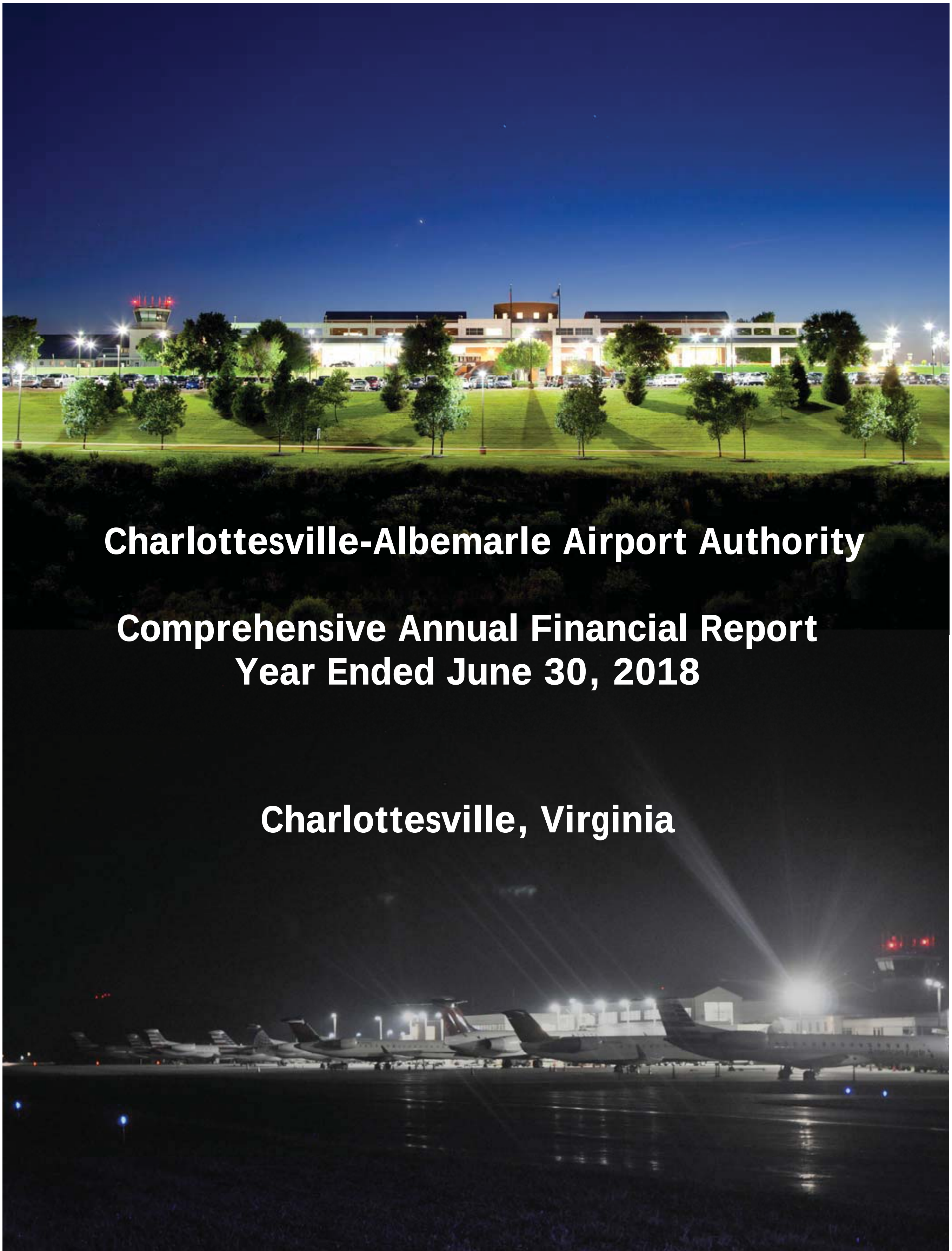

Charlottesville-Albemarle Airport Authority

Comprehensive Annual Financial Report
Year Ended June 30, 2018

Charlottesville, Virginia

Charlottesville-Albemarle Airport Authority
Charlottesville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2018

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, 2018

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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

CHO AIRPORT

January 29, 2019

DEAR HONORABLE MEMBERS OF
THE CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY:

I am pleased to submit for your review and information the fiscal year 2018 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, 2018 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, 2018 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. The Authority is also responsible for establishing financial policies. These policies had no significant impact on the current period's financial statements.

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 2018
Jason Burch, Director of Air Service Development & Marketing

The Charlottesville Albemarle Airport (CHO Airport) serves an economically sound region within the Commonwealth of Virginia's well-developed air transportation network. There are eight counties in Central Virginia and two in the Shenandoah Valley that make up CHO Airport's local passenger traffic base. Located in northern Albemarle County, CHO is surrounded by a traveling community with an amazing quality of life along with a diverse make up of industries including technology, education, medical services, and viticulture.

Central Virginia and the Shenandoah Valley's unmatched livability continue to be recognized by some of the most notable national media outlets. Among numerous awards this year, the town of Crozet (Albemarle County) was recognized as one of the most beautiful towns in all 50 states by Expedia, a renowned travel website. The City of Charlottesville was once again listed amongst the top college towns by the Travel Channel. An hour's drive through the award winning Shenandoah National Park will take you to the City of Harrisonburg, in the Shenandoah Valley, which was recently listed by Forbes magazine as one of the best small places for doing business.

In addition to its highly regarded quality of life and diverse economy, the region is anchored by thriving heritage tourism and entertainment sectors. 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. In fact, CHO is centrally located in the Monticello American Viticultural Area (AVA), which includes over 30 wineries, using 30 types of grapes. This AVA covers an estimated 1000 vineyard acres and produces fine wines of national and international acclaim. In 2018, the Monticello AVA was listed among the nation's top 10 wine regions by USA Today.

The region's economy has remained relatively steady thanks to the area's large employers such as The University of Virginia (UVA) 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.

Located in Charlottesville, The University of Virginia is a major education and innovation facilitator to Central Virginia businesses. It is also the region's largest employer. 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 is located adjacent to CHO Airport. This 562-acre, 3-million-square-foot, mixed-use development is zoned for many commercial uses and is only a few miles from CHO Airport and the nearby federal intelligence installations.

Economic Condition and Outlook 2018: (Continued)

Located in Albemarle County, the National Ground Intelligence Center and the Defense Intelligence Agency anchor a robust defense sector. 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.

CHO served a record breaking 696,512 total passengers in FY18, an increase of 10.8% over the 628,611 total passengers CHO served in FY17. With these strong numbers, CHO has seen an overall increase of over 97% in enplaned passenger growth for the period of FY08 through FY18, 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 our three airlines introducing larger aircraft into their fleets routinely throughout the year, which has also increased the airline's seat capacity at CHO.

Even with this increased seat capacity, CHO's overall load factors have remained in the mid-80% for FY18 with a majority of CHO's connecting markets maintaining load factors above 75%. In fact, both Delta's Atlanta service and United's service to Chicago remain strong with average monthly load factors of 86%. These strong load factors along with other industry variables 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.

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 Federal Aviation Administration (FAA), the Virginia Department of Aviation (VDOA), and the Authority's Passenger Facility Charge (PFC) program.

Capital Planning & Major Initiatives: (Continued)

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, and the project began in the spring of 2017. The project is substantially complete as of June 30, 2018, but the project has not been closed as some construction items continue to be addressed.

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 began in FY18. The original planned expansion project would have added two rows of parking on the eastern side of the long-term lot and would have provided an estimated 300 additional parking spaces. However, the estimated construction cost for the retention wall associated with this project was determined to be cost-prohibitive therefore the scope of the project was reduced. A smaller surface parking lot which will add about 100 spaces is currently being designed, and the prospect of adding a multi-level parking deck north of the long-term lot is being explored. A project to design an entry pavilion to provide climate-controlled ingress/egress to the long-term lot is underway. This project will replace the existing parking elevator and the center main steps with a building that will house two elevators, a set of escalators and new stairs.

In addition to a public parking expansion project, a project to design an air carrier ramp expansion project began in 2018, with construction to follow in 2019-2020. This project will allow for an air carrier ramp expansion to accommodate 3-4 additional aircraft parking spaces.

Some projects that addressed terminal needs were completed in FY18. The flight display system was upgraded, and this project also added a new digital public address system and monitors for the in-house advertising project. A land acquisition project was also completed in FY18. This property is on Airport Road adjacent to the terminal entrance, and will make future terminal area development possible. An Airport Layout Plan update is being processed and should be completed in FY19.

Additional terminal projects continue to be addressed as the original terminal systems age and require refurbishment or replacement. Some of the terminal systems that have been identified for improvement or replacement in 2019 include the escalators, elevators, and baggage claim devices. A major project that will provide for the comfort of CHO's passengers is underway and will be completed in the fall and winter of 2018. This project is the installation of charging stations for passengers' electronic devices at all the airline gate seating areas. "The Lounge," a business center at the gate 5 area is scheduled to be completed in 2018, and this area will provide comfortable seating and a relaxed atmosphere for CHO's passengers.

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.

Financial Controls: (Continued)

Accounting and Budgetary Controls: (Continued)

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. 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.

Financial Controls: (Continued)

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 2017 Comprehensive Annual Financial Report (CAFR). This represents twenty-seven 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

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
PRINCIPAL OFFICIALS AS OF JUNE 30, 2018

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY BOARD

Chairman
Donald D. Long, Attorney, Lenhart Pettit

Vice-Chairman
Mike Murphy, Interim City Manager, City of Charlottesville

Jeff Richardson, County Executive, County of Albemarle

CHARLOTTESVILLE-ALBEMARLE JOINT AIRPORT COMMISSION

Chairman
J. Addison Barnhardt

Vice-Chairman
Chris Engel

Donald D. Long

Brian Campbell

Michael Prichard

Eric Walden

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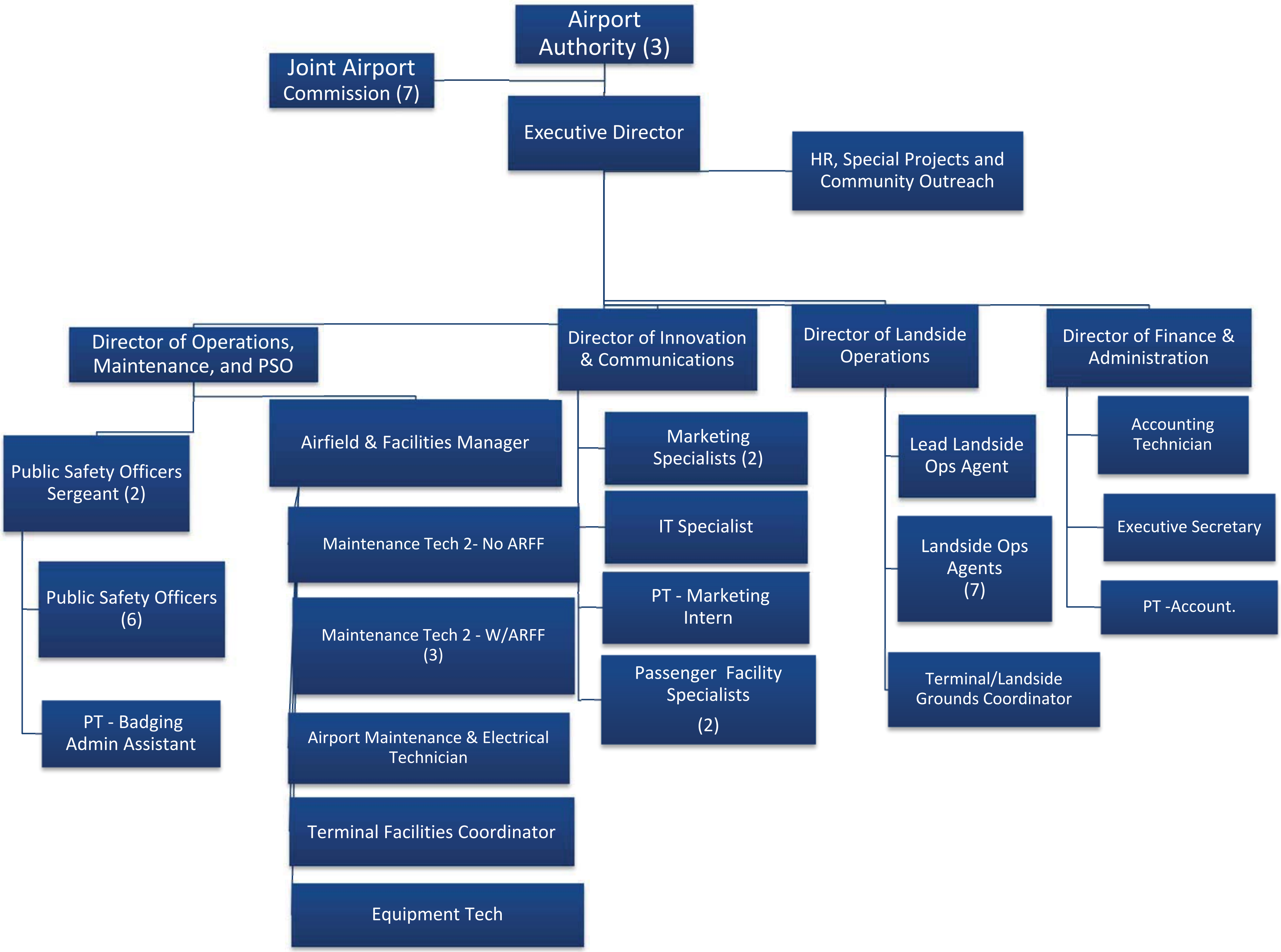
Charlottesville Albemarle Airport 2017 Organizational Chart



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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, 2017

Christopher P. Morrill

Executive Director/CEO

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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, 2018, 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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 15 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 21-29 and 91-97 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.

Supplementary and 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.

Supplementary and Other Information: (Continued)

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited Charlottesville-Albemarle Airport Authority's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 January 29, 2019, 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 solely 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 the effectiveness of Charlottesville-Albemarle Airport Authority's 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
January 29, 2019

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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, 2018. 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, 2018, 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, 2018. 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 11% to 348,922. 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 the Authority's three airlines have introduced larger aircraft to their fleets routinely throughout the year which has increased the airline seat capacity allowing additional passengers to utilize the Airport. Rental car revenue increased 5.3%. Parking revenue also increased 28%. Both of these revenue streams are directly related to the increase in passenger traffic. A parking rate increase was implemented in August 2017 which also contributed to the parking revenue increase.

Airport Activities and Highlights: (Continued)

In FY18, the Authority experienced increases in all three categories of aircraft operations. The increase in general aviation and military operations had minimal impact on the financial aspect of the airport. However, the increase in commercial operations along with larger aircraft resulted in a 13% increase in airline landing revenue.

	FY 2018	FY 2017	FY 2016
Enplanements (persons)	348,922	315,099	286,030
Aircraft Landed Weights (1000's of lbs)	401,698	364,466	295,144
Operations (take-off & landings):			
Commercial	27,975	23,143	19,782
General Aviation	49,310	39,371	37,031
Military	8,495	6,344	5,518
Total Operations	**85,780**	**68,858**	**62,331**

Financial Highlights

Summary of Operations & Changes in Net Position

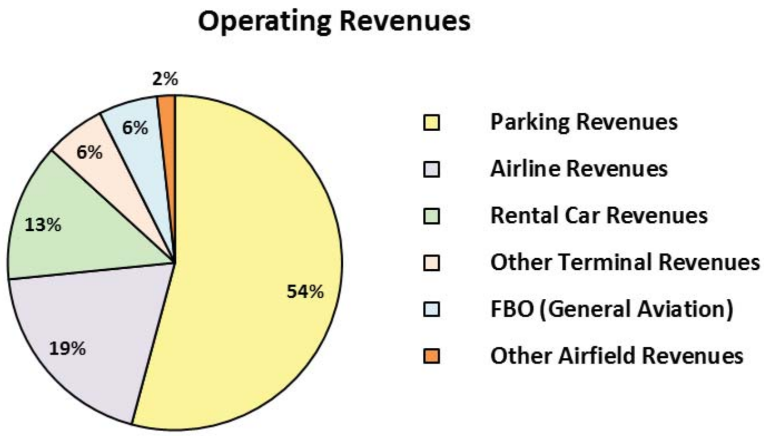
A summary of the Authority's Operations and Changes in Net Position at June 30, 2018 is set forth below:

Summary of Operations & Changes in Net Position	2018	2017	2016
Operations:			
Revenues	$ 8,018,130	$ 6,809,025	$ 6,085,694
Expenses	(5,272,630)	(5,072,361)	(4,766,160)
Income/(loss) before depreciation & nonoperating income/(expenses)	2,745,500	1,736,664	1,319,534
Nonoperating income/(expenses)	37,142	147,279	(155,946)
Income/(loss) before capital contributions & depreciation	2,782,642	1,883,943	1,163,588
Depreciation	(4,009,552)	(4,093,426)	(3,741,700)
Income/(loss) before capital contributions	(1,226,910)	(2,209,483)	(2,578,112)
Capital contributions	11,257,329	5,523,173	7,677,697
Net Position:			
Increase in net position	10,030,419	3,313,690	5,099,585
Total net position, beginning of year, as restated	103,720,877	100,561,187	95,461,602
Total net position, end of year	**$ 113,751,296**	**$ 103,874,877**	**$ 100,561,187**

Implementation of GASB 75 resulted in a restatement of beginning balances in the amount of $154,000. The 9.51% increase in net position is primarily related to the increase in capital contributions with the largest portion of funding being associated with the Runway Rehabilitation Project.

Operating & Non-operating Revenue Highlights

The following chart shows the major sources and percentage of operating revenues for the fiscal year ended June 30, 2018:



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 40% of operating revenue in FY 2009 to 54% in FY 2018. 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 22% in FY 2009 to 19% in FY 2018.

A summary of revenues for the year ended June 30, 2018 follows:

Summary of Revenues	**2018**	**2017**	**2016**
Operating:			
Parking Revenues	$ 4,344,293	$ 3,380,734	$ 3,124,311
Airline Revenues	1,542,524	1,432,737	1,024,977
Rental Car Revenues	1,070,117	1,015,613	939,012
Other Terminal Revenues	467,501	394,858	348,110
FBO (General Aviation)	455,932	450,883	444,422
Other Airfield Revenues	137,763	134,200	204,862
Total Operating Revenues	$ 8,018,130	$ 6,809,025	$ 6,085,694
Nonoperating:			
Interest Income	$ 11,757	$ 4,618	$ 6,473
Insurance Recovery	41,495	6,042	39,628
Airline Settlement Retained	-	370,725	417,921
Agency Reimbursements	285,000	50,000	50,000
Total Nonoperating Revenues	$ 338,252	$ 431,385	$ 514,022
Total Revenues Prior to Capital Contributions	**$ 8,356,382**	**$ 7,240,410**	**$ 6,599,716**
Capital Contributions	11,257,329	5,523,173	7,677,697
Total Revenues	**$ 19,613,711**	**$ 12,763,583**	**$ 14,277,413**

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 largest portion of the increase is associated with the increase in capital contributions related to the Runway Rehabilitation Project.

Operating & Non-operating Revenue Highlights (Continued)

Non-operating revenues decreased 22%, compared to a prior year decrease of 16%. The fluctuation in this category is attributed to the variance in the amount of airline settlement retained between the two fiscal years, and the variance was offset, in part, by additional agency reimbursement associated with the Virginia Department of Aviation's funding of debt service. Due to the fact that the airline agreement is in holdover status and there are no signatory airlines at this time, the airline settlement is no longer applicable.

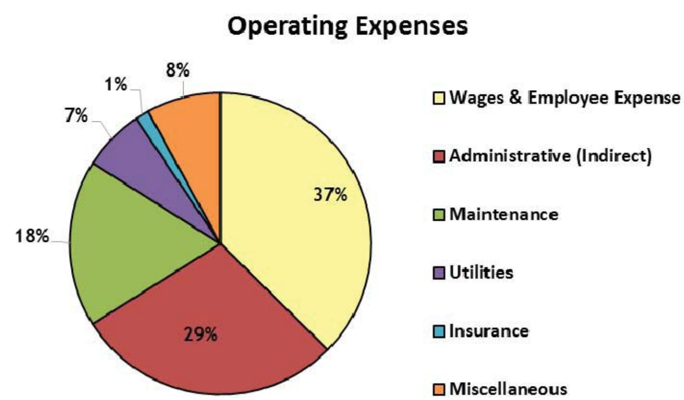
Capital Contributions

Capital contributions increased in FY18 due to significant funding by the Federal Aviation Administration and the Virginia Department of Aviation for the Runway Rehabilitation Project.

Operating & Nonoperating Expense Highlights

The following chart illustrates the major sources and percentage of operating expenses for the fiscal year ended June 30, 2018:

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, 2018 follows:

Summary of Expenses	**2018**	**2017**	**2016**
Operating:			
Wages & Employee Expense	$ 1,972,599	$ 1,943,458	$ 1,894,519
Administrative (Indirect)	1,511,545	1,421,002	1,340,086
Maintenance	943,033	954,741	861,817
Utilities	348,013	324,559	305,958
Insurance	77,902	72,580	65,574
Miscellaneous	419,538	356,021	298,206
Total Operating Expenses	$ 5,272,630	$ 5,072,361	$ 4,766,160
Nonoperating:			
Interest Expense	$ 123,528	142,697	157,167
Rental Car Service Facility Expense	139,384	141,409	142,076
Write-off of stopped projects	38,198	-	-
Airline Settlement	-	-	370,725
Total Nonoperating Expenses	$ 301,110	$ 284,106	$ 669,968
Total Expenses	**$ 5,573,740**	**$ 5,356,467**	**$ 5,436,128**

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. Since the Authority remains in a hold-over status with its airline use agreements, the airline settlement is not applicable.

Financial Position Summary

The Statement of Net Position reports the Authority's financial position as of June 30, 2018. 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 $113,751,296 at June 30, 2018, a 9.51% or $10,030,419 increase over June 30, 2017.

A condensed summary of the Authority's total net position at June 30, 2018 is set forth below:

	2018	2017	2016
Assets:			
Current unrestricted assets	$ 2,635,318	$ 1,473,648	$ 995,042
Restricted assets	12,011,541	11,291,447	8,484,390
Capital assets	104,474,746	96,760,588	97,759,584
Total assets	$ 119,121,605	$ 109,525,683	$ 107,239,016
Deferred outflows of resources	$ 388,072	$ 365,915	$ 358,057
Liabilities:			
Current liabilities	$ 2,205,415	$ 1,812,317	$ 1,928,729
Noncurrent liabilities	3,320,871	4,166,396	4,992,439
Total liabilities	$ 5,526,286	$ 5,978,713	$ 6,921,168
Deferred inflows of resources	$ 232,095	$ 38,008	$ 114,718
Net Position:			
Net investment in capital assets	$ 101,441,432	$ 92,837,835	$ 92,756,326
Restricted	11,061,212	10,787,497	8,396,399
Unrestricted	1,248,652	249,545	(591,538)
Total Net Position	**$ 113,751,296**	**$ 103,874,877**	**$ 100,561,187**

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 9.30% which resulted from a land acquisition project in which the Authority acquired approximately 8 acres of property adjacent to the terminal area. This category represents 89% of the Authority's net position as of June 30, 2018.

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 7.65% in the total restricted cash balance in these funds compared to June 30, 2017 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 and OPEB related deferred outflows of resources less current liabilities (other than notes payable) less accrued leave less net pension liability, net OPEB liability, and pension and OPEB related deferred inflows of resources. At June 30, 2018, there was a 400.37% increase in unrestricted net position compared to June 30, 2017. This increase is attributed to the increase in revenues overall which is directly related to the increase in passenger traffic and the increase in the parking rates.

Summary of Cash Flow Activities

Net cash provided by the operation of $2,671,088, is a 67%, or $1,076,092 increase over the prior year. This was due, primarily, to the increase in passenger traffic and the increase in the parking rates which resulted in the increase in cash received from services. Net cash provided by capital financing activities decreased $2,091,180 as the result the land acquisition and the construction activity related to the Runway Rehabilitation Project. There was an overall increase in cash and cash equivalents for the year of $1,963,877. This is a decrease of 34% from the prior year change. Cash and cash equivalents totaled $12,945,092 at year-end which is an 18% increase over FY 2017.

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. Rates and charges for the airlines over the last 36 months are as follows:

	FY 2018	FY 2017	FY 2016
Landing Fees (1,000 lbs unit)	2.08	2.04	1.95
Average Terminal Rental Rates (s.f.)	40.75	39.91	23.35
Airline Cost per Enplanement	4.41	4.55	3.58

Airline Signatory Rates and Charges: (Continued)

There was minimal change in the airline rates and charges in FY18. However, 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 2018, the Authority expended $11,761,908 on capital activities. These included construction projects mainly related to runway rehabilitation, a pedestrian access ramp and canopy project, and surface parking expansion and acquisition of land, 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 $2,880,955 were comprised of the following:

Capitalized Item		*Value*
Land	$	2,014,063
Long-term Stair Replacement		547,209
Electrical Vault Upgrade		34,155
SCBA Equipment		62,711
Polaris Brutus		29,372
Fill Station		41,718
Monitors		15,000
Polaris Brutus		27,962
Tension Fabric Frames		47,198
Other		61,567
Total	**$**	**2,880,955**

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, 2018 was $415,762.

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, 2018 was $496,290.

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, 2018 was $150,641.

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, 2018 was $1,292,169.

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.

Currently, all of the Authority's debt is funded with the Virginia Resource Authority, and as such, the Authority does not have an active credit rating. Additional information on the Authority's Bonds can be found in Note 7 – Long-Term Obligations in the Notes to the Financial Statements. 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.

Pension and OPEB Programs

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 2018). Employees are also provided group life insurance benefits through VRS. The Authority contributes a percentage of payroll to VRS on behalf of its fulltime employees, the rate set by VRS as actuarially determined (1.31% during FY 2018 (allocated into an employee and employer component using a 60 (.79%)/40 (.52%) split)).

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
Director of Finance

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BASIC FINANCIAL STATEMENTS

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Statement of Net Position

At June 30, 2018

(With Comparative Totals for the Prior Year)

		2018		2017
ASSETS				
Current assets:				
Cash and cash equivalents	$	2,258,144	$	1,054,110
Prepaid insurance		8,156		102,779
Prepaid insurance - CFC facility		3,641		5,011
Other prepaid items		10,338		2,955
Accounts receivable - net		355,039		308,793
Total current unrestricted assets	$	2,635,318	$	1,473,648
Restricted assets:				
Capital Funds:				
Cash and cash equivalents	$	89,469	$	242,457
Receivable		1,016,341		1,081,988
Passenger Facility Charge Funds:				
Cash and cash equivalents		86,983		1,643,953
Receivable		232,439		227,343
Customer Facility Charge Funds:				
Cash and cash equivalents		1,027,236		2,280,391
Receivable		75,813		55,011
Renewal and Replacement Funds:				
Cash and cash equivalents		153,186		152,515
State Entitlement Funds:				
Cash and cash equivalents		9,181,737		5,460,421
Total current restricted assets	$	11,863,204	$	11,144,079
Total current assets	$	14,498,522	$	12,617,727
Noncurrent assets:				
Restricted assets:				
Revenue Bond Funds:				
Cash and cash equivalents	$	148,337	$	147,368
Capital assets:				
Land	$	19,230,590	$	17,216,527
Construction in progress		12,434,698		3,591,943
Building, improvements and equipment, net of accumulated depreciation		72,779,733		75,871,437
Intangibles, net of accumulated amortization		29,725		80,681
Total capital assets (net of accumulated depreciation and amortization)	$	104,474,746	$	96,760,588
Total noncurrent assets	$	104,623,083	$	96,907,956
Total assets	$	119,121,605	$	109,525,683
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of debt	$	56,430	$	131,669
Pension related items		322,042		234,246
OPEB related items		9,600		-
Total deferred outflows of resources	$	388,072	$	365,915

Exhibit A

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Statement of Net Position

At June 30, 2018

(With Comparative Totals for the Prior Year)

	2018	2017
LIABILITIES		
Current liabilities:		
Accounts payable:		
Operating	$ 219,504	$ 214,495
Unearned revenue	7,044	7,378
Accrued payroll and related liabilities	83,989	63,144
Compensated absences	11,925	10,864
A/P security deposits/performance bonds	32,667	32,667
Revenue bonds payable	887,730	964,675
Accrued interest	12,227	15,144
Liabilities payable from restricted assets (accounts payable and retainage payable):		
Capital funds	950,329	503,950
Total current liabilities	$ 2,205,415	$ 1,812,317
Noncurrent Liabilities:		
Compensated absences	$ 107,324	$ 97,777
Due to VDOA--Bridge Loans	734,882	734,882
Net pension liability	871,533	978,872
Net OPEB liability	140,000	-
Revenue bonds payable	1,467,132	2,354,865
Total noncurrent liabilities	$ 3,320,871	$ 4,166,396
Total liabilities	$ 5,526,286	$ 5,978,713
DEFERRED INFLOWS OF RESOURCES		
Pension related items	$ 216,095	$ 38,008
OPEB related items	16,000	-
Total deferred inflows of resources	$ 232,095	$ 38,008
NET POSITION		
Net investment in capital assets	$ 101,441,432	$ 92,837,835
Restricted for:		
Capital Projects	$ 155,481	$ 820,495
PFC fund	319,422	1,871,296
State Entitlement fund	9,181,737	5,460,421
Renewal & Replacement	153,186	152,515
CFC fund	1,103,049	2,335,402
Bond fund	148,337	147,368
Total restricted assets	$ 11,061,212	$ 10,787,497
Unrestricted	$ 1,248,652	$ 249,545
Total net position	$ 113,751,296	$ 103,874,877

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, 2018

(With Comparative Totals for the Prior Year)

	2018	2017
Operating revenues:		
Parking	$ 4,344,293	$ 3,380,734
Terminal	2,242,281	2,100,201
Airfield	1,431,556	1,328,090
Total operating revenues	$ 8,018,130	$ 6,809,025
Operating expenses:		
Direct operating expenses:		
Parking	$ 869,662	$ 830,167
Terminal	1,805,884	1,562,057
Airfield	1,085,539	1,259,135
Total direct operating expenses	$ 3,761,085	$ 3,651,359
Indirect operating expense:		
Administrative	$ 1,511,545	$ 1,421,002
Total operating expenses	$ 5,272,630	$ 5,072,361
Operating income before depreciation and amortization	$ 2,745,500	$ 1,736,664
Depreciation and amortization	(4,009,552)	(4,093,426)
Operating income (loss)	$ (1,264,052)	$ (2,356,762)
Nonoperating revenues (expenses):		
Interest income	$ 11,757	$ 4,618
CFC expenses	(139,384)	(141,409)
Interest expense	(123,528)	(142,697)
Write-off of stopped projects	(38,198)	-
State entitlement debt service income	285,000	50,000
Insurance recovery	41,495	6,042
Airline settlement retained (FY16 & FY15)	-	370,725
Total nonoperating revenue (expenses)	$ 37,142	$ 147,279
Net income (loss) before capital contributions	$ (1,226,910)	$ (2,209,483)
Capital contributions:		
Federal construction revenue	$ 7,312,260	$ 1,530,778
State construction revenue	1,748,007	1,986,023
PFC fund	1,448,125	1,330,207
CFC fund	748,937	670,165
Other Contributions	-	6,000
Total capital contributions	$ 11,257,329	$ 5,523,173
Net position		
Increase in net position	$ 10,030,419	$ 3,313,690
Total net position, beginning of year, as restated	103,720,877	100,561,187
Total net position, end of year	$ 113,751,296	$ 103,874,877

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, 2018
(With Comparative Totals for the Prior Year)

	2018	2017
Cash flows from operating activities:		
Cash received from providing services	$ 7,971,550	$ 6,754,607
Cash paid to suppliers	(2,365,219)	(2,379,061)
Cash paid to and for employees	(2,935,243)	(2,780,550)
Net cash provided by (used for) operating activities	$ 2,671,088	$ 1,594,996
Cash flows from capital and related financing activities:		
Interest paid on debt	$ (62,040)	$ (84,959)
Acquisition of property and equipment	(2,880,955)	(290,925)
Disposal of property and equipment (insurance recovery)	41,495	6,042
Additions to construction in progress	(8,434,867)	(2,387,834)
Payment of bridge loans from VDOA	-	(213,986)
Debt service paid	(964,678)	(941,759)
State debt service reimbursement	285,000	50,000
Contributions from Virginia Department of Aviation	1,793,100	1,970,047
Contributions from Federal Aviation Administration	7,301,556	1,333,083
Contributions from others	31,257	(25,257)
Contributions from Passenger Facility Charge (PFC)	1,443,029	1,294,736
Contributions from Customer Facility Charge (CFC)	728,135	663,024
Net cash provided by (used for) capital and related financing activities	$ (718,968)	$ 1,372,212
Cash flows from investing activities:		
Investment interest earned	$ 11,757	$ 4,618
Net increase (decrease) in cash and cash equivalents	1,963,877	2,971,826
Cash and cash equivalents at beginning of year (including restricted accounts)	10,981,215	8,009,389
Cash and cash equivalents at end of year (including restricted accounts)	$ 12,945,092	$ 10,981,215
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating loss	$ (1,264,052)	$ (2,356,762)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	$ 4,009,552	$ 4,093,426
CFC operations	(126,886)	(127,027)
Changes in operating assets and liabilities and deferred outflows/ inflows of resources:		
Accounts receivable	(46,246)	(53,878)
Prepaid items	87,240	27,930
Deferred outflows related to pension	(87,796)	29,449
Deferred outflows related to OPEB	(1,600)	(112,547)
Accounts payable - operating	5,009	33,874
Accrued payroll and related liabilities	20,845	(75)
Accrued compensated absences	10,608	(8,499)
Unearned revenue	(334)	(540)
Net pension liability	(107,339)	146,355
Net OPEB liability	(22,000)	-
Deferred inflows related to pension	178,087	(76,710)
Deferred inflows related to OPEB	16,000	-
Total adjustments	$ 3,935,140	3,951,758
Net cash provided by (used for) operating activities	$ 2,671,088	$ 1,594,996
Schedule of non-cash capital and related financing activities:		
Increase (decrease) in capital contribution receivables	$ (39,748)	$ 287,540
Write-off of costs due to project stoppage	$ (38,198)	$ -

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

Charlottesville - Albemarle Airport Authority
Notes to Financial Statements

NOTE 1 - FINANCIAL REPORTING ENTITY:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

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

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

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

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

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

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

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

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

> *Capital Funds* – Proceeds restricted for designated capital projects that cannot be expended for any other item.
>
> *Passenger Facility Charge Funds* – Passenger Facility Charge (PFC) collections are based on FAA approval to impose and collect such charges from the airlines serving the Airport. These funds are restricted for designated projects and/or FAA approved debt incurred to finance the construction of projects.
>
> *Revenue Bond Funds* – 2004, 2006 and 2014 airport revenue refunding bond proceeds held in Escrow Funds.
>
> *Renewal & Replacement Funds* – The Authority's Indenture of Trust required the establishment of a $150,000 Replacement Fund that may be used to make transfers to the Revenue Fund for reasonable and necessary Operation and Maintenance expenses. Any funds used from the Replacement Fund must be repaid in 48 equal monthly deposits. Once all outstanding bonds are redeemed, the funds on deposit in the Replacement Fund may be used by the Authority for any lawful purpose.
>
> *State Entitlement Fund* – The Authority receives annual entitlement fund allocations from the Virginia Department of Aviation which are required to be maintained in a separate, interest-bearing account. The use of the funds is restricted for purposes established by the Virginia Aviation Board. 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, 2018 was $4,009,552. 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 multiple 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, 2018 was $75,239.
>
> The others are comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the pension and OPEB notes.

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 and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the pension and OPEB notes.

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.

Other Postemployment Benefits (OPEB) – The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments 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.

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

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, 2018 consist of the following:

Restricted Assets:	Cash & Cash Equivalents	Receivables	Total Restricted Assets
Capital Projects	$ 89,469	$ 1,016,341	$ 1,105,810
PFC Fund	86,983	232,439	319,422
State Entitlement Fund	9,181,737	-	9,181,737
Renewal & Replacement	153,186	-	153,186
CFC Fund	1,027,236	75,813	1,103,049
Bond Fund	148,337	-	148,337
Total Restricted Assets	$ 10,686,948	$ 1,324,593	$ 12,011,541

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.

NOTE 4 – DEPOSITS AND INVESTMENTS: (CONTINUED)

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.

As of June 30, 2018, 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 $148,337 on June 30, 2018 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, 2018:

Summary of Cash and Investments:	
Cash on hand and cash items	$ 6,100
Carrying value of deposits	12,790,655
Investments	148,337
Total	$ 12,945,092
Per Financial Statements:	
Cash and cash equivalents:	
Operating	$ 2,258,144
Restricted Capital Projects	89,469
Restricted PFC Fund	86,983
Restricted CFC Fund	1,027,236
Restricted Renewal & Replacement	153,186
Restricted Entitlement	9,181,737
Restricted Bond Funds	148,337
Total per financial statements	$ 12,945,092

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, 2018:

		Fair Value Measurements Using		
	6/30/2018	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	$ 148,337	$ 148,337	$ -	$ -

NOTE 5 – ACCOUNTS RECEIVABLE:

Details of changes in Accounts Receivable for the fiscal year ended June 30, 2018 are as follows:

	Non Restricted Assets	Restricted Assets	Total Accounts Receivable
Accounts Receivable			
Operating	$ 355,039	$ -	$ 355,039
Capital	-	1,016,341	1,016,341
Passenger Facility Charge	-	232,439	232,439
Rental Car Facility Charge	-	75,813	75,813
	$ 355,039	$ 1,324,593	$ 1,679,632

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 $46,246 over fiscal year 2017.

Capital Receivable – Capital decreased $65,647 from fiscal year 2017 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 $172,929, the Federal Government in the amount of $827,863, and others in the amount of $15,549.

Passenger Facility Charge- Passenger facility charge receivables represent the accrual for funds received in July and August 2018 for the period June 2018.

Rental Car Facility Charge – Customer facility charge receivables represent the accrual for funds received in July 2018 for the period June 2018.

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

Net capital assets increased $7,714,158 as the result of a land purchase and 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, 2018 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, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not depreciated:				
Land	$ 17,216,527	$ 2,014,063	$ -	$ 19,230,590
Construction in progress:				
Runway Rehabilitation	$ 2,694,111	$ 8,518,794	$ -	$ 11,212,905
Sanford Land Relocation Project	8,492	-	8,492	-
Pedestrian Access Ramp and Stairs	149,506	874	29,706	120,674
Pedestrian Access Ramp and Canopy	780	144,969	-	145,749
Business Center	194,006	43,497	-	237,503
Charging Stations	6,000	111,527	-	117,527
Long-term Stair Replacement	531,656	23,053	554,709	-
Air Carrier Terminal Apron Repair	2,540	-	-	2,540
FIDS BIDS and PA System	-	331,706	-	331,706
800 MHz Radio	4,852	24,314	-	29,166
Surface Parking Expansion	-	221,959	-	221,959
Tailwind Expansion	-	14,969	-	14,969
Total construction in progress	$ 3,591,943	$ 9,435,662	$ 592,907	$ 12,434,698
Total capital assets not depreciated	$ 20,808,470	$ 11,449,725	$ 592,907	$ 31,665,288
Capital and other assets depreciated:				
Buildings	$ 35,532,179	$ 8,267	$ -	$ 35,540,446
Improvements other than buildings	75,840,875	34,155	-	75,875,030
Machinery & equipment	7,980,162	277,261	-	8,257,423
Infrastructure	14,272,563	547,209	-	14,819,772
Intangibles	1,089,663	-	-	1,089,663
Total capital assets depreciated	$ 134,715,442	$ 866,892	$ -	$ 135,582,334
Less accumulated depreciation for:				
Buildings	$ 18,695,125	$ 1,015,368	$ -	$ 19,710,493
Improvements other than buildings	28,270,184	2,213,525	-	30,483,709
Machinery & equipment	5,661,927	240,849	-	5,902,776
Infrastructure	5,127,106	488,854	-	5,615,960
Intangibles	1,008,982	50,956	-	1,059,938
Total accumulated depreciation	$ 58,763,324	$ 4,009,552	$ -	$ 62,772,876
Total net capital assets depreciated	$ 75,952,118	$ (3,142,660)	$ -	$ 72,809,458
Net Capital Assets	$ 96,760,588	$ 8,307,065	$ 592,907	$ 104,474,746

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2018:

	Beginning Balance As Restated	Additions	Reductions	Ending Balance
Revenue Bonds	$ 3,319,540	$ -	$ (964,678)	$ 2,354,862
Bridge Loans VDOA	734,882	-	-	734,882
Compensated Absences	108,641	121,886	(111,278)	119,249
Net Pension Liability	978,872	779,280	(886,599)	871,553
Net OPEB Liability	162,000	2,000	(24,000)	140,000
Total	$ 5,303,935	$ 903,166	$ (1,986,555)	$ 4,220,546

At June 30, 2018, 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	$ 415,762	$ 169,365
$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	496,290	496,290
$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	150,641	58,407
$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	1,292,169	163,668
Total Revenue Bonds	$ 2,354,862	$ 887,730

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

At June 30, 2018, 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	$ 119,249	$ 11,925
Net Pension Liability	$ 871,553	$ -
Net OPEB Liability	$ 140,000	$ -
Total long-term obligations	$ 4,220,546	$ 899,655

* 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)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended June 30	Series 2002 $2,222,078 Issue Principal	Series 2002 $2,222,078 Issue Interest	Series 2004 $6,703,274 Issue Principal	Series 2004 $6,703,274 Issue Interest	Series 2006 $710,000 Issue Principal	Series 2006 $710,000 Issue Interest
2019	$ 169,365	$ 7,446	$ 496,290	$ 5,819	$ 58,407	$ 5,652
2020	173,129	3,682	-	-	60,856	3,203
2021	73,268	403	-	-	31,378	651
Total	$ 415,762	$ 11,531	$ 496,290	$ 5,819	$ 150,641	$ 9,506
Less current portion	169,365		496,290		58,407	
Total long-term obligations	$ 246,397		$ -		$ 92,234	

Year Ended June 30	Series 2014 $1,612,000 Issue Principal	Series 2014 $1,612,000 Issue Interest	Total Debt Summary $11,247,352 Principal	Total Debt Summary $11,247,352 Interest
2019	$ 163,668	$ 19,648	$ 887,730	$ 38,565
2020	166,248	17,068	400,233	23,953
2021	168,868	14,448	273,514	15,502
2022	171,530	11,787	171,530	11,787
2023	174,233	9,083	174,233	9,083
2024-2026	447,622	10,599	447,622	10,599
Total	$ 1,292,169	$ 82,633	$ 2,354,862	$ 109,489
Less current portion	163,668		887,730	
Total long-term obligations	$ 1,128,501		$ 1,467,132	

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.

800 MHz Upgrade

The Authority shares an 800MHz radio system with Albemarle County, the City of Charlottesville, the University of Virginia, and other smaller entities. The system is currently undergoing an upgrade with costs to be shared among all parties. The Authority's share of these costs is estimated at $345,600. Costs are being paid as incurred and have totaled approximately $29,000 to date.

NOTE 8 – LEASES:

The Authority's leasing operations consist of the leasing of office and terminal space to airlines and other tenants. All leases are subject to public procurement requirements, and each has a different mechanism for determining rates and charges. Each year, lease payments are set to sufficiently fund expenses in the adopted operating budget, including debt service expense and the revenue covenant coverage expense.

The cost of some leased space is not determinable because the leased portions of assets are not significant to the total square footage of the facility. Significant 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, 2018 was $260,000.

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.

NOTE 8 – LEASES: (CONTINUED)

Future lease payments are as follows:

Year		Amount
2019	$	183,242
2020		185,990
2021		188,780
2022		191,612
2023		194,486
2024-2028		1,707,786
2029-2033		2,212,107
2034-2038		2,383,067
2039-2043		2,567,240
2044-2048		2,765,647
2049-2051		1,610,348
Total	$	14,190,305

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 $119,249 as of June 30, 2018. Of this amount, 10 percent or $11,925 has been estimated as a current liability.

NOTE 9 – COMPENSATED ABSENCES: (CONTINUED)

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, 2018, the potential amount of payout for current employees is $30,250. 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 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.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td></td><td></td><td>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

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

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

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

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

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

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

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

<u>*NOTE 10 - PENSION PLAN: (CONTINUED)*</u>

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. 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.	**Retirement Contributions** A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contribution Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** 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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

<u>NOTE 10 - PENSION PLAN: (CONTINUED)</u>

Plan Description (Continued)

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

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** 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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	1
Non-vested Inactive members	7
Inactive members active elsewhere in VRS	8
Total inactive members	16
Active members	34
Total covered employees	63

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 employer contribution rate for the year ended June 30, 2018 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.

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 $125,053 and $121,699 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 10 - PENSION PLAN: (CONTINUED)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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 expenses, 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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related: (Continued)

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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 expenses, 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:

Largest 10 – Non-Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Non-Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 10 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, 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, 2019 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, 2016	$ 5,343,443	$ 4,364,571	$ 978,872
Changes for the year:			
Service cost	$ 160,685	$ -	$ 160,685
Interest	358,917	-	358,917
Changes in assumptions	(147,508)	-	(147,508)
Differences between expected and actual experience	255,968	-	255,968
Contributions - employer	-	124,216	(124,216)
Contributions - employee	-	83,490	(83,490)
Net investment income	-	531,385	(531,385)
Benefit payments, including refunds of employees contributions	(431,927)	(431,927)	-
Administrative expenses	-	(3,254)	3,254
Other changes	-	(456)	456
Net changes	$ 196,135	$ 303,454	$ (107,319)
Balances at June 30, 2017	$ 5,539,578	$ 4,668,025	$ 871,553

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	$ 1,660,198	$ 871,553	$ 219,574

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

For the year ended June 30, 2018, the Authority recognized pension expense of $110,542. At June 30, 2018, 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	$ 196,989	$ 25,452
Change in assumptions	-	113,520
Net difference between projected and actual earnings on pension plan investments	-	77,123
Employer contributions subsequent to the measurement date	125,053	-
Total	$ 322,042	$ 216,095

$125,053 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	$ (31,746)
2020	31,830
2021	19,084
2022	(38,274)
Thereafter	-

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $9,600 and $8,890 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of $140,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer’s proportion was .00927% as compared to .00928% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,000
Change in assumptions	-	7,000
Employer contributions subsequent to the measurement date	9,600	-
Total	$ 9,600	$ 16,000

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$9,600 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(3,000)
2020		(3,000)
2021		(3,000)
2022		(3,000)
2023		(2,000)
Thereafter		(2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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 proportionate share of the GLI Program Net OPEB Liability	$ 181,000	$ 140,000	$ 107,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Authority to VML. VML assumes all liability for the Authority's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2018 was $6,038.

NOTE 12 – 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 13 – 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, 2018, the Authority had one major project in the construction phase, which is presented in the financial statements as Construction in Progress. Presented is the project, contract amount, expenditures to date and balance of the contract remaining:

	Contract Amounts	Expenditures To Date	Balance of Contracts
Runway Rehabilitation Construction	$ 11,957,145	$ 8,561,517	$ 3,395,628
Total	$ 11,957,145	$ 8,561,517	$ 3,395,628

NOTE 14 – LITIGATION:

At June 30, 2018, 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 15 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

		Amount
Net Position as reported at June 30, 2017	$	103,874,877
GASB 75 implementation		(154,000)
Net Position as restated at July 1, 2017	$	103,720,877

NOTE 16 – 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. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

NOTE 16 – UPCOMING PRONOUNCEMENTS: (CONTINUED)

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.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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.

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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, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 160,685	$ 145,571	$ 134,497	$ 131,276
Interest	358,917	348,038	328,487	308,435
Changes in assumptions	(147,508)	-	-	-
Differences between expected and actual experience	255,968	(40,416)	(13,370)	-
Benefit payments, including refunds of employee contributions	(431,927)	(163,556)	(176,953)	(129,551)
Net change in total pension liability	$ 196,135	$ 289,637	$ 272,661	$ 310,160
Total pension liability - beginning	5,343,443	5,053,806	4,781,145	4,470,985
Total pension liability - ending (a)	$ 5,539,578	$ 5,343,443	$ 5,053,806	$ 4,781,145
Plan fiduciary net position				
Contributions - employer	$ 124,216	$ 149,543	$ 137,753	$ 120,121
Contributions - employee	83,490	81,830	75,656	72,514
Net investment income	531,385	78,062	184,002	544,205
Benefit payments, including refunds of employee contributions	(431,927)	(163,556)	(176,953)	(129,551)
Administrative expense	(3,254)	(2,565)	(2,456)	(2,845)
Other	(456)	(32)	(40)	29
Net change in plan fiduciary net position	$ 303,454	$ 143,282	$ 217,962	$ 604,473
Plan fiduciary net position - beginning	4,364,571	4,221,289	4,003,327	3,398,854
Plan fiduciary net position - ending (b)	$ 4,668,025	$ 4,364,571	$ 4,221,289	$ 4,003,327
Authority's net pension liability - ending (a) - (b)	$ 871,553	$ 978,872	$ 832,517	$ 777,818
Plan fiduciary net position as a percentage of the total pension liability	84.27%	81.68%	83.53%	83.73%
Covered payroll	$ 1,709,207	$ 1,668,303	$ 1,529,547	$ 1,451,427
Authority's net pension liability as a percentage of covered payroll	50.99%	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 - VRS Pension Plan
Years Ended June 30, 2009 through June 30, 2018

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)
2018	$ 125,053	$ 125,053	$ -	$ 1,846,088	6.77%
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%

Notes to Required Supplementary Information - VRS Pension Plan
For the Year Ended June 30, 2018

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, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Authority's Share of Net OPEB Liability
VRS Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.00927%	$ 140,000	$ 1,709,562	8.19%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
VRS Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	$ 9,600	$ 9,600	$ -	$ 1,846,088	0.52%
2017	8,890	8,890	-	1,709,562	0.52%
2016	8,008	8,008	-	1,668,303	0.48%
2015	7,334	7,334	-	1,527,871	0.48%
2014	6,967	6,967	-	1,451,427	0.48%
2013	6,123	6,123	-	1,275,645	0.48%
2012	3,324	3,324	-	1,187,227	0.28%
2011	3,038	3,038	-	1,085,050	0.28%
2010	2,299	2,299	-	851,596	0.27%
2009	2,903	2,903	-	1,075,144	0.27%

Notes to Required Supplementary Information
VRS Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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OTHER SUPPLEMENTARY INFORMATION

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Schedule 1

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Schedule of Administrative Expenses - Allocated

Year Ended June 30, 2018

	Terminal	Parking	Total
Administrative Expenses:			
Payroll	$ 719,501	$ 126,971	$ 846,472
Dues and subscriptions	12,125	2,140	14,265
Education	7,809	1,378	9,187
Travel	10,824	1,910	12,734
Advertising Promotion	290,230	51,217	341,447
Professional fees	103,579	18,279	121,858
Human Resource	33,451	5,903	39,354
Insurance	19,699	3,476	23,175
Office expense	27,035	4,771	31,806
Computer	39,244	6,925	46,169
Equipment lease	4,960	875	5,835
Utilities-phone	16,357	2,886	19,243
Total	$ 1,284,814	$ 226,731	$ 1,511,545

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STATISTICAL SECTION

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Statistical Section

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CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Total Annual Revenues, Expenses and Changes in Net Position

For Years Ended June 30

	2018	2017	2016	2015
Operating revenues				
Airfield	$ 1,431,556	$ 1,328,090	$ 1,225,277	$ 1,024,898
Terminal	2,242,281	2,100,201	1,736,106	1,729,166
Parking	4,344,293	3,380,734	3,124,311	2,972,382
Total operating revenues	$ 8,018,130	$ 6,809,025	$ 6,085,694	$ 5,726,446
Nonoperating revenues				
Interest Income	$ 11,757	$ 4,618	$ 6,473	$ 8,493
Other income	41,495	376,767	457,549	396,716
PFC debt service income	-	-	-	-
State entitlement reimbursements	285,000	50,000	50,000	150,000
Total nonoperating revenues	$ 338,252	$ 431,385	$ 514,022	$ 555,209
Total Revenues	$ 8,356,382	$ 7,240,410	$ 6,599,716	$ 6,281,655
Operating expenses				
Operations	$ 3,761,085	$ 3,651,359	$ 3,426,074	$ 3,307,204
Administrative	1,511,545	1,421,002	1,340,086	1,135,760
Depreciation & amortization	4,009,552	4,093,426	3,741,700	3,508,608
Total operating expenses	$ 9,282,182	$ 9,165,787	$ 8,507,860	$ 7,951,572
Nonoperating expenses				
Rental Car QTA expenses	$ 139,384	$ 141,409	$ 142,076	$ 155,430
Interest Expense	123,528	142,697	157,167	202,983
Airline Settlement	-	-	370,725	417,921
Other expenses	38,198	-	-	139,539
Total nonoperating expenses	$ 301,110	$ 284,106	$ 669,968	$ 915,873
Total Expenses	$ 9,583,292	$ 9,449,893	$ 9,177,828	$ 8,867,445
Capital Contributions	11,257,329	5,523,173	7,677,697	4,995,034
Increase (Decrease) in Net Position	$ 10,030,419	$ 3,313,690	$ 5,099,585	$ 2,409,244
Net Position at Year-End				
Net investment in capital assets	$ 101,441,432	$ 92,837,835	$ 92,756,326	$ 90,453,841
Restricted	11,061,212	10,787,497	8,396,399	4,823,976
Unrestricted	1,248,652	249,545	(591,538)	183,785
Total Net Position	$ 113,751,296	$ 103,874,877	$ 100,561,187	$ 95,461,602

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

2014	2012	2012	2011	2010	2009
$ 1,027,690	$ 878,886	$ 878,886	$ 875,078	$ 746,636	$ 742,401
1,718,574	1,492,613	1,492,613	1,696,058	1,705,861	1,652,550
2,692,721	2,205,473	2,205,473	2,001,761	1,621,417	1,600,779
$ 5,438,985	$ 4,576,972	$ 4,576,972	$ 4,572,897	$ 4,073,914	$ 3,995,730
$ 7,443	$ 16,247	$ 16,247	$ 32,048	$ 31,883	$ 19,629
-	19,903	19,903	19,903	58,431	-
31,575	75,779	75,779	75,779	75,779	75,779
180,000	200,000	200,000	150,000	249,903	249,903
$ 219,018	$ 311,929	$ 311,929	$ 277,730	$ 415,996	$ 345,311
$ 5,658,003	$ 4,888,901	$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041
$ 3,111,581	$ 2,805,737	$ 2,805,737	$ 2,580,515	$ 2,441,050	$ 2,385,976
1,174,382	982,347	982,347	1,063,871	1,062,538	878,808
3,460,065	3,007,771	3,007,771	3,100,566	2,993,505	2,883,062
$ 7,746,028	$ 6,795,855	$ 6,795,855	$ 6,744,952	$ 6,497,093	$ 6,147,846
$ 169,466	$ 184,567	$ 184,567	$ 197,516	$ 186,401	$ 194,229
232,742	280,151	280,151	303,214	325,205	346,209
335,434	40,388	40,388	186,485	50,469	63,967
-	-	-	-	-	-
$ 737,642	$ 505,106	$ 505,106	$ 687,215	$ 562,075	$ 604,405
$ 8,483,670	$ 7,300,961	$ 7,300,961	$ 7,432,167	$ 7,059,168	$ 6,752,251
9,437,881	6,536,431	6,536,431	8,630,865	3,608,297	3,798,360
$ 6,612,214	$ 4,124,371	$ 4,124,371	$ 6,049,325	$ 1,039,039	$ 1,387,150
$ 88,641,919	$ 73,977,560	$ 73,977,560	$ 72,091,435	$ 65,433,945	$ 63,453,097
4,185,359	3,328,689	3,328,689	1,295,013	2,004,322	2,795,443
1,177,090	1,214,317	1,214,317	1,009,747	908,602	1,059,290
$ 94,004,368	$ 78,520,566	$ 78,520,566	$ 74,396,195	$ 68,346,869	$ 67,307,830

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

	2018	2017	2016
Cash Flows from operating activities			
Cash received from providing services	$ 7,971,550	$ 6,754,607	$ 6,065,731
Cash paid to suppliers	(2,365,219)	(2,379,061)	(2,238,401)
Cash paid to and for employers	(2,935,243)	(2,780,550)	(2,696,738)
Net cash provided by (used for) operating activities	$ 2,671,088	$ 1,594,996	$ 1,130,592
Cash Flows from investing activities			
Investment interest earned	$ 11,757	$ 4,618	$ 6,473
Net cash provided by (used for) investing activities	$ 11,757	$ 4,618	$ 6,473
Cash flows from capital and related financing activities			
Interest paid on debt	$ (62,040)	$ (84,959)	$ (98,031)
Acquisition of property and equipment	(2,880,955)	(290,925)	(1,160,107)
Disposal of property and equipment	41,495	6,042	39,628
Additions to construction in progress	(8,434,867)	(2,387,834)	(7,270,584)
Long-term debt proceeds	-	-	1,597,000
Bridge Loans from VDOA	-	(213,986)	-
Debt Service Paid	(964,678)	(941,759)	(753,798)
PFC debt service income	-	-	-
State debt service reimbursement	285,000	50,000	50,000
Airline Settlement	-	-	-
Contributions from Virginia Department of Aviation	1,793,100	1,970,047	4,859,195
Contributions from Virginia Department of Transporatation	-	-	-
Contributions from Federal Aviation Administration	7,301,556	1,333,083	1,200,443
Contributions from others	31,257	(25,257)	-
Contributions from Passenger Facility Charge (PFC)	1,443,029	1,294,736	1,189,674
Contributions from Customer Facility Charge (CFC)	728,135	663,024	628,164
Net cash provided by (used for) capital and related financing activities	$ (718,968)	$ 1,372,212	$ 281,584
Increase (decrease) in cash and cash equivalents for the year	$ 1,963,877	$ 2,971,826	$ 1,418,649
Cash and cash equivalents at beginning of year (including restricted accounts)	10,981,215	8,009,389	6,590,740
Cash and cash equivalents at end of year (including restricted accounts)	$ 12,945,092	$ 10,981,215	$ 8,009,389

Source: Authority's Audited Financial Statements.

Table 2

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Changes in Cash and Cash Equivalents

Fiscal Year Ended June 30

2015	2014	2013	2012	2011	2010	2009
$ 5,799,311	$ 5,452,654	$ 5,144,453	$ 4,648,998	$ 4,475,981	$ 3,996,819	$ 3,905,494
(2,459,018)	(2,050,921)	(2,461,160)	(2,005,564)	(1,822,557)	(1,809,366)	(1,542,617)
(2,411,806)	(2,242,183)	(1,897,846)	(1,932,329)	(1,704,683)	(1,801,350)	(1,737,953)
$ 928,487	$ 1,159,550	$ 785,447	$ 711,105	$ 948,741	$ 386,103	$ 624,924
$ 8,493	$ 7,443	$ 14,438	$ 16,247	$ 32,048	$ 32,105	$ 19,407
$ 8,493	$ 7,443	$ 14,438	$ 16,247	$ 32,048	$ 32,105	$ 19,407
$ (188,223)	$ (221,745)	$ (266,267)	$ (296,471)	$ (325,241)	$ (352,648)	$ (378,756)
(1,005,281)	(290,144)	(140,283)	(202,414)	(139,112)	(64,230)	(123,412)
61,282	-	-	-	-	-	-
(3,381,858)	(9,722,666)	(9,380,838)	(6,678,361)	(8,047,018)	(3,460,914)	(4,022,413)
15,000	-	-	-	-	-	-
-	107,812	3,599	85,524	-	-	-
(696,907)	(675,827)	(643,744)	(613,541)	(584,770)	(557,364)	(531,256)
-	31,575	75,779	75,779	75,779	75,779	75,779
150,000	180,000	169,904	219,903	169,903	249,903	249,903
-	(241,515)	(40,388)	(186,485)	(50,469)	-	-
1,728,588	3,126,795	3,343,355	2,600,232	5,154,750	1,158,672	1,029,131
-	-	-	-	113,776	9,733	-
1,639,931	6,025,707	5,694,804	3,060,198	2,059,476	1,308,008	1,117,292
-	-	-	-	23,017	7,880	739
1,095,487	950,914	826,658	866,746	627,088	353,211	656,356
583,857	542,451	522,280	525,267	403,519	424,596	335,310
$ 1,876	$ (186,643)	$ 164,859	$ (629,147)	$ (519,302)	$ (847,374)	$ (1,591,327)
$ 938,856	$ 980,350	$ 964,744	$ 98,205	$ 461,487	$ (429,166)	$ (946,996)
5,651,884	4,671,534	3,706,790	3,608,585	3,147,098	3,576,264	4,523,260
$ 6,590,740	$ 5,651,884	$ 4,671,534	$ 3,706,790	$ 3,608,585	$ 3,147,098	$ 3,576,264

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Principal Revenue Sources, Cost per Enplaned Passenger and

Scheduled Airline Rates and Charges

For Years Ended June 30

	2018	2017	2016	2015	2014
PRINCIPAL REVENUE SOURCES					
Airline revenues					
Landing Fees	$ 837,861	$ 743,007	$ 575,993	$ 528,725	$ 519,424
Terminal Rents	704,663	689,730	448,984	578,461	430,834
Total airline revenues	$ 1,542,524	$ 1,432,737	$ 1,024,977	$ 1,107,186	$ 950,258
Percentage of total revenues	18%	20%	16%	18%	17%
Nonairline revenues					
Parking	$ 4,344,293	$ 3,380,734	$ 3,124,311	$ 2,972,382	$ 2,692,720
Rental Car	1,070,117	1,015,613	939,012	875,844	789,511
Other	1,061,196	979,942	997,394	771,034	1,006,496
Total nonairline revenues	$ 6,475,606	$ 5,376,289	$ 5,060,717	$ 4,619,260	$ 4,488,727
Percentage of total revenues	77%	74%	77%	74%	79%
Nonoperating revenues					
Interest income	$ 11,757	$ 4,618	$ 6,473	$ 8,493	$ 7,443
Other income	326,495	426,767	507,549	546,716	211,575
Total nonoperating revenues	$ 338,252	$ 431,385	$ 514,022	$ 555,209	$ 219,018
Percentage of total revenues	4%	6%	8%	9%	4%
Total revenues	$ 8,356,382	$ 7,240,411	$ 6,599,716	$ 6,281,655	$ 5,658,003
Enplaned passengers (excluding charters)	349,451	315,099	286,030	261,631	238,398
Total revenue per enplaned passenger	$ 23.91	$ 22.98	$ 23.07	$ 24.01	$ 23.73
Airline cost per enplaned passenger	$ 4.41	$ 4.55	$ 3.58	$ 4.23	$ 3.99
SIGNATORY AIRLINES RATES AND CHARGES					
Landing Fee (per 1,000 lbs MGLW)	$ 2.08	$ 2.04	$ 1.95	$ 1.95	$ 1.86
Average Annual Terminal Rental Rate (per s. f.)	$ 40.75	$ 39.91	$ 23.35	$ 32.55	$ 23.09

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

2013	2012	2011	2010	2009
$ 487,995	$ 410,214	$ 446,621	$ 389,948	$ 401,028
448,784	428,943	443,901	460,565	490,750
$ 936,779	$ 839,157	$ 890,522	$ 850,513	$ 891,778
17%	18%	19%	19%	21%
$ 2,192,110	$ 2,205,473	$ 2,001,761	$ 1,621,417	$ 1,600,779
760,550	761,187	1,006,860	907,184	827,169
1,332,446	771,155	673,754	694,800	676,004
$ 4,285,106	$ 3,737,815	$ 3,682,375	$ 3,223,401	$ 3,103,952
78%	76%	76%	72%	72%
$ 14,438	$ 16,247	$ 32,048	$ 31,883	$ 19,629
245,683	295,682	245,682	384,113	325,682
$ 260,121	$ 311,929	$ 277,730	$ 415,996	$ 345,311
5%	6%	6%	9%	8%
$ 5,482,006	$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041
227,874	231,907	203,404	183,543	173,823
$ 24.06	$ 21.08	$ 23.85	$ 24.46	$ 24.97
$ 4.11	$ 3.62	$ 4.38	$ 4.63	$ 5.24
$ 1.84	$ 1.78	$ 1.77	$ 1.58	$ 1.59
$ 21.58	$ 22.82	$ 22.78	$ 23.64	$ 23.68

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Table 4

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Parking Rates Per Lot

Fiscal Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Short Term	$ 13	$ 10	$ 10	$ 10	$ 10	$ 8	$ 8	$ 8	$ 12	$ 12
Long Term	13	10	10	10	10	8	8	8	7	7
Economy	9	8	8	8	8	8	8	8	7	7
Overflow	9	8	8	-	-	-	-	-	-	-

Source: Airport Authority Records

Note: Parking rates changed August 15, 2017

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

	2018	2017	2016	2015
NET REVENUES				
Operating Revenues	$ 8,018,130	$ 6,809,025	$ 6,085,694	$ 5,726,446
Interest Income	11,757	4,618	6,473	8,493
Agency Reimbursements	285,000	50,000	50,000	150,000
PFC Income*	-	-	-	-
Other Income	41,495	6,042	39,628	61,282
Total Revenues	$ 8,356,382	$ 6,869,685	$ 6,181,795	$ 5,946,221
Less: Operating Expenses	$ (5,272,629)	$ (5,072,361)	$ (4,766,160)	$ (4,442,964)
Net Revenues	$ 3,083,753	$ 1,797,324	$ 1,415,635	$ 1,503,257
Aggregate Debt Service**	$ 849,907	$ 849,907	$ 673,249	$ 690,776
Debt Service Coverage	3.63	2.11	2.10	2.18

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

2014	2013	2012	2011	2010	2009
$ 5,438,985	$ 5,221,885	$ 4,576,972	$ 4,572,897	$ 4,073,914	$ 3,995,730
7,443	14,438	16,247	32,048	31,883	19,629
180,000	169,904	219,903	169,903	249,903	249,903
31,575	75,779	75,779	75,779	75,779	75,779
-	-	-	-	58,431	-
$ 5,658,003	$ 5,482,006	$ 4,888,901	$ 4,850,627	$ 4,489,910	$ 4,341,041
$ (4,285,964)	$ (4,347,885)	$ (3,788,084)	$ (3,644,386)	$ (3,503,588)	$ (3,264,784)
$ 1,372,039	$ 1,134,121	$ 1,100,817	$ 1,206,241	$ 986,322	$ 1,076,257
$ 703,216	$ 713,606	$ 715,655	$ 715,655	$ 715,655	$ 715,655
1.95	1.59	1.54	1.69	1.38	1.50

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
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%	2.53	18.22
2017	3,319,540	-	734,882	4,054,422	581,446	3,472,976	17%	3.42	12.87
2018	2,354,862	-	734,882	3,089,744	415,762	2,673,982	16%	unavailable	8.84

Source: Authority's audited financial statements and records

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

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

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

Table 7

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Airline Landed Weights

Last Ten Fiscal Years

(in thousands of pounds)

Scheduled Air Carriers	2018	% Total	2017	2016	2015	2014	2013	2012	2011	2010	2009
US Airways	-	-	-	133,784	129,395	128,699	129,014	165,013	164,390	143,813	150,988
Delta Airlines	106,677	26.6%	83,132	69,637	68,952	67,781	60,791	49,162	51,512	65,518	43,287
United Express	53,694	13.4%	36,353	33,114	36,225	44,160	47,729	40,576	40,480	40,024	39,709
American Airlines[1]	241,327	60.1%	244,981	58,609	44,517	28,047	27,565	32,003	1,111	-	-
Allegiant Airlines[3]	-	-	-	-	-	3,996	-	-	-	-	-
Northwest Airlink[2]	-	-	-	-	-	-	-	-	-	-	22,617
Total	401,698		364,466	295,144	279,089	272,683	265,099	286,754	257,493	249,355	256,601

Percentage increase/decrease FY 2018/FY 2017: 10%

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,

	2018	*% of Total*	2017	2016	2015	2014	2013	2012	2011	2010	2009
USAirways[4]	-	*0%*	-	-	121,400	114,356	109,611	126,243	126,798	100,322	96,254
Delta Airlines	96,247	*28%*	84,332	75,266	69,385	58,363	53,174	45,630	44,589	52,973	34,309
United Express	46,608	*13%*	31,761	30,533	30,925	36,499	39,403	35,780	30,418	30,248	27,695
American Airlines[1]	206,067	*59%*	199,006	180,231	39,921	25,956	25,686	24,254	1,599	-	-
Allegiant Airlines[3]	-	*0%*	-	-	-	3,224	-	-	-	-	-
Northwest Airlink[2]	-	*0%*	-	-	-	-	-	-	-	-	15,565
Total	348,922		315,099	286,030	261,631	238,398	227,874	231,907	203,404	183,543	173,823
% Incr/(Dec)	11%		10%	9%	10%	5%	-2%	14%	11%	6%	-2%

Source: Airport Authority records

[1]Commenced service June 9, 2011

[2]Merged with Delta Airlines March 1, 2009

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

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

Table 9

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Aircraft Operations Summary

Last Ten Fiscal Years

Fiscal Year	Air Carrier	General Aviation	Military	Total
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
2018	27,975	49,310	8,495	85,780
Average Annual Change	2.79%	-1.94%	6.87%	0.06%

Source: Airport Authority records

Table 10

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Top 50 Origin Destination Markets

Year Ended Quarter 2 2018				Year Ended Quarter 2 2009			
Rank	Airport Code	City	Total Passengers	Rank	Airport Code	City	Total Passengers
1	LGA	New York La Guardia	45,343	1	LGA	New York La Guardia	19,480
2	ATL	Atlanta	42,846	2	ATL	Atlanta	15,020
3	ORD	Chicago O'Hare	38,461	3	BOS	Boston	13,740
4	SFO	San Francisco	19,927	4	SFO	San Francisco	11,520
5	DFW	Dallas/Fort Worth	18,271	5	ORD	Chicago O'Hare	11,280
6	DEN	Denver	18,177	6	MCO	Orlando	8,650
7	CLT	Charlotte	18,068	7	TPA	Tampa	7,910
8	LAX	Los Angeles	16,748	8	LAX	Los Angeles	7,860
9	BOS	Boston	16,352	9	DEN	Denver	7,700
10	TPA	Tampa	13,067	10	CLT	Charlotte	7,140
11	MCO	Orlando	12,659	11	FLL	Fort Lauderdale	5,780
12	IAH	Houston Intercontinental	12,633	12	PHX	Phoenix	5,430
13	AUS	Austin	11,693	13	DTW	Detroit	5,290
14	PHX	Phoenix	11,061	14	DFW	Dallas/Fort Worth	5,280
15	SEA	Seattle/Tacoma	10,550	15	BDL	Hartford	5,000
16	MSY	New Orleans	9,934	16	MKE	Milwaukee	4,970
17	SAN	San Diego	9,800	17	MSP	Minneapolis	4,960
18	MSP	Minneapolis	9,398	18	LAS	Las Vegas	4,630
19	LAS	Las Vegas	8,939	19	BNA	Nashville	4,540
20	FLL	Fort Lauderdale	8,729	20	IAH	Houston Intercontinental	4,290
21	SLC	Salt Lake City	8,302	21	SEA	Seattle/Tacoma	3,930
22	BNA	Nashville	8,020	22	MSY	New Orleans	3,910
23	PHL	Philadelphia	7,863	23	PBI	West Palm Beach	3,850
24	MIA	Miami	7,764	24	MIA	Miami	3,760
25	STL	St. Louis	7,424	25	SAN	San Diego	3,450
26	PBI	West Palm Beach	7,216	26	JAX	Jacksonville	3,160
27	DTW	Detroit	7,053	27	MCI	Kansas City	2,960
28	JAX	Jacksonville	6,999	28	RSW	Fort Myers	2,890
29	RSW	Fort Myers	6,837	29	IND	Indianapolis	2,790
30	MCI	Kansas City	6,589	30	PVD	Providence	2,750
31	SAT	San Antonio	6,003	31	CMH	Columbus	2,600
32	IND	Indianapolis	5,734	32	AUS	Austin	2,510
33	PDX	Portland	5,412	33	STL	St. Louis	2,450
34	MKE	Milwaukee	5,063	34	HSV	Huntsville/Alabama	2,440
35	BDL	Hartford	4,927	35	ALB	Albany/New York	2,360
36	CHS	Charleston	4,821	36	BHM	Birmingham	2,260
37	MEM	Memphis	4,690	37	SAT	San Antonio	2,260
38	OMA	Omaha	3,833	38	MEM	Memphis	2,130
39	BHM	Birmingham	3,652	39	EWR	Newark	2,110
40	EWR	New York Newark	3,635	40	PDX	Portland/Oregon	2,080
41	SMF	Sacramento	3,605	41	PWM	Portland/Maine	2,080
42	ABQ	Albuquerque	3,588	42	CHS	Charleston	1,900
43	MSN	Madison	3,266	43	CLE	Cleveland/Ohio	1,900
44	PWM	Portland	3,075	44	DAY	Dayton/Ohio	1,860
45	SRQ	Sarasota/Bradenton	3,006	45	PHL	Philadelphia	1,810
46	PVD	Providence	2,836	46	CVG	Cincinnati/Ohio	1,740
47	SJC	San Jose	2,747	47	SLC	Salt Lake City	1,600
48	SNA	Orange County	2,693	48	MSN	Madison	1,580
49	GRR	Grand Rapids	2,622	49	SRQ	Sarasota-Bradenton/Florida	1,570
50	SDF	Louisville	2,539	50	ABQ	Albuquerque	1,550
	Total - Top 50 Domestic Markets		504,470		Total - Top 50 Domestic Markets		234,710
	Total - All Domestic Markets		616,062		Total - All Domestic Markets		294,280

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Acres[4] (+/-):	713	705	705	705	705	705	705	705	705	705
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.	6,801 by 150 ft.	6,001 by 150 ft.	6,001 by 150 ft.	6,001 by 150 ft.	6,001 by 150 ft.
Terminal[3]:										
Airlines - sq. ft.	20,038	20,038	25,294	25,353	25,353	25,353	25,353	25,353	25,353	25,353
Rental Car - sq. ft.	660	660	270	270	270	270	270	270	270	270
Market - sq. ft.	2,790	2,790	2,500	1,600	1,600	1,600	1,600	1,600	1,600	1,600
TSA - sq. ft.	496	496	496	496	700	700	700	700	700	700
Total	23,984	23,984	28,560	27,719	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[5]	3	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	743	748	748	748	748	748	748	748	748
Economy	132	132	132	132	132	132	132	132	132	132
Overflow[1]	196	196	216	-	-	-	-	-	-	-
Small GA Lot[2]	65	65	65	-	-	-	-	-	-	-
Rental Cars	303	303	303	303	303	303	303	303	303	303
Employees[1]	146	146	146	175	175	175	175	175	175	175
Total	1,693	1,693	1,718	1,466	1,466	1,466	1,466	1,466	1,466	1,466
Cargo:										
None										
Employees:										
Administrative	9	9	7	7	7	7	6	6	6	5
Public Safety	7	7	8	8	7	7	7	7	6	6
Maintenance	7	7	7	7	7	6	6	5	7	7
CSO	2	2	2	0	0	4	4	4	4	3
Parking	9	9	8	8	9	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	35	33	31	31	30	29	28	29	27
Hangars:										
T-Hangar Units	4	4	4	4	4	4	4	4	4	4
Conventional Units[6]	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.

[3] These figures were updated with final space allocation performed after Terminal Renovation and Expansion project completed in 2016.

[4] In December 2017, the Authority purchased 7.8 acres of land that became available adjoining airport property.

[5] October 31, 2017, the Authority's agreement with Interspace ended and the Authority now does advertising in-house.

[6] Signature Flight Support completed construction on a box hangar during FY18.

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Demographic Information

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

	2017[5]	% Change 2017/2016	2016	2015	2014
City of Charlottesville	49,132	*0.1%*	49,071	48,210	47,783
County of Albemarle	107,697	*1.9%*	105,715	105,051	103,707
County of Greene	19,985	*1.0%*	19,785	19,840	19,618
County of Fluvanna	26,467	*1.3%*	26,133	26,162	25,970
County of Madison	13,190	*0.7%*	13,099	13,099	13,353
County of Nelson	14,858	*0.2%*	14,835	14,993	15,074
Total	231,329	*1.2%*	228,638	227,355	225,505

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

	2018	% Change 2018/2017	2017	2016	2015
City of Charlottesville	2.3	*-36.1%*	3.6	3.5	4.5
County of Albemarle	2.5	*-32.4%*	3.7	3.7	4.7
County of Greene	2.3	*-30.3%*	3.3	3.1	4.3
County of Fluvanna	2.3	*-28.1%*	3.2	3.3	4.3
County of Madison	2.2	*-29.0%*	3.1	3.3	4.0
County of Nelson	2.7	*-28.9%*	3.8	3.5	4.5

Total Personal Income [3] Fiscal Years Ended June 30

	2017	% Change 2017/2016	2016	2015	2014
Albemarle/Charlottesville[4]	10,531,351	*5.5%*	9,981,222	9,182,721	8,795,194
County of Greene	844,388	*5.7%*	798,762	760,363	701,736
County of Fluvanna	1,141,266	*5.8%*	1,078,644	1,040,445	967,881
County of Madison	624,316	*-1.1%*	631,172	574,042	541,990
County of Nelson	720,555	*3.6%*	695,591	666,135	629,685
	13,861,876	*5.1%*	13,185,391	12,223,706	11,636,486

Per Capita Income [3] Fiscal Years Ended June 30

	2017	% Change 2017/2016	2016	2015	2014
Albemarle/Charlottesville[4]	67,630	*4.1%*	64,938	60,294	58,603
County of Greene	43,055	*4.2%*	41,320	39,681	36,873
County of Fluvanna	43,145	*4.7%*	41,218	39,659	37,095
County of Madison	47,022	*-2.3%*	48,152	43,775	41,194
County of Nelson	48,220	*3.3%*	46,700	45,055	42,403
	249,072	*2.8%*	242,328	228,464	216,168

[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

Table 12

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY
Demographic Information

2013	2012	2011	2010	2009	2008
46,623	45,073	44,471	43,475	43,054	42,130
102,731	101,575	100,780	98,970	98,071	97,081
18,804	18,856	19,402	18,403	18,237	18,131
25,977	26,033	25,989	25,691	25,576	25,461
13,200	13,472	13,424	13,308	13,358	13,332
14,789	15,078	15,097	15,016	15,090	15,050
222,124	220,087	219,163	214,863	213,386	211,185

2014	2013	2012	2011	2010	2009
4.3	4.3	6.6	6.3	6.9	6.6
4.1	4.4	4.8	5.1	5.4	5.2
4.1	3.8	5.2	5.0	5.9	5.9
3.8	4.2	4.8	4.9	5.8	5.8
3.8	4.0	4.8	5.0	6.2	6.2
4.2	4.6	5.3	5.5	6.2	6.5

2013	2012	2011	2010	2009	2008
7,764,329	7,493,869	6,778,562	6,421,082	6,213,020	6,545,468
791,878	767,362	710,441	666,063	640,318	643,028
1,072,290	1,040,671	951,419	894,204	883,986	883,083
530,597	523,987	479,209	457,332	446,445	447,494
675,564	640,628	601,790	570,682	561,482	568,823
10,834,658	10,466,517	9,521,421	9,009,363	8,745,251	9,087,896

2013	2012	2011	2010	2009	2008
52,693	51,255	47,052	44,987	44,025	47,018
42,112	40,880	38,073	36,093	35,011	34,900
41,278	40,077	36,507	34,710	34,561	34,517
40,197	39,696	36,389	34,394	33,422	32,783
45,680	43,207	39,862	38,005	37,209	37,115
221,960	215,115	197,883	188,189	184,228	186,333

Table 13

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

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

As of 3rd Quarter 2018		As of 2nd Quarter 2009	
1.	University of Virginia / Blue Ridge Hospital	1.	University of Virginia
2.	University of Virginia Medical Center	2.	County of Albemarle
3.	County of Albemarle	3.	University of Virginia Health Services
4.	Walmart	4.	State Farm
5.	UVA Health Services Foundation	5.	Northrop Grumman Corporation
6.	Sentara Healthcare	6.	City of Charlottesville
7.	City of Charlottesville	7.	National Ground Intelligence Center
8.	Louisa County Public School Board	8.	Greene County School Board
9.	Dominion Virginia Power	9.	Walmart
10.	Charlottesville City School Board	10.	GE Fanuc Automation Manufacturing
11.	State Farm Mutual Automobile Insurance	11.	Crutchfield
12.	US Department of Defense	12.	Piedmont Virginia Community College
13.	Servicelink Management Com Inc	13.	Nimbus Records
14.	Fluvanna County Public School Board	14.	SP Marine
15.	Food Lion	15.	Comdial Business Communications
16.	Piedmont Virginia Community College		
17.	Region Ten Community Services		
18.	Atlantic Coast Athletic Club		
19.	Klockner Pentaplast America		
20.	Greene County School Board		
21.	Crutchfield Corporation		
22.	Lowes' Home Centers, Inc.		
23.	Capital IQ Inc		
24.	Assoc for Investment Management		
25.	Northrop Grumman Corp		
26.	Lakeland Tours		
27.	Postal Service		
28.	Kroger		
29.	Aramark Campus LLC		
30.	Wegmans Store #07		
31.	Wintergreen Resort		
32.	Nelson County School Board		
33.	FIC Systems		
34.	Gretna Health Care Center		
35.	Farmington Country Club		
36.	County of Louisa		
37.	Thomas Jefferson Memorial		
38.	Fluor Daniel Services Corporation		
39.	Pharmaceutical Research Association		
40.	Boar's Head Inn		
41.	Morrison Crothall Support		
42.	Fluvanna Correctional Center		
43.	Labormax Staffing		
44.	Westminster Canterbury of the Blue Ridge		
45.	Hanover Research Council		
46.	GE Fanuc Automation North Corporation		
47.	Harris Teeter Supermarket		
48.	Crown Orchard Company		
49.	Tri Dim Filter Corporation		
50.	Umansky Honda of Charlottesville		

[(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, 3rd Quarter QECW (July, August, September) 2018.

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, 2018, 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 January 29, 2019.

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
January 29, 2019

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, 2018, 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, 2018.

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 a 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
January 29, 2019

CHARLOTTESVILLE-ALBEMARLE AIRPORT AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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	$ 7,312,260
Total expenditures of federal awards			$ 7,312,260

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, 2018. 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, 2018

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, 2018

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, 2018

Unexpended passenger facility charges as of July 1, 2017		$ 1,643,953
Collections:		
Passenger facility charges collected	$ 1,444,252	
Interest credited	3,873	1,448,125
Passenger facility charges expended for approved projects:		
Runway 21 extension phase 2 and 3	$ 705,504	
Runway 21 extension phase 4	878,248	
Runway taxiway A extension	253,121	
Terminal security checkpoint expansion	1,163,127	(3,000,000)
Unexpended passenger facility charges as of June 30, 2018		$ 92,078
Reconciliation to cash as reported on the Statement of Net Position:		
Change in accounts receivable		$ (5,095)
Cash balance per Statement of Net Position		$ 86,983

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, 2018

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, 2018

There were no Passenger Facility Charges findings reported.