - | - | - | - | - |
| Small GA Lot[2] | 65 | 65 | - | - | - | - | - | - | - | - |
| Rental Cars | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 | 303 |
| Employees[1] | 146 | 146 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 |
| Total | 1,693 | 1,718 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 | 1,466 |
| **Cargo:** | | | | | | | | | | |
| None | | | | | | | | | | |
| **Employees:** | | | | | | | | | | |
| Administrative | 9 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 5 | 5 |
| Public Safety | 7 | 8 | 8 | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Maintenance | 7 | 7 | 7 | 7 | 6 | 6 | 5 | 7 | 7 | 8 |
| CSO | 2 | 2 | 0 | 0 | 4 | 4 | 4 | 4 | 3 | 4 |
| Parking | 9 | 8 | 8 | 9 | 5 | 5 | 5 | 5 | 5 | 5 |
| Equipment Technician | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total f/t employees (2080) hrs. per yr. | 35 | 33 | 31 | 31 | 30 | 29 | 28 | 29 | 27 | 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**

| | 2016[5] | % Change 2016/2015 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| City of Charlottesville | 49,071 | *1.8%* | 48,210 | 47,783 | 46,623 |
| County of Albemarle | 105,715 | *0.6%* | 105,051 | 103,707 | 102,731 |
| County of Greene | 19,785 | *-0.3%* | 19,840 | 19,618 | 18,804 |
| County of Fluvanna | 26,133 | *-0.1%* | 26,162 | 25,970 | 25,977 |
| County of Madison | 13,099 | *0.0%* | 13,099 | 13,353 | 13,200 |
| County of Nelson | 14,835 | *-1.0%* | 14,993 | 15,074 | 14,789 |
| Total | 228,638 | *0.6%* | 227,355 | 225,505 | 222,124 |

**Unemployment Rate [2,5] Fiscal Years Ended June 30**

| | 2017 | % Change 2016/2015 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| City of Charlottesville | 3.6 | *2.9%* | 3.5 | 4.5 | 4.3 |
| County of Albemarle | 3.7 | *0.0%* | 3.7 | 4.7 | 4.1 |
| County of Greene | 3.3 | *6.5%* | 3.1 | 4.3 | 4.1 |
| County of Fluvanna | 3.2 | *-3.0%* | 3.3 | 4.3 | 3.8 |
| County of Madison | 3.1 | *-6.1%* | 3.3 | 4.0 | 3.8 |
| County of Nelson | 3.8 | *8.6%* | 3.5 | 4.5 | 4.2 |

**Total Personal Income [3] Fiscal Years Ended June 30**

| | 2016[6] | % Change 2015/2014 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Albemarle/Charlottesville[4] | | *4.4%* | 9,182,721 | 8,795,194 | 7,764,329 |
| County of Greene | | *8.4%* | 760,363 | 701,736 | 791,878 |
| County of Fluvanna | | *7.5%* | 1,040,445 | 967,881 | 1,072,290 |
| County of Madison | | *5.9%* | 574,042 | 541,990 | 530,597 |
| County of Nelson | | *5.8%* | 666,135 | 629,685 | 675,564 |
| | 0 | *5.0%* | 12,223,706 | 11,636,486 | 10,834,658 |

**Per Capita Income [3] Fiscal Years Ended June 30**

| | 2016[6] | % Change 2015/2014 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Albemarle/Charlottesville[4] | | *2.9%* | 60,294 | 58,603 | 52,693 |
| County of Greene | | *7.6%* | 39,681 | 36,873 | 42,112 |
| County of Fluvanna | | *6.9%* | 39,659 | 37,095 | 41,278 |
| County of Madison | | *6.3%* | 43,775 | 41,194 | 40,197 |
| County of Nelson | | *6.3%* | 45,055 | 42,403 | 45,680 |
| | 0 | *5.7%* | 228,464 | 216,168 | 221,960 |

[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] Source: data.virginialmi.com

[6] 2016 information not available

Table 12

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

**Demographic Information**

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| 45,073 | 44,471 | 43,475 | 43,054 | 42,130 | 41,538 |
| 101,575 | 100,780 | 98,970 | 98,071 | 97,081 | 95,009 |
| 18,856 | 19,402 | 18,403 | 18,237 | 18,131 | 17,972 |
| 26,033 | 25,989 | 25,691 | 25,576 | 25,461 | 25,134 |
| 13,472 | 13,424 | 13,308 | 13,358 | 13,332 | 13,429 |
| 15,078 | 15,097 | 15,016 | 15,090 | 15,050 | 14,993 |
| 220,087 | 219,163 | 214,863 | 213,386 | 211,185 | 208,075 |

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| 4.3 | 6.6 | 6.3 | 6.9 | 6.6 | 3.9 |
| 4.4 | 4.8 | 5.1 | 5.4 | 5.2 | 3.0 |
| 3.8 | 5.2 | 5.0 | 5.9 | 5.9 | 3.3 |
| 4.2 | 4.8 | 4.9 | 5.8 | 5.8 | 3.3 |
| 4.0 | 4.8 | 5.0 | 6.2 | 6.2 | 3.8 |
| 4.6 | 5.3 | 5.5 | 6.2 | 6.5 | 3.6 |

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| 7,493,869 | 6,778,562 | 6,421,082 | 6,213,020 | 6,545,468 | 6,251,318 |
| 767,362 | 710,441 | 666,063 | 640,318 | 643,028 | 590,973 |
| 1,040,671 | 951,419 | 894,204 | 883,986 | 883,083 | 814,673 |
| 523,987 | 479,209 | 457,332 | 446,445 | 447,494 | 390,567 |
| 640,628 | 601,790 | 570,682 | 561,482 | 568,823 | 522,617 |
| 10,466,517 | 9,521,421 | 9,009,363 | 8,745,251 | 9,087,896 | 8,570,148 |

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| 51,255 | 47,052 | 44,987 | 44,025 | 47,018 | 45,781 |
| 40,880 | 38,073 | 36,093 | 35,011 | 34,900 | 33,141 |
| 40,077 | 36,507 | 34,710 | 34,561 | 34,517 | 32,259 |
| 39,696 | 36,389 | 34,394 | 33,422 | 32,783 | 28,511 |
| 43,207 | 39,862 | 38,005 | 37,209 | 37,115 | 36,078 |
| 215,115 | 197,883 | 188,189 | 184,228 | 186,333 | 175,770 |

## CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

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

### As of 1st Quarter 2017

1. University of Virginia / Blue Ridge Hospital
2. University of Virginia Medical Center
3. County of Albemarle
4. Walmart
5. Sentara Healthcare
6. UVA Health Services Foundation
7. City of Charlottesville
8. Dominion Virginia Power
9. State Farm Mutual Automobile Insurance
10. Charlottesville City School Board
11. Louisa County Public School Board
12. US Department of Defense
13. Wintergreen Resort
14. Fluvanna County Public School Board
15. Food Lion
16. Servicelink Management Com Inc
17. Region Ten Community Services
18. Greene County School Board
19. Atlantic Coast Athletic Club
20. Klockner Pentaplast America
21. Piedmont Virginia Community College
22. Kroger
23. Fluor Daniel Services Corporation
24. Northrop Grumman Corp
25. Aramark Campus LLC
26. Assoc for Investment Management
27. Nelson County School Board
28. Lowes' Home Centers, Inc.
29. Wegmans Store #07
30. Lakeland Tours
31. Crutchfield Corporation
32. Capital IQ Inc
33. FIC Systems
34. Pharmaceutical Research Association
35. Postal Service

### As of 2nd Quarter 2008

1. University of Virginia
2. County of Albemarle
3. University of Virginia Health Services
4. State Farm
5. Northrop Grumman Corporation
6. City of Charlottesville
7. National Ground Intelligence Center
8. Greene County School Board
9. GE Fanuc Automation Manufacturing
10. Pharmaceutical Research Associates
11. Crutchfield
12. Piedmont Virginia Community College
13. Comdial Business Communications
14. SP Marine
15. Conagra, Inc.

[(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) 2017.

# 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, 2017, 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 4, 2017.

### 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 4, 2017

# 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, 2017, 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, 2017.

**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 4, 2017

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

| 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 | $ 1,530,778 |
| Total expenditures of federal awards | | | $ 1,530,778 |

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, 2017. 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 , wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients

No awards were passed through to subrecipients.

Indirect Cost Recovery

No indirect costs are claimed for reimbursement; therefore, the 10% de minimis indirect cost rate is not used.

**CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

**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, 2017

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, 2017

| | | | | |
|---|---|---|---|---|
| Unexpended passenger facility charges as of July 1, 2016 | | | $ | 386,320 |
| Collections: | | | | |
| Passenger facility charges collected | $ | 1,326,053 | | |
| Interest credited | | 4,154 | | 1,330,207 |
| Passenger facility charges expended for approved projects: | | | | |
| Runway 21 preliminary design | $ | 3,708 | | |
| Runway 21 phase 1A | | 33,395 | | (37,103) |
| Unexpended passenger facility charges as of June 30, 2017 | | | $ | 1,679,424 |
| Reconciliation to cash as reported on the Statement of Net Position: | | | | |
| Change in accounts receivable | | | $ | (35,471) |
| Cash balance per Statement of Net Position | | | $ | 1,643,953 |

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, 2017

**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, 2017

There were no Passenger Facility Charges findings reported.