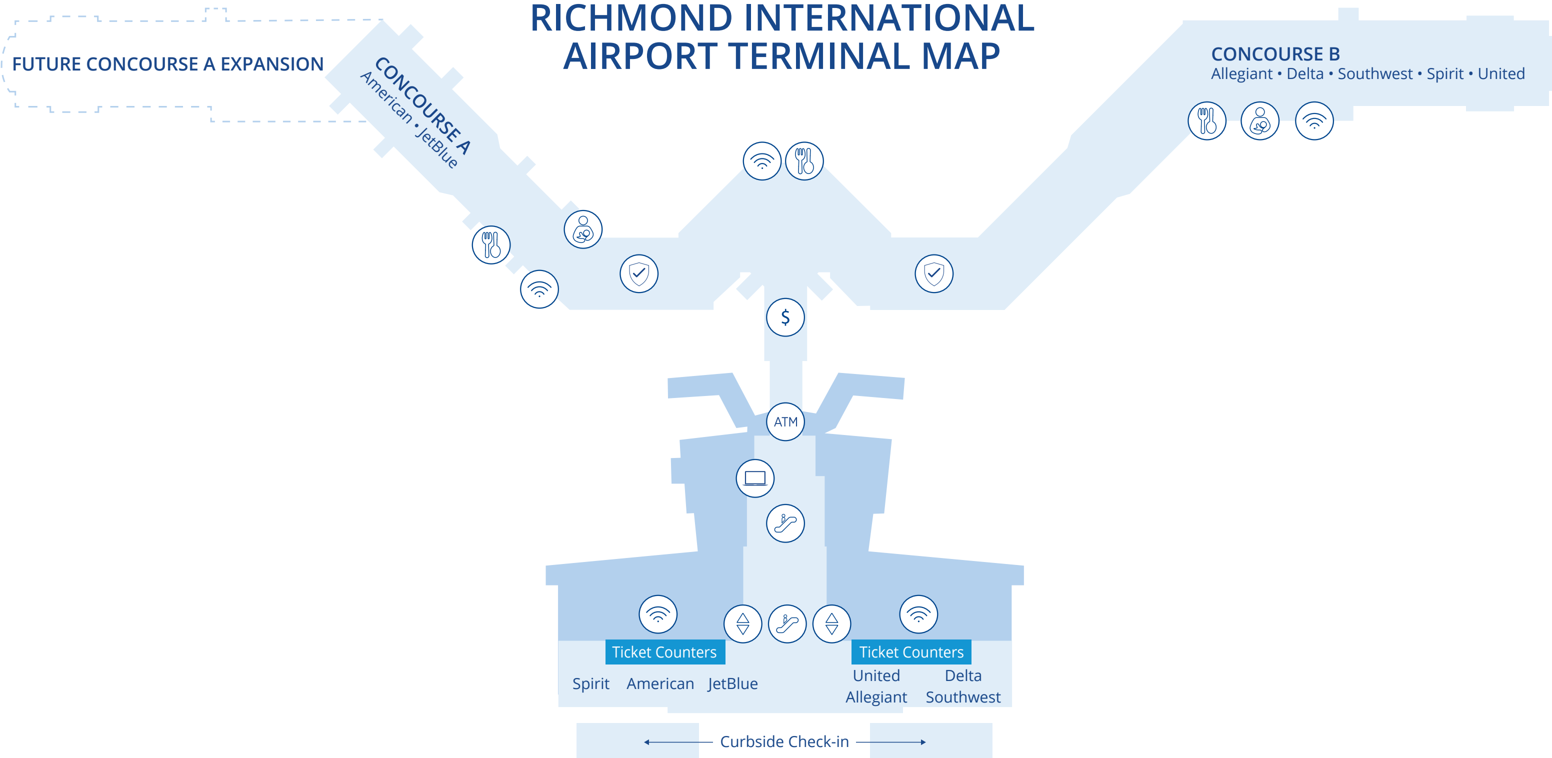

# CAFR

## Comprehensive Annual Financial Report

## Capital Region Airport Commission

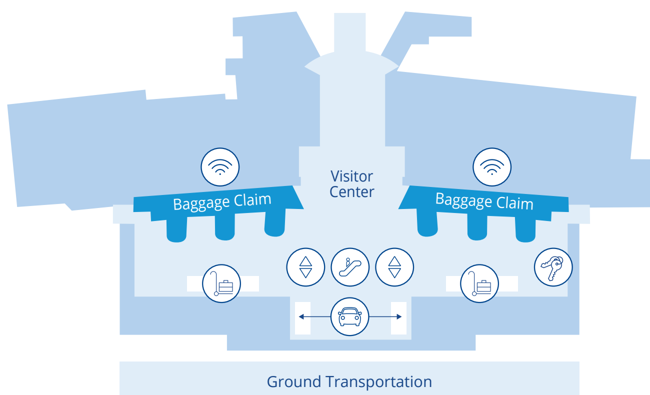
### Years ending June 30, 2018, and 2017


# RICHMOND INTERNATIONAL AIRPORT TERMINAL MAP




## SECOND LEVEL – TICKETING & GATES

- Curbside Check-in
- Security Checkpoints




## FIRST LEVEL – BAGGAGE CLAIM

- Baggage Service Offices
- Ground Transportation
- Rental Car Counters
- Valet Parking Services

| | | | |
|---|---|---|---|
| ATM | Business Center | Nursing Room | Shopping & Dining |
| Baggage Service Offices | Elevator | Rental Car Counters | Valet Parking |
| Bank | Escalator | Security Checkpoints | WiFi |

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended
June 30, 2018 and 2017

**CAPITAL REGION AIRPORT COMMISSION**
**Richmond International Airport**
**Virginia**

Prepared by:

Finance Department

Douglas E. Blum
*COO/CFO*

Steven C. Owen
*Director Finance*

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**Capital Region Airport Commission**
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# INTRODUCTORY SECTION

Capital Region Airport Commission

# MEMBERS OF THE COMMISSION

June 30, 2018

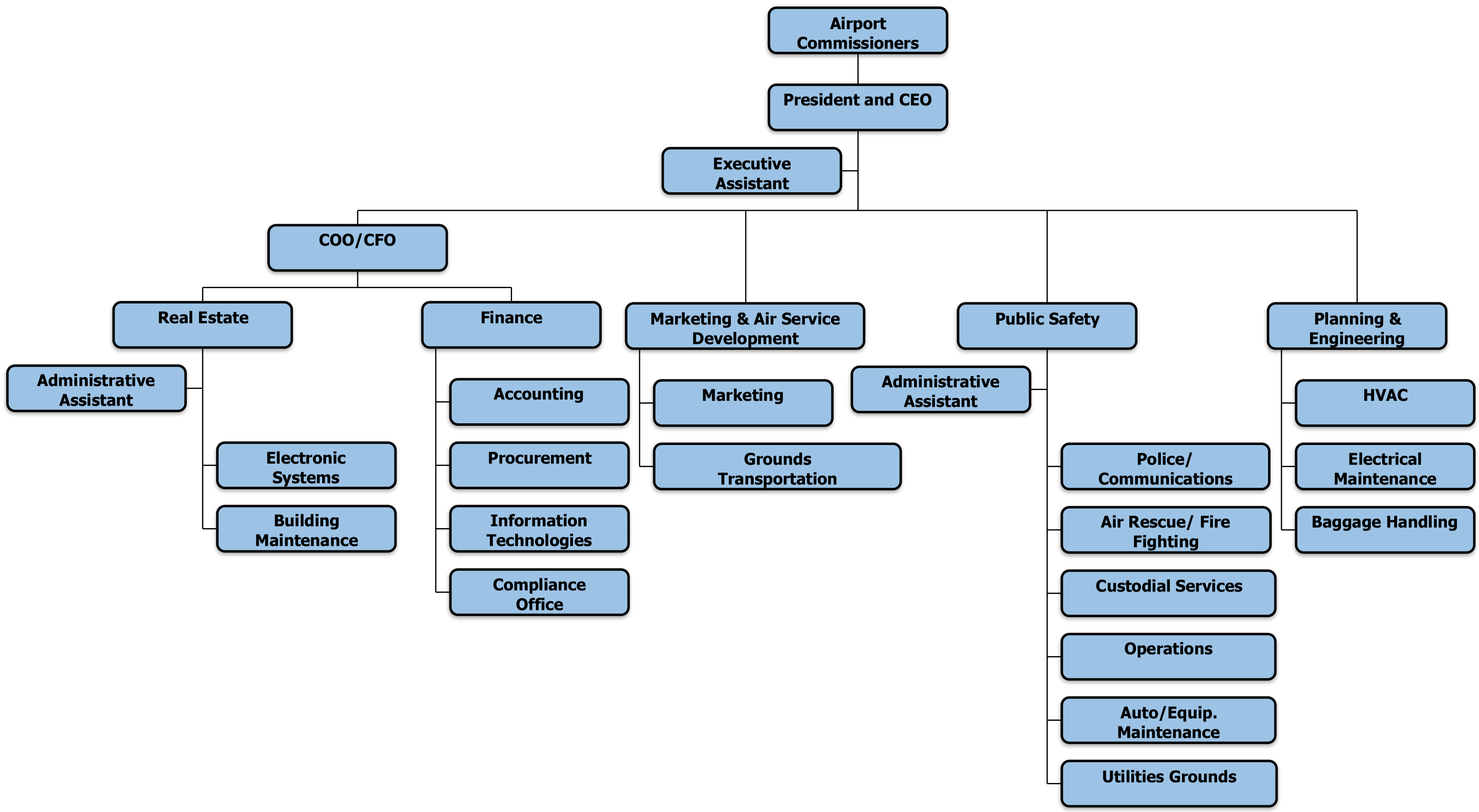
## OFFICERS

| | |
|---|---|
| Aubrey M. Stanley | Chairman |
| Patricia S. O'Bannon | Vice Chairman |
| Leslie Haley | Secretary |
| Charles S. Macfarlane | Treasurer |

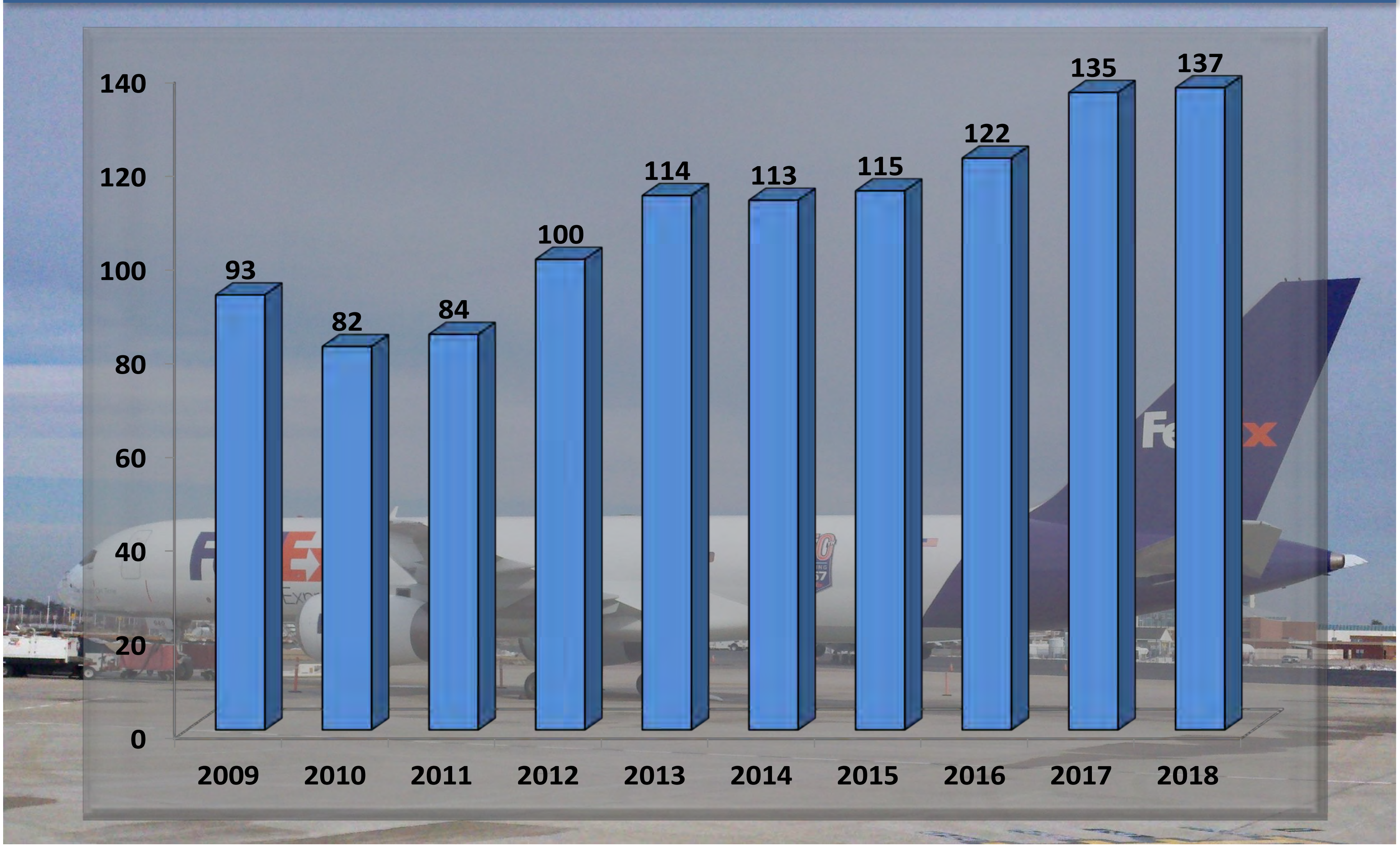
## COMMISSIONERS

| | |
|---|---|
| Algenon L. Brown | City of Richmond |
| Charles S. Macfarlane | City of Richmond |
| Robert F. Norfleet, Jr. | City of Richmond |
| Reva M. Trammell | City of Richmond |
| Steve A. Elswick | County of Chesterfield |
| Leslie Haley | County of Chesterfield |
| John V. Mazza, Jr. | County of Chesterfield |
| James M. Holland | County of Chesterfield |
| Aubrey M. Stanley | County of Hanover |
| Wayne T. Hazzard | County of Hanover |
| Harvey L. Hinson | County of Henrico |
| Patricia S. O'Bannon | County of Henrico |
| Daniel J. Schmitt | County of Henrico |
| Frank J. Thornton | County of Henrico |

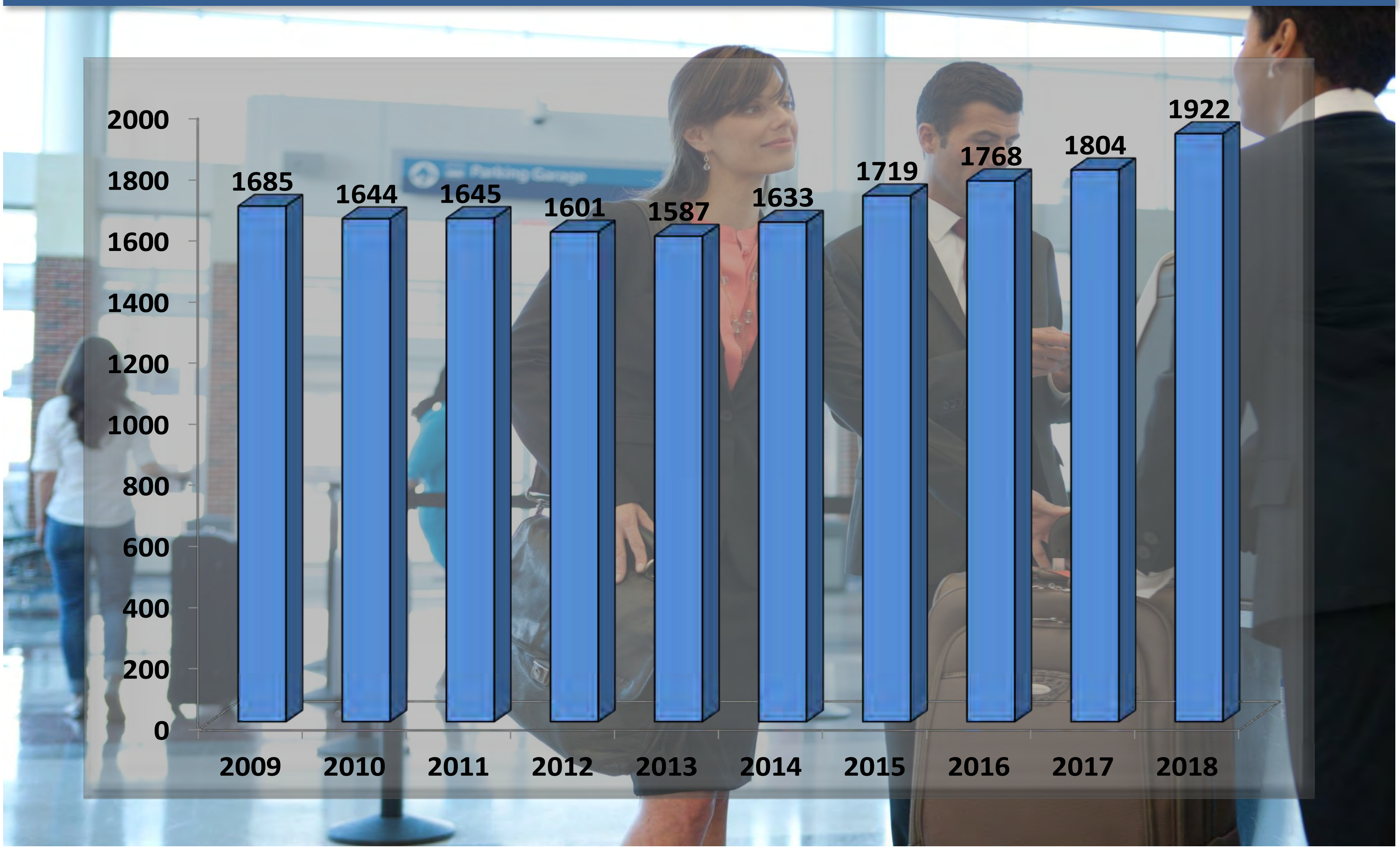
# Capital Region Airport Commission
# ORGANIZATIONAL CHART



# Richmond International Airport
## Air Cargo Performance
## Fiscal Years 2009 - 2018



## Richmond International Airport
## Enplaned Passenger Performance
## Fiscal Years 2009-2018



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Capital Region Airport Commission**

**Virginia**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2017**

Christopher P. Morrill

Executive Director/CEO

Capital Region Airport Commission | 1 Richard E. Byrd Terminal Drive | Richmond International Airport, Virginia 23250-2400
phone: 804.226.3000 | fax: 804.652.2610 | flyrichmond.com | Now you're going places.

October 31, 2018

The Commissioners
Capital Region Airport Commission
Richmond International Airport, Virginia

Members of the Commission:

We are pleased to submit for your information the Comprehensive Annual Financial Report of the Capital Region Airport Commission (the "Commission"), for the fiscal year ended June 30, 2018 prepared by the Commission's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with management. We believe the data, as presented, is accurate in all material respects; that it is reported in a manner designed to fairly set forth the financial position and results of the operations of the Commission and that all disclosures necessary to enable the reader to gain an understanding of the Commission's financial affairs have been included.

Management has provided a narrative introduction, overview and analysis to accompany the financial statements which is included in the Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found in the Financial Section of this report.

ORGANIZATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Commission applies the Government Finance Officers Association (GFOA) recommended presentation in financial reporting.

THE COMMISSION

The Commission was created in 1975 as a political subdivision of the Commonwealth of Virginia by an Act of the Virginia General Assembly (the "Act") allowing the Commission to own and operate one or more airports to serve the Richmond metropolitan area. Under the Act, any of the City of Richmond (the "City") and the Counties of Henrico, Charles City, Chesterfield, Goochland, Hanover, New Kent, Powhatan and the Town of Ashland may join the Commission as a "participating political subdivision" subject to making a satisfactory capital contribution to the Commission. On January 1, 1976, the Commission assumed ownership and control of Richmond International Airport (the "Airport") from the City. The City and the County of Henrico became the first political subdivisions to participate in the Commission. Subsequently, the County of Chesterfield and the County of Hanover also became participants in the Commission. The current political subdivisions are the four most populous jurisdictions in the metropolitan area of Richmond.

According to the Act, the City and the Counties of Chesterfield and Henrico may appoint four Commissioners to the Commission and the County of Hanover may appoint two Commissioners.

The governing body of each jurisdiction appoints Commissioners to four-year terms; however, the governing bodies retain the right to remove a Commissioner at any time and appoint a successor. The Commissioners' responsibilities include approving capital and operating budgets, issuing bonds as needed, and administering, managing and directing the activities of the Commission.

THE REPORTING ENTITY

Capital Region Airport Commission is an independent political subdivision where all fourteen board members are appointed by local governmental jurisdictions and is comprised of the City, and the counties of Chesterfield, Hanover and Henrico.

The Commission manages all business activities of the Airport and produces the financial statements as well as being responsible for the Airport's capital improvements. The Commission is comprised of six departments: Executive, Finance, Marketing & Air Service Development, Planning & Engineering, Public Safety and Real Estate.

AIRPORT OPERATIONS

On October 15, 1927, Richard E. Byrd Airport, named after the Virginia explorer-aviator, Admiral Richard Evelyn Byrd, was dedicated. Present at the opening ceremony was Col. Charles Lindbergh and his famous aircraft, The Spirit of St. Louis. The Airport's construction was initiated earlier as the City purchased 100 acres of land for $30,000 and leased 300 more. Presently the Airport owns 3,078 acres.

Today the Airport is called Richmond International Airport. The Airport has evolved into one of the most modern and well-equipped airports in the eastern United States. The Airport is currently served by seven major airlines, fourteen regional or commuter airlines and several scheduled passenger charter operations which serves the needs of the area's citizens with over 160 daily flights. The Airport's cargo needs are met by three all-cargo carriers; two fixed base operators on the grounds offer fuel and maintenance services for corporate aircraft and the Airport has a Foreign Trade Zone. The total enplaned passengers in fiscal year 2018 of 1.92 million increased from the 2017 level of 1.80 million enplaned passengers by 6.6%. The Airport is an economic engine for the Richmond region, generating an estimated $2.0 billion annually. The Airport also provides jobs for 3,000 plus local residents.

ECONOMIC CONDITIONS

The Airport is conveniently located approximately six miles from the City's business district, providing air service to over 3 million passengers, with over 130 million pounds of cargo passing through the Airport this year. The Airport is geographically located within 750 miles of approximately 60% of the nation's population.

The U.S. airline industry remained strong through calendar year 2017. Calendar year 2017 was the seventh consecutive year of profitability for the industry. Airline operating costs increased due to higher energy prices and implementation of new labor contracts, however, the U.S. airline industry remained solidly profitable as growth in domestic traffic pushed revenues higher. The increase in domestic travel was a result of the economy that continued to strengthen. In calendar year 2017, commercial air carrier domestic enplanements were up by 2.6%. Domestic enplanement market share continued to rise for "low-cost" carriers due to improvements in the economy and the continued expansion by ultra-low cost carriers such as Spirit and Allegiant that helped to keep a lid on fare increases. The calendar year 2018 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 1.9% per year. The FAA forecast assumes that oil prices will increase over the long run. (Federal Aviation Administration. Review of 2017. http://www.faa.gov)

The FAA expects U.S. carrier profitability to remain steady or increase as solid demand fed by an improving economy offsets rising energy and labor costs. However, there is still a great deal of uncertainty in the airline industry even with the recent favorable results. As a result of this, the Commission has positioned itself to increase revenues by controlling costs. These measures include controlling operating costs and advancing capital expenditures that do not require new sources of capital funding and are generally limited to aviation related projects only. (Federal Aviation Administration. Review of 2017. http://www.faa.gov)

Future passenger traffic may be impacted by the following:

- Load factors by carrier
- Average daily departures
- Scheduled seat capacity
- Average nonstop fares
- Average fares by market
- Airline communication
- Aircraft orders/retirements

Due to the uncertainty in the continued growth in passenger traffic along with other factors, the Commission took a conservative approach to the fiscal year 2019 budget which reflects a (1.3%) decrease in total revenue when compared to fiscal year 2018 actual revenue. The Commission continues to monitor national and local economic conditions and will make the necessary changes to ensure the financial stability of the Airport.

National Accolades and Economic news about the Richmond International Airport and the Richmond Metropolitan Statistical Area (MSA):

- October 3, 2017 Governor Terry McAuliffe announced that Virginia was ranked in Area Development magazine's 2017 "Top States for Doing Business" annual survey for the first time since 2010. Overall, the Commonwealth placed eleventh out of twenty states ranked in the prestigious annual site consultants' survey, which also debuted in 2010.

- October 5, 2017 Governor Terry McAuliffe announced that Facebook will bring more than $1 billion of new investment to the Commonwealth. Facebook is directly investing $750 million to establish a 970,000-square-foot data center in the White Oak Technology Park in Henrico County. The project will bring thousands of construction jobs to the region and more than 100 full-time operational jobs.

- November 28, 2017 Governor Terry McAuliffe announced that Virginia was named No.5 in the Forbes.com 2017 Best States for Business ranking. This position represents a jump from No.6 in the 2016 survey and No.7 in 2015. Virginia has placed in the top 10 since the ranking's inception in 2006, and ranked among the top two states every year from 2006 through 2013.

- June 25, 2018 Governor Ralph Northam announced that Dominion Outsourcing LLC, a provider of outsourced services for the healthcare industry, will invest $370,000 to expand its client engagement center in Henrico County. The project will create 190 new jobs.

- July 26, 2018 Governor Ralph Northam announced that Cascades Inc. (TSX: CAS), a Canadian leader in the recovery and manufacturing of green packaging and paper tissue products, plans to invest $275 million to establish a lightweight recycled containerboard operation in the former Bear Island Paper Mill in Hanover County. The project will create 140 new jobs.

- Twenty-eight Richmond-area businesses made this year's Inc. 5000 list of the nation's fastest-growing companies. (Richmond Times Dispatch 8/14/18)

- August 22, 2018 Governor Ralph Northam announced that Ocean Network Express, a global transport company, will invest $2.5 million to expand its North American Regional Headquarters office to accommodate additional personnel as its customer base increases. The project will create 129 new jobs.

DEMOGRAPHICS AND EMPLOYMENT

The population of the Richmond MSA is estimated to be 1.3 million and is projected to reach 1.4 million by 2020. The median household income for 2016 was $51,685 which is higher than the national average of $49,204.

The Richmond Metro area's unemployment rate was 3.9% in 2017 compared to 4.1% in 2016, higher than the state unemployment rate of 3.8% and below the national rate of 4.4%.

Seven Richmond Metropolitan area businesses are listed Fortune 500 companies:

| | |
|---|---|
| *Dominion Energy* | *CarMax* |
| *Genworth Financial* | *Owens & Minor* |
| *Altria Group* | *Markel* |
| *Performance Food Group* | |

Three Richmond Metropolitan area businesses are listed Fortune 1000 companies:

| | | |
|---|---|---|
| *Brink's* | *Universal* | *NewMarket* |

COMMISSION WEBSITE

The Commission has a website that offers a wide variety of current information to users, including financial information and operational statistics. Users have the capability to access the airlines serving the Airport, flight arrival and departure information, and download flight schedules directly onto their smart phones along with information about ground transportation, parking and maps. The Commission's Comprehensive Annual Financial Report (CAFR) is posted on the web site. The web address is www.flyrichmond.com.

FINANCIAL INFORMATION

The Commission's management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of Commission assets. In developing and evaluating the Commission's accounting system, consideration is given to the adequacy of internal controls.

Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Commission's internal controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

In addition to the internal controls described above, budgetary controls are also established to ensure compliance with annual operating and capital budgets approved by the Commission. Monthly reports containing comparisons between actual and budget and current and prior year amounts are prepared and presented to the Commission. The Commission approves significant capital budget adjustments.

## FINANCIAL HIGHLIGHTS

The Commission took a conservative approach and anticipated that passenger traffic would only slightly increase in fiscal year 2018 as compared to fiscal year 2017 actual passenger traffic. The actual total passengers increased to 1.92 million enplaned passengers for fiscal year 2018 compared to 1.80 million in fiscal year 2017.

The fiscal year 2019 budget included a decrease in operating revenue of (1.3%) compared to fiscal year 2018 actual revenue. The Commission is evaluating the impact that TNC's, such as Uber and Lyft, will have on parking revenue. The Commission ended fiscal year 2018 with a 5.3% increase in revenues when compared to the 2018 budgeted revenues and a 5.5% increase over fiscal year 2017 actual revenues.

## INDEPENDENT AUDIT

The Commission's enabling legislation requires an annual audit of its financial statements by independent certified public accountants that are selected by the Commission. This requirement has been met and the auditors' opinion is included in the Financial Section of this report. In addition, the annual audit complied with the requirements of the U.S. Office of Management and Budget Uniform Guidance and the applicable reports are included in the Compliance Section.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Capital Region Airport Commission for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the twenty-eighth consecutive year that the Commission has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely and efficient basis is achieved by the efficient and dedicated services contributed by the entire Finance department staff. We wish to express our appreciation for their continuing efforts in maintaining the highest standards for managing the financial operations of the Commission. We would also like to express our appreciation to all the members of the Commission for their continued support and guidance.

Respectfully submitted,

Jon E. Mathiasen, A.A.E.
President and Chief Executive Officer

Douglas E. Blum

Douglas E. Blum
COO/CFO

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# FINANCIAL SECTION

## Independent Auditors' Report

**To the Commissioners**
**Capital Region Airport Commission**
**Richmond International Airport, Virginia**

### Report on the Financial Statements

We have audited the accompanying financial statements of Capital Region Airport Commission as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Commission'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 Capital Region Airport Commission, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2018, Capital Region Airport Commission 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 1 to the financial statements, in 2018, Capital Region Airport Commission restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

### *Comparative Information*

As described in Note 1 to the financial statements, GASB Statement No. 75 was implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related information as computed under GASB 75 standards was unavailable. Therefore, the 2017 amounts related to other postemployment benefits have not been restated 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 and OPEB funding on pages 3-15 and 98-113 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 Capital Region Airport Commission's basic financial statements. The introductory section, supplemental 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and the schedule of expenditures of federal awards 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 supplemental information and the schedule of expenditures of federal awards 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of Capital Region Airport Commission'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 Capital Region Airport Commission'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 Capital Region Airport Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 29, 2018

The Capital Region Airport Commission's ("Commission") Management's Discussion and Analysis ("MD&A") section provides a review of the key financial events and items impacting Richmond International Airport's (the "Airport") operations and financial statements. This discussion and analysis provides an overall view of how the Airport deals with both current and future conditions.

The preparation of this report was performed by the Commission's management team and we recommend that the Management Discussion and Analysis be read in conjunction with the Commission's financial statements and the supplemental schedules included in the financial report. Following this MD&A are the basic financial statements of the Commission together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

The Commission's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (the "GASB"). The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Airport. Assets are designated as restricted and unrestricted in accordance with indentures and other agreements. See notes to financial statements for a summary of significant accounting policies.

The Commission's operations are self-supported using aircraft apron fees, landing fees, fees from the terminal and other rental as well as revenues from concession and non-aviation revenues such as parking and food establishments to fund operating expenses. The Commission is not taxpayer funded. The capital program is funded by bonds, federal and state grants, customer and passenger facility charges and net remaining revenue after operating and debt service costs.

The Commission's fiscal year is from July 1 to June 30. The following MD&A of the Commission's financial performance is for the years ended June 30, 2018 and 2017. Information for the preceding fiscal year ended June 30, 2016 has been included to provide a better insight into the overall financial performance of the Commission. All dollar amounts are provided in thousands.

COMMISSION ACTIVITIES & HIGHLIGHTS

Passenger and air carrier activity was at a higher level for the Airport in fiscal year 2018 compared to fiscal year 2017. Fiscal year 2018 saw positive enplanement growth over 2017. The total passengers enplaned for fiscal year 2018 were 1.92 million, an all-time record high for the Airport, which was 6.6% higher than fiscal year 2017 enplanements of 1.80 million and 4.7% higher than the fiscal year 2018 budgeted enplaned passengers. Fiscal year 2017 enplanements were higher than fiscal year 2016 enplanements of 1.77 million. As in 2017, the improving job market and local economy along with competitive airfares continued to increase air travel demand in both the business and leisure markets. Meanwhile, fuel prices remained lower allowing carriers to sustain lower fares.

As a result of the 2008 recession, the U.S. airlines fine-tuned their business models to minimize losses by lowering operating costs and started charging separately for services that were historically bundled in the price of a ticket. These changes along with capacity discipline exhibited by carriers have resulted in an eighth consecutive year of profitability for the industry in calendar year 2017. Looking ahead there is confidence that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits.

The Federal Aviation Administration ("FAA") forecasts that over the medium and long term, demand for aviation will be driven by a growing U.S. and world economy. The 2018 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 1.9 percent per year. http://www.faa.gov

The Commission ended fiscal year 2018 with a 5.3% increase in revenues when compared to the 2018 budgeted revenues and a 5.5% increase over fiscal year 2017 revenues. This was primarily due to an 8.8% increase in concession revenue when compared to the 2018 budgeted concession revenue and a 2.9% increase in parking revenue when compared to the 2018 budgeted parking revenue. Concession revenue increased 6.0% when compared fiscal year 2017 concession revenue and parking revenue increased 2.6% when compared to fiscal year 2017 parking revenue. The increase in concession revenue is primarily attributed to an 8.6% increase in rental car revenue and a 14.2% increase in food and beverage revenue when compared to the 2018 budget. The increase in parking revenue is attributed to the 4.7% increase in enplanements when compared to the fiscal year 2018 budgeted enplanements.

The Commission's revenues are derived primarily from airline rates and charges for the use of the Airport's facilities in the form of landing fees, terminal rents, and apron fees received from airlines using the airport; concession fees from the vendors serving the passengers including food, retail and rental cars; public parking fees including surface and garage parking; and fixed based operator activities from general aviation activities. The average monthly enplaned passengers increased from 147,294 in fiscal year 2016 to 150,333 in fiscal year 2017 and then increased to 160,202 in fiscal year 2018. The increase in passengers, when compared to fiscal year 2017, had positive effects on the Commission's main revenue stream, parking, in fiscal year 2018.

Aircraft operations increased to 99 thousand a 5.3% increase when compared to fiscal year 2017 operations of 94 thousand which was a (3.1%) decrease when compared to FY 2016. Aircraft operations are comprised of air carrier, the military, air taxi, and general aviation.

Cargo landed weight in 1,000 pound units increased by 9.5% in fiscal year 2018 to 520 million pounds compared to fiscal year 2017 and increased 12.9% in fiscal year 2017 to 475 million pounds compared to fiscal year 2016 landed weight of 421 million pounds.

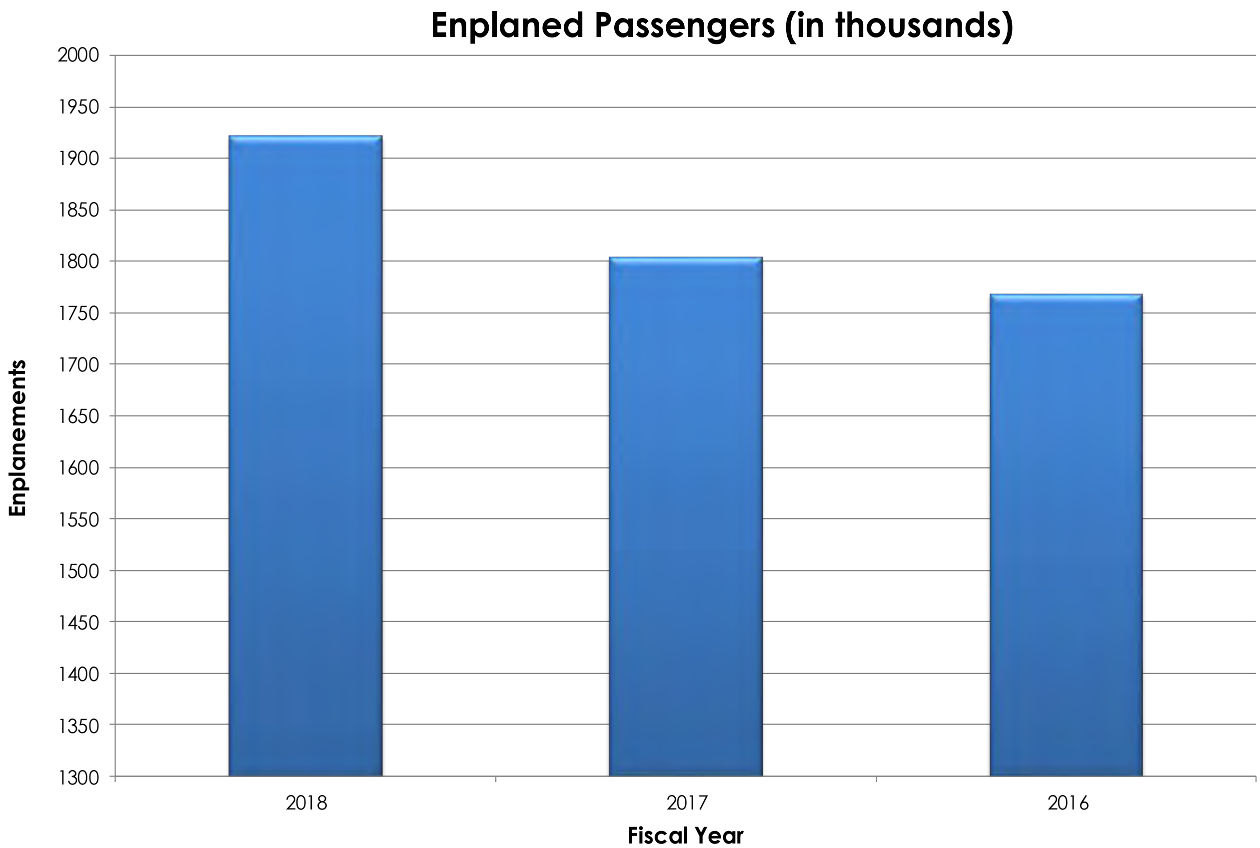
The Airport's parking revenue increased 2.6% in fiscal year 2018 when compared to fiscal year 2017 and increased 1.4% in fiscal year 2017 when compared to fiscal year 2016. Parking revenue increased due to the effect of higher than budgeted enplanements. The increase was offset by a (3.7%) decrease in parking revenue per enplaned passenger when compared to fiscal year 2017 parking revenue per enplaned passenger. Parking rates were essentially the same as fiscal year 2017. The Commission attributes some of this decrease in parking revenue per enplaned passenger to the increase in the use of TNC's by the traveling public. The parking revenue accounts for 43.6% of the Airport's operating revenue in fiscal year 2018 compared to 44.8% in fiscal year 2017 and 45.6% in fiscal year 2016.

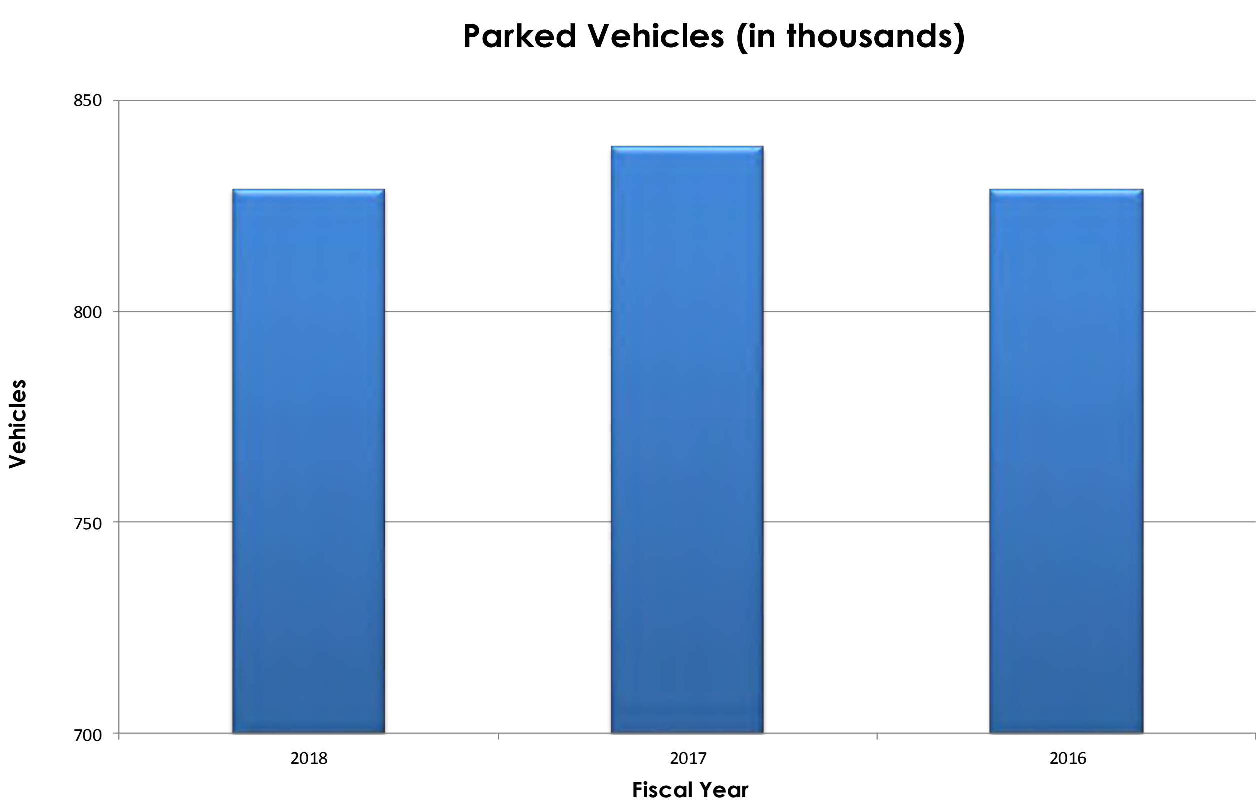
| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Parking Revenue per Enplanement | $10.83 | $11.25 | $11.32 |
| Percent Increase (Decrease) | (3.7%) | (0.6%) | (0.8%) |

As of June 30, 2018, the Airport is currently served by seven major airlines, with more than 160 daily flights to 19 non-stop destinations and more than 3.8 million travelers per year.

| | FY 2018 | FY 2017 | FY 2016 |
|---|---|---|---|
| Enplanements | 1,922 | 1,804 | 1,768 |
| *% increase / (decrease)* | 6.6% | 2.0% | 2.9% |
| Aircraft Operations (total take-offs and landings) | 99 | 94 | 97 |
| *% increase / (decrease)* | 5.3% | (3.1%) | (4.9%) |
| Airline's Landed Weight (1,000 pound units) | 2,275 | 2,114 | 2,281 |
| *% increase / (decrease)* | 7.6% | (7.3%) | 12.3% |
| Air Cargo Carrier Activity (pounds) | 136,582 | 135,465 | 121,502 |
| *% increase / (decrease)* | 0.8% | 11.5% | 5.8% |
| Parked Vehicles | 829 | 839 | 829 |
| *% increase / (decrease)* | (1.2%) | 1.2% | 0.6% |

Note: The numbers presented above are in thousands.


Enplaned Passengers (in thousands)
2000
1950
1900
1850
1800
1750
1700
1650
1600
1550
1500
1450
1400
1350
1300
Enplanements
2018
2017
2016
Fiscal Year


Parked Vehicles (in thousands)
850
800
750
700
Vehicles
2018
2017
2016
Fiscal Year

The below selected financial data comparison represents the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018, 2017, and 2016.

**SELECTED FINANCIAL DATA**
**(in thousands)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Assets | | | |
| Unrestricted current | $ 25,405 | $ 19,012 | $ 17,609 |
| Restricted current | 85,074 | 82,512 | 85,338 |
| Capital assets, net | 429,988 | 435,087 | 426,325 |
| Total assets | 540,467 | 536,611 | 529,272 |
| Deferred outflows of resources | 7,004 | 8,121 | 7,766 |
| Liabilities | | | |
| Current unrestricted | 2,886 | 3,422 | 4,906 |
| Current restricted | 13,179 | 12,672 | 12,134 |
| Long-term debt, net of current maturities | 83,384 | 92,928 | 102,143 |
| Net Pension Liability | 1,923 | 4,148 | 2,597 |
| Net OPEB Liabilities | 1,316 | - | - |
| Total liabilities | 102,688 | 113,170 | 121,780 |
| Deferred inflows of resources | 1,224 | 252 | 1,236 |
| Net position | | | |
| Net investment in capital assets | 349,515 | 345,759 | 328,487 |
| Restricted | 75,610 | 73,773 | 72,742 |
| Unrestricted | 18,434 | 11,777 | 12,794 |
| Total net position | $ 443,559 | $ 431,309 | $ 414,023 |

The Commission experienced an increase in total assets of approximately $3.9 million or 0.7% during fiscal year 2018 when compared to fiscal year 2017 and a $7.3 million or 1.4% increase during fiscal year 2017 when compared to fiscal year 2016. This increase in fiscal year 2018 can be attributed primarily to a $6.0 million increase in unrestricted cash and cash equivalents and a $2.3 million increase in restricted cash and cash equivalents when compared to fiscal year 2017. This was offset by a decrease of $5.1 million in capital assets.

Total liabilities decreased ($10.5) million or (9.3%) in fiscal year 2018 when compared to fiscal year 2017 and decreased ($8.6) million or (7.1%) in fiscal year 2017 when compared to fiscal year 2016. In fiscal year 2018 this change is primarily attributable to a ($9.5) million decrease in long term debt, net of current maturities.

The increase in net financial position for fiscal year 2018 was $12.3 million when compared to fiscal year 2017. Net financial position increased $17.3 million in fiscal year 2017 and increased $23.1 million in fiscal year 2016. Fiscal year 2018 resulted in a loss from operations of ($1.1) million, which was a $470 thousand increase in the loss from operations when compared to fiscal year 2017. The increase in the loss from operations is primarily attributed to a $1.0 million increase in depreciation expense. In fiscal year 2017, the loss from operations was ($663) thousand, which was a ($478) thousand decrease in the loss from operations when compared to the fiscal year 2016 loss from operations of ($1.1) million. Net nonoperating income for fiscal year 2018 reflected an increase in net revenues of $1.4 million when compared to fiscal year 2017. This is attributed to a $357 thousand increase in PFC revenue and a $420 thousand increase in interest income when compared to fiscal year 2017. The increase in PFC revenue was due to an increase in enplanements and the increase in interest income is attributed to the incremental increase in the federal interest rates when compared to fiscal year 2017. Net nonoperating income for fiscal year 2017 reflected a decrease in net revenues of ($1.1) million when compared to fiscal year 2016.

Capital contributions decreased to $6.7 million in fiscal year 2018, a ($4.5) million or (40.0%) decrease when compared to fiscal year 2017. This is primarily due to the completion of the taxiway "M" rehabilitation project which was 100% grant funded. Capital contributions decreased to $11.1 million in fiscal year 2017, a ($5.2) million or (31.7%) decrease when compared to fiscal year 2016.

The below chart shows operating revenues and expenses for the three years ended June 30, 2018, 2017, and 2016.

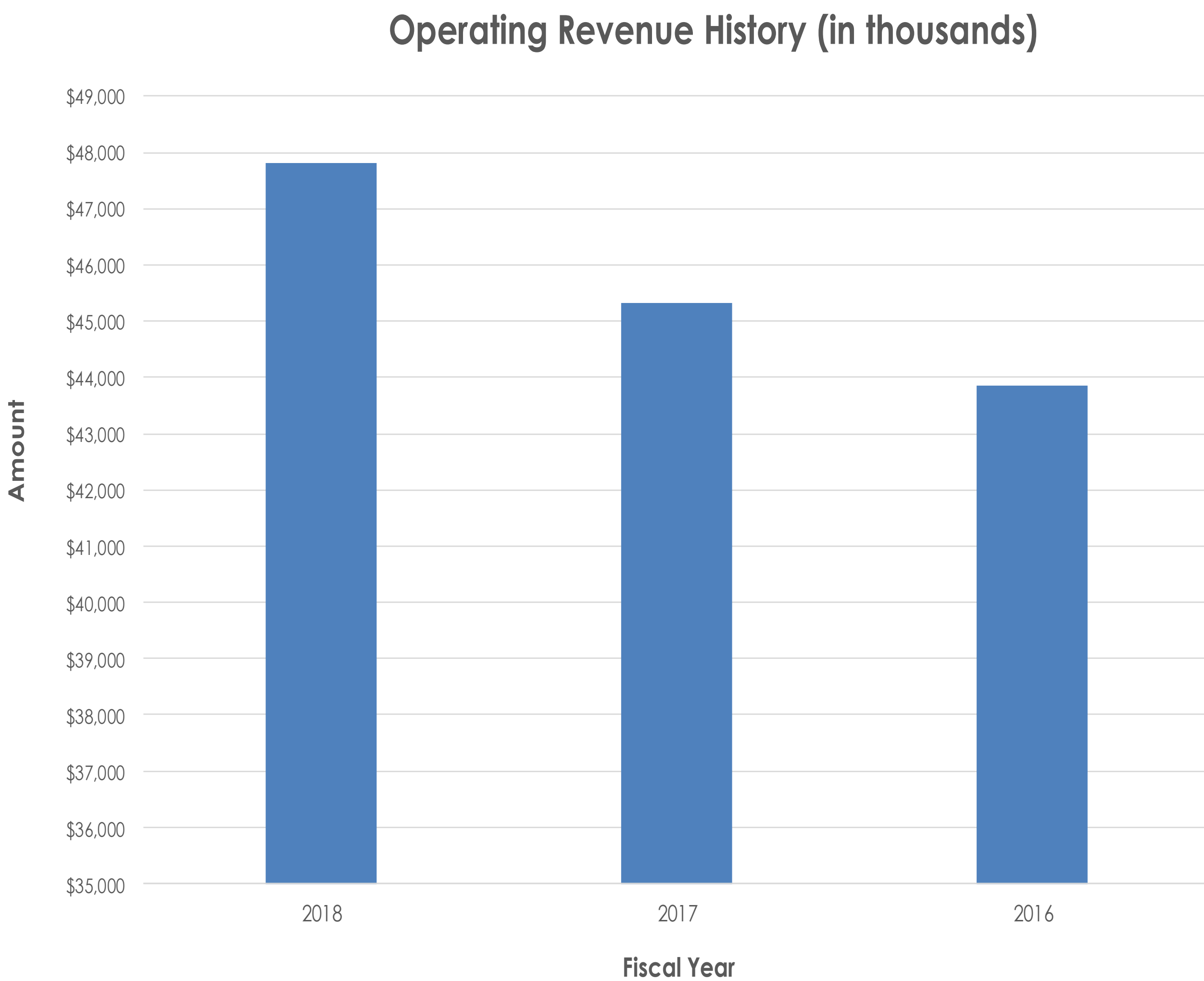
| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | $ 47,804 | $ 45,318 | $ 43,863 |
| Operating expenses | 24,511 | 22,581 | 20,940 |
| Operating income before depreciation | 23,293 | 22,737 | 22,923 |
| Depreciation | 24,426 | 23,400 | 24,064 |
| Operating loss | (1,133) | (663) | (1,141) |
| Nonoperating income, net | 8,167 | 6,814 | 7,916 |
| Income (loss) before capital contributions | 7,034 | 6,151 | 6,775 |
| Capital contributions | 6,681 | 11,135 | 16,295 |
| Change in net position | 13,715 | 17,286 | 23,070 |
| Beginning net position | 431,309 | 414,023 | 390,953 |
| Effect of accounting change | (1,465) | - | - |
| Ending net position | $ 443,559 | $ 431,309 | $ 414,023 |

Note: Effect of accounting change is related to the implementation of GASB 75.

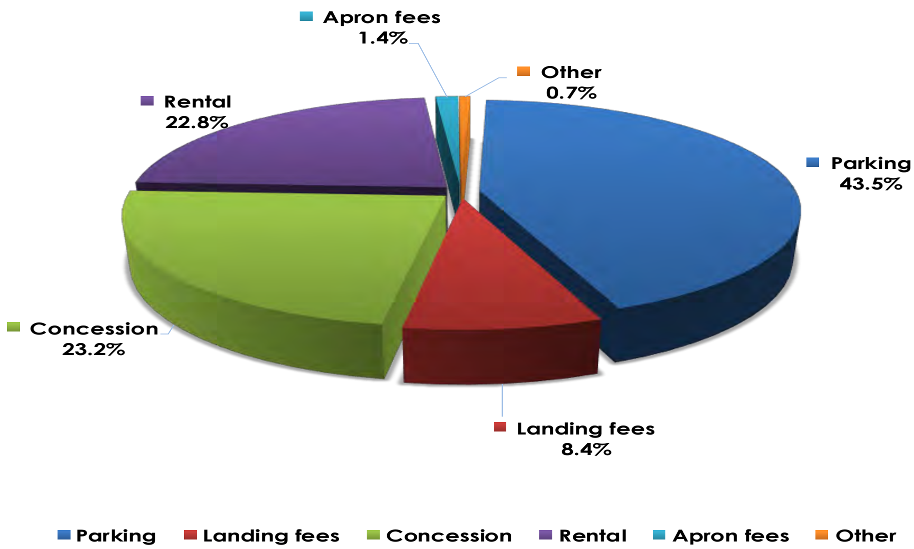
Operating income before depreciation for fiscal year 2018 increased by $556 thousand or 2.5% compared to fiscal year 2017, fiscal year 2017 operating income before deprciation decreased by ($186) thousand or (0.8%) compared to fiscal year 2016. Depreciation expense increased by 4.4% between fiscal year 2018 and 2017 and decreased by (2.8%) between fiscal year 2017 and 2016. The weighted average yield on investments was approximately 0.40% for fiscal year 2018, 0.35% for fiscal year 2017 and 0.23% for fiscal year 2016.

## REVENUES

The following graphs illustrate the operating revenues for the three fiscal years ended June 30, 2018, 2017, and 2016 and main sources of revenues for the Airport and each source's percentage of total operating revenues for the fiscal year ended June 30, 2018.



## 2018 Operating Revenues




Parking revenues at the Airport for fiscal year 2018 were $20.8 million, which represented a 2.6% increase compared to fiscal year 2017; parking revenues for fiscal year 2017 were $20.3 million, which represented a 1.4% increase compared to fiscal year 2016. The increase in parking revenue in fiscal year 2018 is attributed to higher than budgeted enplaned passengers.

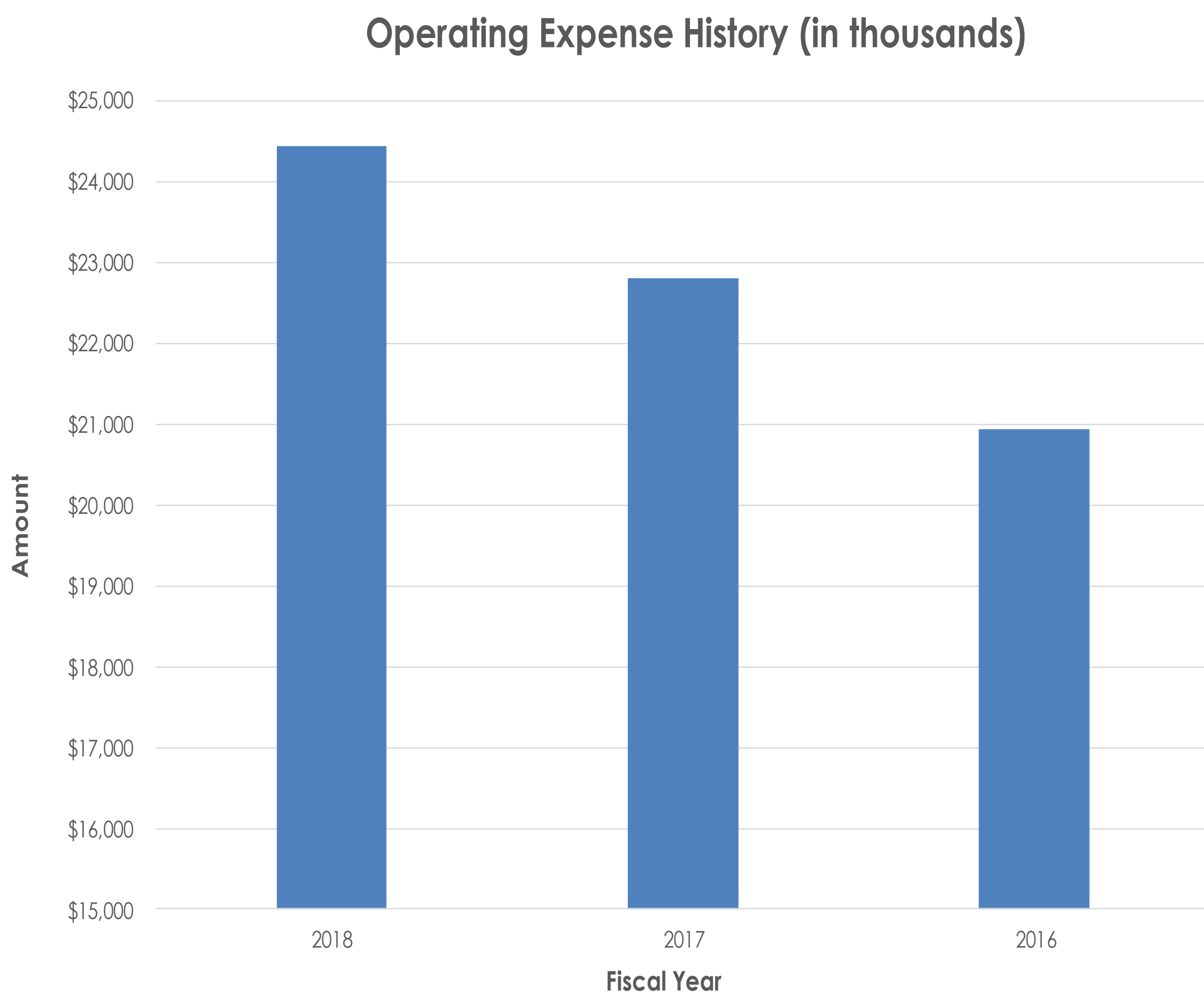
Below is a summary of revenues and nonoperating income stated in thousands, for the three fiscal years ended June 30, 2018, 2017, and 2016:

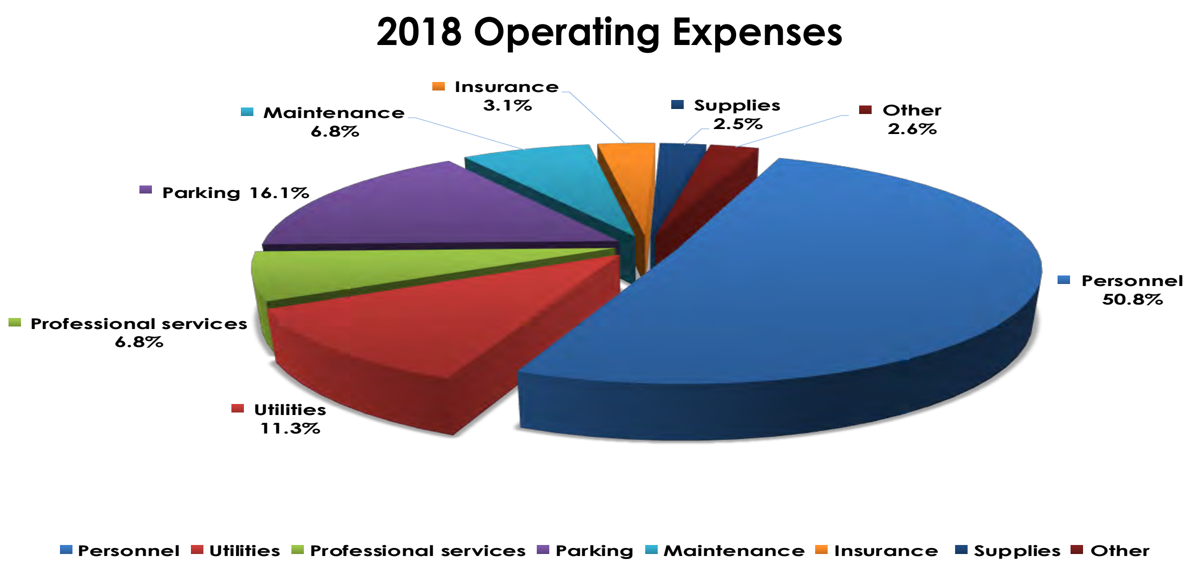
| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating Revenues | | | |
| Parking | $ 20,821 | $ 20,292 | $ 20,009 |
| Landing fees | 4,023 | 3,462 | 3,338 |
| Concession | 11,105 | 10,478 | 9,518 |
| Rental | 10,892 | 10,244 | 10,119 |
| Apron fees | 648 | 558 | 562 |
| Other | 315 | 284 | 317 |
| Total Operating | 47,804 | 45,318 | 43,863 |
| Nonoperating Income | | | |
| Interest income | 626 | 206 | 143 |
| Passenger Facility Charges | 7,876 | 7,518 | 7,022 |
| Customer Facility Charges | 2,324 | 2,325 | 3,975 |
| Total nonoperating | 10,826 | 10,049 | 11,140 |
| Total | $ 58,630 | $ 55,367 | $ 55,003 |

Note: 2017 SCASDP funds not included in this schedule. The Commission was the administrator for this Federal Grant program and no Commission funds were used.

## EXPENSES

The following graphs illustrate operating expenses for the three fiscal years ended June 30, 2018, 2017, and 2016 and main sources of expenses for the Airport and each source's percentage of total operating expense for the fiscal year ended June 30, 2018.






Operating expenses, exclusive of depreciation, totaled $24.5 million for fiscal year 2018, $22.6 million for fiscal year 2017 and $20.9 million for fiscal year 2016. Personnel and parking expense increased by $1.2 million and $658 thousand, respectively, when compared to fiscal year 2017. Below is a summary of expenses stated in thousands, for the three fiscal years ended June 30, 2018, 2017, and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating Expenses | | | |
| Personnel | $ 12,457 | $ 11,293 | $ 10,470 |
| Utilities | 2,774 | 2,602 | 2,503 |
| Professional services | 1,672 | 1,752 | 1,615 |
| Parking | 3,949 | 3,291 | 3,044 |
| Maintenance | 1,677 | 1,726 | 1,527 |
| Insurance | 747 | 710 | 746 |
| Supplies | 602 | 588 | 590 |
| Other | 633 | 619 | 445 |
| Total Operating | 24,511 | 22,581 | 20,940 |
| Depreciation | 24,426 | 23,400 | 24,064 |
| Nonoperating Expense | | | |
| Interest expense | 2,564 | 2,758 | 2,625 |
| Other, net | 95 | 478 | 599 |
| Total nonoperating | 2,659 | 3,236 | 3,224 |
| Total | $ 51,596 | $ 49,217 | $ 48,228 |

Note: 2017 SCASDP funds not included in this schedule. The Commission was the administrator for this Federal Grant program and no Commission funds were used.

## CASH FLOW ACTIVITIES

A summary of the major sources and uses of cash and cash equivalents are as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash flows provided by operating activities | $ 21,580 | $ 21,105 | $ 24,676 |
| Cash flows provided by investing activities | 636 | 514 | 1,756 |
| Cash flows used in capital and related financing activities | (13,896) | (19,579) | (33,621) |
| Net increase in cash and cash equivalents | 8,320 | 2,040 | (7,189) |
| Cash and cash equivalents | | | |
| Beginning of year | 91,144 | 89,104 | 96,293 |
| End of year | $ 99,464 | $ 91,144 | $ 89,104 |

Cash flow from operating activities for 2018 increased by $475 thousand or 2.3% compared to fiscal year 2017. Cash flow from operating activities for 2017 decreased by ($3.6) million or (14.5%) compared to fiscal year 2016. In fiscal year 2018 the change is primarily due to a $2.4 million increase in cash received from operations offset by a $1.3 million increase in cash paid to suppliers.

Cash and cash equivalents for fiscal year 2018 amounted to $99.5 million representing an $8.3 million increase from fiscal year 2017. Cash and cash equivalents for fiscal year 2017 amounted to $91.1 million representing a $2.0 million increase when compared to fiscal year 2016. The fiscal year 2018 increase in cash and cash equivalents resulted primarily from a ($13.9) million decrease in purchase of property and equipment.

## AIRLINE RATES AND CHARGES

The new five year airline operating and terminal building agreement between the Commission and certain airlines became effective July 1, 2015. This agreement establishes the methods to be used in determining airline rates and charges at the Airport. The Commission has a nonsignatory fee policy that adds a 15% surcharge to the signatory landing fee.

Rental fees increased from fiscal year 2017 to 2018 in the amount of $648 thousand and increased from fiscal year 2016 to 2017 in the amount of $125 thousand. The increase in fiscal year 2018 is attributed to a $374 thousand increase in terminal building rental income and a $171 thousand increase in cargo building rental. The apron fees increased $90 thousand from fiscal year 2017 to 2018 and decreased ($4) thousand from fiscal year 2016 to 2017. Rates and charges for the signatory airlines were as follows:

| Signatory Airline Rates and Charges | Rate Effective for 2018 | Rate Effective for 2017 | Rate Effective for 2016 |
|---|---|---|---|
| Apron fees (square foot) | $ 1.14 | $ 1.10 | $ 1.11 |
| Landing fees (1,000 lb. unit) | 1.34 | 1.32 | 1.32 |
| Terminal rental (square foot) | 35.10 | 32.81 | 32.48 |

Note: The rates and charges for 2018 are estimates.

## PASSENGER FACILITY CHARGES

The Commission collects $4.50 per qualifying enplaned passenger. Passenger Facility Charges ("PFC") totaled $7.9 million for fiscal year 2018 which was an increase of 4.8% when compared to fiscal year 2017. PFC revenue for fiscal year 2017 increased 7.1% when compared to fiscal year 2016.

## CUSTOMER FACILITY CHARGES

The Commission increased Customer Facility Charges ("CFC") to $3.00 on July 1, 2014 and then reduced it to $2.00 on June 1, 2016 CFC charges remained at $2.00 for fiscal year 2018. Collections for the year ended June 30, 2018 were $2.3 million equal to the year ended June 30, 2017 collections of $2.3 million. The CFC rate was initially increased to fund the expansion of the existing rental car parking deck or the construction of a new rental car parking deck. The rate was decreased when the project was put on hold in fiscal year 2016. Total rental vehicle transaction days for fiscal year 2018 were 1.4 million compared to 1.3 million in fiscal year 2017.

## CAPITAL AND DEBT ACTIVITY

### Capital Assets

Investments in capital assets include land, land improvements, buildings, construction in progress, furniture and fixtures, machinery and equipment and paved facilities. Capital assets, before accumulated depreciation and retirements, increased $19.3 million for fiscal year 2018 when compared to fiscal year 2017 and increased $31.7 million for fiscal year 2017 from 2016. Depreciation expense for fiscal year 2018 was $24.4 million compared to $23.4 million in fiscal year 2017, and $24.1 million in fiscal year 2016.

See Note 4 of Notes to Financial Statements.

Major capital projects that are planned to begin in the next 5 years include:

- Expansion of Concourse A
- Parking and AVI Revenue Control System Upgrade
- North Parking Garage Expansion
- Rental Car Counter Relocation
- Rental Car Garage Connector

### Long-Term Debt

As of June 30, 2018, the Commission had principal debt outstanding of $85,000 as follows (in thousands):

| | | |
|---|---|---|
| Airport Revenue Bonds | $ | 78,366 |
| PFC Revenue Bonds | | 6,634 |
| Total | $ | 85,000 |

See Note 5 of notes to financial statements.

## ECONOMIC FACTORS AND FISCAL 2017 BUDGET

The Airport experienced a 6.6% increase in the number of passenger enplanements over last year, resulting in total 2018 enplanements of 1.92 million. Increased airline competition and lower fuel prices along with a steadily improving local economy continued to stimulate RIC passenger traffic. The Airport remains significantly an Origination and Destination (O&D) airport, with most of its traffic being generated by the population and economy of the region.

As mentioned earlier, fuel costs and economic conditions have a significant effect on air travel and the transportation industry as a whole. The Commission cannot predict how air travel, enplanements, or other variables relating to airport revenues may be impacted in the future by various market factors.

Future passenger traffic may be impacted by the following:

- Load factors by carrier
- Average daily departures
- Scheduled seat capacity
- Average nonstop fares
- Average fares by market
- Airline communication
- Aircraft orders/retirements

The Commission continued to take a conservative approach for the fiscal year 2019 budget. The Commission adopted the fiscal year 2019 budget which includes $47.2 million in operating revenue a (1.3%) decrease compared to the FY 2018 actual revenues of $47.8 million. The Commission is evaluating the impact that TNC's will have on parking revenue. Parking, concession and rental revenues are expected to provide the main source of income for fiscal year 2019. Operating expenses of $26.0 million are budgeted for 2019; an increase of 6.1% compared to fiscal year 2018 actual expenses of $24.5 million. The Commission's fiscal year 2019 approved capital budget allotted $6.2 million for new projects, equipment, and studies.

## REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Commission's finances. Should you have any questions about this report or need additional information, please contact the Chief Financial Officer, 1 Richard E. Byrd Terminal Drive, Richmond International Airport, VA 23250-2400. Also, interested parties wishing to obtain updated information at Richmond International Airport can visit on our website at www.flyrichmond.com.

**Capital Region Airport Commission**
**STATEMENTS OF NET POSITION**
**June 30, 2018 and 2017**

| | | 2018 | 2017 |
|---|---|---|---|
| **ASSETS AND DEFFERED OUTFLOWS OF RESOURCES** | CURRENT ASSETS | | |
| | Unrestricted Current Assets: | | |
| | Cash and cash equivalents | $ 22,753,630 | $ 16,738,694 |
| | Accounts receivable, less allowance for doubtful accounts (2018-$243,441; 2017-$202,119) | 2,457,336 | 2,030,657 |
| | Other | 194,531 | 242,652 |
| | Total Unrestricted Current Assets | 25,405,497 | 19,012,003 |
| | Restricted Current Assets: | | |
| | Cash and cash equivalents | 76,709,810 | 74,404,660 |
| | Investments | 6,099,849 | 6,217,183 |
| | Customer and Passenger Facility Charges receivable | 1,571,979 | 1,536,218 |
| | Due from federal and state governments | 692,445 | 353,687 |
| | Total Restricted Current Assets | 85,074,083 | 82,511,748 |
| | Total Current Assets | 110,479,580 | 101,523,751 |
| | NONCURRENT ASSETS | | |
| | Depreciable assets, net | 314,912,350 | 275,194,212 |
| | Non-depreciable assets | 115,075,369 | 159,892,966 |
| | Total Noncurrent Assets | 429,987,719 | 435,087,178 |
| | Total Assets | 540,467,299 | 536,610,929 |
| | DEFERRED OUTFLOWS OF RESOURCES | | |
| | Deferred loss on refunding | 6,009,498 | 6,521,753 |
| | Deferred outflows related to pension | 889,972 | 1,599,044 |
| | Deferred outflows related to OPEB | 104,527 | - |
| | Total Deferred Outflows of Resources | 7,003,997 | 8,120,797 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | CURRENT LIABILITIES | | |
| | Liabilities From Unrestricted Assets: | | |
| | Accounts payable | 976,366 | 1,850,841 |
| | Accrued expenses | 1,909,271 | 1,570,765 |
| | Total Liabilities From Unrestricted Assets | 2,885,637 | 3,421,606 |
| | Liabilities From Restricted Assets: | | |
| | Accounts payable | 2,855,845 | 2,492,289 |
| | Accrued interest payable | 1,309,957 | 1,365,496 |
| | Current maturities of long-term debt | 9,013,202 | 8,814,183 |
| | Total Liabilities From Restricted Assets | 13,179,004 | 12,671,968 |
| | Total Current Liabilities | 16,064,641 | 16,093,574 |
| | NONCURRENT LIABILITIES | | |
| | Net Pension Liability | 1,923,291 | 4,148,372 |
| | Net OPEB Liabilities | 1,315,796 | - |
| | Noncurrent portion of long-term obligations (Note 5) | 83,384,219 | 92,928,036 |
| | Total Noncurrent Liabilities | 86,623,306 | 97,076,408 |
| | Total Liabilities | 102,687,947 | 113,169,982 |
| | DEFERRED INFLOWS OF RESOURCES | | |
| | Deferred inflows related to pension | 999,369 | 252,350 |
| | Deferred inflows related to OPEB | 224,579 | - |
| | Total Deferred Inflows of Resources | 1,223,948 | 252,350 |
| | NET POSITION | | |
| | Net investment in capital assets | 349,515,191 | 345,759,188 |
| | Restricted | | |
| | Debt service | 73,695,939 | 71,362,089 |
| | Customer and Passenger Facility Charges | 1,914,459 | 2,411,208 |
| | Unrestricted | 18,433,812 | 11,776,910 |
| | Total Net Position | $ 443,559,401 | $ 431,309,395 |

**See Notes to Financial Statements.**

**Capital Region Airport Commission**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| OPERATING REVENUES | | |
| Parking | $ 20,820,688 | $ 20,291,772 |
| Landing fees | 4,022,793 | 3,461,506 |
| Concession | 11,104,818 | 10,478,588 |
| Rental | 10,892,517 | 10,244,151 |
| Apron fees | 647,825 | 558,042 |
| Other | 315,359 | 283,601 |
| Total Operating Revenues | 47,804,000 | 45,317,660 |
| OPERATING EXPENSES | | |
| Personnel | 12,456,754 | 11,293,456 |
| Utilities | 2,774,308 | 2,601,827 |
| Professional services | 1,671,948 | 1,752,412 |
| Parking | 3,949,159 | 3,290,652 |
| Maintenance | 1,677,176 | 1,725,658 |
| Insurance | 746,877 | 709,626 |
| Supplies | 601,562 | 588,419 |
| Other | 633,169 | 618,881 |
| Total Operating Expenses | 24,510,953 | 22,580,931 |
| Operating Income Before Depreciation | 23,293,047 | 22,736,729 |
| DEPRECIATION | 24,426,056 | 23,399,568 |
| Operating Loss | (1,133,009) | (662,839) |
| NONOPERATING INCOME (EXPENSES) | | |
| SCASDP Receipts | - | 750,000 |
| SCASDP Expenses | - | (750,000) |
| Interest income | 625,820 | 205,759 |
| Interest expense | (2,564,277) | (2,758,194) |
| Passenger Facility Charges | 7,875,635 | 7,518,223 |
| Customer Facility Charges | 2,324,443 | 2,325,559 |
| Other, net | (94,704) | (477,747) |
| Total Nonoperating Income (Expenses), Net | 8,166,917 | 6,813,600 |
| Increase/(Decrease) in Net Position Before Capital Grants and Contributions | 7,033,908 | 6,150,761 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 6,681,348 | 11,135,555 |
| CHANGE IN NET POSITION | 13,715,256 | 17,286,316 |
| NET POSITION, BEGINNING | 431,309,395 | 414,023,079 |
| EFFECT OF ACCOUNTING CHANGE | (1,465,250) | - |
| TOTAL NET POSITION, ENDING | $ 443,559,401 | $ 431,309,395 |

**See Notes to Financial Statements.**

**Capital Region Airport Commission**
**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from operations | $ 47,377,321 | $ 44,986,193 |
| Cash paid to employees | (9,395,434) | (8,796,959) |
| Cash paid to suppliers | (16,401,759) | (15,084,340) |
| Cash used in operating activities | (25,797,193) | (23,881,299) |
| Net cash provided by operating activities | $ 21,580,128 | $ 21,104,894 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investments | 3,803,404 | 3,738,060 |
| Purchase of investments | (3,810,400) | (3,429,165) |
| Interest income received | 642,848 | 204,801 |
| Net cash provided by investing activities | 635,852 | 513,696 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payment of long-term debt | (8,814,183) | (8,498,112) |
| Payment of interest on long-term debt | (3,336,853) | (2,793,596) |
| Capital contributions received | 6,342,590 | 14,512,716 |
| Passenger Facility Charges collected | 7,809,787 | 7,219,884 |
| Customer Facility Charges collected | 2,354,529 | 2,433,661 |
| Additions to capital assets | (18,246,002) | (32,155,982) |
| Payments related to investments and bonds | (5,762) | (297,228) |
| Net cash used in capital and related financing activities | (13,895,894) | (19,578,657) |
| Net increase in cash and cash equivalents | 8,320,086 | 2,039,933 |
| CASH AND CASH EQUIVALENTS | | |
| Balances - beginning of year | 91,143,354 | 89,103,421 |
| Balances - end of year | $ 99,463,440 | $ 91,143,354 |
| Current Assets | $ 22,753,630 | $ 16,738,694 |
| Restricted Assets | 76,709,810 | 74,404,660 |
| | $ 99,463,440 | $ 91,143,354 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating loss | $ (1,133,009) | $ (662,839) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | |
| Depreciation | 24,426,056 | 23,399,568 |
| Changes in assets and liabilities | | |
| Decrease (increase) in accounts receivable | (426,679) | (331,467) |
| Decrease (increase) in other current assets | 48,121 | 182,027 |
| Decrease (increase) in deferred outflows related to pension | 709,072 | (788,912) |
| Decrease (increase) in deferred outflow of resources - OPEB | (24,380) | - |
| Increase (decrease) in trade accounts payable | (874,475) | (1,410,416) |
| Increase (decrease) in accrued expenses | 338,506 | 149,169 |
| Increase (decrease) in net pension liability | (2,225,081) | 1,551,714 |
| Increase (decrease) in net OPEB liabilities | (229,601) | - |
| Increase (decrease) in deferred inflows of resources -pension | 747,019 | (983,950) |
| Increse (decrease) in deferred inflows of resources - OPEB | 224,579 | - |
| Net cash provided by operating activities | $ 21,580,128 | $ 21,104,894 |
| Supplemental Cash Flow Information | | |
| Non-cash investing, capital and financing activities | | |
| Net increase (decrease) in fair value of investments | $ (107,302) | $ (118,315) |
| Non-cash capital contributions | $ 692,445 | $ 1,392,835 |
| Capital assets included in accounts payable | $ 2,083,715 | $ 82,710 |

**See Notes to Financial Statements.**

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The Capital Region Airport Commission ("Commission") is a political subdivision of the Commonwealth of Virginia. Commissioners are appointed by participating subdivisions, which currently include the City of Richmond, Virginia and the Counties of Chesterfield, Hanover and Henrico, Virginia. The Commissioners are responsible for addressing broad policy matters and approving the operating and capital budgets. The financial statements of the Commission are presented in the fund of a single enterprise fund; which includes all business activities of the Richmond International Airport (the "Airport"), which the Commission oversees. The Commission, as the owner and operator of the Airport, maintains and enhances facilities to better serve the air transportation needs of Central Virginia. Major functional areas include Executive, Finance, Marketing & Air Service Development, Planning & Engineering, Public Safety and Real Estate. The Airport is currently served by seven major airlines and fourteen regional airlines.

The financial statements presented for the Commission are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to governmental units as prescribed by the Governmental Accounting Standards Board ("GASB").

### SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The financial statements are presented on the accrual basis of accounting, recognizing revenue when it is earned and expenses when they are incurred.

#### *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosures of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

The Commission considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

#### *Investments*

Investments, principally money market accounts, and certificates of deposit, are carried at amortized cost. Federal and municipal obligations and money market funds are reported at fair value. Fair values of investments are based on quoted market prices at year end. All investment income, including changes in the fair value of investments, is reported in the Statements of Revenues, Expenses, and Changes in Net Position.

#### *Debt Issuance Costs and Original Issuance Premiums*

Debt issuance costs are expensed when they are incurred. Original issuance premiums are amortized using the effective interest method and included on the Statements of Net Position as a reduction or addition to long-term debt.

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Deferred Outflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element 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 Commission has three items that qualify for reporting in this category: accounting loss on debt refunding, pension related items, and other postemployment benefits (OPEB) related items. These items include contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred outflows of resources. For more detailed information on these items, reference the related notes. The accounting loss on debt refunding is recognized as a component of interest expense over the shorter of the life of the old debt or new debt.

***Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net 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 Commission has two items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

***Capital Assets***

Capital assets acquired by the Commission, including assets purchased with designated contributions, are recorded at cost. Contributed capital assets are recorded at acquisition value at the date of contribution.

Depreciation is determined using the straight-line method applied over the following estimated useful lives:

| Category | Years |
|---|---|
| Land improvements | 5-20 |
| Buildings | 40 |
| Paved facilities | 20 |
| Furniture and fixtures | 5-20 |
| Machinery and equipment | 3-15 |

The cost of maintenance and repairs is charged to expense as incurred. Expenses, that significantly increase property lives, are capitalized. Capital assets having a cost in excess of $7,500 and a useful life greater than one year are capitalized.

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Capitalized Interest*

The Commission capitalizes interest costs that relate to the construction of Airport projects. Interest costs of projects acquired with tax exempt borrowings are reduced by interest earned on invested debt proceeds over the same construction period. Interest costs on Commission funded projects are calculated using the average interest rate on all borrowings over the same construction period. The capitalized interest cost for fiscal year 2018 was $717,037 and was $531,678 for fiscal year 2017.

### *Revenue Recognition*

Revenue is recognized when earned. Parking revenue is recognized when the customer vehicle exits the parking facility. Landing and apron fees are recognized as revenue when the Airport facilities are utilized. Concession revenue is recognized based on reported concessionaire revenue. Rental revenue is recognized over the life of the respective leases. All other revenue is recognized when earned.

### *Revenue and Expense Classifications*

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions, which are financing or investing related and customer and passenger facility charges, are reported as nonoperating revenues.

All expenses related to operating the Commission are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

### *Customer Facility Charges*

As of December 1, 2000, the Commission entered into a Rental Car Customer Facility Charge Agreement with the on-site airport rental car companies. In accordance with the bond indenture for the rental car garage facility, the Commission determines the amount of the Customer Facility Charge ("CFC") for each rental vehicle transaction day to be collected by the rental car companies. The amount collected is remitted directly to the Commission for deposit in trust accounts restricted for use in connection with the rental car garage facility. Beginning February 1, 2001, the CFC was set at $2 per day. The rate fluctuated downward over the years to a low of $.40 on May 1, 2014, but increased to $3.00 during fiscal year 2015. On June 1, 2016 the rate was changed to $2.00. Collections during fiscal year 2018 were $2.3 million (2017 - $2.3 million).

### *Passenger Facility Charges*

The Federal Aviation Administration (the "FAA") authorized the Commission Passenger Facility Charges ("PFC") rate of $4.50 per qualifying enplaned passenger, effective January 1, 2005, with the net receipts restricted to use on FAA approved projects. The Commission has been authorized to collect PFC plus interest thereon in the aggregate amount of $170 million. Collections during fiscal year 2018 were $7.9 million (2017 - $7.5 million) and aggregate collections and interest thereon from inception through June 30, 2018 were $137 million. Net position related to PFC is restricted for projects that are approved by the FAA.

### *Federal and State Grants*

The Commission receives grants for airport projects funded through the Airport Improvement Program ("AIP") of the FAA and Federal Emergency Management Agency ("FEMA") with certain matching funds and other funds provided by the Commonwealth of Virginia. Capital grants are reported in the statements of revenues, expenses and changes in net position as capital grants and contributions.

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***State Entitlement Funds***
The Commission 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 Commission 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.

***Restricted Net Position***
The Commission restricts net position for certain required debt service funds and for the CFC and PFC programs. When both restricted and unrestricted assets are available for use, the Commission applies restricted assets first and then applies unrestricted assets as needed.

***Salaries and Wages***
Accrued salaries and wages include regular salaries and wages and accumulated vacation and sick leave. Vacation and sick leave are accumulated based on formulas applied to months of service during a calendar year. Vacation carryover beyond fiscal year end is limited to two times the annual vacation accrual with a maximum of 336 hours per employee. Sick leave accumulates indefinitely; however, the Commission is obligated to pay only 25% of the accumulated liability upon retirement or termination up to a maximum of $5,000 per employee. Vested vacation and sick leave unpaid at year end is included in accrued expenses and amounted to $1,052 thousand at June 30, 2018, and $809 thousand at June 30, 2017. The net increase for fiscal year 2018 amounted to $243 thousand; represented by payments of $564 thousand to vested employees and additional accrued vacation and sick leave of $807 thousand. For fiscal year 2017, the net increase amounted to $57 thousand.

***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 Commission's Retirement Plan and the additions to/deductions from the Commission'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)***

***Group Life Insurance***
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.

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Other Postemployment Benefits (OPEB) (continued)***

***Line of Duty Act Program***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

***Health Insurance Credit Program***

The Commission's Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Political Subdivision Employee Virginia Local Disability Program (VLDP)***

For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Budgets***

Operating and capital budgets are adopted annually by the Commission and are amended as necessary during the fiscal year. The accrual basis of accounting is applied to the development of these budgets.

***Risk Management***

The Commission carries commercial insurance for risks of loss including property, workers' compensation, theft, auto liability, general liability and construction insurance. The Commission also carries coverage for public officials and employer's liability under the Virginia State Police Officials' Self-Insurance Pool. There have been no significant reductions in insurance coverage in comparison to coverage in prior years and settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the three past fiscal years.

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Change in Accounting Principles*

The Commission implemented the provisions of GASB 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 Commission implemented GASB 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:

| | | |
|---|---|---|
| Net Position as reported at June 30, 2017 | $ | 431,309,395 |
| Implementation of GASB 75 | | (1,465,250) |
| Net Position as restated at June 30, 2018 | $ | 429,844,145 |

In the year of implementation of GASB 75, prior year comparative information was unavailable. Therefore, the 2017 information has not been restated to reflect the requirements of GASB 75 and 85. In addition, OPEB information as required by GASB 45 was reported in the CAFR dated June 30, 2017 and 2016. This information was not reported herein to avoid confusion and duplication. For details related to the 2017 OPEB information, the prior year CAFR should be referenced.

### *Allowance for Doubtful Accounts*

The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. The allowance is determined based on known troubled accounts, historical experience, and other currently available evidence. The allowance activity in the allowance for doubtful accounts was as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Balance, beginning of period | $ | 202,119 | $ | 183,407 |
| Charged to costs and other write-offs | | (6,852) | | (26,240) |
| Bad debt expense | | 48,174 | | 44,952 |
| Balance, end of period | $ | 243,441 | $ | 202,119 |

### *Net Position*

Net position represents the residual interest of all other elements presented in the statement of financial position for the Commission. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in three components: net investment in capital assets, which include capital assets funded from unrestricted and restricted sources, net of accumulated depreciation and outstanding debt attributable to acquisition of the capital assets; restricted when constraints are imposed by third parties or enabling legislation on assets or deferred outflows of resources, net of any liabilities and deferred inflows of resources, which will be liquidated with the restricted assets; or unrestricted, which includes the net effect of all remaining assets, deferred outflows of resources, liabilities and deferred inflows of resources not included in the preceding two categories.

## Note 2. FORMATION OF THE COMMISSION

As of January 1, 1976, under an agreement among the City of Richmond, Virginia (the "City"), the County of Henrico, Virginia and the Commission; the City transferred to the Commission the property then constituting the Airport. Consideration for the transfer was $3,000,000 plus the Commission's agreement to reimburse the City $7,484,954 for the portion of the City's debt service related to the Airport property (City has been fully reimbursed). The Commission valued the property at $64,924,072, based on independent appraisals, and recorded the property on its books at this amount. The $54,439,118 difference between the recorded amount and the consideration was treated as a contribution of assets.

## Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following:

| | 2018 | 2017 |
|---|---|---|
| Petty cash | $ 618 | $ 618 |
| Deposits at financial institutions | 26,584,653 | 22,856,402 |
| Cash equivalents and investments | 78,978,019 | 74,503,518 |
| | $105,563,290 | $ 97,360,539 |
| Summary: | | |
| Unrestricted assets | $ 22,753,630 | $ 16,738,695 |
| Restricted assets | 82,809,659 | 80,621,844 |
| | $105,563,290 | $ 97,360,539 |

***Deposits***

At June 30, 2018, the carrying value of the Commission's deposits with banks was $26,584,653 with corresponding bank balances of $27,260,260. At June 30, 2017, the carrying value of the Commission's deposits with banks was $22,856,402 with corresponding bank balances of $23,536,456. Bank balances are covered by Federal Depository Insurance Corporation ("FDIC") in accordance with the Virginia Security for Public Deposits Act.

The remainder of money markets and cash deposits maintained by trustees is $72,878,170.

Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Deposits are considered insured as the State Treasury Board has the ability to assess additional collateral of the participating banks, if necessary. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations.

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

***Credit Risks***

The Commission's policy is to follow the statutes of the Commonwealth of Virginia and 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 Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool ("LGIP") and the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP").

Interest and credit risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Commission currently has no formal policy relating to interest rate risk. The Commission's cash equivalents and investments at June 30, 2018, except for those relating to money market funds, are categorized below to give an indication of the level of risk assumed by the Commission at year-end:

**Investment Maturities and Ratings for 2018**

| Investment Type | Fair Value | Less Than 12 months | Over 12 months | Moody's Quality Ratings |
|---|---|---|---|---|
| Atlanta GA Development Authority Revenue | $ 750,300 | $ - | $ 750,300 | WR |
| Federal National Mortgage Association | 1,026,365 | - | 1,026,365 | Aaa |
| Federal Home Loan Banks | 1,610,756 | - | 1,610,756 | Aaa |
| Federal Farm Credit Banks | 607,531 | - | 607,531 | Aaa |
| Federal Home Loan Mortgage Corp | 864,036 | - | 864,036 | WR |
| Federal Home Loan Mortgage Corp | 1,240,861 | - | 1,240,861 | Aaa |
| | $ 6,099,849 | $ - | $ 6,099,849 | |

**Investment Maturities and Ratings for 2017**

| Investment Type | Fair Value | Less Than 12 months | Over 12 months | Moody's Quality Ratings |
|---|---|---|---|---|
| Atlanta GA Development Authority Revenue | $ 750,383 | $ - | $ 750,383 | WR |
| Federal National Mortgage Association | 1,047,455 | - | 1,047,455 | Aaa |
| Federal Home Loan Banks | 3,794,532 | 2,049,449 | 1,745,083 | Aaa |
| Federal Farm Credit Banks | 624,813 | - | 624,813 | Aaa |
| | $ 6,217,183 | $ 2,049,449 | $ 4,167,734 | |

***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 Commission 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 Commission 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

**Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date.
- Level 2 are directly or indirectly observable inputs for the asset or liability other than quoted prices.
- Level 3 are 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 Commission has the following recurring fair value measurements as of June 30, 2018 and 2017:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| **Investment** | **6/30/2018** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Atlanta GA Development Authority Revenue | | $ 750,300 | | |
| Federal National Mortgage Association | | 1,026,365 | | |
| Federal Home Loan Banks | | 1,610,756 | | |
| Federal Farm Credit Banks | | 607,531 | | |
| BB &T Public Fund Money Rate Savings | | 10,055,327 | | |
| Money Market Mutual Funds | | 56,722,994 | | |
| Federal Home Loan Mortgage Corp | | 2,104,897 | | |
| | | $ 72,878,170 | | |

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| **Investment** | **6/30/2017** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Atlanta GA Development Authority Revenue | | $ 750,383 | | |
| Federal National Mortgage Association | | 1,047,455 | | |
| Federal Home Loan Banks | | 3,794,532 | | |
| Money Market Mutal Funds | | 62,069,153 | | |
| Federal Farm Credit Banks | | 624,813 | | |
| | | $ 68,286,336 | | |

Custodial credit risk: The risk that in the event of the failure of the counter party, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy requires the use of a third party custodial safekeeping agreement for all purchased securities, and requires that securities be held in the name of the Commission. As of June 30, 2018, all of the Commission's investment securities held by third parties are in the name of the Commission.

Concentration of credit risk: The Commission places no limit on the amount that may be invested in any one issuer.

## Note 4. CAPITAL ASSETS

| | Balance June 30, 2017 | Additions | Retirements | Transfers | Balance June 30, 2018 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 52,864,182 | $ - | $ - | $ - | $ 52,864,182 |
| Construction in progress | 107,028,784 | 18,563,171 | - | (63,380,768) | 62,211,187 |
| Total Non Depreciable Capital Assets | 159,892,966 | 18,563,171 | - | (63,380,768) | 115,075,369 |
| Other capital assets: | | | | | |
| Land improvements | 24,021,077 | - | (4,404,492) | - | 19,616,585 |
| Buildings | 308,927,960 | 102,738 | (4,068,770) | 10,721,492 | 315,683,420 |
| Paved Facilities | 190,537,953 | 15,055 | (5,357,388) | 51,458,162 | 236,653,782 |
| Furniture and fixtures | 4,345,414 | 9,222 | (1,116,112) | 29,869 | 3,268,393 |
| Machinery and Equipment | 57,083,479 | 636,408 | (26,013,556) | 1,171,245 | 32,877,576 |
| Total Other Capital Assets | 584,915,883 | 763,423 | (40,960,318) | 63,380,768 | 608,099,756 |
| Total Capital Assets | 744,808,849 | 19,326,594 | (40,960,318) | - | 723,175,125 |
| Accumulated depreciation: | | | | | |
| Land improvements | (11,822,143) | (1,341,383) | 4,404,492 | - | (8,759,034) |
| Buildings | (134,455,475) | (9,219,842) | 4,068,770 | - | (139,606,547) |
| Paved Facilities | (120,170,883) | (10,548,953) | 5,357,388 | - | (125,362,448) |
| Furniture and fixtures | (2,984,954) | (268,891) | 1,116,112 | - | (2,137,733) |
| Machinery and Equipment | (40,288,214) | (3,046,987) | 26,013,556 | - | (17,321,645) |
| Total Accumulated Depreciation | (309,721,669) | (24,426,056) | 40,960,318 | - | (293,187,407) |
| Capital Assets, Net | $ 435,087,180 | $ (5,099,462) | $ - | $ - | $ 429,987,718 |

| | Balance June 30, 2016 | Additions | Retirements | Transfers | Balance June 30, 2017 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 52,864,182 | $ - | $ - | $ - | $ 52,864,182 |
| Construction in progress | 76,127,535 | 31,339,669 | - | (438,421) | 107,028,783 |
| Total Non Depreciable Capital Assets | 128,991,717 | 31,339,669 | - | (438,421) | 159,892,965 |
| Other capital assets: | | | | | |
| Land improvements | 26,653,521 | 70,922 | (2,703,366) | - | 24,021,077 |
| Buildings | 318,344,466 | 588,966 | (10,443,893) | 438,421 | 308,927,960 |
| Paved Facilities | 238,508,119 | - | (47,970,166) | - | 190,537,953 |
| Furniture and fixtures | 5,735,114 | (18,187) | (1,371,513) | - | 4,345,414 |
| Machinery and Equipment | 66,313,538 | 207,376 | (9,437,436) | - | 57,083,478 |
| Total Other Capital Assets | 655,554,758 | 849,077 | (71,926,374) | 438,421 | 584,915,882 |
| Total Capital Assets | 784,546,475 | 32,188,746 | (71,926,374) | - | 744,808,847 |
| Accumulated depreciation: | | | | | |
| Land improvements | (13,178,852) | (1,346,657) | 2,703,366 | - | (11,822,143) |
| Buildings | (134,529,857) | (9,837,031) | 9,911,413 | - | (134,455,475) |
| Paved Facilities | (159,417,153) | (8,723,896) | 47,970,166 | - | (120,170,883) |
| Furniture and fixtures | (4,094,057) | (262,409) | 1,371,513 | - | (2,984,953) |
| Machinery and Equipment | (47,001,320) | (3,229,575) | 9,942,681 | - | (40,288,214) |
| Total Accumulated Depreciation | (358,221,239) | (23,399,568) | 71,899,139 | - | (309,721,668) |
| Capital Assets, Net | $ 426,325,237 | $ 8,789,178 | $ (27,235) | $ - | $ 435,087,180 |

**Note 5. LONG-TERM DEBT**

Long-term debt at June 30, 2018 and 2017 consists of:

| | Balance 6/30/2017 | Increase | Decrease | Balance 6/30/2018 | Current Maturities |
|---|---|---|---|---|---|
| Airport Revenue Bonds: | | | | | |
| Series 2001A&B (a) | $ 22,236,509 | $ - | $ (2,375,565) | $ 19,860,944 | $ 2,452,363 |
| Series 2008A (b) | 2,445,000 | - | (1,200,000) | 1,245,000 | 1,245,000 |
| Series 2013A Airport Refunding (c) | 19,940,000 | - | (1,985,000) | 17,955,000 | 2,020,000 |
| Series 2016A Airport Refunding (d) | 39,305,000 | - | - | 39,305,000 | - |
| PFC Revenue Bonds: | | | | | |
| Series 2016A (e) | 5,408,242 | - | (1,779,555) | 3,628,687 | 1,802,647 |
| Series 2016B (e) | 4,479,821 | - | (1,474,063) | 3,005,758 | 1,493,191 |
| | 93,814,571 | - | (8,814,183) | 85,000,388 | 9,013,201 |
| Add: Bond premium paid, net | 7,927,648 | - | (530,615) | 7,397,033 | - |
| Total Long-Term Debt | $ 101,742,219 | $ - | $ (9,344,798) | $ 92,397,421 | $ 9,013,201 |
| | | | | | |
| Loss deferred outflows | $ (6,521,753) | $ - | $ 512,255 | $ (6,009,498) | $ - |

| | Balance 6/30/2016 | Increase | Decrease | Balance 6/30/2017 | Current Maturities |
|---|---|---|---|---|---|
| Airport Revenue Bonds: | | | | | |
| Series 2001A&B (a) | $ 24,537,683 | $ - | $ (2,301,174) | $ 22,236,509 | $ 2,375,565 |
| Series 2008A (b) | 3,590,000 | - | (1,145,000) | 2,445,000 | 1,200,000 |
| Series 2013A Airport Refunding (c) | 21,780,000 | - | (1,840,000) | 19,940,000 | - |
| Series 2016A Airport Refunding (d) | 39,305,000 | - | - | 39,305,000 | 1,985,000 |
| PFC Revenue Bonds: | | | | | |
| Series 2016A (e) | 7,165,000 | - | (1,756,758) | 5,408,242 | 1,779,555 |
| Series 2016B (e) | 5,935,000 | - | (1,455,179) | 4,479,821 | 1,474,063 |
| | 102,312,683 | - | (8,498,112) | 93,814,571 | 8,814,183 |
| Add: Bond premium paid, net | 8,328,483 | - | (400,835) | 7,927,648 | - |
| Total Long-Term Debt | $ 110,641,166 | $ - | $ (8,898,947) | $ 101,742,219 | $ 8,814,183 |
| | | | | | |
| Loss deferred outflows | $ (6,955,744) | $ - | $ 433,991 | $ (6,521,753) | $ - |

**Note 5. LONG-TERM DEBT (continued)**

The aggregate amount of debt service on long-term debt following June 30, 2018, is as follows:

# Long-Term Debt

| Year | Revenue | | PFC | | Total | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | 5,717,363 | 3,032,617 | 3,295,838 | 66,143 | 9,013,201 | 3,098,760 |
| 2020 | 5,896,646 | 2,827,159 | 3,338,607 | 23,374 | 9,235,253 | 2,850,533 |
| 2021 | 6,088,494 | 2,621,586 | - | - | 6,088,494 | 2,621,586 |
| 2022 | 6,297,989 | 2,399,453 | - | - | 6,297,989 | 2,399,453 |
| 2023 | 6,420,219 | 2,146,560 | - | - | 6,420,219 | 2,146,560 |
| 2024-2028 | 22,195,232 | 7,264,587 | - | - | 22,195,232 | 7,264,587 |
| 2029-2033 | 10,120,000 | 4,557,000 | - | - | 10,120,000 | 4,557,000 |
| 2034-2038 | 12,755,000 | 1,904,175 | - | - | 12,755,000 | 1,904,175 |
| 2039-2043 | 2,875,000 | 57,500 | - | - | 2,875,000 | 57,500 |
| | $ 78,365,943 | $ 26,810,637 | $ 6,634,445 | $ 89,517 | $ 85,000,388 | $ 26,900,154 |

**Note 5. LONG-TERM DEBT (continued)**

(a) *Airport Revenue Bonds* – Series 2001A (Non-AMT) and Series 2001B (AMT)

On January 30, 2001, the Commission adopted the Sixth Supplemental Bond Resolution Authorizing Airport Revenue Bonds $26,995,000, Series 2001A (Non-AMT) and $22,065,000 Airport Revenue Bond, Series 2001B (AMT). The bonds were issued on February 8, 2001 to the Virginia Resources Authority (the "VRA"), which is organized and exists as a public body corporate and a political subdivision of the Commonwealth of Virginia. The VRA has been designated by the Commonwealth of Virginia to direct the distribution of loans from the Virginia Airports Revolving Fund to certain local governments to finance airport infrastructure projects at government-owned facilities.

The proceeds of the bonds were used along with other money to finance the construction of a new 1900 space public parking garage, a concourse extension, the refurbishment of the existing terminal and concourses as well as refinance the purchase of 12 acres of land for satellite public parking. Through February 29, 2004, proceeds from the bonds were requisitioned from VRA to reimburse the Commission for the above projects. Beginning March 1, 2004, VRA allowed the remaining 2001A and B proceeds ($611,756 and $4,440,957, respectively) to be transferred to SNAP project funds. All of the 2001A and B SNAP project funds have been used as of April 2005. The bonds are dated the date of delivery to the account of VRA and mature on January 1, 2027. The Series 2001A bear interest at 4.36% (Series 2001B at 4.53%) on the unpaid principal from the date of each advance until payment of the entire principal amount.

In November 2010, the Commission approved a resolution for the interest rate reduction agreement of the 2001A and the 2001B Series Bonds issued through the VRA. The bonds were refinanced effective August 23, 2011. The 2001A Series Bonds bear interest at 3.11% and the 2001B Series Bonds bear interest at 3.28%. Total savings in interest over the remaining life of the bonds will be approximately $2.8 million. The monthly principal and interest payments on the Series 2001A and Series 2001B are respectively $138,908 and $115,275.

(b) *Airport Revenue Bonds, Series 2008A*

The Commission issued Airport Revenue Bonds, Series 2008A on March 27, 2008, in the amount of $51,310,000. The Series 2008A Bonds are served by an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984, as amended and supplemented, including a Ninth Supplemental Bond Resolution adopted by the Commission on January 29, 2008. The bonds were issued together with other funds of the Commission to finance in part the costs of construction and equipping a new structured public parking facility of approximately 2,600 spaces and related improvements, to fund a debt service reserve subaccount for the Series 2008A Bonds and to pay certain costs of their issuance.

The Commission adopted on April 26, 2016, to holders of IRS $51,310,000 Airport Revenue Bonds, Series 2008A (the "2008A Bonds"), that the 2008A Bonds maturing on July 1 in the years 2019 through 2025 and 2031and 2038 (the "Refunded Bonds"), have been defeased. The fixed rates range from 4% to 5%. For the payment of the principal

**Note 5. LONG-TERM DEBT (continued)**

of and interest on the Refunded Bonds, the Commission has irrevocably deposited in an escrow fund with The Bank of New York Mellon, Woodland Park, New Jersey, certain United States Treasury Obligations, calculated by a firm of certified public accountants to be sufficient to pay accrued interest on the Refunded Bonds from January 1, 2016, to their redemption date, July 1, 2018, and pay on such date the principal amount of such Refunded Bonds. The Refunded Bonds will cease to bear interest on July 1, 2018.

*(c) Revenue Refunding Bonds, Series 2013A*

On April 24, 2013, the Commission issued Airport Revenue Refunding Bonds Series 2013A in the amount of $21,870,000, secured by an Airport Revenue Bond Resolution adopted by the Commission November 21, 1984, as amended and supplemented, including a Twelfth Supplemental Bond Resolution adopted by the Commission on February 26, 2013. The net proceeds of the bonds were combined with other available resources to establish an irrevocable trust to effectively defease the outstanding principal amount of the 2005A Revenue Bonds maturing on July 1 in the years 2016 through 2025 totaling $22,955,000. Principal payments are due each year on July 1 starting in 2014 through 2025. Interest on the bonds is payable semi- annually each January 1 and July 1. The estimated net present value savings is $1,929,000. As a result of the refunding, total debt service payments decreased by $2,181,934 resulting in an economic gain of $1,929,376.

*(d) Airport Revenue Bonds Series 2016A*

The Commission issued Airport Revenue Refunding Bond Series 2016A on June 1, 2016, in the amount of $39,305,000. The bonds were issued under and secured by the Airport Revenue Bond Resolution adopted by the Commission on November 2l, l984 (the "Master Resolution"), as amended and supplemented from time to time, including a Thirteenth Supplemental Bond Resolution adopted by the Commission on April 26, 2016 (the "Thirteenth Supplemental Resolution," and together with the Master Resolution, the "Bond Resolution"). The Commission will use the net proceeds of the Series 2016A Bonds, together with other funds of the Commission, to refund a portion of its Airport Revenue Bonds, Series 2008A, to fund a debt service reserve subaccount for the Series 2016A Bonds, and to pay certain costs of their issuance. The Series 2016A Bonds bear a variable interest rate from 3% to 5%. Interest will initially be payable on July 1, 2016, and on each January 1 and July 1 thereafter until maturity or earlier redemption. Principal payments begin on July 1, 2019. The Series 2016A Bonds will be issued in fully registered form and in denominations of $5,000 or integral multiples thereof. The reacquisition price exceeded the net carrying amount of the old debt by $4,329,914. This amount is reported as the deferred charge on refunding and amortized over the remaining life of the refunded debt. The refunding will reduce total debt service payments over 22 years by $7,192,885, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $5,358,514.

**Note 5. LONG-TERM DEBT (continued)**

*(e) Passenger Facility Charge Revenue Bonds Series 2016A&B (AMT & Non-AMT)*

On June 1, 2016, the Commission issued Passenger Facility Charge Revenue Bonds, 2016 Series A (AMT) and 2016 Series B (Non-AMT) in the amounts of $7,165,000 and $5,935,000, respectively. The Bonds are issued pursuant to Chapter 537 of the Virginia Acts of Assembly of 1975, as continued by Chapter 380 of the Virginia Acts of Assembly of 1980. The Bonds are issued under and are equally and ratably secured by a Master Indenture of Trust dated as of March 1, 2005, as previously supplemented and amended, and as further supplemented by a Second Supplemental Indenture of Trust dated as of May 16, 2016. The Commission has refunded in whole and redeemed in full its Passenger Facility Charge Revenue Bonds, 2005 Series. The purposes of the refunding is to finance or refinance the costs of certain facilities at the Airport. Monthly principal and interest payments on the Series 2016A in the amount of $153,235 and Series 2016B in the amount of $126,930 will begin July 1, 2016 to June 1, 2020, when the bond matures. The interest on the bonds is at a fixed rate of 1.29%.

*(f) Restricted Assets*

Certain cash and investments are restricted by bond resolutions for the following purposes:

| | 2018 | 2017 |
|---|---|---|
| Cost of issuance | $ 134,514 | $ 134,511 |
| Debt service | 23,664,627 | 19,990,892 |
| Equipment and capital outlay | 41,258,573 | 42,154,080 |
| Operation and maintenance | 14,069,152 | 12,265,580 |
| | $ 79,126,866 | $ 74,545,063 |

The bond resolutions contain restrictive covenants with respect to incurring additional indebtedness, sale, lease, or encumbrance of property, maintenance of facility, agreements with airlines and other matters common to such bond issues.

The Commission is subject to arbitrage rebate liability in accordance with Section 148(f) of the Internal Revenue Code of 1986, as amended, and the Final U.S. Treasury Regulations 1.148-1 through 1.148-11 issued on June 19, 1993, and amended on May 9, 1997. There was no accrued arbitrage liability for the years ended June 30, 2018 and June 30, 2017.

## Note 6. MAJOR CUSTOMERS

Due to the nature of the Commission's operations, the majority of its operating revenues are from several large customers. The operating revenues from two major customers were $2,713,176 (5.7%) and $2,085,016 (4.4%) for the year ended June 30, 2018, and $2,421,600 (5.3%) and $1,830,282 (4.0%) for the year ended June 30, 2017.

## Note 7. FUTURE RENTAL AND CONCESSION INCOME UNDER OPERATING LEASES

The following is a schedule by years of minimum future rental and concession income under non-cancelable operating leases with tenants and concessionaires as of June 30, 2018:

| Fiscal Year | Amount |
|---|---|
| 2019 | 11,137,633 |
| 2020 | 1,973,049 |
| 2021 | 1,736,177 |
| 2022 | 1,491,180 |
| 2023 | 1,363,400 |
| 2024-2028 | 2,915,461 |
| 2029-2033 | 595,077 |
| | $ 21,211,977 |

The Commission had rental and concession income of $21,997,335 and $20,722,739 in 2018 and 2017, respectively, which is included in operating revenues. Rental income is derived from various lease space within the terminal building, other buildings, and the rental of Airport land property. Concession income is derived from various concession agreements from food and beverage, retail sales and rental car companies.

## Note 8. PENSION PLAN

### *Plan Description*

All full-time, salaried permanent employees of the Commission are automatically covered by a VRS Retirement Plan upon employment. This plan 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.

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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:

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</td><td>About Plan 2<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</td><td>About the Hybrid Retirement Plan<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.<br>• 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>
</table>

**Note 8. 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>Eligible Members<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.<br><br>Hybrid Opt-In Election<br>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>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.</td>
<td>Eligible Members<br>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.<br><br>Hybrid Opt-In Election<br>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>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.</td>
<td>Eligible Members<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.<br><br>*Non-Eligible Members<br>Some employees are not eligible to participate 2018 in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.<br><br>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.</td>
</tr>
</table>

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Retirement Contributions**<br>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**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. | **Retirement Contributions**<br>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 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Calculating the Benefit (Cont.)**<br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | **Calculating the Benefit (Cont.)** | **Calculating the Benefit (Cont.)**<br>**<u>Defined Contribution Component:</u>**<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.<br><br>**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | **Service Retirement Multiplier**<br>**VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.<br><br>**Sheriffs and regional jail superintendents:** Same as Plan1.<br><br>**Political subdivision hazardous duty employees:** Same as Plan1. | **Service Retirement Multiplier**<br>**<u>Defined Benefit Component:</u>**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.<br><br>**Sheriffs and regional jail superintendents:** Not applicable.<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**<u>Defined Contribution Component</u>:**<br>Not applicable. |

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

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

**Note 8. 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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)<br><br><u>Exceptions to COLA Effective Dates:</u><br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<ul><li>The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li><li>The member retires on disability.</li><li>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li><li>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.</li><li>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.</li></ul></td>
<td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)<br><br><u>Exceptions to COLA Effective Dates:</u><br>Same as Plan 1.</td>
<td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)<br><br><u>Exceptions to COLA Effective Dates:</u><br>Same as Plan 1 and Plan 2.</td>
</tr>
</table>

**Note 8. PENSION PLAN (continued)**

***Plan Description (continued)***

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.<br><br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| **Purchase of Prior Service**<br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**<u>Defined Benefit Component:</u>**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br><br>**<u>Defined Contribution Component:</u>**<br>Not applicable. |

**Note 8. 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 and June 30, 2015 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

| | 2016 Valuation | 2015 Valuation |
|---|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 92 | 82 |
| Inactive members: | | |
| Vested inactive members | 35 | 35 |
| Non-vested inactive members | 99 | 92 |
| Inactive members active elsewhere in VRS | 64 | 63 |
| Total inactive members | 198 | 190 |
| Active members | 168 | 170 |
| Total covered employees | 458 | 442 |

***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 5.0% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0% 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 Commission's contractually required employer contribution rate for the year ended June 30, 2018 was 9.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The Commissions contractually required employer contribution rate for the year ended June 30, 2017 was 9.94% of covered employee compensation. It was 9.27% starting in July 2016, but changed due to the adoption of enhanced benefits for hazardous duty positions in March 2017. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

**Note 8. PENSION PLAN (continued)**

***Contributions (continued)***

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $837,690 and $740,837 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Net Pension Liability***

The Commission's net pension liability was measured as of June 30, 2017and June 30, 2016. The total pension liability used to calculate the net pension liability was determined by actuarial valuations performed as of June 30, 2016 and June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017 and June 30, 2016.

***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Commission's Retirement Plan was based on actuarial valuations as of June 30, 2016 and June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017 and June 30, 2016.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% – 5.35% |
| Investment rate of return | 7.0%, 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.

**Note 8. PENSION PLAN (continued)**

***Actuarial Assumptions – General Employees (continued)***

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.

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 8. 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 Commission's Retirement Plan was based on 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 | 3.5% – 4.75% |
| Investment rate of return | 7.0%, 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 – 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) – 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.

**Note 8. PENSION PLAN (continued)**

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

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:

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 8. 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%.

***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 Commission'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.

**Note 8. PENSION PLAN (continued)**

***Changes in Net Pension Liability***

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2016 | $ 33,426,172 | $ 29,277,800 | $ 4,148,372 |
| Changes for the year: | | | |
| Service cost | $ 914,853 | $ - | $ 914,853 |
| Interest | 2,289,579 | - | 2,289,579 |
| Differences between expected and actual experience | (470,663) | - | (470,663) |
| Assumption changes | (313,362) | - | (313,362) |
| Contributions - employer | - | 725,003 | (725,003) |
| Contributions - employee | - | 379,833 | (379,833) |
| Net investment income | - | 3,564,329 | (3,564,329) |
| Benefit payments, including refunds | (1,435,808) | (1,435,808) | - |
| Administrative expenses | - | (20,502) | 20,502 |
| Other changes | - | (3,175) | 3,175 |
| Net changes | $ 984,599 | $ 3,209,680 | $ (2,225,081) |
| Balances at June 30, 2017 | $ 34,410,771 | $ 32,487,480 | $ 1,923,291 |

**Note 8. PENSION PLAN (continued)**

***Changes in Net Pension Liability (continued)***

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | $ 31,724,722 | $ 29,128,064 | $ 2,596,658 |
| Changes for the year: | | | |
| Service cost | $ 947,517 | $ - | $ 947,517 |
| Interest | 2,166,414 | - | 2,166,414 |
| Differences between expected and actual experience | 139,420 | - | 139,420 |
| Contributions - employer | - | 823,513 | (823,513) |
| Contributions - employee | - | 387,582 | (387,582) |
| Net investment income | - | 508,986 | (508,986) |
| Benefit payments, including refunds of employee contributions | (1,551,901) | (1,551,901) | - |
| Administrative expenses | - | (18,229) | 18,229 |
| Other changes | - | (215) | 215 |
| Net changes | $ 1,701,450 | $ 149,736 | $ 1,551,714 |
| Balances at June 30, 2016 | $ 33,426,172 | $ 29,277,800 | $ 4,148,372 |

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

The following presents the net pension liability of the Commission using the discount rate of 7.00%, as well as what the Commission'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%) |
| Capital Region Airport Commission Net Pension Liability(Asset) | | | | |
| | 2017 | $ 6,287,690 | $ 1,923,291 | $ (1,717,239) |
| | 2016 | $ 8,455,335 | $ 4,148,372 | $ 554,311 |

**Note 8. PENSION PLAN (continued)**

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

For the year ended June 30, 2018, the Commission recognized pension expense of $52,866. At June 30, 2018, the Commission 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 | $ 52,282 | $ 322,045 |
| Change in assumptions | - | 206,413 |
| Net difference between projected and actual earnings on pension plan investments | - | 470,911 |
| Employer contributions subsequent to the measurement date | 837,690 | - |
| Total | $ 889,972 | $ 999,369 |

For the year ended June 30, 2017, the Commission recognized pension expense of $519,689. At June 30, 2017, the Commission 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 | $ 95,851 | $ 252,350 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 762,356 | - |
| Employer contributions subsequent to the measurement date | 740,837 | - |
| Total | $ 1,599,044 | $ 252,350 |

**Note 8. PENSION PLAN (continued)**

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

$837,690 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 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 | $ | (530,064) |
| 2020 | $ | (109,584) |
| 2021 | $ | (1,979) |
| 2022 | $ | (305,460) |
| 2023 | $ | - |
| Thereafter | $ | - |

$740,837 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | | |
|---|---|---|
| 2018 | $ | (185,333) |
| 2019 | $ | 42,980 |
| 2020 | $ | 444,730 |
| 2021 | $ | 303,480 |
| 2022 | $ | - |
| Thereafter | $ | - |

## Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM

### *Plan Description*

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.<br><br>Eligible employees of participating employers are enrolled automatically upon employment. They include:<br><br>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. |
| **Benefit Amounts**<br><br>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br><br>• **<u>At Retirement</u>** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.<br>• **<u>Disability Retirement</u>**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month. |
| **Health Insurance Credit Program Notes:**<br><br>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.<br>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)**

***Employees Covered by Benefit Terms***

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 0 |
| Inactive members: | |
| Vested inactive members | 4 |
| Non-vested inactive members | 0 |
| Inactive members active elsewhere in VRS | 0 |
| Total inactive members | 4 |
| Active members | 168 |
| Total covered employees | 172 |

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Commission contractually required employer contribution rate for the year ended June 30, 2018 was .21% 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 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 from the Commission to the Health Insurance Credit Program were $17,946 and $15,147 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)**

***Net HIC OPEB Liability***

The Commission net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB 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***

The total HIC 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: | |
| 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 the OPEB liabilities.

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (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 Life Mortality Table 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 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (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 Life Mortality Table 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% |

## Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)

### *Actuarial Assumptions (continued)*

**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 Life Mortality Table 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 |
| 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% |

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)**

***Actuarial Assumptions (continued)***

**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 Life Mortality Table 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 |
| 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% |

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (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 HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 HIC 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 HIC 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 HIC OPEB liability.

## Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)

### *Changes in Net HIC OPEB Liability*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2016 | $ 136,397 | $ - | $ 136,397 |
| Changes for the year: | | | |
| Service cost | $ 7,515 | $ | $ 7,515 |
| Interest | 9,551 | | 9,551 |
| Changes of assumptions | (10,627) | | (10,627) |
| Contributions - employer | | 15,147 | (15,147) |
| Net investment income | | 928 | (928) |
| Benefit payments, including refunds of employee contributions | 117 | 117 | - |
| Administrative expenses | | (35) | 35 |
| Net changes | $ 6,556 | $ 16,157 | $ (9,601) |
| Balances at June 30, 2017 | $ 142,953 | $ 16,157 | $ 126,796 |

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)**

***Sensitivity of the Commission's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate***

The following presents the Commission's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Commission's net HIC 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%) |
| Commission's Net HIC OPEB Liability | $ 146,185 | $ 126,796 | $ 110,509 |

***Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2018, the Commission recognized Health Insurance Credit Program OPEB expense of $15,125. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to the Commission's Health Insurance Credit Program from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Changes of assumptions | - | 9,263 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 316 |
| Employer contributions subsequent to the measurement date | 17,946 | - |
| Total | $ 17,946 | $ 9,579 |

**Note 9. HEALTH INSURANCE CREDIT (HIC) PROGRAM (continued)**

***Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (continued)***

$17,946 reported as deferred outflows of resources related to the HIC OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2019 | $ (1,443) |
| 2020 | (1,443) |
| 2021 | (1,443) |
| 2022 | (1,443) |
| 2023 | (1,364) |
| Thereafter | (2,443) |

***Health Insurance Credit Program Plan Data***

Information about the VRS Political Subdivision Health Insurance Credit Program 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.

## Note 10-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**<br><br>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:<br><br>• City of Richmond<br>• City of Portsmouth<br>• City of Roanoke<br>• City of Norfolk<br>• Roanoke City School Board<br><br>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 10-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:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - 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

**Note 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***Contribution (continued)***

additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Commission were $44,885 and $39,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

**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 Commission reported a liability of $647,000 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 Commission's proportion of the Net GLI OPEB Liability was based on the Commission'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 Commission's proportion was .04295% as compared to .04235% at June 30, 2016.

For the year ended June 30, 2018, the Commission recognized GLI OPEB expense of $9,000. 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 Commission 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 | $ - | $ 15,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 24,000 |
| Change in assumptions | - | 33,000 |
| Changes in proportion | 8,000 | - |
| Employer contributions subsequent to the measurement date | 44,885 | - |
| Total | $ 52,885 | $ 72,000 |

**Note 10-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)***

$44,885 reported as deferred outflows of resources related to the GLI OPEB resulting from the Commission'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 OEPB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2019 | $ | (13,000) |
| 2020 | | (13,000) |
| 2021 | | (13,000) |
| 2022 | | (13,000) |
| 2023 | | (9,000) |
| Thereafter | | (3,000) |

***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 10-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% |

***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.

**Note 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***Actuarial Assumptions: (continued)***

***Mortality Rates – Teachers (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 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 |

***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 10-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% |

***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.

**Note 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***Actuarial Assumptions: (continued)***

***Mortality Rates – JRS 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 | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

***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 10-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 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***Mortality Rates – Largest Ten Locality Employers-Hazardous Duty Employees (continued)***

***Actuarial Assumptions: (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.

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% |

**Note 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***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.

***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%.

**Note 10-GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (continued)**

***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 Commission 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.

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

The follow presents the Commission's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the Commission'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%) |
| Commission's proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 836,000 | $ 647,000 | $ 493,000 |

***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.

## Note 11. LINE OF DUTY ACT (LODA) PROGRAM

### *Plan Description*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

**LINE OF DUTY ACT PROGRAM PLAN PROVISIONS**

**Eligible Employees**

The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).

**Benefit Amounts**

The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:

- **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
  - $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  - $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
  - An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
  - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
  - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***Contributions***

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were $24,964 and $22,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB***

At June 30, 2018, the entity reported a liability of $539,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .20517% as compared to .23930% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $37,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (continued)***

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on LODA OPEB plan investments | - | 1,000 |
| Change in assumptions | - | 56,000 |
| Change in proportion | - | 85,000 |
| Employer contributions subsequent to the measurement date | 24,964 | - |
| Total | $ 24,964 | $ 142,000 |

$24,964 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2019 | $ (17,000) |
| 2020 | (17,000) |
| 2021 | (17,000) |
| 2022 | (17,000) |
| 2023 | (17,000) |
| Thereafter | (57,000) |

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***Actuarial Assumptions***

The total LODA 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 | 3.50%-5.35% |
| SPORS employees | 3.50%-4.75% |
| VaLORS employees | 3.50%-4.75% |
| Locality employees | 3.50%-4.75% |
| | |
| Medical cost trend rates assumption: | |
| Under age 65 | 7.75%-5.00% |
| Ages 65 and older | 5.75%-5.00% |
| | |
| Investment rate of return | 3.56%, net of OPEB 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 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

**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 Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***Actuarial Assumptions (continued)***

**Mortality rates – General State 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 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% |

**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 Life Mortality Table 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. LINE OF DUTY ACT (LODA) PROGRAM (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 Life Mortality Table 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% |

**Mortality Rates – Largest Ten Locality Employers with Public Safety 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***Actuarial Assumptions (continued)***

**Mortality Rates – Largest Ten Locality Employers with Public Safety 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 with Public Safety 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 Life Mortality Table 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 |
| 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% |

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

### *Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)*

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

### *Net LODA OPEB Liability*

The net OPEB liability (NOL) for the Line of Duty Act 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 Line of Duty Act Program is as follows (amounts expressed in thousands):

| | | LODA Program |
|---|---|---|
| Total LODA OPEB Liability | $ | 266,252 |
| Plan Fiduciary Net Position | | 3,461 |
| Employers' Net OPEB Liability (Asset) | $ | 262,791 |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | | 1.30% |

The total LODA 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 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.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

**Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)**

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

| | Discount Rate | | |
|---|---|---|---|
| | 1% Decrease (2.56%) | Current (3.56%) | 1% Increase (4.56%) |
| Commission's proportionate share of the total LODA Net OPEB Liability | $ 611,000 | $ 539,000 | $ 479,000 |

***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

| | Health Care Trend Rates | | |
|---|---|---|---|
| | 1% Decrease (6.75% decreasing to 4.00%) | Current (7.75% decreasing to 5.00%) | 1% Increase (8.75% decreasing to 6.00%) |
| Commission's proportionate share of the total LODA Net OPEB Liability | $ 458,000 | $ 539,000 | $ 641,000 |

## Note 11. LINE OF DUTY ACT (LODA) PROGRAM (continued)

### *LODA OPEB Fiduciary Net Position*

Detailed information about the Line of Duty Act Program 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.

## Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)

### *Plan Description*

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| **POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS** |
|---|
| **Eligible Employees**<br><br>The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.<br><br>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:<br><br>• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS. |

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***Plan Description (continued)***

**Benefit Amounts**

The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees:

**Short-Term Disability** –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

**Long-Term Disability** –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

**Virginia Local Disability Program Notes:**

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

***Contributions***

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the Commission to the VRS Political Subdivision Employee VDLP were $8,732 and $6,570 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB***

At June 30, 2018, the Commission reported a liability of $3,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Commission's proportion of the Net VLDP OPEB Liability was based on the Commission's actuarially determined employer contributions to the VLDP OPEB plan 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 Commission's proportion of the VLDP was 0.58804% as compared to 0.54229%.

For the year ended June 30, 2018, the Commission recognized VLDP OPEB expense of $6,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual earnings on VLDP OPEB plan investments | - | - |
| Change in assumptions | - | 1,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | - |
| Employer contributions subsequent to the measurement date | 8,732 | - |
| Total | $ 8,732 | $ 1,000 |

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB: (continued)***

$8,732 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP 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 VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2019 | $ (1,000) |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| Thereafter | - |

***Actuarial Assumptions***

The total VLDP OPEB liability for the VLDP 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: | |
| Political Subdivision Employees | 3.5%-5.35% |
| Investment rate of return | 7.0%, net of 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 OPEB liabilities.

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***Actuarial Assumptions: (continued)***

**Mortality Rates – Largest Ten Locality Employers – General and Non-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 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 Life Mortality Table 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 year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***Actuarial Assumptions: (continued)***

**Mortality Rates – Non-Largest Ten Locality Employers – General and Non-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 Life Mortality Table 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 |
| 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 year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

## Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)

### *Net VLDP OPEB Liability*

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP 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 VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

| | Political Subdivision Employee VLDP OPEB Plan |
|---|---|
| Total Political Subdivision VLDP OPEB Liability | $ 914 |
| Plan Fiduciary Net Position | 351 |
| Political Subdivision net VLDP OPEB Liability (Asset) | $ 563 |
| Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability | 38.40% |

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP 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 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on VRS 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 VRS 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%.

***Discount Rate***

The discount rate used to measure the total VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Commission for the VLDP 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

**Note 12—POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) (continued)**

***Sensitivity of the Commission's Proportionate Share of the VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the Commission's proportionate share of the net VLDP OPEB liability using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net VLDP 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 | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Commission's proportionate share of the Net VLDP OPEB Liability | $ 4,000 | $ 3,000 | $ 3,000 |

***Political Subdivision Employee VLDP OPEB Fiduciary Net Position***

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability 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.

**Note 13. RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2018 and 2017, the Commission entered into various recurring transactions with certain municipalities relating primarily to water and sewer fees, other utilities, roadway maintenance and advertising contracts.

**Note 14. DEFERRED COMPENSATION PLAN**

The Commission offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. All Commission employees are eligible to participate and may defer their gross income not to exceed a maximum of $18,500 for the year 2018; with participants age 50 and older allowed to defer a maximum of $24,500. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency. All plan assets are held in a custodial account for the exclusive benefit of participants and beneficiaries under the Plan. Accordingly the related assets and liabilities associated with the plan are not reported as part of the Commission's financial information.

**Note 15. COMMITMENTS AND CONTINGENCIES**

In the normal course of its operations, the Commission has commitments, contingent liabilities, lawsuits and claims. Commission management does not expect that any amount it may have to pay in connection with any of these matters would have a material adverse effect on the financial position of the Commission. As of June 30, 2018, the Commission had construction commitments of approximately $52.0 million, of which approximately $34.7 million will be paid from federal and state grants.

**Note 16. SUBSEQUENT EVENTS**

The Commission has evaluated subsequent events through the date the financial statements were available to be issued in connection with the preparation of these financial statements. The following events were noted:

**Approval to Use PFC Application Number 18-08-C-00-RIC**

On July 19, 2018 the Commission received FAA approval to impose and use a Passenger Facility Charge (PFC) for projects listed in application number 18-08-C-00-RIC. The application allows $54.2 million additional PFC collections. The application extends the PFC collection period to March 1, 2031 and increase the total allowable collections to $224.1 million. The three largest projects funded by this application are:

- ✈Concourse A Gate Expansion - $34.3 million
- ✈Concourse A Jet Bridges - $7.5 million
- ✈Security Checkpoint B Expansion - $4.1 million

**Reimbursement for In-Line Baggage Screening Modifications**

On August 17, 2018 the Commission entered into OTA Number 70T04018T9CAP1157 with the Transportation Security Administration (TSA) relating to in-line baggage screening partial reimbursement. The OTA acknowledges reimbursable allowable costs of $3,999,796 for the in-line baggage screening modifications, requested by the TSA, that the Commission made during the construction of the new terminal building. The OTA allows partial reimbursement for these costs on a pro-rated basis as funding is approved by the US Congress.

The Commission received the first installment of $917,894 on September 11, 2018.

# REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND INTERNATIONAL AIRPORT®

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**Capital Region Airport Commission**
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**
**VRS PENSION PLAN**
**For the Years Ended June 30, 2015 through June 30, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 914,853 | $ 947,517 | $ 867,611 | $ 870,607 |
| Interest | 2,289,579 | 2,166,414 | 2,103,636 | 1,980,695 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | (470,663) | 139,420 | (733,014) | - |
| Changes in assumptions | (313,362) | - | - | - |
| Benefit payments, including refunds of employee contributions | (1,435,808) | (1,551,901) | (1,130,913) | (1,059,085) |
| **Net change in total pension liability** | $ 984,599 | $ 1,701,450 | $ 1,107,320 | $ 1,792,217 |
| **Total pension liability - beginning** | 33,426,172 | 31,724,722 | 30,617,402 | 28,825,185 |
| **Total pension liability - ending (a)** | $ 34,410,771 | $ 33,426,172 | $ 31,724,722 | $ 30,617,402 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 725,003 | $ 823,513 | $ 818,481 | $ 831,532 |
| Contributions - employee | 379,833 | 387,582 | 378,639 | 366,404 |
| Net investment income | 3,564,329 | 508,986 | 1,284,659 | 3,798,506 |
| Benefit payments, including refunds of employee contributions | (1,435,808) | (1,551,901) | (1,130,913) | (1,059,085) |
| Administrative expense | (20,502) | (18,229) | (17,267) | (20,146) |
| Other | (3,175) | (215) | (271) | 200 |
| **Net change in plan fiduciary net position** | $ 3,209,680 | $ 149,736 | $ 1,333,328 | $ 3,917,411 |
| **Plan fiduciary net position - beginning** | 29,277,800 | 29,128,064 | 27,794,736 | 23,877,325 |
| **Plan fiduciary net position - ending (b)** | $ 32,487,480 | $ 29,277,800 | $ 29,128,064 | $ 27,794,736 |
| | | | | |
| **Commission's net pension liability (asset) - ending (a) - (b)** | $ 1,923,291 | $ 4,148,372 | $ 2,596,658 | $ 2,822,666 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 94.41% | 87.59% | 91.82% | 90.78% |
| | | | | |
| **Covered payroll** | $ 7,819,559 | $ 7,318,266 | $ 7,739,286 | $ 7,327,589 |
| | | | | |
| **Commission's net pension liability (asset) as a percentage of covered payroll** | 24.60% | 56.69% | 33.55% | 38.52% |

The years in the schedule represent the measurement date which is a year behind actual.

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.

**Capital Region Airport Commission**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**VRS PENSION PLAN**
**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 | $ 837,690 | $ 837,690 | $ 0.00 | $ 8,509,044 | 9.84% |
| 2017 | 740,837 | 740,837 | 0.00 | 7,819,559 | 9.47% |
| 2016 | 810,132 | 810,132 | 0.00 | 7,318,266 | 11.07% |
| 2015 | 856,739 | 856,739 | 0.00 | 7,739,286 | 11.07% |
| 2014 | 831,381 | 831,681 | 0.00 | 7,327,589 | 11.35% |
| 2013 | 805,152 | 805,152 | 0.00 | 7,093,850 | 11.35% |
| 2012 | 533,974 | 533,974 | 0.00 | 6,759,167 | 7.90% |
| 2011 | 522,388 | 522,388 | 0.00 | 6,612,509 | 7.90% |
| 2010 | 431,421 | 431,421 | 0.00 | 6,536,675 | 6.60% |
| 2009 | 465,197 | 465,197 | 0.00 | 7,048,435 | 6.60% |

## 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% |

**Capital Region Airport Commission**
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**
**HEALTH INSURANCE CREDIT PROGRAM (HIC)**
**For the Year Ended June 30, 2018**

| | | 2017 |
|---|---|---|
| **Total HIC OPEB Liability** | | |
| Service cost | $ | 7,515 |
| Interest | | 9,551 |
| Changes of benefit terms | | - |
| Differences between expected and actual experience | | - |
| Changes in assumptions | | (10,627) |
| Benefit payments | | 117 |
| **Net change in total HIC OPEB liability** | $ | 6,556 |
| **Total HIC OPEB Liability - beginning** | | 136,397 |
| **Total HIC OPEB Liability - ending (a)** | $ | 142,953 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ | 15,147 |
| Net investment income | | 928 |
| Benefit payments | | 117 |
| Administrative expense | | (35) |
| Other | | - |
| **Net change in plan fiduciary net position** | $ | 16,157 |
| **Plan fiduciary net position - beginning** | | - |
| **Plan fiduciary net position - ending (b)** | $ | 16,157 |
| | | |
| **Commission's net HIC OPEB liability - ending (a) - (b)** | $ | 126,796 |
| | | |
| **Plan fiduciary net position as a percentage of the total HIC OPEB liability** | | 11.30% |
| | | |
| **Covered payroll** | $ | 7,196,592 |
| | | |
| **Commission's net HIC OPEB liability as a percentage of covered payroll** | | 1.76% |

The years in the schedule represent the measurement date which is a year behind actual.

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.

**Capital Region Airport Commission**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**HEALTH INSURANCE CREDIT PROGRAM (HIC)**
**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 | $ 17,946 | $ 17,946 | $ 0 | $ 8,545,428 | 0.21% |
| 2017 | 15,147 | 15,147 | 0 | 7,196,592 | 0.21% |

Schedule is intended to show information for 10 years. Participation was effective August 1, 2016 therefore no prior information. However, additional years will be included as they become available.

**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:

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% |

**Capital Region Airport Commission**
**SCHEDULE OF SHARE OF NET OPEB LIABILITY**
**GROUP LIFE INSURANCE PROGRAM**
**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 | 0.04295% | $ 647,000 | $ 7,921,717 | 8.17% | 48.86% |

The years in the schedule represent the measurement date which is a year behind actual.
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.

**Capital Region Airport Commission**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**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 | $ 44,885 | $ 44,885 | $ - | $ 8,637,145 | 0.52% |
| 2017 | 41,192 | 41,192 | - | 7,921,717 | 0.52% |
| 2016 | 36,527 | 36,527 | - | 7,605,435 | 0.48% |
| 2015 | 35,963 | 35,963 | - | 7,484,696 | 0.48% |
| 2014 | 35,464 | 35,464 | - | 7,386,518 | 0.48% |
| 2013 | 37,597 | 37,597 | - | 7,093,850 | 0.53% |
| 2012 | 18,926 | 18,926 | - | 6,759,167 | 0.28% |
| 2011 | 18,515 | 18,515 | - | 6,612,509 | 0.28% |
| 2010 | 18,303 | 18,303 | - | 6,536,675 | 0.28% |
| 2009 | 19,736 | 19,736 | - | 7,048,435 | 0.28% |

## Capital Region Airport Commission
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
## GROUP LIFE INSURANCE PROGRAM
## Year Ended June 30, 2018

### Changes of Benefit Terms
There have been no actuarially material changes to the System benefit.

### 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% |

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% |

**Capital Region Airport Commission**
**SCHEDULE OF SHARE OF NET OPEB LIABILITY**
**LINE OF DUTY ACT PROGRAM (LODA)**
**Year Ended June 30, 2018**

| Date (1) | Employer's Proportion of the Net LODA OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3) | Covered-Employee Payroll * (4) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6) |
|---|---|---|---|---|---|
| 2017 | 0.20517% | $ 539,000 | $ 868,213 | 62.08% | 1.30% |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

The years in the schedule represent the measurement date which is a year behind actual.
Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

**Capital Region Airport Commission**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**LINE OF DUTY ACT PROGRAM (LODA)**
**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) | Covered-Employee Payroll * (4) | Contributions as a % of Covered - Employee Payroll (5) |
|---|---|---|---|---|---|
| 2018 | $ 24,964 | $ 24,964 | $ - | $ 867,901 | 2.88% |
| 2017 | 22,000 | 22,000 | - | 868,213 | 2.53% |
| 2016 | 23,348 | 23,348 | - | 923,374 | 2.53% |
| 2015 | 20,754 | 20,754 | - | 852,862 | 2.43% |
| 2014 | 22,445 | 22,445 | - | 891,946 | 2.52% |
| 2013 | 18,966 | 18,966 | - | 839,745 | 2.26% |
| 2012 | 10,057 | 10,057 | - | 844,461 | 1.19% |
| 2011 | N/A | N/A | N/A | N/A | N/A |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

The years in the schedule represent the measurement date which is a year behind actual.
FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions.

**Capital Region Airport Commission**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**LINE OF DUTY ACT PROGRAM (LODA)**
**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% |

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 match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

Employees in the Largest Ten Locality Employers with Public Safety 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% |

Employees in the Non-Largest Ten Locality Employers with Public Safety 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% |

**Capital Region Airport Commission**
**SCHEDULE OF SHARE OF NET OPEB LIABILITY**
**VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)**
**For the Year Ended June 30, 2018**

| Date (1) | Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6) |
|---|---|---|---|---|---|
| 2017 | 0.5880% | $ 3,000 | $ 1,094,433 | 0.27% | 38.40% |

The years in the schedule represent the measurement date which is a year behind actual.
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.

**Capital Region Airport Commission**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)**
**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 | $ 8,732 | $ 8,732 | $ - | $ 1,455,262 | 0.60% |
| 2017 | 6,570 | 6,570 | - | 1,094,433 | 0.60% |
| 2016 | 4,019 | 4,019 | - | 669,772 | 0.60% |
| 2015 | 1,944 | 1,944 | - | 323,953 | 0.60% |
| 2014 | 88 | 88 | - | 14,635 | 0.60% |

Schedule is intended to show information for 10 years. The Commission did not participate in the program until the new hybrid retirement plan in 2014.

**Capital Region Airport Commission**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)**
**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:

argest Ten Locality Employers - General and Non-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 and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

Ion-Largest Ten Locality Employers - General and Non-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 and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

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# SUPPLEMENTAL INFORMATION

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**Capital Region Airport Commission**
**SCHEDULE OF OPERATING REVENUES**
**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| Parking | | |
| Terminal | $ 16,142,803 | $ 15,781,372 |
| Economy and shuttle | 4,078,926 | 3,899,428 |
| Valet | 584,400 | 581,778 |
| Parking meter and violations | 14,559 | 29,194 |
| | 20,820,688 | 20,291,772 |
| Landing Fees | | |
| Major | 1,550,767 | 1,314,507 |
| Regional | 1,612,834 | 1,573,502 |
| Scheduled freighter | 598,279 | 566,864 |
| Other | 260,913 | 6,634 |
| | 4,022,793 | 3,461,507 |
| Concession | | |
| Rental car | 6,050,206 | 5,655,078 |
| Food and beverage | 1,451,249 | 1,325,133 |
| Ground transportation fees | 974,589 | 765,261 |
| In-flight catering, etc. | 16,097 | 10,441 |
| Retail sales | 1,235,358 | 1,330,557 |
| Off-airport concession fees | 68,967 | 53,414 |
| Terminal advertising | 1,098,553 | 1,133,391 |
| Fuel flowage fees | 179,317 | 169,995 |
| Other | 30,482 | 35,318 |
| | 11,104,818 | 10,478,588 |
| Rental | | |
| Airline terminal | 6,783,273 | 6,247,663 |
| Land | 1,216,494 | 1,274,608 |
| Other buildings | 2,892,750 | 2,721,879 |
| | 10,892,517 | 10,244,150 |
| Apron Fees | 647,825 | 558,042 |
| Other | | |
| Utilities | 130,354 | 131,650 |
| Other | 185,005 | 151,951 |
| | 315,359 | 283,601 |
| Total | $ 47,804,000 | $ 45,317,660 |

**Capital Region Airport Commission**
**SCHEDULE OF OPERATING EXPENSES**
**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| Personnel | | |
| Salaries | | |
| Regular | $ 9,395,475 | $ 8,491,940 |
| Overtime | 406,786 | 504,240 |
| Fringe benefits | | |
| Payroll taxes | 693,061 | 642,533 |
| Group insurance, life and health | 1,806,845 | 1,039,687 |
| Retirement & Disability | 97,939 | 542,906 |
| Other | 56,648 | 72,150 |
| | 12,456,754 | 11,293,456 |
| Utilities | | |
| Electricity | 2,163,856 | 2,078,829 |
| Heating fuel | 178,985 | 110,222 |
| Telephone | 113,840 | 110,938 |
| Water and sewer | 317,627 | 301,838 |
| | 2,774,308 | 2,601,827 |
| Professional Services | | |
| Legal and accounting | 426,416 | 539,055 |
| Consulting services | 560,777 | 721,168 |
| Marketing and promotion | 684,755 | 492,189 |
| | 1,671,948 | 1,752,412 |
| Parking | | |
| Terminal | 2,020,446 | 1,798,540 |
| Economy and shuttle | 1,928,713 | 1,492,112 |
| | 3,949,159 | 3,290,652 |
| Maintenance | | |
| Building | 611,844 | 530,259 |
| Equipment | 683,394 | 412,483 |
| Other | 381,938 | 782,916 |
| | 1,677,176 | 1,725,658 |
| Insurance | 746,877 | 709,626 |
| Supplies | 601,562 | 588,419 |
| Other | | |
| Conference and travel | 65,034 | 74,615 |
| Snow removal | 146,241 | 148,783 |
| Other | 421,894 | 395,483 |
| | 633,169 | 618,881 |
| Total | $ 24,510,953 | $ 22,580,931 |

**Capital Region Airport Commission**
**SCHEDULE OF OPERATING REVENUES, BUDGET AND ACTUAL**
**Year Ended June 30, 2018**

| | Budget | Actual | Variance with Budget Positive (Negative) |
|---|---|---|---|
| Parking | | | |
| Terminal | $ 15,652,930 | $16,142,803 | $ 489,873 |
| Economy and shuttle | 3,983,740 | 4,078,927 | 95,187 |
| Valet | 577,560 | 584,400 | 6,840 |
| Parking meter and violations | 22,290 | 14,559 | (7,731) |
| | 20,236,520 | 20,820,688 | 584,169 |
| Landing Fees | | | |
| Major | 1,353,400 | 1,550,767 | 197,367 |
| Regional | 1,624,080 | 1,612,834 | (11,246) |
| Scheduled freighter | 579,420 | 598,279 | 18,859 |
| Other | 80,610 | 260,913 | 180,303 |
| | 3,637,510 | 4,022,793 | 385,283 |
| Concession | | | |
| Rental car | 5,572,900 | 6,050,206 | 477,306 |
| Food and beverage | 1,271,000 | 1,451,249 | 180,249 |
| Ground transportation fees | 734,500 | 974,589 | 240,089 |
| In-flight catering, etc. | 10,600 | 16,097 | 5,497 |
| Retail sales | 1,276,900 | 1,235,358 | (41,542) |
| Off airport concession fees | 46,300 | 68,967 | 22,667 |
| Terminal advertising | 1,100,000 | 1,098,553 | (1,447) |
| Fuel flowage fees | 161,900 | 179,317 | 17,417 |
| Other | 36,000 | 30,482 | (5,518) |
| | 10,210,100 | 11,104,818 | 894,718 |
| Rental | | | |
| Airline terminal | 6,547,270 | 6,783,273 | 236,003 |
| Land | 1,214,880 | 1,216,494 | 1,614 |
| Other buildings | 2,639,510 | 2,892,750 | 253,240 |
| | 10,401,660 | 10,892,517 | 490,857 |
| Apron Fees | 640,060 | 647,825 | 7,765 |
| Other | | | |
| Utilities | 135,100 | 130,354 | (4,746) |
| Other | 157,300 | 185,005 | 27,705 |
| | 292,400 | 315,359 | 22,959 |
| Total | $ 45,418,250 | $47,804,000 | $ 2,385,751 |

**Capital Region Airport Commission**
**SCHEDULE OF OPERATING EXPENSES, BUDGET AND ACTUAL**
**Year Ended June 30, 2018**

| | Budget | Actual | Variance with Budget Positive (Negative) |
|---|---|---|---|
| Personnel | | | |
| Salaries | | | |
| Regular | $ 9,061,362 | $ 9,395,475 | $ (334,113) |
| Overtime | 457,500 | 406,786 | 50,714 |
| Fringe benefits | | | |
| Payroll taxes | 711,902 | 693,061 | 18,841 |
| Group insurance, life and health | 1,447,425 | 1,806,845 | (359,420) |
| Retirement & disability | 900,680 | 97,939 | 802,741 |
| Other personnel expense | 72,000 | 56,648 | 15,352 |
| | 12,650,869 | 12,456,754 | 194,115 |
| Utilities | | | |
| Electricity | 2,086,001 | 2,163,856 | (77,855) |
| Heating fuel | 118,500 | 178,985 | (60,485) |
| Telephone | 113,500 | 113,840 | (340) |
| Water and sewer | 350,000 | 317,627 | 32,373 |
| | 2,668,001 | 2,774,308 | (106,307) |
| Professional Services | | | |
| Legal and accounting | 580,500 | 426,416 | 154,084 |
| Consulting services | 539,000 | 560,777 | (21,777) |
| Marketing and promotion | 680,000 | 684,755 | (4,755) |
| | 1,799,500 | 1,671,948 | 127,552 |
| Parking | | | |
| Terminal | 1,960,000 | 2,020,446 | (60,446) |
| Economy and shuttle | 1,880,000 | 1,928,713 | (48,713) |
| | 3,840,000 | 3,949,159 | (109,159) |
| Maintenance | | | |
| Building | 421,025 | 611,844 | (190,819) |
| Equipment | 829,650 | 683,393 | 146,257 |
| Other | 413,600 | 381,939 | 31,661 |
| | 1,664,275 | 1,677,176 | (12,901) |
| Insurance | 780,000 | 746,877 | 33,123 |
| Supplies | 678,145 | 601,562 | 76,583 |
| Other | | | |
| Conference and travel | 79,000 | 65,034 | 13,966 |
| Snow removal | 185,000 | 146,241 | 38,759 |
| Other | 349,035 | 421,894 | (72,859) |
| | 613,035 | 633,169 | (20,134) |
| Total | $ 24,693,825 | $ 24,510,953 | $ 182,872 |

**Capital Region Airport Commission**
**SCHEDULE OF STATE ENTITLEMENT FUNDS**
**Year Ended June 30, 2018**

| | | |
|---|---|---|
| State Entitlement Funding For Open Projects Prior Periods | $ 7,720,962 | |
| Less: Prior Period Expenditures | 2,684,713 | |
| Begining Balance Open Projects Prior Periods | | 5,036,249 |
| FY 2018 Project Funding | 2,174,299 | |
| Less: FY 2018 Expenditures | 3,719,445 | |
| State Entitlement Funds Balance 6/30/2018 | | $ 3,491,103 |

**Capital Region Airport Commission**
**SCHEDULE OF TRANSACTIONS**
**IN ACCOUNTS CREATED BY BOND RESOLUTIONS**
**Year Ended June 30, 2018**

| | 2016 Bonds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Revenue Account | Debt Service | Equipment and Capital Outlay Account | Operation and Maintenance Account | Operation and Maintenance Reserve Account | Subordinated Indebtedness Fund | Surplus Account |
| BEGINNING BALANCE | $ - | $ 5,775,739 | $ 42,154,080 | $ 6,371,345 | $ 2,095,979 | $ 67,057 | $ 5,254,774 |
| RECEIPTS | | | | | | | |
| Deposits from Commission | 41,421,185 | - | - | - | - | - | - |
| Deposits from Commission-collections | - | - | - | - | - | - | - |
| Gain (loss) on sale of investments | - | - | - | - | - | - | - |
| Interest earned | 129,645 | - | - | 9,464 | 30,000 | - | 10,874 |
| | 41,550,830 | - | - | 9,464 | 30,000 | - | 10,874 |
| DISBURSEMENTS | | | | | | | |
| Disbursements to Commission | - | - | 12,765,736 | 24,596,175 | - | - | - |
| Principal curtailment on long-term debt | - | - | - | - | - | - | - |
| Interest payments on long-term debt | - | - | - | - | - | - | - |
| Disbursements to others | - | 8,789,055 | - | - | - | - | - |
| | - | 8,789,055 | 12,765,736 | 24,596,175 | - | - | - |
| TRANSFERS | | | | | | | |
| Transfer of interest earned to revenue account | - | - | - | (9,464) | - | - | - |
| Transfer of deposited revenue to designated accounts per resolution | (41,550,830) | 8,793,486 | 11,870,229 | 25,091,105 | - | - | - |
| Discount (premium) amortized on bonds held as an investment | - | - | - | - | (426) | - | - |
| | (41,550,830) | 8,793,486 | 11,870,229 | 25,081,641 | (426) | - | - |
| ENDING BALANCE | $ - | $ 5,780,170 | $ 41,258,573 | $ 6,866,275 | $ 2,125,553 | $ 67,057 | $ 5,265,648 |

**Capital Region Airport Commission**
**SCHEDULE OF TRANSACTIONS**
**IN ACCOUNTS CREATED BY BOND RESOLUTIONS**
**Year Ended June 30, 2018**

| | 1995 Bonds | 2008 Rev Bonds | | 2013 Rev Bonds | 2016 Rev Bonds | |
|---|---|---|---|---|---|---|
| | Debt Service Reserve | Debt Service Reserve | Cost of Issuance | Debt Service Reserve | Debt Service Reserve | Cost of Issuance |
| BEGINNING BALANCE | $ 4,639 | $ 244,769 | $ 343 | $ 2,632,200 | $ 3,010,867 | $ 134,168 |
| RECEIPTS | | | | | | |
| Deposits from Commission | - | - | - | - | - | - |
| Deposits from Commission-collections | - | - | - | - | - | - |
| Gain (loss) on sale of investments | - | - | - | (62,440) | - | - |
| Interest earned | 39 | 2,061 | 3 | 43,452 | 56,410 | - |
| | 39 | 2,061 | 3 | (18,988) | 56,410 | - |
| DISBURSEMENTS | | | | | | |
| Disbursements to Commission | - | - | - | - | - | - |
| Principal curtailment on long-term debt | - | - | - | - | - | - |
| Interest payments on long-term debt | - | - | - | - | - | - |
| Disbursements to others | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| TRANSFERS | | | | | | |
| Transfer of interest earned to revenue account | - | - | - | - | - | - |
| Transfer of deposited revenue to designated accounts per resolution | - | - | - | - | - | - |
| Discount (premium) amortized on bonds held as an investment | - | - | - | (7,129) | (9,474) | - |
| | - | - | - | (7,129) | (9,474) | - |
| ENDING BALANCE | $ 4,678 | $ 246,830 | $ 346 | $ 2,606,082 | $ 3,057,804 | $ 134,168 |

**Capital Region Airport Commission**
**SCHEDULE OF TRANSACTIONS**
**IN ACCOUNTS CREATED BY BOND RESOLUTIONS**
**Year Ended June 30, 2018**

| | PFC Bonds | CFC Bonds | |
|---|---|---|---|
| | General Purpose Fund | General Purpose Fund | Total |
| BEGINNING BALANCE | $ 8,255,621 | $ 10,169,601 | $ 86,171,182 |
| RECEIPTS | | | |
| Deposits from Commission | - | - | 41,421,185 |
| Deposits from Commission-collections | 8,353,100 | 2,512,200 | 10,865,300 |
| Gain (loss) on sale of investments | - | - | (62,440) |
| Interest earned | 19,479 | 93,924 | 395,351 |
| | 8,372,579 | 2,606,124 | 52,619,396 |
| DISBURSEMENTS | | | |
| Disbursements to Commission | 1,364,214 | 663,598 | 39,389,723 |
| Principal curtailment on long-term debt | 3,255,698 | - | 3,255,698 |
| Interest payments on long-term debt | 106,284 | - | 106,284 |
| Disbursements to others | - | - | 8,789,055 |
| | 4,726,196 | 663,598 | 51,540,760 |
| TRANSFERS | | | |
| Transfer of interest earned to revenue account | - | - | (9,464) |
| Transfer of deposited revenue to designated accounts per resolution | - | (168,529) | 4,035,461 |
| Discount (premium) amortized on bonds held as an investment | - | - | (17,029) |
| | - | (168,529) | 4,008,968 |
| ENDING BALANCE | $ 11,902,004 | $ 11,943,598 | $ 91,258,786 |

Note: The Operation and Maintenance Account for the 2016 Bonds is available to support operations and is included in unrestricted assets. The Surplus Account may be used for any legal purpose of the Commission and is also included in unrestricted assets. The remaining $79,126,866 is reflected as restricted assets.

**Capital Region Airport Commission**
**SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS IN ACCOUNTS CREATED BY BOND RESOLUTIONS**
**Year Ended June 30, 2018**

| Account | Description | Interest Rate | Cash, Cash Equivalents and Investments |
|---|---|---|---|
| **2016 Bonds** | | | |
| Bond account-debt service | Money market fund | 0.0 | 5,780,170 |
| Equipment and capital outlay | Money market fund | 0.0 | 41,258,573 |
| Operation and maintenance account | Cash deposits | 1.0 | 6,866,275 |
| Operation and maintenance reserve | Money market fund | 0.0 | 1,374,063 |
| Operation and maintenance reserve | Municipal obligation | 4.0 | 750,300 |
| Subordinated indebtedness | Money market fund | 1.5 | 67,057 |
| Surplus, issuer discretionary | Cash deposits | 1.0 | 5,265,648 |
| | | | 61,362,086 |
| **1995 Bonds** | | | |
| Debt service reserve | Money market fund | 0.0% | $ 4,678 |
| | | | 4,678 |
| **2008 Bonds** | | | |
| Debt service reserve | Money market fund | 0.0 | 246,830 |
| Cost of issue | Money market fund | 0.0 | 346 |
| | | | 247,176 |
| **2013 Bonds** | | | |
| Debt service reserve | Federal obligations | 2.0 | 2,474,793 |
| Debt service reserve | Money Market Fund | 1.5 | 74,763 |
| | | | 2,549,556 |
| **2016A Bonds** | | | |
| Debt service reserve | Federal obligations | 1.0 | 2,874,756 |
| Debt service reserve | Money Market Fund | 0.0 | 91,920 |
| Cost of Issuance | Money Market Fund | 0.0 | 134,168 |
| | | | 3,100,844 |
| **PFC Bonds** | | | |
| General purpose fund | Money market fund | 0.0 | 11,902,004 |
| | | | 11,902,004 |
| **CFC Bonds** | | | |
| General purpose fund | Money market fund | 0.0 | 11,943,598 |
| | | | 11,943,598 |
| | | | $ 91,109,942 |

Summary of cash, cash equivalents and investments created by bond resolution are included in the statements of net position as follows:

| | |
|---|---|
| Current assets: | |
| Cash and cash equivalents | $ 12,131,923 |
| Restricted assets: | |
| Cash and cash equivalents | 72,878,170 |
| Investments | 6,099,849 |
| | $ 91,109,942 |

Note: Includes fair market value adjustment of $ 148,847.

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# STATISTICAL SECTION

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# Capital Region Airport Commission
## Statistical Section

**Contents** **Page**

## Capital Region Airport Commission
## NET POSITION AND CHANGES IN NET POSITION
## Ten Years Ended June 30, 2018
## (dollars in thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Operating revenues | | | | | | | | | | |
| Apron fees | $ 648 | $ 558 | $ 562 | $ 574 | $ 601 | $ 588 | $ 638 | $ 624 | $ 509 | $ 755 |
| Concession | 11,105 | 10,478 | 9,518 | 9,254 | 8,264 | 7,956 | 7,863 | 7,152 | 7,055 | 7,569 |
| Landing fees | 4,023 | 3,462 | 3,338 | 3,218 | 2,885 | 2,855 | 3,007 | 2,976 | 2,837 | 3,332 |
| Other | 315 | 284 | 317 | 268 | 315 | 258 | 181 | 166 | 177 | 211 |
| Parking | 20,821 | 20,292 | 20,009 | 19,617 | 18,424 | 17,799 | 17,959 | 18,320 | 17,993 | 17,989 |
| Rental | 10,892 | 10,244 | 10,119 | 10,151 | 10,034 | 9,936 | 9,476 | 9,630 | 9,428 | 9,588 |
| Total operating revenues | 47,804 | 45,318 | 43,863 | 43,082 | 40,523 | 39,392 | 39,124 | 38,868 | 37,999 | 39,444 |
| Nonoperating revenues | | | | | | | | | | |
| Customer Facility Charges | 2,324 | 2,326 | 3,975 | 3,314 | 525 | 975 | 1,716 | 1,511 | 1,380 | 1,492 |
| Interest income | 626 | 206 | 143 | 128 | 187 | 136 | 198 | 250 | 338 | 1,152 |
| Passenger Facility Charges | 7,876 | 7,518 | 7,022 | 7,063 | 6,790 | 6,589 | 6,571 | 6,829 | 6,949 | 6,929 |
| Total nonoperating revenues | 10,826 | 10,050 | 11,140 | 10,505 | 7,502 | 7,700 | 8,485 | 8,590 | 8,667 | 9,573 |
| **Total Revenues** | 58,630 | 55,368 | 55,003 | 53,587 | 48,025 | 47,092 | 47,609 | 47,458 | 46,666 | 49,017 |
| | | | | | | | | | | |
| Operating expenses | | | | | | | | | | |
| Depreciation | 24,426 | 23,400 | 24,063 | 22,825 | 22,195 | 21,222 | 20,609 | 19,644 | 18,492 | 17,151 |
| Insurance | 747 | 710 | 745 | 849 | 844 | 848 | 669 | 798 | 810 | 664 |
| Maintenance | 1,677 | 1,726 | 1,527 | 1,556 | 1,541 | 1,651 | 1,464 | 1,539 | 1,864 | 1,424 |
| Other | 633 | 619 | 445 | 543 | 573 | 408 | 369 | 558 | 545 | 394 |
| Parking | 3,949 | 3,291 | 3,044 | 3,034 | 2,876 | 2,912 | 3,052 | 3,019 | 2,834 | 3,070 |
| Personnel | 12,457 | 11,293 | 10,470 | 10,534 | 10,224 | 10,279 | 9,484 | 9,173 | 9,380 | 10,121 |
| Professional services | 1,672 | 1,752 | 1,615 | 1,748 | 1,450 | 1,223 | 1,384 | 1,658 | 1,001 | 1,207 |
| Supplies | 602 | 588 | 590 | 724 | 692 | 763 | 806 | 686 | 597 | 685 |
| Utilities | 2,774 | 2,602 | 2,503 | 2,586 | 2,524 | 2,537 | 2,509 | 2,348 | 2,081 | 2,555 |
| Total operating expenses | 48,937 | 45,981 | 45,002 | 44,399 | 42,919 | 41,843 | 40,346 | 39,423 | 37,604 | 37,271 |
| | | | | | | | | | | |
| Nonoperating expenses | | | | | | | | | | |
| Interest expense | 2,564 | 2,758 | 2,625 | 4,065 | 3,556 | 4,557 | 5,193 | 5,580 | 3,793 | 5,555 |
| Other, net | 95 | 478 | 599 | 488 | 682 | 992 | 3,170 | 861 | 786 | 1,075 |
| Total nonoperating expenses | 2,659 | 3,236 | 3,224 | 4,553 | 4,238 | 5,549 | 8,363 | 6,441 | 4,579 | 6,630 |
| **Total Expenses** | 51,596 | 49,217 | 48,226 | 48,952 | 47,157 | 47,392 | 48,709 | 45,864 | 42,183 | 43,901 |
| | | | | | | | | | | |
| Capital grants and contributions | 6,681 | 11,136 | 16,295 | 14,830 | 13,439 | 12,660 | 9,825 | 5,594 | 5,879 | 12,481 |
| **Increase (decrease) in Net Position** | 13,715 | 17,287 | 23,072 | 19,465 | 14,307 | 12,360 | 8,725 | 7,188 | 10,362 | 17,597 |
| | | | | | | | | | | |
| **Net Position at Year-End** | | | | | | | | | | |
| Net Investment in capital assets | $ 349,515 | $ 345,759 | $ 328,487 | $ 297,177 | $ 284,350 | $ 282,629 | $ 272,217 | $ 268,968 | $ 274,025 | $ 271,544 |
| Restricted | 75,610 | 73,773 | 72,742 | 83,867 | 74,244 | 66,011 | 60,776 | 56,480 | 41,370 | 31,247 |
| Unrestricted | 18,434 | 11,777 | 12,794 | 9,908 | 17,010 | 12,658 | 15,945 | 14,765 | 17,630 | 19,871 |
| **Total Net Position** | $ 443,559 | $ 431,309 | $ 414,023 | $ 390,952 | $ 375,604 | $ 361,298 | $ 348,938 | $ 340,213 | $ 333,025 | $ 322,662 |

Fiscal year 2013 balances have been restated to reflect the requirements of a change in GAAP.
Fiscal year 2014 balances were not restated to reflect GASB 68 implementation in FY2015.
Fiscal year 2017 SCASDP funds not included in this schedule. The Commission was the administrator for this Federal Grant program and no Commission funds were used.
Fiscal year 2017 balances were not restated to reflect GASB 75 implementation in FY2018.

**Capital Region Airport Commission**
**PRINCIPAL REVENUE SOURCES AND REVENUES PER ENPLANED PASSENGER**
**Ten Years Ended June 30, 2018**
**(dollars in thousands)**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Airline revenues | | | | | | | | | | |
| Landing fees | $ 4,023 | $ 3,462 | $ 3,338 | $ 3,218 | $ 2,885 | $ 2,855 | $ 3,007 | $ 2,976 | $ 2,837 | $ 3,332 |
| Apron fees | 648 | 558 | 562 | 574 | 601 | 588 | 638 | 624 | 509 | 755 |
| Total airline revenues | 4,671 | 4,020 | 3,900 | 3,792 | 3,486 | 3,443 | 3,645 | 3,600 | 3,346 | 4,087 |
| Percentage of total revenues | 8.0% | 7.3% | 7.1% | 7.1% | 7.3% | 7.3% | 7.7% | 7.6% | 7.1% | 8.4% |
| Nonairline revenues | | | | | | | | | | |
| Parking | 20,821 | 20,292 | 20,009 | 19,617 | 18,424 | 17,799 | 17,959 | 18,320 | 17,993 | 17,989 |
| Rental | 10,892 | 10,244 | 10,119 | 10,151 | 10,034 | 9,936 | 9,476 | 9,630 | 9,428 | 9,588 |
| Concession | 11,105 | 10,478 | 9,518 | 9,254 | 8,264 | 7,956 | 7,863 | 7,152 | 7,055 | 7,569 |
| Other | 315 | 284 | 317 | 268 | 315 | 258 | 181 | 166 | 178 | 211 |
| Total nonairline revenues | 43,133 | 41,298 | 39,963 | 39,290 | 37,037 | 35,949 | 35,479 | 35,268 | 34,654 | 35,357 |
| Percentage of total revenues | 73.6% | 74.6% | 72.7% | 73.3% | 77.1% | 76.3% | 74.5% | 74.3% | 74.3% | 72.1% |
| Nonoperating revenues | | | | | | | | | | |
| Passenger Facility Charges | 7,876 | 7,518 | 7,022 | 7,063 | 6,790 | 6,589 | 6,571 | 6,829 | 6,949 | 6,929 |
| Customer Facility Charges | 2,324 | 2,325 | 3,975 | 3,314 | 525 | 975 | 1,716 | 1,511 | 1,380 | 1,492 |
| Interest Income | 626 | 206 | 143 | 128 | 187 | 136 | 198 | 250 | 338 | 1,152 |
| Total nonoperating revenues | 10,826 | 10,049 | 11,140 | 10,505 | 7,502 | 7,700 | 8,485 | 8,590 | 8,667 | 9,573 |
| Percentage of total revenues | 18.5% | 18.1% | 20.3% | 19.6% | 15.6% | 16.4% | 17.8% | 18.1% | 18.6% | 19.5% |
| Total revenues | $ 58,630 | $ 55,367 | $ 55,003 | $ 53,587 | $ 48,025 | $ 47,092 | $ 47,609 | $ 47,458 | $ 46,667 | $ 49,017 |
| Enplaned passengers (excluding charters) | 1,887,230 | 1,763,939 | 1,744,438 | 1,706,272 | 1,627,469 | 1,581,348 | 1,595,180 | 1,640,642 | 1,640,314 | 1,675,186 |
| Total revenue per enplaned passengers | $ 31.07 | $ 31.39 | $ 31.53 | $ 31.41 | $ 29.51 | $ 29.78 | $ 29.85 | $ 28.93 | $ 28.45 | $ 29.26 |

Note: Fiscal year 2017 SCASDP funds not included in this schedule. The Commission was the administrator for this Federal Grant program and no Commission funds were used.

**Capital Region Airport Commission**
**LARGEST OWN-SOURCE REVENUE**
**Ten Years Ended June 30, 2018**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Parking: | | | | | | | | | | |
| Terminal | $ 16,142,803 | $ 15,781,372 | $ 15,559,847 | $ 15,194,814 | $ 14,258,972 | $ 13,785,664 | $ 13,931,741 | $ 14,256,654 | $ 13,808,197 | $ 13,490,156 |
| Economy and shuttle | 4,078,927 | 3,899,428 | 3,862,348 | 3,845,567 | 3,610,259 | 3,481,463 | 3,474,623 | 3,493,000 | 3,607,957 | 3,885,764 |
| Valet | 584,400 | 581,778 | 576,964 | 572,467 | 549,864 | 525,664 | 546,265 | 562,929 | 572,419 | 611,691 |
| Parking meter and violations | 14,559 | 29,194 | 9,443 | 4,454 | 4,824 | 5,596 | 6,311 | 7,888 | 4,425 | 1,358 |
| | $ 20,820,688 | $ 20,291,772 | $ 20,008,602 | $ 19,617,302 | $ 18,423,919 | $ 17,798,387 | $ 17,958,940 | $ 18,320,471 | $ 17,992,998 | $ 17,988,969 |

**LARGEST OWN-SOURCE REVENUE RATES**
**Ten Years Ended June 30, 2018**

| | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | | Maximum | |
| | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day | Hourly | Per Day |
| **Lot:** | | | | | | | | | | | | | | | | | | | | |
| Garage/long-term | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 | $ 3 | $ 12 |
| Short-term hourly | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 |
| Economy A | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 1 | 7 | 2 | 7 | 2 | 6 | 2 | 6 | 2 | 6 |
| Economy B | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 1 | 7 | 2 | 7 | 2 | 6 | 2 | 6 | 2 | 6 |
| Economy C | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 2 | 7 | 1 | 7 | 2 | 7 | 2 | 6 | 2 | 6 | 2 | 6 |
| Valet | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 | N/A | 20 |

Note: Rates are subject to change during year.
Public parking is the only source of parking revenue.

**Capital Region Airport Commission**
**REVENUE RATES**
**Ten Years Ended June 30, 2018**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Apron fees (per square foot) | $1.14 | $1.10 | $1.11 | $1.16 | $1.23 | $1.23 | $1.21 | $1.21 | $1.21 | $1.34 |
| Landing Fees (per 1,000 lbs unit) | 1.34 | 1.32 | 1.32 | 1.26 | 1.26 | 1.23 | 1.24 | 1.19 | 1.22 | 1.25 |
| Terminal Rental (square foot) | 35.10 | 32.81 | 32.48 | 36.11 | 35.84 | 35.12 | 34.19 | 34.17 | 33.50 | 34.93 |

**REVENUE BOND COVERAGE**
**Ten Years Ended June 30, 2018**

| Fiscal Year | Revenue | Expense | Net Revenue Available | Debt Service on Bonds | Debt Service | Coverage Debt Service on Bonds | Coverage Debt Service |
|---|---|---|---|---|---|---|---|
| 2018 | $47,107,174 | $26,684,371 | $20,422,803 | $ 8,815,280 | $16,401,780 | 2.32 | 1.25 |
| 2017 | $44,393,303 | $23,725,872 | $20,667,431 | $ 8,842,830 | $16,429,330 | 2.34 | 1.26 |
| 2016 | $44,388,482 | $19,387,414 | $25,001,068 | $ 9,107,280 | $15,159,280 | 2.75 | 1.65 |
| 2015 | 41,520,397 | 21,164,337 | 20,356,060 | 8,997,379 | 13,489,704 | 2.26 | 1.51 |
| 2014 | 40,671,411 | 20,203,214 | 20,468,197 | 10,176,079 | 14,165,679 | 2.01 | 1.44 |
| 2013 | 37,911,029 | 20,871,776 | 17,039,253 | 10,036,138 | 13,831,834 | 1.70 | 1.23 |
| 2012 | 38,501,617 | 18,978,548 | 19,523,070 | 10,393,706 | 14,400,706 | 1.88 | 1.36 |
| 2011 | 38,252,195 | 19,373,169 | 18,879,026 | 10,611,131 | 14,687,131 | 1.78 | 1.29 |
| 2010 | 37,757,074 | 21,008,694 | 16,748,379 | 10,615,280 | 14,728,529 | 1.58 | 1.14 |
| 2009 | 39,352,774 | 18,505,734 | 20,847,040 | 9,951,531 | 12,839,714 | 2.09 | 1.62 |

Note: The amounts above are determined in accordance with applicable provisions of the Commission's Master Revenue Bond Resolution (the "Resolution"). Revenue and expense as reported in the statements of revenues, expenses and net position have been adjusted as required by the Resolution. Pursuant to the Resolution, debt service on bonds include only debt service on airport revenue bonds increased by a multiple of 1.00 times, whereas, debt service includes debt service on all debt and certain deposits required to be made by the Resolution.

**Capital Region Airport Commission**
**OUTSTANDING DEBT**
**Ten Years Ended June 30, 2018**
**(dollars in thousands)**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| Airport Revenue Bonds: | | | | | | | | | | |
| Series 2001 A&B | $ 19,861 | $ 22,236 | $ 24,537 | $ 26,767 | $ 28,926 | $ 31,018 | $ 33,044 | $ 34,962 | $ 36,673 | $ 38,308 |
| Series 2004 A | - | - | - | - | 2,130 | 4,155 | 6,085 | 7,920 | 9,670 | 11,335 |
| Series 2005 A | - | - | - | 1,680 | 2,195 | 2,695 | 26,130 | 26,595 | 27,045 | 27,485 |
| Series 2008 A | 1,245 | 2,445 | 3,590 | 46,405 | 47,455 | 48,470 | 49,450 | 50,395 | 51,310 | 51,310 |
| Series 2013 A | 17,955 | 19,940 | 21,780 | 21,825 | 21,870 | 21,870 | - | - | - | - |
| Series 2016 A | 39,305 | 39,305 | 39,305 | - | - | - | - | - | - | - |
| PFC Revenue Bonds: | | | | | | | | | | |
| Series 2005 A | - | - | - | 13,475 | 14,220 | 14,935 | 15,625 | 16,295 | 16,940 | 21,570 |
| Series 2005 B | - | - | - | 15,435 | 18,410 | 19,005 | 19,580 | 20,135 | 20,675 | 21,200 |
| Series 2016 A | 3,629 | 5,408 | 7,165 | - | - | - | - | - | - | - |
| Series 2016 B | 3,006 | 4,480 | 5,935 | - | - | - | - | - | - | - |
| Car Rental Garage Revenue Bond | - | - | - | 1,230 | 2,380 | 2,380 | 2,380 | 5,400 | 6,280 | 7,100 |
| Line of Credit | - | - | - | 339 | - | - | - | - | - | 1,185 |
| | 85,001 | 93,814 | 102,312 | 127,156 | 137,586 | 144,528 | 152,294 | 161,702 | 168,593 | 179,493 |
| Add: Bond premium, net | 7,397 | 7,928 | 8,328 | 2,585 | 2,711 | 3,049 | 866 | 1,031 | 1,218 | 1,424 |
| Less: Debt issuance costs, net | - | - | - | - | - | - | - | (4,022) | (4,433) | (4,863) |
| Total Long-Term Debt | $ 92,398 | $ 101,742 | $ 110,640 | $ 129,741 | $ 140,297 | $ 147,577 | $ 153,160 | $ 158,711 | $ 165,378 | $ 176,054 |
| Enplaned passengers (excluding charters) | 1,887 | 1,764 | 1,744 | 1,706 | 1,627 | 1,581 | 1,595 | 1,641 | 1,640 | 1,675 |
| Total Long-Term Debt per enplaned passenger | $48.97 | $57.68 | $63.44 | $76.05 | $86.23 | $93.34 | $96.03 | $96.72 | $100.84 | $105.11 |

Under GASB 65, deferred financing costs, which were previously amortized over the life of the debt, are recognized as an outflow of resources in the period incurred.

Accordingly this table has been restated for 2013 and 2012.

**Capital Region Airport Commission**
**MAJOR CUSTOMERS**

| Year Ended June 30, 2018 | | | Year Ended June 30, 2009 | | |
|---|---|---|---|---|---|
| Company | Revenue | Percent of Operating Revenue | Company | Revenue | Percent of Operating Revenue |
| Delta Airlines, Inc. | $ 2,713,176 | 5.7% | US Airways, Inc. | $ 1,635,116 | 4.1% |
| American Airlines, Inc. | 2,085,016 | 4.4 | Delta Airlines, Inc. | 1,631,735 | 4.1 |
| Delaware North Company | 1,525,397 | 3.2 | The Hertz Corporation | 1,500,369 | 3.8 |
| The Hertz Corporation | 1,302,189 | 2.7 | Avis Rent A Car Company | 1,046,233 | 2.7 |
| Federal Bureau of Investigations | 1,253,715 | 2.6 | Delaware North Company | 1,042,533 | 2.6 |

**ENPLANEMENT TRENDS**
**RICHMOND, SMALL HUBS, UNITED STATES**
**Ten Years Ended June 30, 2018**

| | Annual Percent Change in Enplanements | | |
|---|---|---|---|
| Year | Richmond | Small Hubs | United States |
| 2018 | 6.6% | N/A | 4.1% |
| 2017 | 2.1 | N/A | 2.7 |
| 2016 | 2.8 | N/A | 5.3 |
| 2015 | 5.2 | N/A | 3.7 |
| 2014 | 2.9 | 5.8% | 2.7 |
| 2013 | (0.9) | 0.9 | 0.5 |
| 2012 | (2.6) | 6.3 | 0.6 |
| 2011 | 0.1 | (10.0) | 1.3 |
| 2010 | (2.5) | (4.8) | 1.9 |
| 2009 | (7.5) | 0.1 | (5.1) |

Notes: Calendar year data except for 2018, which is fiscal year data.
As defined by the FAA, a small hub enplanes .05 to .249 percent of the total U.S. passengers.

Sources: Bureau of Transportation Statistics, Research and Innovative Technology Administration (RITA), TranStats, Airport Records

N/A: Not available.

**Capital Region Airport Commission**
**ENPLANED PASSENGERS**
**Ten Years Ended June 30, 2018**

| | 2018 | Share of Total 2018 | 2017 | Share of Total 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Major Airlines** | | | | | | | | | | | | |
| AirTran Airways | - | - | - | - | - | - | 155,199 | 155,937 | 151,031 | 147,825 | 152,852 | 170,372 |
| American Airlines | 252,754 | 13.2 | 272,104 | 15.1 | 219,704 | 108,253 | 117,787 | 111,183 | 118,303 | 121,523 | 113,082 | 104,165 |
| American Eagle Airlines | - | - | - | - | - | - | 58,949 | 72,417 | 79,021 | 84,255 | 64,187 | 45,026 |
| Continental Airlines | - | - | - | - | - | - | - | - | 79,032 | 124,349 | 123,513 | 119,820 |
| Delta Airlines | 414,231 | 21.6 | 410,604 | 22.8 | 401,455 | 370,744 | 344,697 | 337,549 | 324,690 | 310,789 | 270,066 | 232,326 |
| JetBlue Airways | 230,124 | 12.0 | 207,612 | 11.5 | 187,185 | 171,310 | 136,659 | 124,539 | 116,545 | 129,566 | 160,784 | 152,318 |
| Northwest Airlines | - | - | - | - | - | - | - | - | - | - | 107 | 70,007 |
| Southwest Airlines | 122,807 | 6.4 | 125,335 | 7.0 | 151,463 | 167,187 | - | - | - | - | - | - |
| Spirit Airlines | 24,262 | 1.3 | - | - | - | - | - | - | - | - | - | - |
| United Airlines | 70,026 | 3.6 | 43,740 | 2.3 | 39,778 | 38,130 | 38,153 | 33,371 | 32,079 | 38,844 | 47,922 | 52,430 |
| US Airways | - | - | - | - | 57,687 | 139,603 | 130,968 | 103,197 | 95,599 | 88,912 | 103,443 | 122,451 |
| **Total Major Airlines** | 1,114,204 | 58.1 | 1,059,395 | 47.5 | 1,057,272 | 995,227 | 982,412 | 938,193 | 996,300 | 1,046,063 | 1,035,956 | 1,068,915 |
| **Regional Airlines** | | | | | | | | | | | | |
| Air Canada | - | - | - | - | - | - | - | 4,927 | 6,157 | 6,731 | 6,564 | 6,903 |
| Air Wisconsin | 34,161 | 1.8 | 21,604 | 1.2 | 66,503 | 121,014 | 105,583 | 81,501 | 144,638 | 152,087 | 113,190 | 76,002 |
| Atlantic Southeast | - | - | - | - | - | - | - | - | 934 | 863 | 21,211 | 33,967 |
| Chautauqua | - | - | - | - | - | 26,477 | 57,868 | 62,224 | 35,495 | 35,387 | 71,793 | 71,237 |
| ComAir/Delta Connection | - | - | - | - | - | - | - | 3,771 | 24,032 | 52,216 | 53,106 | 58,263 |
| CommutAir | 43,385 | 2.2 | 23,705 | 1.3 | 35,082 | 13,726 | - | - | - | - | - | - |
| Compass | - | - | - | - | - | - | - | - | 7,215 | 22,176 | 7,229 | - |
| Endeavor Airlines | 54,254 | 2.8 | 28,123 | 1.6 | 5,098 | 16,833 | 42,411 | 83,652 | 81,623 | 47,595 | 30,123 | 12,364 |
| Envoy Air | 72,643 | 3.8 | 70,052 | 3.9 | 71,254 | 60,180 | - | - | - | - | - | - |
| Express Jet | 242,721 | 12.6 | 267,564 | 14.8 | 262,672 | 256,926 | 262,836 | 208,385 | 121,025 | 20,233 | - | - |
| GoJet | 15,774 | 0.8 | 9,256 | 0.5 | 8,453 | 30,595 | 26,971 | 39,594 | 29,123 | 27,863 | 23,957 | 13,599 |
| Mesa | 7,775 | 0.4 | 12,660 | 0.7 | 743 | 56,278 | 82,056 | 74,682 | 54,432 | 45,278 | 27,893 | 54,807 |
| Mesaba | - | - | - | - | - | - | - | - | 7,514 | 6,374 | 20,397 | - |
| Piedmont | 66,394 | 3.5 | 63,006 | 3.5 | 31,007 | 13,512 | 17,502 | 33,126 | 6,652 | 9,994 | 18,063 | 21,057 |
| PSA | 110,510 | 5.8 | 74,469 | 4.1 | 71,017 | 44,100 | 7,571 | 23,800 | 23,556 | 34,118 | 31,725 | 30,449 |
| Republic | 69,375 | 3.6 | 38,029 | 2.1 | 36,604 | 15,183 | 1,556 | 2,926 | 26,983 | 53,192 | 84,493 | 84,651 |
| Shuttle America | 150 | - | 8,389 | 0.5 | 39,822 | 16,023 | 2,063 | 2,981 | 62 | 2,418 | 19 | 14,666 |
| SkyWest | 39,929 | 2.1 | 39,273 | 2.2 | 17,723 | - | 62 | 88 | 653 | - | - | - |
| Trans States | 15,955 | 0.8 | 48,414 | 2.7 | 41,188 | 40,198 | 38,578 | 21,498 | 28,786 | 78,054 | 94,595 | 128,306 |
| **Total Regional Airlines** | 773,026 | 40.1 | 704,544 | 50.3 | 687,166 | 711,045 | 645,057 | 643,155 | 598,880 | 594,579 | 604,358 | 606,271 |
| **Charters** | 35,198 | 1.8 | 40,306 | 2.2 | 23,086 | 12,439 | 5,567 | 5,861 | 6,136 | 3,820 | 3,466 | 9,820 |
| **Totals** | 1,922,428 | 100.0% | 1,804,245 | 100.0% | 1,767,524 | 1,718,711 | 1,633,036 | 1,587,209 | 1,601,316 | 1,644,462 | 1,643,780 | 1,685,006 |

# Capital Region Airport Commission
## AIRLINE MARKET SHARES
## Ten Years Ended June 30, 2018
## Landed Weight (1,000 Pound Units)

| | 2018 | Share of Total 2018 | 2017 | Share of Total 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Major Airlines** | | | | | | | | | | | | |
| AirTran Airways | - | - | - | - | - | 15,704 | 148,664 | 181,656 | 184,792 | 172,888 | 183,712 | 240,928 |
| American Airlines | 301,507 | 13.3 | 328,171 | 15.5 | 259,580 | 114,970 | 130,534 | 128,100 | 135,298 | 137,264 | 134,180 | 134,590 |
| American Eagle Airlines | - | - | - | - | - | - | 69,609 | 76,148 | 83,748 | 91,333 | 67,051 | 52,730 |
| Continental Airlines | - | - | - | - | - | - | - | - | 1,667 | 1,447 | 89,000 | 146,750 |
| Delta Airlines | 452,206 | 19.9 | 444,476 | 21.0 | 430,890 | 409,299 | 392,582 | 398,489 | 405,770 | 380,426 | 319,496 | 286,572 |
| JetBlue Airways | 276,795 | 12.2 | 235,580 | 11.1 | 216,026 | 194,685 | 163,062 | 145,116 | 136,127 | 158,826 | 208,769 | 224,064 |
| Northwest Airlines | - | - | - | - | - | - | - | - | - | - | 961 | 374 |
| Southwest Airlines | 138,757 | 6.1 | 136,222 | 6.4 | 166,260 | 165,408 | 29,702 | - | - | - | - | - |
| Spirit Airlines | 29,728 | 1.3 | - | - | - | - | - | - | - | - | - | - |
| United Airlines | 80,874 | 3.6 | 47,746 | 2.3 | 47,261 | 51,035 | 53,118 | 47,791 | 48,130 | 68,335 | 76,006 | 78,635 |
| US Airways | - | - | - | - | 77,352 | 180,410 | 170,405 | 137,273 | 143,046 | 134,919 | 155,556 | 182,515 |
| **Total Major Airlines** | 1,279,867 | 56.3 | 1,192,195 | 44.8 | 1,197,369 | 1,131,511 | 1,157,676 | 1,114,573 | 1,138,578 | 1,145,438 | 1,234,731 | 1,347,158 |
| | | | | | | | | | | | | |
| **Regional Airlines** | | | | | | | | | | | | |
| Aero Mexico | - | - | - | - | - | 864 | 968 | - | - | - | - | - |
| Air Canada | - | - | - | - | - | - | - | 8,516 | 9,562 | 9,982 | 17,687 | 18,417 |
| Air Wisconsin | 38,681 | 1.7 | 29,610 | 1.4 | 109,745 | 152,092 | 128,968 | 97,854 | 197,400 | 196,413 | 135,266 | 96,068 |
| Allegiant Airlines | 29,750 | 1.3 | 35,993 | 1.7 | 20,955 | 6,559 | 279 | 1,850 | 2,503 | 4,082 | 3,835 | 4,408 |
| Atlantic Southeast | - | - | - | - | - | - | - | - | 1,513 | 1,798 | 25,145 | 36,206 |
| Bahamair | - | - | - | - | - | 992 | 1,488 | 2,736 | 1,872 | - | - | - |
| Chautauqua | - | - | - | - | - | 30,167 | 71,845 | 76,163 | 43,783 | 43,104 | 81,915 | 88,856 |
| Colgan Air | - | - | - | - | - | - | - | - | - | - | - | 12,214 |
| ComAir/Delta Connection | - | - | - | - | - | - | - | 4,376 | 29,061 | 65,644 | 69,560 | 89,059 |
| CommutAir | 51,080 | 2.2 | 28,344 | 1.3 | 39,652 | 16,113 | - | - | - | - | - | - |
| Compass Airlines | - | - | | - | - | - | - | - | - | 33,412 | 8,539 | 17,465 |
| Endeavor Air | 72,562 | 3.2 | 37,884 | 1.8 | 7,128 | 27,736 | - | - | - | - | - | - |
| Envoy Air | 94,466 | 4.2 | 83,990 | 4.0 | 71,730 | 66,104 | - | - | - | - | - | - |
| Express Jet | 310,580 | 13.7 | 354,876 | 16.8 | 345,343 | 333,068 | 332,115 | 240,983 | 235,324 | 166,404 | 58,114 | - |
| Freedom Airlines | - | - | - | - | - | - | - | - | - | 3,783 | 15,045 | 51,085 |
| GoJet Airlines | 19,519 | 0.9 | 10,734 | 0.5 | 10,275 | 50,920 | 45,359 | 60,300 | 39,463 | 35,376 | 37,185 | 25,058 |
| Interjet Vacation Express | - | - | - | - | 852 | 1,846 | - | - | - | - | - | - |
| Mesa Airlines | 9,703 | 0.4 | 22,565 | 1.1 | 7,217 | 61,380 | 90,807 | 82,489 | 60,772 | 43,112 | 12,856 | 17,736 |
| Mesaba Airlines | - | - | - | - | - | - | - | - | 9,008 | 9,750 | 21,853 | 32,636 |
| OneJet | 3,095 | 0.1 | 1,870 | 0.2 | - | - | - | - | - | - | - | - |
| Piedmont Airlines | 73,808 | 3.2 | 75,303 | 3.6 | 43,986 | 16,524 | 21,545 | 39,585 | 9,144 | 12,551 | 23,402 | 26,689 |
| Pinnacle Airlines | - | - | - | - | - | - | 58,568 | 108,779 | 111,078 | 63,867 | 36,720 | 45,043 |
| PSA Airlines | 127,768 | 5.6 | 85,437 | 4.0 | 102,572 | 51,981 | 9,461 | 26,661 | 26,119 | 37,372 | 34,304 | 35,857 |
| Republic Airlines | 98,799 | 4.3 | 46,440 | 2.2 | 65,928 | 19,207 | 3,326 | 3,292 | 33,453 | 63,270 | 104,077 | 111,722 |
| Shuttle America | 364 | - | 10,998 | 0.5 | 49,746 | 20,697 | 4,906 | 5,998 | 220 | 3,962 | 217 | 17,944 |
| SkyWest Airlines | 46,619 | 2.0 | 42,465 | 2.0 | 19,953 | 181 | 134 | 94 | 913 | - | - | 1,717 |
| Trans States Airlines | 18,574 | 0.8 | 54,985 | 2.6 | 188,926 | 43,545 | 44,934 | 27,375 | 45,259 | 86,794 | 99,905 | 151,075 |
| Vision Airlines | - | - | - | - | - | - | - | - | 932 | - | - | - |
| **Total Regional Airlines** | 995,368 | 43.7 | 921,494 | 55.2 | 1,084,008 | 899,976 | 814,703 | 787,051 | 857,379 | 880,676 | 785,625 | 879,255 |
| | | | | | | | | | | | | |
| **Total Airline Weight** | 2,275,235 | 100.0% | 2,113,689 | 100.0% | 2,281,377 | 2,031,487 | 1,972,379 | 1,901,624 | 1,995,957 | 2,026,114 | 2,020,356 | 2,226,413 |

**Capital Region Airport Commission**
**AIRLINE MARKET SHARES-CARGO**
**Ten Years Ended June 30, 2018**
**Landed Weight (1,000 Pound Units)**

| | 2018 | Share of Total 2018 | 2017 | Share of Total 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cargo Carriers** | | | | | | | | | | | | |
| ABX Air | 849,000 | 0.1% | - | - | - | - | - | - | - | - | - | - |
| Airborne Express | - | - | - | - | - | - | - | - | - | - | - | 6,745,200 |
| AirNet Systems | - | - | - | - | - | 662,300 | 3,303,100 | 3,131,300 | 2,995,000 | 4,589,800 | 4,675,800 | 5,388,000 |
| Ameriflight | 620,300 | 0.1 | 2,261,600 | 0.5% | 2,913,276 | 4,019,194 | 4,091,288 | 876,794 | 806,000 | 803,600 | 756,600 | 653,870 |
| DHL Express | 71,536,000 | 13.8 | 43,248,000 | 9.1 | - | - | - | - | - | - | - | 10,498,000 |
| Federal Express | 227,030,800 | 43.9 | 228,513,000 | 48.3 | 231,232,500 | 224,045,300 | 217,493,600 | 200,056,200 | 175,671,800 | 174,001,400 | 144,392,100 | 172,706,450 |
| Mountain Air Cargo | - | - | - | - | 47,068 | - | 47,068 | 8,500 | 17,000 | 125,480 | 187,140 | 53,160 |
| UPS | 217,636,800 | 42.1 | 198,852,800 | 42.1 | 184,282,160 | 179,381,040 | 176,286,160 | 174,765,520 | 178,608,000 | 177,643,760 | 160,848,720 | 166,685,040 |
| **Total Cargo Weight** | 517,672,900 | 100.0% | 472,875,400 | 100.0% | 418,475,004 | 408,107,834 | 401,221,216 | 378,838,314 | 358,097,800 | 357,164,040 | 310,860,360 | 362,729,720 |
| **Total Landed Weight** | 519,948,135 | | 474,989,089 | | 420,756,381 | 410,139,321 | 403,193,595 | 380,739,938 | 360,093,757 | 359,190,153 | 312,880,716 | 365,330,240 |

**Capital Region Airport Commission**
**PRIMARY ORIGIN AND DESTINATIONS PASSENGER MARKETS**
**Calendar Years 2017 and 2016**

| 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|
| Rank | Market | Trip Length | O&D Passengers | Rank | Market | Trip Length | O&D Passengers |
| 1 | Boston | SH | 292,730 | 1 | Boston | SH | 296,293 |
| 2 | Atlanta | SH | 252,130 | 2 | Atlanta | SH | 260,197 |
| 3 | Orlando | MH | 198,931 | 3 | Orlando | MH | 194,424 |
| 4 | New York/Newark | SH | 195,866 | 4 | New York/Newark | SH | 185,582 |
| 5 | Chicago | MH | 152,837 | 5 | Chicago | MH | 143,096 |
| 6 | Dallas/Fort Worth | MH | 119,427 | 6 | Dallas/Fort Worth | MH | 107,029 |
| 7 | Fort Lauderdale | MH | 107,830 | 7 | Fort Lauderdale | MH | 97,283 |
| 8 | Tampa | MH | 83,673 | 8 | Tampa | MH | 80,380 |
| 9 | Denver | MH | 78,621 | 9 | Denver | MH | 72,339 |
| 10 | Los Angeles | LH | 77,480 | 10 | Los Angeles | LH | 71,966 |
| 11 | Las Vegas | LH | 71,113 | 11 | Las Vegas | LH | 69,033 |
| 12 | Houston | MH | 66,865 | 12 | San Francisco | LH | 61,268 |
| 13 | San Francisco | LH | 57,302 | 13 | Houston | MH | 60,428 |
| 14 | Phoenix | LH | 53,350 | 14 | Phoenix | LH | 54,490 |
| 15 | Minneapolis/St Paul | MH | 49,356 | 15 | San Diego | LH | 48,437 |
| 16 | San Diego | LH | 46,506 | 16 | Minneapolis/St Paul | MH | 46,037 |
| 17 | Charlotte | SH | 46,469 | 17 | Seattle/Tacoma | LH | 45,864 |
| 18 | Detroit | MH | 45,355 | 18 | Miami | MH | 45,232 |
| 19 | Austin | LH | 45,343 | 19 | Jacksonville | MH | 44,581 |
| 20 | Miami | MH | 44,913 | 20 | Detroit | MH | 42,853 |
| 21 | New Orleans | MH | 44,826 | 21 | Charlotte | SH | 41,935 |
| 22 | Seattle/Tacoma | LH | 44,334 | 22 | Nashville | SH | 40,881 |
| 23 | Nashville | SH | 41,223 | 23 | Austin | LH | 38,747 |
| 24 | Philadelphia | SH | 37,740 | 24 | New Orleans | MH | 37,924 |
| 25 | St. Louis | MH | 35,197 | 25 | Philadelphia | SH | 37,353 |
| | Total | | 2,289,417 | | Total | | 2,223,652 |

**Capital Region Airport Commission**
**POPULATION IN THE AIR TRADE AREA**
**Calendar Years 2014-2017**

| | CALENDAR YEAR | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|
| **Primary Trade Area** | **2017** | **2016** | **2015** | **2014** | **2016 2017** | **2015 2016** | **2014 2015** |
| United States | 325,719,178 | 323,127,513 | 321,418,820 | 318,857,056 | 0.8 | 0.5 | 0.9 |
| Virginia total | 8,470,020 | 8,411,808 | 8,382,993 | 8,326,289 | 0.7 | 0.3 | 0.8 |
| Richmond MSA* | 1,346,878 | 1,333,755 | 1,322,813 | 1,311,379 | 1.0 | 0.8 | 5.3 |
| Richmond-Petersburg MSA | 1,222,642 | 1,210,779 | 1,200,463 | 1,189,443 | 1.0 | 0.9 | 1.2 |
| Richmond City | 227,032 | 223,170 | 220,289 | 217,853 | 1.7 | 1.3 | 1.7 |
| Henrico County | 327,898 | 326,501 | 325,155 | 321,924 | 0.4 | 0.4 | 1.0 |
| Chesterfield County | 343,599 | 339,009 | 335,687 | 332,499 | 1.4 | 1.0 | 1.5 |
| Hanover County | 105,923 | 104,392 | 103,227 | 101,918 | 1.5 | 1.1 | 0.6 |
| Petersburg City | 31,750 | 31,882 | 32,477 | 32,701 | (0.4) | (1.8) | 0.5 |
| Hopewell City | 22,621 | 22,735 | 22,378 | 22,196 | (0.5) | 1.6 | 0.1 |
| Colonial Heights City | 17,830 | 17,772 | 17,820 | 17,731 | 0.3 | (0.3) | 0.6 |
| Charles City County | 7,004 | 7,071 | 7,040 | 7,023 | (0.9) | 0.4 | (1.5) |
| Dinwiddie County | 28,208 | 28,144 | 27,852 | 27,859 | 0.2 | 1.0 | (0.2) |
| Goochland County | 22,685 | 22,668 | 22,253 | 21,936 | 0.1 | 1.9 | 1.4 |
| New Kent County | 21,682 | 21,147 | 20,392 | 20,021 | 2.5 | 3.7 | 2.6 |
| Powhatan County | 28,601 | 28,443 | 28,031 | 28,449 | 0.6 | 1.5 | 0.7 |
| Prince George County | 37,809 | 37,845 | 37,862 | 37,333 | (0.1) | 0.0 | 0.2 |
| Amelia County | 13,020 | 12,913 | 12,903 | 12,855 | 0.8 | 0.1 | 0.9 |
| Caroline County | 30,461 | 30,178 | 29,984 | 29,778 | 0.9 | 0.6 | 1.6 |
| Cumberland County | 9,811 | 9,652 | 9,719 | 9,827 | 1.6 | (0.7) | (0.1) |
| King and Queen County | 7,003 | 7,159 | 7,158 | 7,175 | (2.2) | 0.0 | 0.6 |
| King William County | 16,708 | 16,334 | 16,269 | 16,186 | 2.3 | 0.4 | 0.6 |
| Louisa County | 35,860 | 35,236 | 34,602 | 34,348 | 1.8 | 1.8 | 1.2 |
| Sussex County | 11,373 | 11,504 | 11,715 | 11,767 | (1.1) | (1.8) | (0.4) |

Sources: Estimates by Census Bureau, June 2018
*February 2013 Office of Management and Budget (OMB) metropolitan definition

**Capital Region Airport Commission**
**PERSONAL INCOME**
**Calendar Years 2007-2016**

| Millions of Dollars | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| United States | $15,912,777 | $15,463,981 | $14,683,147 | $14,151,427 | $13,729,063 | $12,949,905 | $12,353,577 | $12,168,161 | $12,225,589 | $11,634,322 |
| Virginia | 445,462 | 436,350 | 419,185 | 403,425 | 396,005 | 373,312 | 355,193 | 347,284 | 343,580 | 321,245 |
| Richmond-Petersburg MSA | 66,245 | 64,152 | 59,326 | 57,452 | 55,678 | 54,641 | 52,004 | 50,966 | 51,918 | 48,790 |
| Annual growth rate | 2.3% | 5.1% | 3.6% | 1.9% | 4.1% | 5.8% | 3.0% | (2.0%) | 2.3% | 5.0% |

Note: 2016 is the most recent year available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 25, 2018

**PER CAPITA INCOME**
**Calendar Years 2007-2016**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| United States | $49,204 | $48,190 | $46,049 | $44,765 | $43,735 | $ 41,560 | $39,937 | $39,635 | $40,166 | $38,615 |
| Virginia | 52,941 | 52,148 | 50,345 | 48,838 | 48,377 | 46,107 | 44,267 | 44,057 | 44,075 | 41,727 |
| Richmond-Petersburg MSA | 51,685 | 50,460 | 47,083 | 46,118 | 45,194 | 43,046 | 41,260 | 41,161 | 42,309 | 40,286 |
| Percent of national average | 105.0% | 104.7% | 102.2% | 103.0% | 103.3% | 103.6% | 103.3% | 103.9% | 105.3% | 104.3% |

Note: 2016 is the most recent year available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 25, 2018

**Capital Region Airport Commission**
**EMPLOYMENT DATA WITHIN VIRGINIA**

| Major Public Employers | Average Number of Employees |
|---|---|
| Local Governments | 54,300 |
| Commonwealth of Virginia | 39,500 |
| Federal Government | 17,300 |

Source: Virginia Employment Commission, current Employment Statistics Program, 2017 Annual Averages

**EMPLOYMENT BY INDUSTRY**
**(Non-Agricultrural)**

| | Annual Average | | Percent Change | Percent Total | |
|---|---|---|---|---|---|
| | 2017 | 2007 | 2007 | 2017 | 2007 |
| Total Employment | 671,300 | 622,800 | 7.8% | 100.0% | 100.0% |
| By Industry: | | | | | |
| Government | 111,100 | 110,400 | 0.6 | 16.5 | 17.7 |
| Wholesale and retail trade | 95,200 | 96,100 | (0.3) | 14.2 | 15.4 |
| Manufacturing | 32,200 | 40,600 | (20.7) | 4.8 | 6.5 |
| Financial activities | 51,500 | 45,600 | 12.9 | 7.7 | 7.3 |
| Construction and mining | 38,300 | 45,000 | (14.9) | 5.7 | 7.2 |
| Transportation and utilities | 26,300 | 19,000 | 38.4 | 3.9 | 3.1 |
| Information | 7,500 | 11,300 | (33.6) | 1.1 | 1.8 |
| Professional and business services | 114,400 | 98,400 | 16.3 | 17.0 | 15.8 |
| Educational and health services | 97,400 | 74,000 | 31.6 | 14.5 | 11.9 |
| Leisure and hospitality services | 64,700 | 51,900 | 24.7 | 9.6 | 8.3 |
| Other services | 32,600 | 30,500 | 6.9 | 4.9 | 4.9 |

Source: Virginia Employment Commission, Current Employment Statistics Program

**UNEMPLOYMENT RATES**
**Calendar Years 2008-2017**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| United States | 4.4% | 4.9% | 5.3% | 6.2% | 7.4% | 8.1% | 8.9% | 9.8% | 9.3% | 5.8% |
| Virginia | 3.8 | 4.0 | 4.4 | 5.2 | 5.5 | 5.9 | 6.2 | 6.9 | 6.7 | 4.0 |
| Richmond-Petersburg MSA | 3.9 | 4.1 | 4.6 | 5.5 | 5.9 | 6.4 | 6.9 | 7.7 | 7.5 | 4.3 |

Source: Virginia Employment Commission, Local Area Unemployment Statistics Program.

**Capital Region Airport Commission**
**COMMISSION EMPLOYEES**
**Ten Years Ended June 30, 2018**

| | Full Time Equivalent Employees | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| Police | 29 | 27 | 27 | 27 | 25 | 27 | 23 | 29 | 24 | 23 |
| Communications/ Operations | 21 | 20 | 15 | 12 | 12 | 12 | 12 | 8 | 12 | 12 |
| Aircraft Rescues & Fire Fighting | 17 | 18 | 15 | 17 | 16 | 18 | 18 | 18 | 19 | 19 |
| Custodial Services | 47 | 48 | 45 | 46 | 45 | 47 | 45 | 47 | 46 | 45 |
| Utilities/Ground Maintenance | 18 | 16 | 15 | 14 | 15 | 15 | 16 | 15 | 14 | 12 |
| Equipment/Automotive Maintenance | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 6 |
| Building Maintenance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Electronic Systems | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| HVAC | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Electrical Maintenance | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Finance and Administrative Services | 8 | 9 | 9 | 9 | 7 | 8 | 8 | 8 | 11 | 11 |
| Ground Transportation | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Information Systems | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Executive/Marketing | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 5 | 5 |
| Human Resources | - | - | - | - | - | - | - | - | - | 3 |
| Baggage System | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 10 | 10 | 10 |
| Total Employees | 183 | 180 | 167 | 166 | 161 | 167 | 162 | 164 | 161 | 162 |

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full-time equivalent employment is calculated by dividing total labor hours by 2,080.
Several departments have been reclassified which resulted in variances.

**Capital Region Airport Commission**
**CARGO CARRIER**
**Period Ended June 30, 2018**

| | Pounds of Cargo | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Cargo Carrier: | | | | | | | | | | |
| Airborne | - | - | - | - | - | - | - | - | - | 3,660,614 |
| Air Net Systems | - | 6,750,000 | - | 129,870 | 613,886 | 552,764 | 656,162 | 761,196 | 795,955 | 816,348 |
| AmeriFlight | 420,255 | 480,772 | 149,181 | 750,667 | 1,386,840 | 226,225 | 212,165 | 223,434 | 219,970 | 174,964 |
| DHL | 7,890,000 | - | - | - | - | - | - | - | - | - |
| Federal Express | 79,247,203 | 82,317,990 | 74,625,547 | 68,943,364 | 67,509,310 | 71,588,803 | 59,848,214 | 59,712,374 | 56,575,502 | 60,794,140 |
| UPS | 49,024,371 | 45,916,736 | 46,726,830 | 44,995,819 | 43,024,627 | 41,578,577 | 39,683,396 | 23,780,038 | 24,211,667 | 27,341,043 |
| Total | 136,581,829 | 135,465,498 | 121,501,558 | 114,819,720 | 112,534,663 | 113,946,369 | 100,399,937 | 84,477,042 | 81,803,094 | 92,787,109 |
| Percentage change | 0.8% | 11.5% | 5.8% | 2.0% | (1.2%) | 13.5% | 18.8% | 3.3% | (11.8%) | (18.0%) |

**TAKEOFF AND LANDING OPERATIONS SUMMARY**
**Ten Years Ended June 30, 2018**

| Fiscal Year | Air Carrier | Air Taxi/ Commuter | General Aviation | Military | Total |
|---|---|---|---|---|---|
| 2018 | 41,729 | 22,935 | 28,729 | 5,923 | 99,316 |
| 2017 | 36,942 | 24,922 | 26,380 | 5,327 | 93,571 |
| 2016 | 34,998 | 27,478 | 28,418 | 6,433 | 97,327 |
| 2015 | 34,671 | 30,013 | 30,298 | 7,351 | 102,333 |
| 2014 | 31,530 | 34,078 | 24,586 | 5,579 | 95,773 |
| 2013 | 27,551 | 38,219 | 24,976 | 6,747 | 97,493 |
| 2012 | 24,557 | 43,032 | 26,092 | 6,276 | 99,957 |
| 2011 | 26,474 | 42,894 | 28,577 | 8,405 | 106,350 |
| 2010 | 27,491 | 26,498 | 41,102 | 6,921 | 102,012 |
| 2009 | 30,696 | 45,267 | 28,457 | 6,127 | 110,547 |
| Average Annual Change | 3.5% | (3.9%) | 1.8% | 1.3% | 1.0% |

**Capital Region Airport Commission**
**INSURANCE COVERAGE**
**Period Ended June 30, 2018**

| Type/Carrier | Coverage | Limit |
|---|---|---|
| Airport liability/ACE/ Lloyd's | Public liability including aircraft products/completed operations | $200,000,000 |
| Automobile liability/Great Northern Insurance Co. | Bodily injury or property damage resulting from ownership maintenance or use of any automobile | $1,000,000 combined single limit bodily injury and property damage |
| | Excess auto liability(off premises) | $50,000,000 |
| Workers' compensation and employer's liability/Amtrust | Worker's compensation | Statutory and $1,000,000 employer's liability |
| | Excess employees liability (excluding disease) | $100,000,000 |
| Public officials and employer's liability/Virginia State Public Officials self-insurance pool | Civil claims for wrongful acts | $1,000,000 each loss unlimited aggregate<br>$3,500 deductible |
| Property/Great Northern Insurance Co. | Blanket real and personal property including business income and personal property of others | $494,280,170 blanket real and personal property including EDP, mobile radios and valuable papers<br>$35,000,000 business income |
| Equipment/Great Northern Insurance | Scheduled equipment | $3,186,930 scheduled equipment<br>$300,000 miscellaneous equipment<br>$100,000 unscheduled equipment<br>$100,000 leased/rental equipment<br>$100,000 newly acquired equipment |
| Blanket crime/Federal Insurance Company | Employee dishonesty<br>Employee Theft<br>ERISA<br>Forgery & Alteration<br>Inside<br>Outside<br>Computer Fraud | $1,000,000 limit/$2,500 deductible |

Note: The insurance coverage was provided by USI Insurance Services, with exception of Public Officials policy.

**Capital Region Airport Commission**
**CAPITAL ASSET INFORMATION**
**As of June 30, 2018**

**Richmond International Airport**

| | | | | |
|---|---|---|---|---|
| Location: | 6 miles east of downtown Richmond, the capital of Virginia | | | |
| Elevation: | 168 ft. | | | |
| Airport Code: | RIC | | | |
| Runways: | 16/34 | North/South | 9,000 x 150 HIRL/CL/TDZ/VOR | |
| | 2/20 | North/South | 6,600 x 150 HIRL | |
| | 7/25 | East/West | 5,300 x 100 HIRL | |
| Terminal: | Airlines | | 185,391 SF | |
| | Tenants | | 42,953 SF | |
| | Public/common | | 105,760 SF | |
| | Mechanical | | 49,785 SF | |
| | Other | | 168,078 SF | |
| | Number of passenger gates | | | 22 |
| | Number of loading bridges | | | 22 |
| | Number of concessionaires in terminal | | | 2 |
| | Number of rental car agencies in terminal | | | 7 |
| Apron: | Leased: | | 457,806 SF | |
| Ramp: | Leased: | | 21,949 SF | |
| Parking: | Spaces assigned: | Garage | | 6,548 |
| | | Short-term | | 280 |
| | | Long-term | | 0 |
| | | Economy | | 3,640 |
| | | Rental cars | | 490 |
| | | Employees | | 600 |
| International: | Customs/Immigration Federal Inspection Service Facility | | | |
| Tower: | TRACON 24/7-365 | | | |
| FBOs | MillionAir, Richmond Jet Center | | | |

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# COMPLIANCE SECTION

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**Capital Region Airport Commission**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**As of June 30, 2018**

| Federal Grantor/CFDA Grantor's Program Title | Federal CFDA Number | Project Number | | Total Federal Expenditures |
|---|---|---|---|---|
| Department of Transportation: | | | | |
| FAA Direct Payments: | | | | |
| Airport Improvement Program | 20.106 | 3-51-0043-62 | $ | 888,616 |
| Airport Improvement Program | 20.106 | 3-51-0043-63 | | 395,816 |
| **Total Airport Improvement Program** | | | | 1,284,432 |
| Department of Homeland Security: | | | | |
| Federal Emergency Management Agency: | | | | |
| Pass through Payment: | | | | |
| Virginia Department of Emergency Management: | | | | |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | PA-03-VA-4262-PW-00092 | | 120,919 |
| **Total Expenditures of Federal Awards** | | | $ | 1,405,351 |

Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Commission 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 Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting not the accrual basis as the Commission's financial statements. The Commission uses the cash basis of accounting, wherein revenues are recognized when cash is received and expenses are recognized when paid. The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Commission's portion, may be more than shown.

The Commission has not elected to use the 10% de minims indirect cost rate.

Contingent Liabilities-Grants

The Commission received grant funds, principally from the Federal Government, for construction projects. Expenditures from these grants are subject to audit by the grantor, and the Commission is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the Commission, no material refunds will be required as a result of expenditures disallowed by the grantors.

Subrecipients

No awards were passed through to subrecipients.

## 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 Commissioners**
**Capital Region Airport Commission**
**Richmond International Airport, 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 Capital Region Airport Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Capital Region Airport Commission's basic financial statements and have issued our report thereon dated October 29, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Region Airport Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Region Airport Commission'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 Capital Region Airport Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 29, 2018

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**To the Commissioners**
**Capital Region Airport Commission**
**Richmond International Airport, Virginia**

### Report on Compliance for Each Major Federal Program

We have audited Capital Region Airport Commission'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 Capital Region Airport Commission's major federal programs for the year ended June 30, 2018. Capital Region Airport Commission'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, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Capital Region Airport Commission'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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Region Airport Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Capital Region Airport Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Capital Region Airport Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

Management of Capital Region Airport Commission 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 Capital Region Airport Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Commission's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 29, 2018

**CAPITAL REGION AIRPORT COMMISSION**

**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.

## Section IV - Prior Year Findings and Questioned Costs

There were no prior year findings reported.

# OUR VALUES AT WORK

## BE SAFE

- Take actions to ensure safety comes first
- Keep all areas clean
- Follow all safety policies and procedures

## BE RESPECTFUL

- Always be honest and trustworthy
- Treat others as you would have them treat you
- Create supportive relationships built on mutual respect

## BE HARD WORKING

- Serve your co-workers and customers through a strong work ethic
- Continue to learn, be innovative, and provide feedback
- Take pride in a job well done

## BE COURTEOUS

- Be courteous to all customers including the public, tenants, and other departments
- Respond to requests promptly
- Remember — a smile can make a difference in someone's day

## BE POSITIVE

- Deliver the best customer service possible through a positive attitude
- Contribute to a positive workplace by being friendly and helpful to others

BE SAFE • BE RESPECTFUL • BE HARDWORKING • BE COURTEOUS • BE POSITIVE

*Created by the employees of the Capital Region Airport Commission*

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