

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2006

CAPITAL REGION AIRPORT COMMISSION

Richmond International Airport
Virginia

Prepared by

Finance Department

Douglas E. Blum
Chief Financial Officer

Steven C. Owen
Director Finance

Capital Region Airport Commission
MEMBERS OF THE COMMISSION
June 30, 2006

OFFICERS

| | |
|-------------------------|---------------|
| James B. Donati, Jr. | Chairman |
| Robert F. Norfleet, Jr. | Vice Chairman |
| Lynda Sharp Anderson | Secretary |
| J. T. "Jack" Ward | Treasurer |

COMMISSIONERS

| | |
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| Beverley W. Armstrong | City of Richmond |
| Robert M. Atack | Henrico County |
| Algenon L. Brown | City of Richmond |
| James B. Donati, Jr. | Henrico County |
| Daniel A. Gecker | Chesterfield County |
| David A. Kaechele | Henrico County |
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| Thomas E. Pruitt | Henrico County |
| Aubrey M. Stanley, Jr. | Hanover County |
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| Arthur S. Warren | Chesterfield County |

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December 15, 2006

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, 2006 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 operations of the Commission and that all disclosures necessary to enable the reader to gain the 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 Comprehensive Annual Financial Report is divided into four sections:

Introductory Section - contains general information about the Commission including a list of the members of the Commission, a table of contents, the Commission's organizational chart, the letter of transmittal and the Certificate of Achievement for Excellence in Financial Reporting for the preceding fiscal year.

Financial Section - includes management's discussion and analysis of the financial statements, which provides an overview of the Commission's financial position and operating results, as well as, the Independent Auditors' Report, financial statements, accompanying notes, and supplemental information.

Statistical Section - presents information highlighting trends in selected unaudited airport statistics, financial, economic and demographic data.

Compliance Section - includes reports on the audit of the Commission's major federal award program and on the Commission's internal control structure and its compliance with certain provisions of laws, regulations, contracts and grants as required by the U.S. Office of Management and Budget Circular A-133 and *Government Auditing Standards* issued by the Comptroller General of the United States.

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 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 of Richmond. The City of Richmond 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 of Richmond 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 authority where all fourteen board members are appointed by local governmental jurisdictions and is comprised of the City of Richmond, and the counties of Chesterfield, Hanover and Henrico.

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

AIRPORT OPERATIONS

Richmond International Airport is the gateway to Central Virginia. The Airport serves the needs of the area’s citizens and is currently served by eight major airlines, fifteen regional or commuter airlines, and several scheduled passenger charter operations. The Airport’s cargo needs are met by five all-cargo carriers. There are three fixed base operators on the airport grounds that offer fuel and maintenance services for corporate aircraft, and the Airport also has a Foreign Trade Zone. The total enplaned passengers in fiscal year 2006 increased by 229 thousand or 17.2% to 1.570 million, from fiscal year 2005 of 1.329 million, an increase of 330 thousand or 27% over 2004. Air cargo performance increased from 106.4 million pounds in fiscal 2005 to 121.6 million pounds in fiscal year 2006. The five year average annual cargo growth rate is 13.2%. Richmond International Airport has over 200 daily flights and is one of the fastest growing airports in the United States.

ECONOMIC CONDITIONS

The Airport is conveniently located approximately seven miles from the City of Richmond’s business district, providing air service to over 3.1 million passengers, and with over 114 million pounds of cargo passing through the Airport this year. The Airport is strategically situated within seven hundred and fifty miles of approximately 60% of the nation’s population.

The economic conditions on the national and local level have influenced the Airport operations. With gas prices being unstable, and recent airline bankruptcy filings, the Airport’s financial position has seen economic fluctuations. While experiencing these economic conditions, low interest rates have allowed the Airport to refinance debts and improve the overall financial condition. (See MD&A and Note 5 of notes to financial

statements.) The Air Travel Price Index (ATPI) rose in the second quarter of 2006 to the highest level recorded in the 11-year period measured by the index. The Airport was ranked 80th for fare increases out of the 85 largest airline markets determined by passengers by the U.S. Department of Transportation for the second quarter of 2006. The 80th ranking represented sixth place from the lowest fare increase presented.

DEMOGRAPHICS AND EMPLOYMENT

Forty-six percent of Richmond's population falls within the prime working ages of 25-54. Richmond is a top ten metro area for public schools and is one of America's top 30 most livable communities. The Richmond Metro area's unemployment rate is 3.4% as of August 2006 which is well below the national average of 4.6%. Richmond-Petersburg Metropolitan Statistical Area (MSA) population has reached an estimated 1.2 million persons and is ranked in the top 25 large metro areas for doing business. Per capita income in the area is \$35,422 which is 7.1% higher than the national average of \$33,050.

The Greater Richmond Area has 126 foreign affiliated firms representing 21 different countries and draws labor from over 40 localities statewide. The four largest industries for employment in the Richmond-Petersburg MSA are financial (24.1%), professional and business services (23.8%), education and health services (17.5%) and construction (17.1%).

Eight Richmond Metropolitan area businesses are listed Fortune 500 companies:

| | |
|-------------------------------|----------------------------|
| <i>Dominion Resources</i> | <i>Circuit City Stores</i> |
| <i>Performance Food Group</i> | <i>Brink's</i> |
| <i>CarMax</i> | <i>Owens and Minor</i> |
| <i>Land America Financial</i> | <i>Genworth Financial</i> |

Four Richmond Metropolitan area businesses are included as Fortune 1000 companies:

| | |
|----------------------|------------------|
| <i>Universal</i> | <i>Markel</i> |
| <i>Massey Energy</i> | <i>Albemarle</i> |

Local economic growth indicators in the Richmond Metro area include:

- Philip Morris USA is currently constructing a \$300 million technology and research center in downtown Richmond. This venture is expected to add over 500 new jobs, including technical jobs such as scientist, researchers and lab workers to the Metropolitan area.
- MeadWestvaco, a Fortune 500 company, is currently in the process of relocating its headquarters to Richmond. The move will bring over 400 employees and executives to the area.
- Virginia Commonwealth University (VCU) has grown to over 29,000 students. VCU is one of only four Virginia universities rated Doctoral/Research—Extensive by the Carnegie Classification of Institutions of Higher Education.

The Virginia corporate income tax rate is 6% and has remained at this same rate since 1972. The Virginia state general sales and use tax is 5%.

MAJOR INITIATIVES

The Airport will complete a \$250 million capital improvement program over the next year. The \$89 million terminal building expansion project is well under way and is expected to be completed by spring of 2007. The terminal building when completed will be able to handle more flights each day and better serve the market for the Richmond-Petersburg MSA and central Virginia. The major focus over the next few years will continue to be the finalization of the construction projects at the terminal building, including a complete renovation and expansion of the terminal building and widening of security checkpoints. A new baggage claim area was finished in mid 2006 as part of the expansion. The design of the expansion of the north

parking garage is currently under consideration, as well as the connection to the I895 Corridor. (See MD&A for additional information.)

In early 2006, the Airport improved its retail and concessions by replacing seven businesses. The new concession and retail shops are anchored by Hudson News and Applebees. In addition, Cheeburger Cheeburger, Samuel Adams Restaurant and Bar, Caribou Coffee, Vito's Market and Double T's Barbeque opened in the terminal providing passengers with a wide array of dining and shopping choices. JetBlue's arrival to the Airport in March 2006 created an increase in enplanements and assisted in reducing fares.

COMMISSION INTERNET WEB SITE

The Commission has an Internet web site offering a wide variety of information to users, including financial information and operational statistics. Users will have the capability to access the airlines serving the Airport, flight arrival and departure information, and download flight schedules directly onto their Personal Digital Assistant (PDA's). The Commission's CAFR is posted on the web site. The web address is www.FlyRichmond.com.

FINANCIAL INFORMATION AND CONTROLS

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 costs 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 variances.

RISK MANAGEMENT

The Commission obtains third party coverage for real and personal property and certain liability risks. In-house staff and third-party administrators manage the risk program. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

CASH MANAGEMENT

The Finance Department has established procedures for cash management in order to maximize cash available for investment. Cash temporarily idle during the year was invested in commercial bank repurchase agreements secured or collateralized by governmental securities, as required by the Code of Virginia, federal and municipal obligations, and money market funds.

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 complied with

and the auditors' opinion has been 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 Circular A-133 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, 2005. This was the sixteenth 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 certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all of the staff that assisted and contributed to its preparation. Also, we thank the members of the Commission for their interest and support in planning and managing the financial operations of the Commission in a progressive and responsible manner.

Respectfully submitted,

Jon E. Mathiasen
President and
Chief Executive Officer

Douglas E. Blum
Chief Financial Officer



Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the Capital Region Airport Commission (the "Commission") as of and for the years ended June 30, 2006 and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2006 and 2005, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress for a Defined Benefit Pension Plan found in Note 8 to the financial statements are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted

principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, supplemental schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplemental schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
November 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Capital Region Airport Commission's (the "Commission") Management's Discussion and Analysis (MD&A) section provides a complete 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 Commission is 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 following management's discussion and analysis of the Commission's financial performance for the year ended June 30, 2006 and 2005, also includes other selected comparative information for the fiscal year ended June 30, 2004. This discussion has been prepared by the Commission's management team and we recommend that the management discussion and analysis be considered in conjunction with the letter of transmittal, Commission's financial statements and the supplemental schedules included in the financial section, and the statistical section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

COMMISSION ACTIVITY HIGHLIGHTS

| | FY 2006 | FY 2005 | FY 2004 |
|--|---------|---------|---------|
| Enplanements | 1,570 | 1,329 | 1,228 |
| <i>% increase / (decrease)</i> | 18.1% | 8.2% | 2.0% |
| Aircraft Operations (total take-offs and landings) | 133 | 136 | 134 |
| <i>% increase / (decrease)</i> | (2.2%) | 1.5% | (7.2%) |
| Landed Weight (1,000 pound units) | 2,097 | 2,089 | 1,944 |
| <i>% increase / (decrease)</i> | .38% | 7.5% | (6.0%) |
| Air Cargo Carrier Activity (pounds) | 121,571 | 106,473 | 107,832 |
| <i>% increase / (decrease)</i> | 14.2% | (1.2%) | 4.1% |
| Parked Vehicles | 895 | 747 | 615 |
| <i>% increase / (decrease)</i> | 19.8% | 21.5% | (1.3%) |

As illustrated by the chart on page 3, several key operational highlights occurred during fiscal year ended June 30, 2006:

- ➔ Enplanements experienced another record year with an 18.1% increase over fiscal year 2005, when compared to the 8.2% increase from fiscal year 2004 to 2005. Enplanements continue to show improvements as a result of the recent arrival of two low fare carriers, AirTran and JetBlue, at the Airport during fiscal year 2006 and 2005.
- ➔ Aircraft operations dropped by 2.2% in the current fiscal year from a positive rate of 1.5% reported in fiscal year 2005. The overall three years reported combined change resulted in a .74% decrease over fiscal year 2004.
- ➔ Landings showed a slight increase to .38% over fiscal year 2005. The Airport experienced a three year 7.3% overall growth rate in landed weight over fiscal year 2004.
- ➔ Air cargo experienced a positive growth rate of 14.2% in comparison to the negative growth rate of 1.2 % reported in fiscal year 2005. The air cargo activity overall growth rate of 12.7% is from fiscal year 2004 through fiscal year 2006.
- ➔ The total cars parked in fiscal years 2006, 2005 and 2004 are 895, 747 and 615, respectively. In fiscal year 2006 there was a three year overall growth rate of 45.5% in cars parked at the Airport's parking facilities when compared to 21.5% increase for fiscal year 2005 and a 1.3% decrease for fiscal year 2004.

The Commission is responsible for overseeing the Airport's day-to-day operations for both passenger arrivals and departures at Richmond International Airport. The Airport is served by eight major airlines that include AirTran, American Airlines, Continental, Delta, JetBlue, Northwest, United, and U.S. Airways, and nineteen regional airlines, several regularly scheduled passenger charter operators and five all-cargo carriers. Federal Express and United Parcel Service are the two largest air cargo carriers at the Airport. JetBlue, a low fare carrier, commenced services in March 2006.

COMMISSION FINANCIAL HIGHLIGHTS

At June 30, 2006, working capital totaled \$7,784 compared to \$13,742 at June 30, 2005 and \$7,954 at June 30, 2004. The decrease of \$5,958 in 2006 resulted primarily from a decrease in cash and cash equivalents of \$2,782 and a decrease of \$414 in receivables from federal and state grants. The ratio of current assets to current liabilities at June 30, 2006 as compared to 2004 decreased from 2.1 to 1.6 representing a 23.8% decrease for the three fiscal years.

No new borrowing occurred in fiscal year 2006. The Commission's new and refinanced borrowings for fiscal year 2005 was \$81,000. The \$81,000 represents an issuance of the Airport Revenue Refunding Bonds, Series 2005A, Passenger Facility Charge Revenue Bonds, Series 2005A, and the Passenger Facility Revenue Charge Bonds, Series 2005B, and an advancement on the Commission's line of credit. The majority of the proceeds in fiscal year 2005 were used to refinance and refund some of the Commission's old bonds and fund a portion of the new terminal expansion project at the Airport.

The Commission's capital assets have increased in 2006 by \$44,078 as a result of capital additions in comparison to fiscal year 2005. The net capital assets saw an increase to \$46,803 in fiscal year 2006 to 2004.

Total net assets increase was \$22,900 for fiscal year 2006 compared to an increase of \$10,465 for fiscal year 2005 and a decrease of \$2,048 for fiscal year 2004. The net assets are assets and total liabilities and are also an indicator of the current fiscal year condition of the Commission as shown in the chart on the following page. The Commission's financial position remains strong with total assets of \$429.9 and total liabilities of \$176.4.

The below selected financial data comparison represents the Commission's assets, liabilities and net assets at June 30, 2006, 2005 and 2004.

SELECTED FINANCIAL DATA

(in thousands)

| | 6/30/2006 | 6/30/2005 | 6/30/2004 |
|--|-------------------|-------------------|-------------------|
| Assets | | | |
| Current assets | \$ 17,711 | \$ 16,221 | \$ 15,446 |
| Restricted assets | 63,966 | 84,244 | 55,105 |
| Capital assets, net | 348,222 | 304,144 | 301,419 |
| Total assets | 429,899 | 404,609 | 371,970 |
| Liabilities | | | |
| Current liabilities | 2,154 | 2,257 | 1,889 |
| Restricted liabilities | 17,223 | 8,271 | 11,483 |
| Long-term debt, net of current maturities | 157,005 | 162,458 | 138,445 |
| Total liabilities | 176,382 | 173,991 | 151,817 |
| Net assets | | | |
| Invested in capital assets net of related debt | 209,638 | 172,289 | 171,847 |
| Restricted | 27,394 | 42,511 | 36,781 |
| Unrestricted | 16,486 | 15,818 | 11,525 |
| Total net asset | \$ 253,518 | \$ 230,618 | \$ 220,153 |

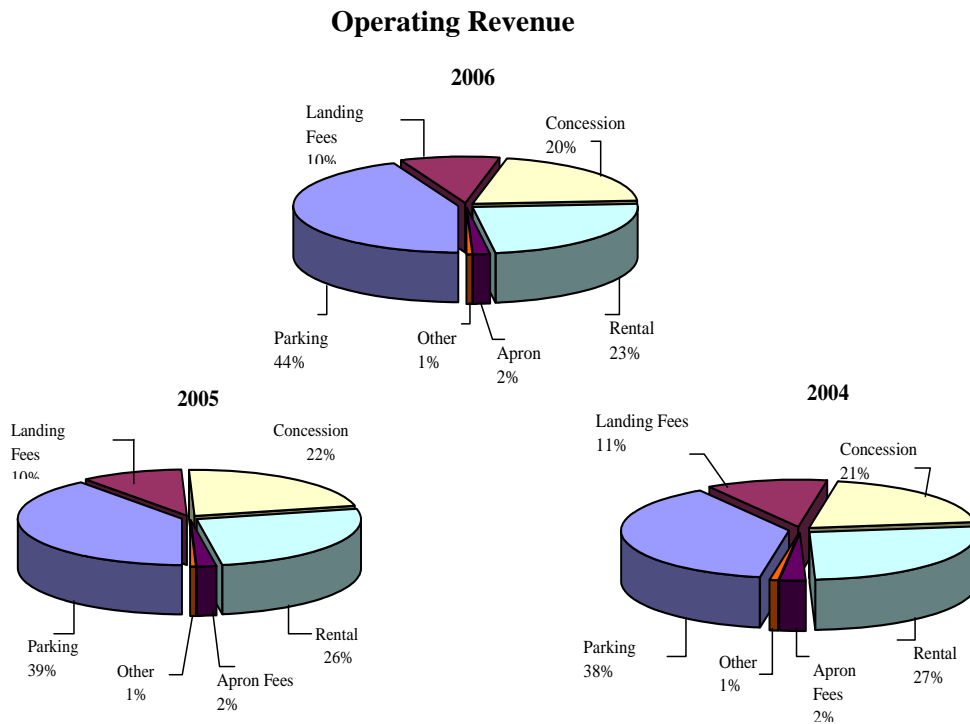
The below chart shows operating revenues and expenses for the three years ended June 30, 2006, 2005, and 2004.

| | FY 2006 | FY 2005 | FY 2004 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Operating revenue | \$ 34,513 | \$ 32,238 | \$ 30,001 |
| Operating expenses | 17,582 | 16,341 | 15,256 |
| Operating income | 16,931 | 15,897 | 14,745 |
| Depreciation | 14,344 | 13,706 | 11,825 |
| Other nonoperating income (expenses) | 4,842 | 1,616 | (716) |
| Income before capital contributions | 7,429 | 3,807 | 2,201 |
| Capital contributions | 15,471 | 6,658 | 8,481 |
| Special item | - | - | (12,731) |
| Change in net assets | 22,900 | 10,465 | (2,049) |
| Beginning net assets | 230,618 | 220,153 | 222,201 |
| Ending net assets | \$ 253,518 | \$ 230,618 | \$ 220,153 |

Operating income before depreciation for fiscal year 2006 increased by \$1,034 (6.5%) as compared to fiscal year 2005. Operating income before depreciation increased \$2,186 (14.8%) between fiscal years 2006 and 2004. Depreciation expense increased by 21% between fiscal year 2006 and 2004. This is a result primarily of the terminal building and roadway expansion. Other nonoperating income increased by \$3,780 in fiscal year 2006 compared with fiscal year 2005 and increased by \$5,882 between 2006 and 2004. The increase in nonoperating income was attributed to an increase in interest income and increased passenger facility charges. The weighted average yield on investments was approximately 3.3% for fiscal year 2006, 2.1% for fiscal year 2005 and 1.1% for fiscal year 2004.

REVENUES

The graphs below illustrate the main sources of operating revenue for the Airport and each source's percentage of total operating revenue for the three fiscal years ended June 30, 2006, 2005 and 2004.



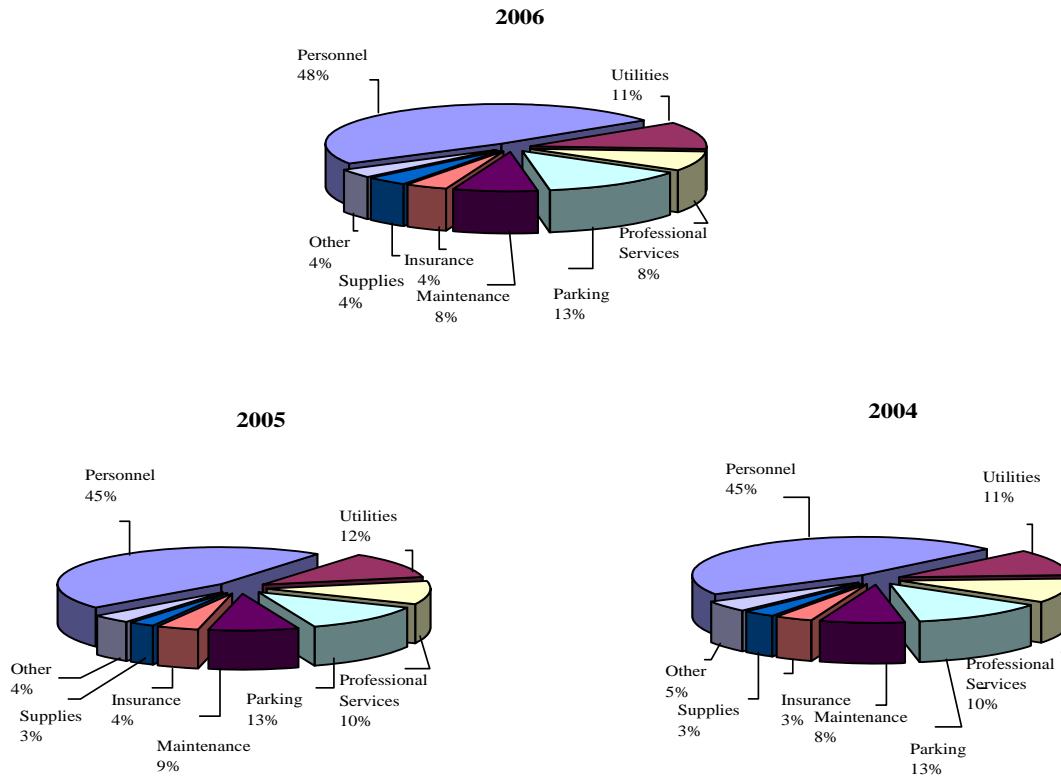
Parking revenues at the Airport, for fiscal year 2006 were \$15,034 which represented a 17.8% increase over fiscal year 2005 and a 30.6% increase over fiscal year 2004. Parking revenues have continued to grow due to increased passenger traffic. Below is a summary of revenue for the three fiscal years ended June 30, 2006, 2005 and 2004:

| | Years Ended | | |
|----------------------------|------------------|------------------|------------------|
| | 6/30/2006 | 6/30/2005 | 6/30/2004 |
| Operating Revenues | | | |
| Parking | \$ 15,034 | \$ 12,760 | \$ 11,506 |
| Landing fees | 3,400 | 3,212 | 3,107 |
| Concession | 7,037 | 7,053 | 6,249 |
| Rental | 8,260 | 8,377 | 8,109 |
| Apron fees | 609 | 679 | 696 |
| Other | 173 | 157 | 334 |
| Total operating | <u>34,513</u> | <u>32,238</u> | <u>30,001</u> |
| Nonoperating income | | | |
| Interest income | 3,052 | 1,538 | 684 |
| Passenger Facility Charges | 6,546 | 4,247 | 3,279 |
| Customer Facility Charges | 2,061 | 2,094 | 1,814 |
| Total nonoperating | <u>11,659</u> | <u>7,879</u> | <u>5,777</u> |
| TOTAL | <u>\$ 46,172</u> | <u>\$ 40,117</u> | <u>\$ 35,778</u> |

EXPENSES

The graphs below illustrate the main sources of operating expenses for the Airport and each source's percentage of total operating expenses for the three fiscal years ended June 30, 2006, 2005 and 2004.

Operating Expenses



Operating expenses, exclusive of depreciation, totaled \$17,582 for fiscal year 2006, \$16,340 for fiscal year 2005 and \$15,256 for fiscal year 2004. Personnel was primarily responsible for this increase. Below is a summary of expenses for the three fiscal years ended June 30, 2006, 2005 and 2004:

| | Years Ended | | |
|-----------------------|------------------|------------------|------------------|
| | 6/30/2006 | 6/30/2005 | 6/30/2004 |
| Operating Expenses | | | |
| Personnel | \$ 8,490 | \$ 7,681 | \$ 7,036 |
| Utilities | 1,974 | 1,719 | 1,774 |
| Professional services | 1,381 | 1,583 | 1,578 |
| Parking | 2,344 | 2,149 | 1,922 |
| Maintenance | 1,400 | 1,373 | 1,350 |
| Insurance | 678 | 604 | 606 |
| Supplies | 678 | 618 | 415 |
| Other | 637 | 613 | 575 |
| Total Operating | <u>17,582</u> | <u>16,340</u> | <u>15,256</u> |
| Depreciation | <u>14,344</u> | <u>13,706</u> | <u>11,828</u> |
| Nonoperating Expense | | | |
| Interest expense | 6,023 | 5,743 | 5,885 |
| Other, net | 794 | 519 | 608 |
| Total nonoperating | <u>6,817</u> | <u>6,262</u> | <u>6,493</u> |
| TOTAL | <u>\$ 38,743</u> | <u>\$ 36,308</u> | <u>\$ 33,577</u> |

CASH FLOW ACTIVITIES

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

| | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|
| Cash flows provided from operating activities | \$ 16,722 | \$ 15,913 | \$ 14,591 |
| Cash flows from (used in) investing activities | 20,139 | (20,261) | 521 |
| Cash flows from (used in) capital and related financing activities | (38,295) | 10,651 | (15,007) |
| Net increase (decrease) in cash and cash equivalents | (1,433) | 6,303 | 105 |
| Cash and cash equivalents | | | |
| Beginning of year | 65,803 | 59,500 | 59,395 |
| End of year | \$ 64,370 | \$ 65,803 | \$ 59,500 |

Cash flows from operating activities grew by \$809 (5.0%) over fiscal year 2005 and \$2,131 (14.6%) over 2004. The large increase in parking and concession revenues resulted from more passengers using the Airport.

Cash flow used in investing activities for fiscal year 2006 was an increase of \$20,139. The Commission purchased investments from the proceeds remaining after refinancing the 1999A Passenger Facility Charge Bonds with the 2005A Passenger Facility Charge Bonds in order to get a higher return on cash restricted for the terminal expansion project. Cash and cash equivalents for fiscal 2006 were \$6,303 more than fiscal 2005. A large portion of this increase was from additional funding through bonds issued for capital project improvement.

AIRLINE RATES AND CHARGES

The airline operating and terminal building agreement between the Commission and certain airlines was amended effective November 1, 2004. This agreement extends to June 30, 2009 and establishes the methods to be used in determining airline rates and charges for the Airport. A nonsignatory fee policy was established March 1, 1998 adding a 15% surcharge to the signatory landing fee and remains effective as of June 30, 2006.

The terminal rental and apron fees rates have decreased from fiscal year 2004 to 2006. The apron fees decreased by 11.3% and the terminal rental fees decreased by 1.3%. This is a result of the increase in terminal expansion area square footage calculation over enplanements. Rates and charges for the signatory airlines were as follows:

| | Rate Effective for 2006 | Rate Effective for 2005 | Rate Effective for 2004 |
|--|-------------------------------|-------------------------------|-------------------------------|
| Signatory Airline Rates and Charges | | | |
| Apron fees (square foot) | \$ 1.34 | \$ 1.49 | \$ 1.51 |
| Landing fees (1,000 lb. unit) | 1.16 | 1.21 | 1.21 |
| Terminal rental (square foot) | 40.66 | 41.52 | 41.04 |

The rates and charges for 2006 are estimates.

CAPITAL AND DEBT ACTIVITY

Capital

Investments in capital assets includes land and land improvements, buildings, construction in progress, furniture and fixtures, machinery and equipment and paved facilities. Capital assets, before accumulated depreciation, increased \$58,233 for fiscal year 2006. The increase for the year was primarily the result of new construction in progress mainly represented by the terminal building (\$46,271) and security checkpoint (\$8,528). Depreciation expense for fiscal year 2006 was \$14,344 as compared to fiscal year 2005 of \$13,706. The \$638 increase in depreciation expense resulted primarily from the completion of the security improvement construction project. See Note 4 of notes to the Financial Statements.

The Airport's Master Plan includes the following projects:

→ **Terminal Expansion – Terminal Building**

The terminal building expansion project estimated cost is \$89.3 million which includes the expansion of the terminal building, baggage claim area, warehouse and central plant. The central plant and baggage claim area has been completed and is currently being utilized. The design of the new terminal building will accommodate departures on the upper level and arrivals on the lower level. The project will modernize the entire airport complex and produce an exceptional facility for passengers and visitors. This project is currently underway and estimated to be completed September 2007.

→ **Security Checkpoint Widening**

The security checkpoint widening project estimated cost is \$12.8 million. The security checkpoint widening project will allow for three additional security checkpoints each to be located in Concourse A and B of the terminal building. The project is at its final stage and is estimated to be completed in the early part of fiscal year 2007.

→ **Taxiway 'L' Construction-Aircraft Apron Rehabilitation Construction**

The Taxiway 'L' Construction and Aircraft Apron Rehabilitation Construction project estimated cost is \$3.8 million. The Taxiway "L" Construction project will rehabilitate Taxiway "L" and the aircraft apron, and provide continued aircraft access to the Runway 34 threshold. The estimated completion date for this project is 2008.

→ **Terminal Access Roads**

The terminal access road project estimated cost increased by \$7.7 million in June 30, 2006 from \$8.3 million in June 30, 2005. Construction phase 1 will widen Airport drive from Clarkson Road to Charles City Road in order to improve traffic flow from one lane in each direction to two lanes in each direction. This project is estimated to be completed by 2009.

Long-Term Debt

As of June 30, 2006, the Commission had debt outstanding of \$164,510 as follows:

| | |
|---------------------------------|------------------|
| Airport Revenue Bonds | \$103,366 |
| PFC Revenue Bonds | 49,995 |
| Car Rental Garage Revenue Bonds | 9,275 |
| Line of Credit and Notes | <u>1,874</u> |
| Total | <u>\$164,510</u> |

See Note 5 of notes to Financial Statements.

ECONOMIC FACTORS AND FISCAL 2007 BUDGET

The Airport is expected to have more than 3.5 million traveling passengers 2007. The Airport is entering the final phase of completing a multi-year capital improvement program which includes the building of a new 170,000 square foot two level terminal, and expansion of the security screening checkpoint area, a central plant, and a storage facility. With the completion of these projects, the Airport can meet the increased demand at its terminal and other areas in the future.

The Airport results of operations continues to show signs of improvement even though there remains uncertainty with the airline industry, fluctuation in the fuel prices and recent increases in interest rates. The arrival of two low fare carriers has sparked an increase in travel at the Airport by 18.1% percent.

The Commission adopted a \$36,951 operating budget for fiscal year 2007 and projects a 9.8% increase in operating revenues over the prior fiscal year's operating budget. Parking, concession and rental revenues are expected to provide the main source of income for fiscal year 2007. The Commission's fiscal year 2007 approved capital budget allotted \$17,235 for new projects, equipment, and studies.

Operating expenses of \$19.5 million are budgeted to increase \$2.7 or 15.9% over projected fiscal year 2006. Budgeted personnel costs of \$10.0 million are projected to increase \$1.9 million or 23.6% over budgeted fiscal year 2006.

PASSENGER FACILITY CHARGES

The Commission collects \$4.50 per qualifying enplaned passenger, which totaled \$6,546 for fiscal year 2006 (2005 - \$4,247; 2004-\$3,279), an overall increase of 99.5%. The large increase in fiscal year 2006 is attributed to the arrival of two low cost carriers, AirTran and JetBlue.

CUSTOMER FACILITY CHARGES

The Commission collects \$1.80 per each rental vehicle transaction day. Collections for the year ended June 30, 2006 were \$2,061 compared with \$2,094 for 2005 and \$1,814 for 2004. Effective July 1, 2005 collections were reduced to \$1.80 from \$2.10 per each rental vehicle transaction day. See Note 1 in notes to financial statements.

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.

Capital Region Airport Commission
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

| | 2006 | 2005 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Unrestricted Assets: | | |
| Cash and cash equivalents | \$ 15,037,457 | \$ 13,688,289 |
| Accounts receivable, less allowance for doubtful accounts (2006-\$159,727; 2005-\$138,138) | 2,129,335 | 1,736,426 |
| Other | 544,085 | 796,908 |
| Total Unrestricted Current Assets | 17,710,877 | 16,221,623 |
| Restricted Current Assets: | | |
| Cash and cash equivalents | 49,332,056 | 52,114,464 |
| Investments | 10,656,415 | 28,027,380 |
| Customer and Passenger Facility Charges receivable | 1,397,844 | 1,108,003 |
| Due from federal and state governments | 2,579,618 | 2,993,813 |
| Total Restricted Current Assets | 63,965,933 | 84,243,660 |
| Total Current Assets | 81,676,810 | 100,465,283 |
| NONCURRENT ASSETS | | |
| Capital Assets, net | 348,222,403 | 304,143,571 |
| Total Noncurrent Assets | 348,222,403 | 304,143,571 |
| Total Assets | \$ 429,899,213 | \$ 404,608,854 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Liabilities From Unrestricted Assets: | | |
| Current maturities of long-term debt | \$ 185,387 | \$ 170,578 |
| Accounts payable | 998,541 | 1,353,919 |
| Accrued expenses | 969,899 | 732,716 |
| Total Liabilities From Unrestricted Assets | 2,153,827 | 2,257,213 |
| Liabilities From Restricted Assets: | | |
| Account payable | 10,352,995 | 3,216,340 |
| Accrued interest payable | 1,745,561 | 1,227,985 |
| Current maturities of long-term debt | 5,033,604 | 4,741,527 |
| Other liabilities | 90,346 | 90,346 |
| Total Liabilities From Restricted Assets | 17,222,506 | 9,276,198 |
| Total Current Liabilities | 19,376,333 | 11,533,411 |
| LONG-TERM DEBT | | |
| Total Noncurrent Liabilities | 157,005,117 | 162,457,590 |
| Total Liabilities | 176,381,450 | 173,991,001 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 209,637,622 | 172,289,006 |
| Restricted | | |
| Debt service | 25,199,636 | 40,623,487 |
| Customer and Passenger Facility Charges | 2,194,357 | 1,887,100 |
| Unrestricted | 16,486,148 | 15,818,260 |
| Total Net Assets | \$ 253,517,763 | \$ 230,617,853 |

See Notes to Financial Statements.

Capital Region Airport Commission
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|--|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Parking | \$ 15,034,493 | \$ 12,759,778 |
| Landing fees | 3,399,974 | 3,212,025 |
| Concession | 7,037,374 | 7,053,382 |
| Rental | 8,260,248 | 8,377,110 |
| Apron fees | 609,060 | 678,636 |
| Other | 171,801 | 157,308 |
| | 34,512,950 | 32,238,239 |
| OPERATING EXPENSES | | |
| Personnel | 8,489,712 | 7,681,411 |
| Utilities | 1,973,614 | 1,719,038 |
| Professional services | 1,381,141 | 1,582,515 |
| Parking | 2,343,722 | 2,148,661 |
| Maintenance | 1,399,946 | 1,372,728 |
| Insurance | 678,391 | 604,440 |
| Supplies | 678,551 | 618,421 |
| Other | 637,012 | 613,476 |
| | 17,582,089 | 16,340,690 |
| Operating Income Before Depreciation | 16,930,861 | 15,897,549 |
| DEPRECIATION | 14,343,617 | 13,706,264 |
| Operating Income | 2,587,244 | 2,191,285 |
| NONOPERATING INCOME (EXPENSES) | | |
| Interest income | 3,052,182 | 1,537,813 |
| Interest expense | (6,022,576) | (5,742,718) |
| Passenger Facility Charges | 6,545,612 | 4,246,630 |
| Customer Facility Charges | 2,060,818 | 2,093,900 |
| Other, net | (794,363) | (519,212) |
| | 4,841,673 | 1,616,413 |
| Income Before Capital Grants and Contributions | 7,428,917 | 3,807,698 |
| CAPITAL GRANTS AND CONTRIBUTIONS | 15,470,993 | 6,657,582 |
| CHANGE IN NET ASSETS | 22,899,910 | 10,465,280 |
| TOTAL NET ASSETS, BEGINNING | 230,617,853 | 220,152,573 |
| TOTAL NET ASSETS, ENDING | \$ 253,517,763 | \$ 230,617,853 |

See Notes to Financial Statements.

Capital Region Airport Commission
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from operations | \$ 34,123,869 | \$ 32,287,391 |
| Cash paid to employees | (6,346,088) | (5,540,900) |
| Cash paid to suppliers | (11,055,923) | (10,833,363) |
| Cash used in operating activities | (17,402,011) | (16,374,263) |
| Net cash provided from operating activities | 16,721,858 | 15,913,128 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investments | 19,699,474 | 3,287,907 |
| Purchase of investments | (2,582,831) | (25,086,300) |
| Interest income received (includes \$273,163 of capitalized earnings from tax-exempt borrowing for 2006; 2005 - \$220,234) | 3,022,818 | 1,537,813 |
| Net cash provided (used) by investing activities | 20,139,461 | (20,260,580) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from issuance of long-term debt | - | 81,235,279 |
| Payment of long-term debt | (5,197,633) | (57,086,622) |
| Payment of interest on long-term debt (includes \$893,364 of capitalized interest for 2006; 2005 - \$531,817) | (6,370,815) | (6,754,075) |
| Capital contributions received | 15,885,188 | 6,241,526 |
| Passenger Facility Charges collected | 6,283,851 | 4,246,630 |
| Customer Facility Charges collected | 2,032,738 | 2,093,900 |
| Payment of arbitrage | - | (460,898) |
| Additions to capital assets | (50,714,868) | (18,543,699) |
| Payments to other organizations | (213,020) | (321,777) |
| Net cash provided (used) by capital and related financing activities | (38,294,559) | 10,650,264 |
| Net increase (decrease) in cash and cash equivalents | (1,433,240) | 6,302,812 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | 65,802,753 | 59,499,941 |
| Ending | \$ 64,369,513 | \$ 65,802,753 |
| Current Assets | \$ 15,037,457 | \$ 13,688,289 |
| Restricted Assets | 49,332,056 | 52,114,464 |
| | \$ 64,369,513 | \$ 65,802,753 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ 2,587,244 | \$ 2,191,285 |
| Adjustments to reconcile operating income to net cash provided by operations | | |
| Depreciation | 14,343,617 | 13,706,264 |
| Changes in assets and liabilities | | |
| Decrease (increase) in accounts receivable | (389,081) | 49,152 |
| Decrease (increase) in other current assets | 248,994 | (458,347) |
| Increase (decrease) in trade accounts payable | (306,099) | 330,095 |
| Increase (decrease) in accrued expenses | 237,183 | 94,679 |
| Net cash provided by operating activities | \$ 16,721,858 | \$ 15,913,128 |
| Supplemental Cash Flow Information | | |
| Non-cash investing, capital and financing activities | | |
| Net increase (decrease) in fair value of investments | \$ (283,686) | \$ 225,456 |

See Notes to Financial Statements.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Commission is a political subdivision of the Commonwealth of Virginia. Commissioners are appointed by participating political subdivisions, which currently include the City of Richmond, and the Counties of Chesterfield, Hanover and Henrico. The Commissioners are responsible for addressing broad policy matters and approving the operating and capital budgets. The financial statements of the Commission include all business activities of the Richmond International Airport (the "Airport") which the Commission oversees. All funds are included in this report. 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 administrative services, executive, finance, human resources, maintenance and public safety. The Airport is currently served by eight major airlines and nineteen regional airlines.

The financial statements presented for the Capital Region Airport Commission (the "Commission") are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 20 requires proprietary activities to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB No. 20, management has elected not to apply FASB pronouncements issued after November 30, 1989.

The following statements of the Governmental Accounting Standards Board (GASB) have been implemented in the years ended June 30, 2006 and 2005.

GASB Statement No. 40

GASB Statement No. 40, Deposit and Investment Risk Disclosures, updates the custodial credit risk disclosure requirement of Statement 3 and establishes more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. The Commission adopted GASB Statement No. 40 as of June 30, 2005.

GASB Statement No. 44

GASB Statement No. 44, Economic Condition Reporting: The Statistical Section establishes and modifies requirements related to the supplementary information presented in the statistical section. The Commission elected to implement GASB Statement No. 44 for the year ended June 30, 2006.

GASB Statement No. 47

GASB Statement No. 47, Accounting for Termination Benefits establishes standards of accounting and financial reporting for termination benefits that are for either voluntary or involuntary terminations. The Commission adopted GASB Statement No. 47 as of June 30, 2006. The Commission does not currently have any commitments outstanding for termination benefits.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented on the accrual basis of accounting.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 maturities of three months or less to be cash equivalents.

Investments

Investments, principally money market funds, federal and municipal obligations and repurchase agreements, are carried at fair value which approximates amortized cost. 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 assets.

Debt Issuance Costs and Original Issuance Premium

Debt issuance costs and original issuance premium are amortized using the effective interest method. These items are included on the statements of net assets as a reduction or addition to long-term debt.

Capital Assets

Capital assets acquired by the Commission, including assets purchased with designated contributions, are recorded at cost. Contributed capital assets are recorded at estimated fair 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 | 5-40 |
| Paved facilities | 3-20 |
| Furniture and fixtures | 5-20 |
| Machinery and equipment | 3-15 |

The cost of maintenance and repairs is charged to expense as incurred. Expenditures, that significantly increase property lives, are capitalized. Capital assets having a cost in excess of \$7,500 are capitalized.

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.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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-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, changed to \$2.10 effective September 1, 2002, and was reduced to \$1.80 effective July 1, 2005. Collections during fiscal year 2006 were \$2,060,818 (2005 - \$2,093,900).

Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Commission Passenger Facility Charges (PFC) rate of \$4.50 per qualifying enplaned passenger, effective January 1, 2005. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Commission has been authorized to collect PFC plus interest thereon in the aggregate amount of \$137,014,261. Collections during fiscal year 2006 were \$6,545,612 (2005 - \$4,246,630) and aggregate collections and interest thereon from inception through June 30, 2006 were \$46,824,516. Net assets related to PFC are 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 assets as capital grants and contributions.

Restricted Net Assets

The Commission restricts net assets 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, 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 \$2,500 per employee. Vested vacation and sick leave unpaid at year end is included in accrued expenses and amounted to \$714,954 at June 30, 2006 and \$656,991 at June 30, 2005. The net increase for fiscal year 2006 amounted to \$57,963, resulting from an adjustment to prior years accruals.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

For fiscal year 2005, the net increase amounted to \$53,955, represented by payments of \$532,924 and additional accrued vacation and sick leave of \$586,879.

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 Public Official's Self-Insurance Pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the four past fiscal years.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2. FORMATION OF THE COMMISSION

As of January 1, 1976, under an agreement among the City of Richmond, the County of Henrico and the Commission, the City of Richmond 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 of Richmond 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:

| | 2006 | 2005 |
|----------------------------------|----------------------|----------------------|
| Petty cash | \$ 7,672 | \$ 7,012 |
| Operating deposits (overdraft) | (1,380,558) | 1,210,523 |
| Cash equivalents and investments | 76,398,814 | 92,612,598 |
| | \$ 75,025,928 | \$ 93,830,133 |
| Summary: | | |
| Current assets | \$ 15,037,457 | \$ 13,688,289 |
| Restricted assets | 59,988,471 | 80,141,844 |
| | \$ 75,025,928 | \$ 93,830,133 |

Deposits

At June 30, 2006, the carrying value of the Commission's deposits with banks was an overdraft of \$1,380,558 with corresponding bank balances of \$8,898,723. At June 30, 2005, the carrying value of the Commission's deposits with banks was \$1,210,523 with corresponding bank balances of \$4,562,494. Bank balances are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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.

Credit Risks

It is the Commission's policy 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 (the "SNAP Program").

The Commission has invested a portion of the proceeds from the Airport Revenue Bonds Series 1995 and Airport Revenue Refunding Bonds Series 2005A in the SNAP Fund (the "Fund") which is a component of the Commonwealth Cash Reserve Fund, Inc. ("CCRF"). CCRF was organized as a Virginia corporation on December 8, 1986 and was registered under the Investment Company Act of 1940 as a diversified open-end investment company. The Fund is a money market mutual fund that invests in short-term, high quality debt instruments issued by the U.S. government or its agencies or instrumentalities, by U.S. municipalities, and by financial institutions and other U.S. companies. The fair value of the Commission's investment in the Fund is the same as the value of the Fund shares.

Interest and credit risk: The Commission's cash equivalents and investments at June 30, 2006, except for those relating to SNAP and money market funds, are categorized below to give an indication of the level of risk assumed by the Commission at year-end:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 12 months</u> | <u>Over 12 months</u> | <u>Quality Ratings</u> |
|--|----------------------|----------------------------|-----------------------|------------------------|
| Federal Home Loan Bank Global Bonds | \$ 1,235,396 | \$ 1,235,396 | \$ - | AAA |
| Federal Home Loan Bank Bonds | 475,349 | 475,349 | - | AAA |
| Federal Home Loan Bank Cons. Systemwide Bonds | 1,409,754 | 1,409,754 | - | AAA |
| Federal National Mortgage Association Global Notes | 482,640 | 482,640 | - | AAA |
| Federal National Mortgage Association Bonds | 1,406,439 | 1,406,439 | - | AAA |
| Federal National Mtg. Assn. Medium Term Global Note | 1,240,833 | 1,240,833 | - | AAA |
| Federal National Mortgage Association Notes Series 1 | 276,326 | 276,326 | - | AAA |
| New Haven, CT GO Bonds | 753,600 | - | 753,600 | AAA |
| Waukegan, IL Parking Fees | 304,564 | - | 304,564 | AAA |
| Grant CO WA PUB UTI | 461,561 | - | 461,561 | AAA |
| Atlanta, GA Development Authority Revenue Refundin | 699,278 | - | 699,278 | AAA |
| Federal Home Loan Mortgage Corp. Med. Term Notes | 926,188 | - | 926,188 | AAA |
| Federal Farm CR BKS Cons. Systemwide Bonds | 1,757,700 | - | 1,757,700 | AAA |
| Repurchase Agreements | 46,145,424 | 46,145,424 | - | No Rating |
| | <u>\$ 57,575,052</u> | <u>\$ 52,672,161</u> | <u>\$ 4,902,891</u> | |

Concentration of credit risk: The Commission places no limit on the amount that may be invested in any one issuer. More than 5 % of the Commission's investments are in Repurchase Agreements, which represent 80% of the total investments.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 4. CAPITAL ASSETS

Capital assets consist of the following:

| | 6/30/05 | Additions | Reductions | Transfers | 6/30/06 |
|---------------------------------------|-----------------------|----------------------|--------------------|--------------------|-----------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 46,509,419 | \$ - | \$ - | \$ - | \$ 46,509,419 |
| Construction in progress | 27,458,346 | 57,293,733 | - | (2,987,747) | 81,764,332 |
| | <u>73,967,765</u> | <u>57,293,733</u> | <u>-</u> | <u>(2,987,747)</u> | <u>128,273,751</u> |
| Other capital assets: | | | | | |
| Land improvements | 9,341,810 | 283,047 | - | (125) | 9,624,732 |
| Buildings | 164,868,373 | 1,276 | - | - | 164,869,649 |
| Paved facilities | 169,175,244 | - | - | - | 169,175,244 |
| Furniture and fixtures | 1,578,302 | 5,277 | - | - | 1,583,579 |
| Machinery and equipment | 31,092,285 | 877,297 | (227,957) | 2,987,747 | 34,729,372 |
| Total Other Capital Assets | <u>376,056,014</u> | <u>1,166,897</u> | <u>(227,957)</u> | <u>2,987,622</u> | <u>379,982,576</u> |
| Total Capital Assets | <u>450,023,779</u> | <u>58,460,630</u> | <u>(227,957)</u> | <u>(125)</u> | <u>508,256,327</u> |
| Accumulated depreciation: | | | | | |
| Land improvements | (4,976,688) | (597,788) | - | 125 | (5,574,351) |
| Buildings | (42,980,570) | (5,166,027) | - | 212,190 | (47,934,407) |
| Paved facilities | (73,671,223) | (6,663,552) | - | - | (80,334,775) |
| Furniture and fixtures | (1,373,014) | (72,059) | - | - | (1,445,073) |
| Machinery and equipment | (22,878,713) | (1,844,191) | 189,776 | (212,190) | (24,745,318) |
| Total Accumulated Depreciation | <u>(145,880,208)</u> | <u>(14,343,617)</u> | <u>189,776</u> | <u>125</u> | <u>(160,033,924)</u> |
| Capital Assets, Net | <u>\$ 304,143,571</u> | <u>\$ 44,117,013</u> | <u>\$ (38,181)</u> | <u>\$ -</u> | <u>\$ 348,222,403</u> |

| | Balance 6/30/04 | Additions | Reductions | Transfers | Balance 6/30/05 |
|---------------------------------------|-----------------------|---------------------|-------------|---------------------|-----------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 46,501,300 | \$ 8,119 | \$ - | \$ - | \$ 46,509,419 |
| Construction in progress | 61,574,286 | 15,469,381 | - | (49,585,321) | 27,458,346 |
| | <u>108,075,586</u> | <u>15,477,500</u> | <u>-</u> | <u>(49,585,321)</u> | <u>73,967,765</u> |
| Other capital assets: | | | | | |
| Land improvements | 7,915,784 | 166,792 | - | 1,259,109 | 9,341,685 |
| Buildings | 155,538,877 | 4,350 | - | 9,325,146 | 164,868,373 |
| Paved facilities | 130,441,745 | - | - | 38,733,499 | 169,175,244 |
| Furniture and fixtures | 1,570,023 | 8,279 | - | - | 1,578,302 |
| Machinery and equipment | 30,050,786 | 773,932 | - | 267,567 | 31,092,285 |
| Total Other Capital Assets | <u>325,517,215</u> | <u>953,353</u> | <u>-</u> | <u>49,585,321</u> | <u>376,055,889</u> |
| Total Capital Assets | <u>433,592,801</u> | <u>16,430,853</u> | <u>-</u> | <u>-</u> | <u>450,023,654</u> |
| Accumulated depreciation: | | | | | |
| Land improvements | (4,372,323) | (604,240) | - | - | (4,976,563) |
| Buildings | (37,938,079) | (5,042,491) | - | - | (42,980,570) |
| Paved facilities | (67,717,077) | (5,954,146) | - | - | (73,671,223) |
| Furniture and fixtures | (1,268,685) | (104,329) | - | - | (1,373,014) |
| Machinery and equipment | (20,877,780) | (2,000,933) | - | - | (22,878,713) |
| Total Accumulated Depreciation | <u>(132,173,944)</u> | <u>(13,706,139)</u> | <u>-</u> | <u>-</u> | <u>(145,880,083)</u> |
| Capital Assets, Net | <u>\$ 301,418,857</u> | <u>\$ 2,724,714</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 304,143,571</u> |

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT

Long-term debt at June 30, 2006 and 2005 consists of:

| | Balance | | Balance | | Current |
|-------------------------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | 6/30/2005 | Increase | Decrease | 6/30/2006 | Maturities |
| Airport Revenue Bonds: | | | | | |
| Series 1995A,B&C (b) | \$ 16,405,000 | \$ - | \$ (525,000) | \$ 15,880,000 | \$ - |
| Series 2001A&B (c) | 44,180,186 | - | (1,373,921) | 42,806,265 | 1,433,604 |
| Series 2004 A (d) | 17,380,000 | - | (1,425,000) | 15,955,000 | 1,480,000 |
| Series 2005 A Airport Refunding (e) | 28,725,000 | - | - | 28,725,000 | 400,000 |
| PFC Revenue Bonds: | | | | | |
| Series 2005A (h) | 27,885,000 | - | (550,000) | 27,335,000 | 570,000 |
| Series 2005B (i) | 23,115,000 | - | (455,000) | 22,660,000 | 470,000 |
| Car Rental Garage Revenue | | | | | |
| Bonds, Series 2000 (j) | 9,910,000 | - | (635,000) | 9,275,000 | 680,000 |
| The Warehouse Company Note (k) | 2,043,205 | - | (169,270) | 1,873,935 | 185,387 |
| Line of Credit (l) | - | 3,903,072 | (3,903,072) | - | - |
| | 169,643,391 | 3,903,072 | (9,036,263) | 164,510,200 | 5,218,991 |
| Add: Bond premium paid, net | 2,392,647 | - | (245,615) | 2,147,032 | - |
| Less: Debt issuance costs, net | (4,666,343) | (64,438) | 297,657 | (4,433,124) | - |
| Total Long-Term Debt | \$ 167,369,695 | \$ 3,838,634 | \$ (8,984,221) | \$ 162,224,108 | \$ 5,218,991 |

| | Balance | | Balance | | Current |
|------------------------------------|-----------------------|----------------------|------------------------|-----------------------|---------------------|
| | 6/30/2004 | Increase | Decrease | 6/30/2005 | Maturities |
| Airport Revenue Bonds: | | | | | |
| Series 1994 (a) | \$ 1,105,000 | \$ - | \$ (1,105,000) | \$ - | \$ - |
| Series 1995A,B&C (b) | 46,295,000 | - | (29,890,000) | 16,405,000 | 305,000 |
| Series 2001A&B (c) | 45,492,325 | - | (1,312,139) | 44,180,186 | 1,371,527 |
| Series 2004 A (d) | 17,380,000 | - | - | 17,380,000 | 1,425,000 |
| Series 2005A Airport Refunding (e) | - | 28,725,000 | - | 28,725,000 | - |
| PFC Revenue Bonds: | | | | | |
| Series 1999A (f) | 3,260,000 | - | (3,260,000) | - | - |
| Series 1999B (g) | 17,000,000 | - | (17,000,000) | - | - |
| Series 2005A (h) | - | 27,885,000 | - | 27,885,000 | 550,000 |
| Series 2005B (i) | - | 23,115,000 | - | 23,115,000 | 455,000 |
| Car Rental Garage Revenue | | | | | |
| Bonds, Series 2000 (j) | 10,510,000 | - | (600,000) | 9,910,000 | 635,000 |
| The Warehouse Company Note (k) | 2,197,186 | - | (153,981) | 2,043,205 | 170,578 |
| Line of Credit (l) | 1,118,840 | 1,275,821 | (2,394,661) | - | - |
| | 144,358,351 | 81,000,821 | (55,715,781) | 169,643,391 | 4,912,105 |
| Add: Bond premium, net | 1,081,687 | 1,523,743 | (212,783) | 2,392,647 | - |
| Less: Debt issuance costs, net | (3,147,059) | (2,784,864) | 1,265,580 | (4,666,343) | - |
| Total Long-Term Debt | \$ 142,292,979 | \$ 79,739,700 | \$ (54,662,984) | \$ 167,369,695 | \$ 4,912,105 |

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

The aggregate amount of debt service on long-term debt following June 30, 2006 is as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------|---------------|----------------|
| 2007 | \$ 5,218,991 | \$ 7,347,021 | \$ 12,566,012 |
| 2008 | 5,457,371 | 7,103,140 | 12,560,511 |
| 2009 | 5,695,537 | 6,846,966 | 12,542,503 |
| 2010 | 5,963,802 | 6,561,255 | 12,525,057 |
| 2011-2015 | 6,247,508 | 6,259,403 | 12,506,911 |
| 2016-2020 | 35,518,810 | 26,283,916 | 61,802,726 |
| 2021-2025 | 38,252,229 | 17,575,581 | 55,827,810 |
| 2026-2030 | 41,240,953 | 8,745,900 | 49,986,853 |
| 2031-2035 | 10,840,000 | 3,314,739 | 14,154,739 |
| 2036-2040 | 10,074,999 | 992,434 | 11,067,433 |
| | \$ 164,510,200 | \$ 91,030,355 | \$ 255,540,555 |

(a) *Airport Revenue Refunding Bonds-Series 1994*

The Commission legally defeased Airport Revenue Refunding Bonds Series 1994A on April 7, 2004 for \$17,380,000. Proceeds of Airport Revenue Refunding Bonds Series 2004A were used to defease Airport Revenue Refunding Bonds Series 1994A, except for the last principal payment of \$1,105,000, which was paid by the Commission on July 1, 2004.

(b) *Airport Revenue Bonds - Series 1995A, B and C*

On November 9, 1995, the Commission issued Airport Revenue Bonds Series 1995A, B and C totaling \$50,680,000. Proceeds of the bonds were used to finance all or a portion of the costs of certain capital projects and for other specified purposes. On May 19, 2005, Series 1995A outstanding bonds totaling \$28,890,000 were legally defeased by proceeds from Airport Revenue Refunding Bonds Series 2005A, which were invested in U.S. Treasury obligations held by a trustee. The remaining Series 1995 B and C bonds mature as set forth in the following table and are subject to redemption prior to their respective maturities as included in the bond resolution.

Series 1995B bonds amounting to \$5,135,000 and Series 1995C bonds of \$14,865,000 are variable rate bonds and bear a weekly interest rate payable monthly. However, at the option of the Commission, the bonds may be wholly or partially converted to another specified interest rate which may be a fixed rate.

The bonds are secured by a resolution adopted by the Commission on November 21, 1984, as amended and supplemented. Payment of principal and interest are secured by an irrevocable pledge of net revenues and certain trust funds established under the resolution.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(b) Airport Revenue Bonds - Series 1995A B and C (continued)

| Fiscal Year | Series 1995B | | | Series 1995C | |
|----------------|----------------------|---------------------|---------------------|----------------------|--------------------|
| | Total | Principal | Interest | Principal | Interest |
| 2007 | \$ 640,973 | \$ - | \$ 173,400 | \$ - | \$ 467,573 |
| 2008 | 640,973 | - | 173,400 | - | 467,573 |
| 2009 | 640,973 | - | 173,400 | - | 467,573 |
| 2010 | 640,973 | - | 173,400 | - | 467,573 |
| 2011 | 640,973 | - | 173,400 | - | 467,573 |
| 2012 | 640,973 | - | 173,400 | - | 467,573 |
| 2013 | 640,973 | - | 173,400 | - | 467,573 |
| 2014 | 640,973 | - | 173,400 | - | 467,573 |
| 2015 | 665,678 | - | 173,400 | - | 492,278 |
| 2016 | 2,046,640 | - | 173,400 | 1,465,000 | 408,240 |
| 2017 | 2,020,890 | - | 173,400 | 1,500,000 | 347,490 |
| 2018 | 1,960,140 | - | 173,400 | 1,500,000 | 286,740 |
| 2019 | 1,995,340 | - | 173,400 | 1,600,000 | 221,940 |
| 2020 | 2,026,490 | - | 173,400 | 1,700,000 | 153,090 |
| 2021 | 2,053,590 | - | 173,400 | 1,800,000 | 80,190 |
| 2022 | 2,076,640 | - | 173,400 | 1,900,000 | 3,240 |
| 2023 | 253,400 | - | 173,400 | 80,000 | - |
| 2024 | 783,000 | 635,000 | 148,000 | - | - |
| 2025 | 2,260,000 | 2,200,000 | 60,000 | - | - |
| 2026 | 1,500,000 | 1,500,000 | - | - | - |
| | <u>\$ 24,769,588</u> | <u>\$ 4,335,000</u> | <u>\$ 3,155,800</u> | <u>\$ 11,545,000</u> | <u>\$5,733,788</u> |

Note: Interest is stated at the effective rate of 4.0% at June 30, 2006 for the 1995B Bonds (4.05% -1995C Bonds).

(c) 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. Monthly principal and interest payments on the Series 2001A in the amount of \$150,338 (Series 2001B of \$125,015) began August 1, 2002.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(c) Airport Revenue Bonds - Series 2001A (Non-AMT) and Series 2001B (AMT) (continued)

| Fiscal Year | Series 2001A | | | Series 2001B | |
|-------------|---------------|---------------|---------------|---------------|--------------|
| | Total | Principal | Interest | Principal | Interest |
| 2007 | \$ 3,304,237 | \$ 801,979 | \$ 1,002,082 | \$ 631,625 | \$ 868,551 |
| 2008 | 3,304,237 | 837,652 | 966,409 | 660,839 | 839,337 |
| 2009 | 3,304,237 | 874,913 | 929,148 | 691,405 | 808,771 |
| 2010 | 3,304,237 | 913,831 | 890,230 | 723,384 | 776,792 |
| 2011 | 3,304,237 | 954,480 | 849,581 | 756,842 | 743,334 |
| 2012 | 3,304,237 | 996,937 | 807,124 | 791,848 | 708,328 |
| 2013 | 3,304,237 | 1,041,282 | 762,779 | 828,473 | 671,703 |
| 2014 | 3,304,237 | 1,087,601 | 716,460 | 866,792 | 633,384 |
| 2015 | 3,304,237 | 1,135,979 | 668,082 | 906,883 | 593,293 |
| 2016 | 3,304,237 | 1,186,510 | 617,551 | 948,829 | 551,347 |
| 2017 | 3,304,237 | 1,239,288 | 564,773 | 992,714 | 507,462 |
| 2018 | 3,304,237 | 1,294,414 | 509,647 | 1,038,630 | 461,546 |
| 2019 | 3,304,237 | 1,351,992 | 452,069 | 1,086,669 | 413,507 |
| 2020 | 3,304,237 | 1,412,131 | 391,930 | 1,136,930 | 363,246 |
| 2021 | 3,304,237 | 1,474,945 | 329,116 | 1,189,516 | 310,660 |
| 2022 | 3,304,237 | 1,540,554 | 263,507 | 1,244,534 | 255,642 |
| 2023 | 3,304,237 | 1,609,080 | 194,981 | 1,302,097 | 198,079 |
| 2024 | 3,304,237 | 1,680,655 | 123,406 | 1,362,322 | 137,854 |
| 2025 | 3,304,237 | 1,755,414 | 48,647 | 1,425,333 | 74,843 |
| 2026 | 1,045,028 | 158,579 | 608 | 872,384 | 13,457 |
| | \$ 63,825,531 | \$ 23,348,216 | \$ 11,088,130 | \$ 19,458,049 | \$ 9,931,136 |

(d) Revenue Refunding Bonds – Series 2004A

On April 7, 2004, Series 2004A Bonds were issued in the amount of \$17,380,000 to refund the Airport Revenue Refunding Bonds Series 1994. The Bonds are term bonds requiring redemption at various dates through 2015, at par, and bear interest of 4%. Principal payments are due July 1 with interest payable July 1 and January 1 for fiscal years as follows:

| Fiscal Year | Total | Principal | Interest |
|-------------|---------------|---------------|--------------|
| 2007 | \$ 2,172,350 | \$ 1,480,000 | \$ 692,350 |
| 2008 | 2,170,750 | 1,540,000 | 630,750 |
| 2009 | 2,166,750 | 1,600,000 | 566,750 |
| 2010 | 2,148,500 | 1,665,000 | 483,500 |
| 2011 | 2,146,000 | 1,750,000 | 396,000 |
| 2012 | 2,139,250 | 1,835,000 | 304,250 |
| 2013 | 2,137,750 | 1,930,000 | 207,750 |
| 2014 | 2,131,500 | 2,025,000 | 106,500 |
| 2015 | 2,130,000 | 2,130,000 | - |
| | \$ 19,342,850 | \$ 15,955,000 | \$ 3,387,850 |

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(e) Airport Revenue Refunding Bonds Series 2005A

On May 19, 2005, the Commission issued Airport Revenue Refunding Bonds Series 2005A in the amount of \$28,725,000, secured by an Airport Revenue Bond Resolution adopted by the Commission on November 21, 1984, as amended and supplemented, including an Eighth Supplemental Bond Resolution adopted by the Commission on March 29, 2005. The Bonds were issued along with other funds of the Commission for the purpose of refunding on a current basis Airport Revenue Bonds Series 1995A in the amount of \$28,725,000, leaving outstanding the scheduled maturity payment on July 1, 2005 of \$305,000.

The Series 2005A Bonds initial principal payment begins July 1, 2006 with the final maturity on July 1, 2025. Interest on the bonds is payable initially on July 1, 2005 and semi-annually each January and July 1 thereafter. Certain details concerning the Series 2005A Bonds are as follows:

Interest rates:

| | |
|--------------------|---------------|
| Series 2005A Bonds | 3.00% - 5.25% |
| Series 1995A Bonds | 4.90% - 5.63% |

| | |
|---|--------------|
| Projected average annual reduction of debt service | \$ 178,038 |
| Projected economic gain (the difference between the net present value of debt service on the Series 2004 bonds, including the taxable bonds and debt service on the Series 1995A Bonds) | \$ 2,212,163 |

| Fiscal Year | Total | Principal | Interest |
|-------------|----------------------|---------------------|---------------------|
| 2007 | \$ 1,734,269 | \$ 400,000 | \$ 1,334,269 |
| 2008 | 1,737,044 | 415,000 | 1,322,044 |
| 2009 | 1,734,444 | 425,000 | 1,309,444 |
| 2010 | 1,736,469 | 440,000 | 1,296,469 |
| 2011 | 1,732,556 | 450,000 | 1,282,556 |
| 2012 | 1,732,106 | 465,000 | 1,267,106 |
| 2013 | 1,730,568 | 480,000 | 1,250,568 |
| 2014 | 1,732,168 | 500,000 | 1,232,168 |
| 2015 | 1,726,868 | 515,000 | 1,211,868 |
| 2016 | 2,837,468 | 1,680,000 | 1,157,468 |
| 2017 | 2,870,987 | 1,805,000 | 1,065,987 |
| 2018 | 2,944,231 | 1,975,000 | 969,231 |
| 2019 | 2,918,606 | 2,050,000 | 868,606 |
| 2020 | 2,904,756 | 2,130,000 | 774,756 |
| 2021 | 2,877,156 | 2,200,000 | 677,156 |
| 2022 | 2,869,531 | 2,305,000 | 564,531 |
| 2023 | 2,759,156 | 2,310,000 | 449,156 |
| 2024 | 3,023,906 | 2,700,000 | 323,906 |
| 2025 | 2,854,781 | 2,665,000 | 189,781 |
| 2026 | 2,876,578 | 2,815,000 | 61,578 |
| | <u>\$ 47,333,648</u> | <u>\$28,725,000</u> | <u>\$18,608,648</u> |

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(f) Passenger Facility Charge Revenue Bonds, Series 1999A

The Commission issued additional Passenger Facility Charge Revenue Bonds Series A in the amount of \$4,000,000 on November 1, 1999 under the Master Indenture of Trust dated June 1, 1996, as amended, for a terminal roadway project. On March 31, 2005, the outstanding bonds of \$3,260,000 were refinanced by the issuance of \$27,885,000 Passenger Facility Charge Revenue Bonds, 2005 Series A (AMT).

(g) Passenger Facility Charge Revenue Bonds, Series 1999B

The Commission issued Passenger Facility Charge Revenue Bonds Series B in the amount of \$17,000,000 on October 7, 1999, under the Master Indenture of Trust dated June 1, 1996, as amended, for the cost of issuance and realignment, modification and expansion of the terminal access roadway system. On March 31, 2005, outstanding bonds of \$17,000,000 were refinanced by the issuance of \$23,115,000 Passenger Facility Charge Revenue Bonds, 2005 Series B (Non-AMT).

(h) Passenger Facility Charge Revenue Bonds, Series 2005A (AMT)

On March 31, 2005 the Commission issued Passenger Facility Charge Revenue Bonds, 2005 Series A (AMT) in the amount of \$27,885,000, under the Master Indenture of Trust dated March 1, 2005, as amended and pursuant to provisions of Chapter 380 of the Acts of Assembly of the Commonwealth of Virginia of 1980, as amended. The bonds were issued for the purpose of refinancing the Passenger Facility Charge Revenue Bonds, Series 1999 A in the amount of \$3,260,000 and to finance certain costs of the terminal project. The proceeds were invested in Federal Home Loan and Federal National Mortgage Association bonds and U.S. Treasury obligations which were held by a trustee.

The bonds bear interest payable monthly at a weekly variable rate until such time as they are converted to a fixed rate. The bonds are secured by and payable from PFC revenues which have been assigned to the Trustee to secure payment along with funds that may be drawn under a direct-pay letter of credit issued by Wachovia Bank, National Association. The amount available to the Trustee under the letter of credit cannot exceed the aggregate principal amount of bonds outstanding and accrued and unpaid interest. The letter of credit will expire on March 31, 2008, and can be extended or terminated by certain events. The bonds are subject to optional redemption prior to maturity. Principal payments are due June 1 for the fiscal years as illustrated on the preceding page.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(h) Passenger Facility Charge Revenue Bonds, Series 2005A (AMT)(Continued)

| Fiscal Year | Total | Principal | Interest | Fiscal Year | Total | Principal | Interest |
|-------------|---------------|---------------|---------------|-------------|---------------|---------------|--------------|
| 2007 | \$ 1,669,686 | \$ 570,000 | \$ 1,099,686 | 2022 | \$ 1,594,996 | \$ 935,000 | \$ 659,996 |
| 2008 | 1,666,648 | 590,000 | 1,076,648 | 2023 | 1,592,199 | 970,000 | 622,199 |
| 2009 | 1,657,821 | 605,000 | 1,052,821 | 2024 | 1,587,990 | 1,005,000 | 582,990 |
| 2010 | 1,658,355 | 630,000 | 1,028,355 | 2025 | 1,582,371 | 1,040,000 | 542,371 |
| 2011 | 1,647,916 | 645,000 | 1,002,916 | 2026 | 1,570,359 | 1,070,000 | 500,359 |
| 2012 | 1,646,839 | 670,000 | 976,839 | 2027 | 1,562,120 | 1,105,000 | 457,120 |
| 2013 | 1,639,770 | 690,000 | 949,770 | 2028 | 1,557,453 | 1,145,000 | 412,453 |
| 2014 | 1,636,879 | 715,000 | 921,879 | 2029 | 1,551,176 | 1,185,000 | 366,176 |
| 2015 | 1,637,964 | 745,000 | 892,964 | 2030 | 1,543,286 | 1,225,000 | 318,286 |
| 2016 | 1,627,873 | 765,000 | 862,873 | 2031 | 1,533,784 | 1,265,000 | 268,784 |
| 2017 | 1,626,943 | 795,000 | 831,943 | 2032 | 1,527,654 | 1,310,000 | 217,654 |
| 2018 | 1,619,820 | 820,000 | 799,820 | 2033 | 1,519,709 | 1,355,000 | 164,709 |
| 2019 | 1,616,674 | 850,000 | 766,674 | 2034 | 1,509,952 | 1,400,000 | 109,952 |
| 2020 | 1,612,318 | 880,000 | 732,318 | 2035 | 1,498,381 | 1,445,000 | 53,381 |
| 2021 | 1,606,753 | 910,000 | 696,753 | | | | |
| | \$ 24,572,259 | \$ 10,880,000 | \$ 13,692,259 | | \$ 21,731,430 | \$ 16,455,000 | \$ 5,276,430 |

Note: Interest is stated at the effective rate of 4.03%.

(i) Passenger Facility Charge Revenue Bonds, 2005 Series B (Non-AMT)

On March 31, 2005, the Commission issued Passenger Facility Charge Revenue Bonds, 2005 Series B (Non-AMT) in the amount of \$23,115,000, under a Master Indenture of Trust dated March 1, 2005, as amended, and pursuant to provisions of Chapter 380 of the Acts of Assembly of the Commonwealth of Virginia of 1980, as amended. The Bonds were issued for the purpose of refinancing the Passenger Facility Charge Revenue Bonds, 1999- Series B, in the amount of \$17,000,000. The remaining proceeds were used to finance certain costs of the terminal project. The bonds will bear interest payable monthly at a weekly variable rate until such time as they are converted to a fixed rate. The proceeds of the Bonds were invested in U.S. Treasury obligations held by a Trustee.

The Bonds are secured by and payable from PFC revenues which have been assigned to a Trustee to secure payment along with funds that may be drawn under a direct-pay letter of credit issued by Wachovia Bank, National Association. The amount available to the Trustee under the letter of credit cannot exceed the aggregate principal amount of bonds outstanding and accrued and unpaid interest. The letter of credit will expire on March 31, 2008 and can be extended or earlier terminated by certain events. The Bonds are subject to optional redemption prior to maturity. Principal payments are due June 1 for the fiscal years as illustrated on the preceding page.

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Note 5. LONG-TERM DEBT (Continued)

(i) Passenger Facility Charge Revenue Bonds, 2005 Series B (Non-AMT) (Continued)

| Fiscal Year | Total | Principal | Interest | Fiscal Year | Total | Principal | Interest |
|-------------|---------------|--------------|---------------|-------------|---------------|---------------|--------------|
| 2007 | \$ 1,370,309 | \$ 470,000 | \$ 900,309 | 2022 | \$ 1,320,285 | \$ 780,000 | \$ 540,285 |
| 2008 | 1,366,553 | 485,000 | 881,553 | 2023 | 1,314,158 | 805,000 | 509,158 |
| 2009 | 1,367,184 | 505,000 | 862,184 | 2024 | 1,307,037 | 830,000 | 477,037 |
| 2010 | 1,367,019 | 525,000 | 842,019 | 2025 | 1,303,902 | 860,000 | 443,902 |
| 2011 | 1,361,074 | 540,000 | 821,074 | 2026 | 1,294,592 | 885,000 | 409,592 |
| 2012 | 1,354,532 | 555,000 | 799,532 | 2027 | 1,294,253 | 920,000 | 374,253 |
| 2013 | 1,352,377 | 575,000 | 777,377 | 2028 | 1,287,537 | 950,000 | 337,537 |
| 2014 | 1,349,426 | 595,000 | 754,426 | 2029 | 1,279,628 | 980,000 | 299,628 |
| 2015 | 1,345,678 | 615,000 | 730,678 | 2030 | 1,275,508 | 1,015,000 | 260,508 |
| 2016 | 1,341,135 | 635,000 | 706,135 | 2031 | 1,269,995 | 1,050,000 | 219,995 |
| 2017 | 1,340,779 | 660,000 | 680,779 | 2032 | 1,263,088 | 1,085,000 | 178,088 |
| 2018 | 1,334,445 | 680,000 | 654,445 | 2033 | 1,254,789 | 1,120,000 | 134,789 |
| 2019 | 1,332,297 | 705,000 | 627,297 | 2034 | 1,250,081 | 1,160,000 | 90,081 |
| 2020 | 1,324,173 | 725,000 | 599,173 | 2035 | 1,243,780 | 1,200,000 | 43,780 |
| 2021 | 1,320,234 | 750,000 | 570,234 | | | | |
| | \$ 20,227,215 | \$ 9,020,000 | \$ 11,207,215 | | \$ 17,958,633 | \$ 13,640,000 | \$ 4,318,633 |

Note: Interest is computed at the effective rate of 3.98% at June 30, 2006.

(j) Taxable Car Rental Garage Facilities Revenue Bonds, Series 2000

On December 1, 2000, the Commission issued Taxable Car Rental Garage Facilities Revenue Bonds, Series 2000 pursuant to an Indenture of Trust dated December 1, 2000 in the amount of \$11,305,000. The Bonds are limited special revenue obligations of the Commission payable solely from and secured by a pledge of customer facility charges established by the Commission to be charged, collected and remitted by the on-airport rental car companies and other funds pledged under the indenture starting February 1, 2001. The Bonds require redemption each year starting July 1, 2002 through July 1, 2015. Interest is payable each January 1 and July 1 at fixed rates ranging from 6.3% to 7% depending on maturity dates.

Principal and interest payments for the fiscal years are as follows:

| Fiscal Year | Total | Principal | Interest |
|-------------|---------------|--------------|--------------|
| 2007 | \$ 1,317,873 | \$ 680,000 | \$ 637,873 |
| 2008 | 1,317,993 | 725,000 | 592,993 |
| 2009 | 1,314,780 | 770,000 | 544,780 |
| 2010 | 1,313,190 | 820,000 | 493,190 |
| 2011 | 1,317,840 | 880,000 | 437,840 |
| 2012 | 1,318,000 | 940,000 | 378,000 |
| 2013 | 1,317,200 | 1,005,000 | 312,200 |
| 2014 | 1,316,850 | 1,075,000 | 241,850 |
| 2015 | 1,316,600 | 1,150,000 | 166,600 |
| 2016 | 1,316,100 | 1,230,000 | 86,100 |
| | \$ 13,166,426 | \$ 9,275,000 | \$ 3,891,426 |

Note 5. LONG-TERM DEBT (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

(k) The Warehouse Company Note

The Warehouse Company Note was issued on October 4, 1993 in the amount of \$3,200,000 for land and parking lot improvements. In April 2003, the parties agreed to amend the computation of interest rates effective October 2002. In October of each year, the interest rate is increased or decreased by one half of the increase or decrease in the difference between 3.40% and 89% of the one year London InterBank Offered Rates (LIBOR) on September 30. The interest rate through September 30, 2006 is 9.55% (2005 – 9.27%). Principal and interest are payable in equal monthly amounts and (assuming no change in the interest rate on the one year LIBOR) are as follows:

| Total | Principal | Interest |
|---------------------|---------------------|-------------------|
| \$ 356,315 | \$ 185,387 | \$ 170,928 |
| 356,314 | 203,880 | 152,434 |
| 356,315 | 224,219 | 132,096 |
| 356,315 | 246,587 | 109,728 |
| 356,315 | 271,186 | 85,129 |
| 356,315 | 298,239 | 58,076 |
| 356,315 | 327,991 | 28,324 |
| 118,772 | 116,446 | 2,326 |
| <u>\$ 2,612,976</u> | <u>\$ 1,873,935</u> | <u>\$ 739,041</u> |

(l) Line of Credit

The Commission entered into an Exempt Facility Credit Agreement with a bank as of December 1, 2005, whereby the Commission may borrow the aggregate maximum principal amount not to exceed \$10,000,000. Interest on the note is payable monthly at a rate per annum equal to the sum of 78% of one month LIBOR, plus 25 basis points, as such rate may change from day to day in accordance with changes in the one month LIBOR rate.

Proceeds of the note under the line of credit are being used for the purpose of financing and refinancing certain capital projects. Net revenues are pledged as security and are subordinate to any pledge made on certain indebtedness now and hereafter outstanding. The credit period expires November 30, 2008 and is subject to extension pursuant to the agreement. There are no outstanding borrowings under the agreement as of June 30, 2006 and no outstanding borrowings at June 30, 2005 under a previous agreement.

(m) Restricted Assets

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

| | 2006 | 2005 |
|------------------------------|----------------------|----------------------|
| Construction | \$ 16,346,291 | \$ 28,075,459 |
| Cost of issuance | 68,111 | 243,822 |
| Debt service | 16,081,606 | 19,335,132 |
| Equipment and capital outlay | 19,082,761 | 27,528,501 |
| Operation and maintenance | 3,139,616 | 2,300,887 |
| | <u>\$ 54,718,385</u> | <u>\$ 77,483,801</u> |

Note 5. LONG-TERM DEBT (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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. The total accrued arbitrage rebate liability for the years ended June 30, 2006 and 2005 was \$90,345.

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 \$2,002,704 (6.2%) and \$1,478,503 (4.6%) for the year ended June 30, 2006 and \$2,309,310 (7.2%) and \$1,483,350 (4.6%) for the year ended June 30, 2005.

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, 2006:

| Fiscal Year | Amount |
|-------------|---------------|
| 2007 | \$ 7,661,992 |
| 2008 | 7,464,463 |
| 2009 | 7,349,536 |
| 2010 | 7,347,132 |
| 2011 | 7,162,206 |
| 2012-2016 | 26,530,055 |
| 2017-2021 | 2,558,464 |
| 2022-2026 | 994,172 |
| 2027-2031 | 212,484 |
| | \$ 67,280,504 |

The Commission had rental and concession income of \$15,297,622 and \$15,430,492 in 2006 and 2005, 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.

Note 8. DEFINED BENEFIT PENSION PLAN

Plan Description

The Commission participates in the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined pension plan administered by the VRS. All full-time employees of the Commission participate in the Plan. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. AFC is defined as the highest consecutive 36 months of reported

Note 8. DEFINED BENEFIT PENSION PLAN (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Retirement is based on age at retirement, years of service, and AFC. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. COLA is limited to 5% per year. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended (the "Code"), assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing VRS, P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

In accordance with the Code, plan members contribute 5% of their annual salary to the VRS. The Commission has elected to assume the member contribution and, in addition, is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code and approved by the VRS Board of Trustees. For the years ended June 30, 2006 and 2005, the Commission contributed 5.75% of the annual covered payroll. The contribution rate for the years ended June 30, 2006 and 2005 includes the Commission's share of .75% and the plan members' share of 5%.

Annual Pension Cost

For the year ended June 30, 2006, the Commission's annual pension cost of \$424,850 (2005 - \$406,958), including the plan members' share, was equal to its required and actual contribution. The required contribution rates for the years ended June 30, 2006 and 2005 were determined using the entry age normal actuarial cost method as part of the actuarial valuations for June 30, 2005.

Significant actuarial assumptions used per year include a 7.5% rate of return on investments; projected salary increases of 3.50% to 5.73%; cost of living adjustment of 2.5%; an inflation rate of 2.5% and projected salary increase of 3%.

The modified market valuation method was used to determine the actuarial value of assets. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a period of 21 years.

Gabriel, Roeder, Smith and Company, actuary for the VRS, prepared the actuarial valuation results as of June 30, 2005. Independent auditors have not audited this information. The funding progress and the Commission's contributions are as follows:

Funding Progress (Unaudited)

| Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (3)-(2) | Funded Ratio (2)/(3) | Annual Covered Payroll | UAAL as % of Payroll (4)/(6) |
|-----------------------|--|--|--|-----------------------------|-------------------------------|-------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| June 30, 2005 | 14,219,945 | 15,184,926 | 964,981 | 93.65% | 5,795,215 | 16.65% |
| June 30, 2004 | 13,526,870 | 13,194,844 | (332,026) | 102.52 | 5,072,823 | (6.55) |
| June 30, 2003 | 12,916,688 | 9,861,313 | (3,055,375) | 130.98 | 5,053,674 | (60.46) |

Note 8. DEFINED BENEFIT PENSION PLAN (Continued)

Capital Region Airport Commission
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

Three-Year Trend Information

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension Cost</u> <u>(APC)</u> | <u>Percentage of APC</u> <u>Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|-------------------------------------|--|--|---|
| June 30, 2006 | \$424,850 | 100% | None |
| June 30, 2005 | 406,958 | 100 | None |
| June 30, 2004 | 385,607 | 100 | None |

Note 9. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2006 and 2005, 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 10. 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 \$15,000 for the year 2006. However, participants age 50 and older may defer a maximum of \$20,000. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency. However, the third party administrator permits a one-time, in-service withdrawal of \$5,000 under certain conditions and a participant can borrow money from their vested account balances.

The plan was amended as of January 1, 1997, to provide for all plan assets to be transferred to and held in a custodial account for the exclusive benefit of participants and beneficiaries under the Plan. In 1999, the Commission adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and, accordingly the related assets and liabilities associated with the Plan are not reported as part of the Commission's financial information.

Note 11. COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Commission has commitments, contingent liabilities, lawsuits and claims. Management of the Commission 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, 2006, the Commission had construction commitments of approximately \$81.8 million, of which approximately \$15.4 million will be paid from federal and state grants.

* * * * *

Capital Region Airport Commission
SCHEDULE OF CONSTRUCTION IN PROGRESS
Year Ended June 30, 2006

| | Balance 6/30/2005 | Additions | Transfer | Completed Projects | Balance 6/30/2006 |
|---|----------------------|----------------------|-------------|-----------------------|----------------------|
| Airport drive landscaping | \$ - | \$ 7,196 | \$ - | \$ - | \$ 7,196 |
| Concourse "C" FIS buildout | 2,677,180 | 17,603 | - | - | 2,694,783 |
| Concourse & terminal furnishing | 1,576,473 | - | - | - | 1,576,473 |
| Concourse A & C refurb. / restrooms | - | 47,381 | - | - | 47,381 |
| Construct terminal roadway | - | 12,761 | - | - | 12,761 |
| Jetway enhancement | 1,031,670 | - | - | - | 1,031,670 |
| Maintenance facilities | 741,638 | 528,682 | - | - | 1,270,320 |
| Main terminal, phase II (building) | 13,683,197 | 46,270,724 | - | - | 59,953,921 |
| New Kent wetland mitigation | - | 75,089 | - | - | 75,089 |
| Other | 371,780 | 34,125 | - | - | 405,905 |
| Roadway repairs | 513,145 | - | - | - | 513,145 |
| Runway 16/34 south extension | 1,237,501 | - | - | - | 1,237,501 |
| Security checkpoint | 1,029,043 | 8,527,508 | - | - | 9,556,551 |
| Security improvements | 1,911,582 | 1,076,165 | - | (2,987,747) | - |
| Taxiway L rehabilitation | - | 215,363 | - | - | 215,363 |
| Terminal access roads | 752,728 | 45,986 | - | - | 798,714 |
| Terminal refurbishment | 934,464 | 122,066 | - | - | 1,056,530 |
| Terminal telecommunications improvement | 525,650 | 59,967 | - | - | 585,617 |
| Water system improvement | 472,295 | 253,117 | - | - | 725,412 |
| | <u>\$ 27,458,346</u> | <u>\$ 57,293,733</u> | <u>\$ -</u> | <u>\$ (2,987,747)</u> | <u>\$ 81,764,332</u> |

Capital Region Airport Commission
SCHEDULE OF OPERATING REVENUES
Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|------------------------------|----------------------|----------------------|
| Parking | | |
| Terminal | \$ 11,729,209 | \$ 10,094,309 |
| Economy and shuttle | 2,606,678 | 2,092,189 |
| Valet | 691,069 | 563,733 |
| Parking meter and violations | 7,537 | 9,547 |
| | 15,034,493 | 12,759,778 |
| Landing Fees | | |
| Major | 1,724,022 | 1,744,932 |
| Regional | 1,053,416 | 828,580 |
| Scheduled freighter | 455,330 | 515,682 |
| Other | 167,206 | 122,831 |
| | 3,399,974 | 3,212,025 |
| Concession | | |
| Rental car | 4,541,526 | 4,786,051 |
| Food and beverage | 877,046 | 862,489 |
| Ground transportation fees | 374,378 | 364,183 |
| In-flight catering, etc. | 19,767 | 43,236 |
| Retail sales | 533,738 | 493,124 |
| Off-airport concession fees | 26,507 | - |
| Terminal advertising | 484,779 | 319,939 |
| Fuel flowage fees | 167,722 | 176,110 |
| Other | 11,911 | 8,250 |
| | 7,037,374 | 7,053,382 |
| Rental | | |
| Airline terminal | 6,304,222 | 6,515,753 |
| Land | 1,009,169 | 933,008 |
| Other buildings | 946,857 | 928,349 |
| | 8,260,248 | 8,377,110 |
| Apron Fees | | |
| | 609,060 | 678,636 |
| Other | | |
| Utilities | 81,888 | 88,214 |
| Other | 89,913 | 69,094 |
| | 171,801 | 157,308 |
| | \$ 34,512,950 | \$ 32,238,239 |

Capital Region Airport Commission
SCHEDULE OF OPERATING EXPENSES
Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|----------------------------------|----------------------|----------------------|
| Personnel | | |
| Salaries | | |
| Regular | \$ 6,680,613 | \$ 5,986,803 |
| Overtime | 191,574 | 175,766 |
| Fringe benefits | | |
| Payroll taxes | 513,426 | 504,033 |
| Group insurance, life and health | 642,982 | 606,111 |
| Retirement | 424,850 | 405,958 |
| Other | 36,267 | 2,740 |
| | <u>8,489,712</u> | <u>7,681,411</u> |
| Utilities | | |
| Electricity | 1,380,683 | 1,183,596 |
| Heating fuel | 259,418 | 229,217 |
| Telephone | 53,265 | 82,412 |
| Water and sewer | 280,248 | 223,813 |
| | <u>1,973,614</u> | <u>1,719,038</u> |
| Professional Services | | |
| Legal and accounting | 486,829 | 374,486 |
| Consulting services | 353,571 | 630,618 |
| Marketing and promotion | 540,741 | 577,411 |
| | <u>1,381,141</u> | <u>1,582,515</u> |
| Parking | | |
| Terminal | 1,547,613 | 1,453,931 |
| Economy and shuttle | 796,109 | 694,730 |
| | <u>2,343,722</u> | <u>2,148,661</u> |
| Maintenance | | |
| Building | 231,892 | 390,172 |
| Equipment | 599,543 | 315,165 |
| Other | 568,511 | 667,391 |
| | <u>1,399,946</u> | <u>1,372,728</u> |
| Insurance | 678,391 | 604,440 |
| Supplies | 678,551 | 618,421 |
| Other | | |
| Conference and travel | 59,903 | 70,690 |
| Snow removal | 122,272 | 164,376 |
| Other | 454,837 | 378,410 |
| | <u>637,012</u> | <u>613,476</u> |
| | <u>\$ 17,582,089</u> | <u>\$ 16,340,690</u> |

Capital Region Airport Commission
SCHEDULE OF OPERATING REVENUES, BUDGET AND ACTUAL
Year Ended June 30, 2006

| | Budget | Actual | Variance with Budget Positive (Negative) |
|------------------------------|---------------|---------------|--|
| Parking | | | |
| Terminal | \$ 11,286,000 | \$ 11,729,209 | \$ 443,209 |
| Economy and shuttle | 2,241,000 | 2,606,677 | 365,677 |
| Valet | 633,000 | 691,069 | 58,069 |
| Parking meter and violations | 15,000 | 7,538 | (7,462) |
| | 14,175,000 | 15,034,493 | 859,493 |
| Landing Fees | | | |
| Major | 1,303,200 | 1,724,021 | 420,821 |
| Regional | 1,345,025 | 1,053,416 | (291,609) |
| Scheduled freighter | 468,622 | 455,330 | (13,292) |
| Other | 108,660 | 167,207 | 58,547 |
| | 3,225,507 | 3,399,974 | 174,467 |
| Concession | | | |
| Rental car | 4,480,317 | 4,541,526 | 61,209 |
| Food and beverage | 962,200 | 877,046 | (85,154) |
| Ground transportation fees | 393,300 | 374,378 | (18,922) |
| In-flight catering, etc. | 50,200 | 19,767 | (30,433) |
| Retail sales | 557,500 | 533,738 | (23,762) |
| Terminal advertising | 450,000 | 484,779 | 34,779 |
| Fuel flowage fees | 205,000 | 167,722 | (37,278) |
| Other | 9,700 | 38,418 | 28,718 |
| | 7,108,217 | 7,037,374 | (70,843) |
| Rental | | | |
| Airline terminal | 6,252,304 | 6,304,222 | 51,918 |
| Land | 1,056,724 | 1,009,169 | (47,555) |
| Other buildings | 973,266 | 946,857 | (26,409) |
| | 8,282,294 | 8,260,248 | (22,046) |
| Apron Fees | 603,664 | 609,060 | 5,396 |
| Other | | | |
| Utilities | 188,300 | 81,888 | (106,412) |
| Other | 82,300 | 89,913 | 7,613 |
| | 270,600 | 171,801 | (98,799) |
| | \$ 33,665,282 | \$ 34,512,950 | \$ 847,668 |

Capital Region Airport Commission
SCHEDULE OF OPERATING EXPENSES, BUDGET AND ACTUAL
Year Ended June 30, 2006

| | Budget | Actual | Variance with Budget Positive (Negative) |
|----------------------------------|----------------------|----------------------|--|
| Personnel | | | |
| Salaries | | | |
| Regular | \$ 6,080,435 | \$ 6,391,697 | \$ (311,262) |
| Overtime | 130,000 | 191,574 | (61,574) |
| Fringe benefits | | | |
| Payroll taxes | 477,775 | 513,426 | (35,651) |
| Group insurance, life and health | 682,140 | 642,982 | 39,158 |
| Retirement | 439,307 | 424,850 | 14,457 |
| Other personnel expense | 215,000 | 325,183 | (110,183) |
| | <u>8,024,657</u> | <u>8,489,712</u> | <u>(465,055)</u> |
| Utilities | | | |
| Electricity | 1,348,000 | 1,380,683 | (32,683) |
| Heating fuel | 181,000 | 259,418 | (78,418) |
| Telephone | 115,600 | 53,265 | 62,335 |
| Water and sewer | 275,000 | 280,248 | (5,248) |
| | <u>1,919,600</u> | <u>1,973,614</u> | <u>(54,014)</u> |
| Professional Services | | | |
| Legal and accounting | 330,000 | 486,829 | (156,829) |
| Consulting services | 590,000 | 353,571 | 236,429 |
| Marketing and promotion | 653,700 | 540,741 | 112,959 |
| | <u>1,573,700</u> | <u>1,381,141</u> | <u>192,559</u> |
| Parking | | | |
| Terminal | 1,330,000 | 796,109 | 533,891 |
| Economy and shuttle | 765,000 | 1,547,613 | (782,613) |
| | <u>2,095,000</u> | <u>2,343,722</u> | <u>(248,722)</u> |
| Maintenance | | | |
| Building | 482,000 | 231,892 | 250,108 |
| Equipment | 232,500 | 599,543 | (367,043) |
| Other | 789,100 | 568,511 | 220,589 |
| | <u>1,503,600</u> | <u>1,399,946</u> | <u>103,654</u> |
| Insurance | 643,400 | 678,391 | (34,991) |
| Supplies | 539,160 | 678,551 | (139,391) |
| Other | | | |
| Conference and travel | 89,000 | 59,903 | 29,097 |
| Snow removal | 50,000 | 122,272 | (72,272) |
| Other | 382,976 | 454,837 | (71,861) |
| | <u>521,976</u> | <u>637,012</u> | <u>(115,036)</u> |
| | <u>\$ 16,821,093</u> | <u>\$ 17,582,089</u> | <u>\$ (760,996)</u> |

Capital Region Airport Commission
SCHEDULE OF TRANSACTIONS IN ACCOUNTS CREATED BY BOND RESOLUTIONS
Year Ended June 30, 2006

| | 2004 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 | \$ - | \$ 2,619,594 | \$ 27,528,501 | \$ 3,969,762 | \$ 1,352,979 | \$ 232,956 | \$ 4,902,654 |
| RECEIPTS | | | | | | | |
| Deposits from Commission | 33,523,413 | - | - | - | - | - | - |
| Deposits from Commission-collections | - | - | - | - | - | - | - |
| Gain (loss) on sale of investments | - | - | - | - | - | - | - |
| Interest earned | - | 60,582 | 989,409 | 151,625 | 58,735 | 13,331 | 207,140 |
| | 33,523,413 | 60,582 | 989,409 | 151,625 | 58,735 | 13,331 | 207,140 |
| DISBURSEMENTS | | | | | | | |
| Disbursements to Commission | - | - | 18,540,894 | 17,295,769 | - | - | 69,170 |
| Principal curtailment on long-term debt | - | - | - | - | - | - | - |
| Interest payments on long-term debt | - | - | - | - | - | - | - |
| Disbursements to others | - | 7,102,645 | - | - | - | - | - |
| | - | 7,102,645 | 18,540,894 | 17,295,769 | - | - | 69,170 |
| TRANSFERS | | | | | | | |
| Transfer of interest earned to revenue account | 1,273,681 | (60,582) | (989,409) | (151,625) | (58,735) | (13,330) | - |
| Transfer of deposited revenue to designated accounts per resolution | (34,797,094) | 7,765,200 | 10,095,154 | 16,812,000 | 48,029 | 169,908 | (93,197) |
| Discount (premium) amortized on bonds held as an investment | - | - | - | - | - | - | - |
| | (33,523,413) | 7,704,618 | 9,105,745 | 16,660,375 | (10,706) | 156,578 | (93,197) |
| ENDING BALANCE | \$ - | \$ 3,282,149 | \$ 19,082,761 | \$ 3,485,993 | \$ 1,401,008 | \$ 402,865 | \$ 4,947,427 |

Capital Region Airport Commission
SCHEDULE OF TRANSACTIONS IN ACCOUNTS CREATED BY BOND RESOLUTIONS (Continued)
Year Ended June 30, 2006

| | <u>1995 Bonds</u> | <u>2005 Rev Bonds</u> | | <u>PFC Bonds</u> | | |
|---|----------------------|-----------------------|------------------|-------------------|----------------------|------------------|
| | Debt Service Reserve | Debt Service Reserve | Cost of Issuance | Construction Fund | General Purpose Fund | Cost of Issuance |
| BEGINNING BALANCE | \$ 2,651,863 | \$ 3,006,644 | \$ 150,854 | \$ 28,075,460 | \$ 8,703,494 | \$ 92,969 |
| RECEIPTS | | | | | | |
| Deposits from Commission | - | - | - | - | - | - |
| Deposits from Commission-collections | - | - | - | - | 6,284,000 | - |
| Gain (loss) on sale of investments | (13,622) | (159,278) | - | - | - | - |
| Interest earned | 96,178 | 132,453 | - | 903,087 | 293,691 | 1,544 |
| | 82,556 | (26,825) | - | 903,087 | 6,577,691 | 1,544 |
| DISBURSEMENTS | | | | | | |
| Disbursements to Commission | - | - | - | 12,749,571 | 8,006,348 | - |
| Principal curtailment on long-term debt | 220,000 | - | - | - | 1,005,000 | - |
| Interest payments on long-term debt | - | - | - | - | 1,485,216 | - |
| Disbursements to others | - | - | 82,743 | - | - | - |
| | 220,000 | - | 82,743 | 12,749,571 | 10,496,564 | - |
| TRANSFERS | | | | | | |
| Transfer of interest earned to revenue account | - | - | - | - | - | - |
| Transfer of deposited revenue to designated accounts per resolution | (72) | 72 | - | 94,513 | - | (94,513) |
| Discount (premium) amortized on bonds held as an investment | (16,788) | 709 | - | 22,801 | - | - |
| | (16,860) | 781 | - | 117,314 | - | (94,513) |
| ENDING BALANCE | \$ 2,497,559 | \$ 2,980,600 | \$ 68,111 | \$ - | \$ 4,784,621 | \$ - |

Capital Region Airport Commission
SCHEDULE OF TRANSACTIONS IN ACCOUNTS CREATED BY BOND RESOLUTIONS (Continued)
Year Ended June 30, 2006

| | CFC Bonds | | | | | | | Total |
|---|-----------------|----------------------|---------------|----------------|----------------|--------------|---------------|-------|
| | Revenue Account | Debt Service Reserve | Interest Fund | Operating Fund | Principal Fund | Repair Fund | | |
| BEGINNING BALANCE | \$ - | \$ 1,145,090 | \$ 339,416 | \$ 123,270 | \$ 636,075 | \$ 824,638 | \$ 86,356,219 | |
| RECEIPTS | | | | | | | | |
| Deposits from Commission | - | - | - | - | - | - | 33,523,413 | |
| Deposits from Commission-collections | 2,130,000 | - | - | - | - | - | 8,414,000 | |
| Gain on sale of investments | - | - | - | - | - | - | (172,900) | |
| Interest earned | 1,342 | 34,323 | 5,498 | 4,093 | 12,620 | 41,473 | 3,007,123 | |
| | 2,131,342 | 34,323 | 5,498 | 4,093 | 12,620 | 41,473 | 44,771,636 | |
| DISBURSEMENTS | | | | | | | | |
| Disbursements to Commission | - | - | - | 132,065 | - | - | 56,793,817 | |
| Principal curtailment on long-term debt | - | - | - | - | 635,000 | - | 1,860,000 | |
| Interest payments on long-term debt | - | - | 658,351 | - | - | - | 2,143,567 | |
| Disbursements to others | - | - | - | - | - | - | 7,185,388 | |
| | - | - | 658,351 | 132,065 | 635,000 | - | 67,982,772 | |
| TRANSFERS | | | | | | | | |
| Transfer of interest earned to revenue account | - | - | - | - | - | - | - | |
| Transfer of deposited revenue to designated accounts per resolution | (2,131,342) | (46,739) | 632,373 | 79,372 | 668,509 | 797,827 | - | |
| Discount (premium) amortized on bonds held as an investment | - | - | - | - | - | - | 6,722 | |
| | (2,131,342) | (46,739) | 632,373 | 79,372 | 668,509 | 797,827 | 6,722 | |
| ENDING BALANCE | \$ - | \$ 1,132,673 | \$ 318,937 | \$ 74,670 | \$ 682,204 | \$ 1,663,938 | \$ 63,151,805 | |

Note: The Operation and Maintenance Account for the 2004 Bonds is available to support operations and is included in current assets. The Surplus Account may be used for any legal purpose of the Commission and is also included in current assets. The remaining \$54,718,385 is reflected as restricted assets.

Capital Region Airport Commission
SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS
IN ACCOUNTS CREATED BY BOND RESOLUTIONS
June 30, 2006

| Account | Description | Interest Rate | Cash, Cash Equivalents and Investments |
|-----------------------------------|---------------------------|---------------|--|
| 2004 Bonds | | | |
| Bond account - debt service | Term repurchase agreement | 5.0% | \$ 3,282,149 |
| Equipment and capital outlay | Term repurchase agreement | 5.0 | 19,082,761 |
| Operation and maintenance account | Term repurchase agreement | 5.0 | 3,485,993 |
| Operation and maintenance reserve | Term repurchase agreement | 5.0 | 1,401,008 |
| Subordinated indebtedness | Term repurchase agreement | 5.0 | 402,865 |
| Surplus, issuer discretionary | Term repurchase agreement | 5.0 | 4,947,427 |
| | | | <u>32,602,203</u> |
| 1995 Bonds | | | |
| Debt service reserve | Money market fund | 5.2 | 143,973 |
| Debt service reserve | Municipal obligations | 4.0 - 5.4 | 2,219,002 |
| | | | <u>2,362,975</u> |
| 2005 Bonds | | | |
| Debt service reserve | Money market fund | 5.2 | 151,135 |
| Project account | Federal obligations | 5.0-5.6 | 2,685,474 |
| Cost of issue | Cash | | 68,111 |
| | | | <u>2,904,720</u> |
| PFC Bonds | | | |
| Construction fund | Money market fund | 4.5 | 10,950,398 |
| Construction fund | Federal obligations | 2.2-3.6 | 5,380,952 |
| General purpose fund | Money market fund | 4.3 | 4,784,622 |
| | | | <u>21,115,972</u> |
| CFC Bonds | | | |
| Debt service reserve | Federal obligations | 4.0 | 1,127,247 |
| Debt service reserve | Money market fund | 3.7 | 2,726 |
| Interest fund | Money market fund | 3.8 | 318,937 |
| Operating fund | Money market fund | 3.8 | 74,670 |
| Principal fund | Money market fund | 3.8 | 682,204 |
| Repair fund | Money market fund | 3.8 | 1,663,938 |
| | | | <u>3,869,722</u> |
| | | | <u>\$ 62,855,592</u> |

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

| | |
|---------------------------|----------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 8,433,420 |
| Restricted assets: | |
| Cash and cash equivalents | 43,765,757 |
| Investments | 10,656,415 |
| | <u>\$ 62,855,592</u> |

Capital Region Airport Commission
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

| Grantor/CFDA Grantor's Program Title | Federal CFDA Number | Project Number | Expenditures |
|--|---------------------------|----------------|----------------------|
| U.S. Department of Transportation: | | | |
| Major Federal Assistance Program: | | | |
| Airport Improvement | 20.106 | 3-51-0043-40 | \$ 1,217,344 |
| Airport Improvement | 20.106 | 3-51-0043-40 | 2,607,851 |
| Airport Improvement | 20.106 | 3-51-0043-46 | 1,095,488 |
| Airport Improvement | 20.106 | 3-51-0043-46 | 6,233,768 |
| Airport Improvement | 20.106 | 3-51-0043-45 | 174,045 |
| Airport Improvement | 20.106 | 3-51-0043-47 | 50,752 |
| Total Federal Assistance Expended | | | \$ 11,379,248 |

Note: The above schedule is presented on the accrual basis of accounting and presents only a selected portion of the activities of the Commission; it is not intended to and does not present all of the expenditures of the Commission.

Capital Region Airport Commission
INSURANCE COVERAGE
June 30, 2006

| Type/Carrier | Coverage | Limit |
|--|---|---|
| Airport liability/ACE/ Lloyd's | Public liability including aircraft products/completed operations | \$200,000,000 |
| Automobile liability/St. Paul/Travelers | 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 |
| Workers' compensation and employers' liability/ACE | Workers' compensation | Statutory and \$1,000,000 employer's liability |
| Public officials and employers' liability/Virginia State Public Official's Self-Insurance Pool | Civil claims for wrongful acts | \$1,000,000 each loss \$1,000,000 annual aggregate \$3,500 deductible |
| Property/St. Paul/Travelers | Blanket real and personal property including business income and personal property of others, all on specific forms | \$277,610,000 blanket real and personal property including EDP and valuable papers \$24,312,000 business income |
| Equipment/St. Paul/Travelers | Scheduled equipment | \$2,846,689 scheduled equipment \$50,000 maximum per rental item \$300,000 unscheduled equipment \$350,000 mobile radios \$10,000 maximum any one item \$50,000 leased equipment |
| Boiler and machinery/St. Paul/Travelers | Accident damage | \$100,000,000 |
| Blanket crime bond/Federal Insurance Company | Employee dishonesty | \$750,000 limit \$2,500 deductible |

Note: The Insurance coverage was provided by USI Insurance Services, with exception of Worker's Compensation and employer's liability policy.

Capital Region Airport Commission
Net Assets and Changes in Net Assets
Seven Years Ended June 30, 2006
(dollars in thousands)

| | Fiscal Year | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Operating revenues | | | | | | | |
| Apron fees | \$ 609 | \$ 679 | \$ 696 | \$ 704 | \$ 782 | \$ 881 | \$ 761 |
| Concession | 7,037 | 7,053 | 6,249 | 5,821 | 5,681 | 5,965 | 6,101 |
| Landing fees | 3,400 | 3,212 | 3,107 | 3,274 | 3,454 | 3,983 | 3,764 |
| Other | 173 | 157 | 334 | 235 | 287 | 333 | 546 |
| Parking | 15,034 | 12,760 | 11,506 | 11,011 | 10,700 | 13,242 | 12,108 |
| Rental | 8,260 | 8,377 | 8,109 | 7,595 | 7,662 | 7,381 | 6,804 |
| Total operating revenues | <u>33,904</u> | <u>31,559</u> | <u>29,305</u> | <u>27,936</u> | <u>27,784</u> | <u>30,904</u> | <u>29,323</u> |
| Nonoperating income | | | | | | | |
| Customer Facility Charges | 2,061 | 2,094 | 1,814 | 1,442 | 1,249 | 526 | - |
| Interest income | 3,052 | 1,538 | 684 | 912 | 1,450 | 3,396 | 3,065 |
| Other | - | - | - | - | - | 69 | - |
| Passenger Facility Charges | 6,546 | 4,247 | 3,279 | 3,100 | 2,902 | 3,734 | 3,379 |
| Total nonoperating revenues | <u>11,659</u> | <u>7,879</u> | <u>5,777</u> | <u>5,454</u> | <u>5,601</u> | <u>7,725</u> | <u>6,444</u> |
| Total Revenues | <u>45,563</u> | <u>39,438</u> | <u>35,082</u> | <u>33,390</u> | <u>33,385</u> | <u>38,629</u> | <u>35,767</u> |
| Operating expenses | | | | | | | |
| Depreciation | 14,344 | 13,706 | 11,828 | 10,227 | 8,945 | 10,377 | 8,398 |
| Insurance | 678 | 604 | 606 | 504 | 395 | 371 | 314 |
| Maintenance | 1,400 | 1,373 | 1,350 | 1,235 | 839 | 946 | 1,232 |
| Other | 637 | 613 | 575 | 704 | 1,388 | 613 | 831 |
| Parking | 2,344 | 2,149 | 1,922 | 1,912 | 1,991 | 2,301 | 2,036 |
| Personnel | 8,490 | 7,681 | 7,036 | 6,930 | 7,144 | 7,820 | 8,045 |
| Professional services | 1,381 | 1,583 | 1,578 | 1,529 | 1,356 | 1,607 | 1,681 |
| Supplies | 678 | 618 | 415 | 478 | 381 | 456 | 447 |
| Utilities | 1,974 | 1,719 | 1,774 | 1,678 | 1,448 | 1,550 | 1,467 |
| Total operating expenses | <u>31,926</u> | <u>30,046</u> | <u>27,084</u> | <u>25,197</u> | <u>23,887</u> | <u>26,041</u> | <u>24,451</u> |
| Nonoperating expenses | | | | | | | |
| Interest expense | 6,022 | 5,743 | 5,885 | 4,534 | 4,389 | 4,998 | 4,769 |
| Other, net | 794 | 519 | 608 | 330 | 255 | - | 492 |
| Total nonoperating expenses | <u>6,816</u> | <u>6,262</u> | <u>6,493</u> | <u>4,864</u> | <u>4,644</u> | <u>4,998</u> | <u>5,261</u> |
| Total Expenses | <u>38,742</u> | <u>36,308</u> | <u>33,577</u> | <u>30,061</u> | <u>28,531</u> | <u>31,039</u> | <u>29,712</u> |
| Capital grants and contributions | 15,471 | 6,658 | 8,481 | 14,761 | 18,681 | 7,814 | 5,288 |
| Special item-transfer to governmental agency | - | - | (12,731) | - | - | - | - |
| Increase (decrease) in Net Assets | <u>\$22,292</u> | <u>\$9,788</u> | <u>(\$2,745)</u> | <u>\$18,090</u> | <u>\$23,535</u> | <u>\$15,404</u> | <u>\$11,343</u> |
| Net Assets at Year-End | | | | | | | |
| Invested in capital assets, net of related debt | \$209,638 | \$172,289 | \$171,847 | \$181,046 | \$161,785 | \$145,716 | \$129,294 |
| Restricted | 27,394 | 42,511 | 36,781 | 27,544 | 23,168 | 22,240 | 23,283 |
| Unrestricted | 16,486 | 15,818 | 11,525 | 13,611 | 18,454 | 11,134 | 10,228 |
| Total Net Assets | <u>\$253,518</u> | <u>\$230,618</u> | <u>\$220,153</u> | <u>\$222,201</u> | <u>\$203,407</u> | <u>\$179,090</u> | <u>\$162,805</u> |

Capital Region Airport Commission
PRINCIPAL REVENUE SOURCES AND REVENUES PER ENPLANED PASSENGER
Ten Years Ended June 30, 2006
(dollars in thousands, except per enplaned passengers)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Airline revenues | | | | | | | | | | |
| Landing fees | \$ 3,400 | \$ 3,212 | \$ 3,107 | \$ 3,274 | \$ 3,454 | \$ 3,983 | \$ 3,764 | \$ 3,664 | \$ 2,826 | \$ 2,908 |
| Apron fees | 609 | 679 | 697 | 704 | 782 | 881 | 761 | 775 | 681 | 718 |
| Total airline revenues | <u>4,009</u> | <u>3,891</u> | <u>3,804</u> | <u>3,978</u> | <u>4,236</u> | <u>4,864</u> | <u>4,525</u> | <u>4,439</u> | <u>3,507</u> | <u>3,626</u> |
| Percentage of total revenues | 8.7% | 9.7% | 10.6% | 11.7% | 12.4% | 12.3% | 12.4% | 13.0% | 11.6% | 14.1% |
| Nonairline revenues | | | | | | | | | | |
| Parking | 15,034 | 12,760 | 11,506 | 11,011 | 10,700 | 13,242 | 12,108 | 10,699 | 9,131 | 6,932 |
| Rental | 8,260 | 8,377 | 8,109 | 7,595 | 7,662 | 7,381 | 6,804 | 6,931 | 6,372 | 5,824 |
| Concession | 7,037 | 7,053 | 6,285 | 5,821 | 5,682 | 5,965 | 6,101 | 5,915 | 5,054 | 4,596 |
| Other | 172 | 157 | 334 | 235 | 287 | 333 | 547 | 426 | 383 | 244 |
| Total nonairline revenues | <u>30,503</u> | <u>28,347</u> | <u>26,234</u> | <u>24,662</u> | <u>24,331</u> | <u>26,921</u> | <u>25,560</u> | <u>23,971</u> | <u>20,940</u> | <u>17,596</u> |
| Percentage of total revenues | 66.1% | 70.7% | 73.2% | 72.3% | 71.2% | 68.3% | 70.0% | 70.4% | 69.6% | 68.2% |
| Nonoperating revenues | | | | | | | | | | |
| Passenger Facility Charges | 6,546 | 4,247 | 3,279 | 3,100 | 2,902 | 3,734 | 3,379 | 3,706 | 3,703 | 2,980 |
| Customer Facility Charges | 2,061 | 2,094 | 1,814 | 1,442 | 1,249 | 527 | - | - | - | - |
| Interest Income | 3,052 | 1,538 | 684 | 912 | 1,450 | 3,396 | 3,065 | 1,940 | 1,956 | 1,596 |
| Total nonoperating revenues | <u>11,659</u> | <u>7,879</u> | <u>5,777</u> | <u>5,454</u> | <u>5,601</u> | <u>7,657</u> | <u>6,444</u> | <u>5,646</u> | <u>5,659</u> | <u>4,576</u> |
| Percentage of total revenues | 25.3% | 19.6% | 16.1% | 16.0% | 16.4% | 19.4% | 17.6% | 16.6% | 18.8% | 17.7% |
| Total revenues | <u>\$ 46,171</u> | <u>\$ 40,117</u> | <u>\$ 35,815</u> | <u>\$ 34,094</u> | <u>\$ 34,168</u> | <u>\$ 39,442</u> | <u>\$ 36,529</u> | <u>\$ 34,056</u> | <u>\$ 30,106</u> | <u>\$ 25,798</u> |
| Enplaned passengers (excluding charters) | 1,554,675 | 1,321,863 | 1,213,571 | 1,187,509 | 1,098,494 | 1,340,787 | 1,300,278 | 1,306,213 | 1,210,032 | 1,106,172 |
| Total revenue per enplaned passengers | 29.71 | 30.35 | 29.53 | 28.72 | 31.09 | 23.91 | 28.10 | 26.08 | 24.88 | 23.32 |
| Airline revenue per enplaned passengers | 2.58 | 2.94 | 3.13 | 3.35 | 3.85 | 3.63 | 3.48 | 3.4 | 2.9 | 3.28 |

Capital Region Airport Commission
LARGEST OWN-SOURCE REVENUE
Ten Years Ended June 30, 2006

| | Fiscal Year | | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Parking: | | | | | | | | | | |
| Terminal | \$ 11,729,209 | \$ 10,094,309 | \$ 8,942,714 | \$ 8,428,279 | \$ 7,884,671 | \$ 9,832,476 | \$ 9,437,317 | \$ 8,123,768 | \$ 6,592,840 | \$ 4,207,509 |
| Economy and shuttle | 2,606,678 | 2,092,189 | 2,054,783 | 2,127,846 | 2,327,855 | 2,679,662 | 2,019,563 | 1,957,467 | 1,988,981 | 2,163,891 |
| Valet | 691,069 | 563,733 | 488,905 | 437,182 | 446,927 | 544,178 | 409,177 | 352,266 | 278,957 | 209,761 |
| Parking meter and violations | 7,537 | 9,547 | 19,805 | 17,890 | 40,754 | 185,715 | 241,749 | 265,024 | 270,463 | 351,033 |
| | \$ 15,034,493 | \$ 12,759,778 | \$ 11,506,207 | \$ 11,011,197 | \$ 10,700,207 | \$ 13,242,031 | \$ 12,107,806 | \$ 10,698,525 | \$ 9,131,241 | \$ 6,932,194 |

Capital Region Airport Commission
LARGEST OWN-SOURCE REVENUE RATES
Ten Years Ended June 30, 2006

| | 2006 | | 2005 | | 2004 | | 2003 | | 2002 | | 2001 | | 2000 | | 1999 | | 1998 | | 1997 | | | |
|-------------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|------|------|
| | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | Hourly | Maximum Per Day | | |
| Lot: | | | | | | | | | | | | | | | | | | | | | | |
| Garage/long term | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 10 | \$ 3 | \$ 9 | \$ 3 | \$ 9 |
| Short-term hourly | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 24 | 2 | 16 | 2 | 16 | 2 | 16 | 2 | 16 | 2 | 16 | 2 | 14 | 2 | 14 |
| Express | - | - | - | - | - | - | - | - | 2 | 9 | 2 | 9 | 2 | 9 | 2 | 9 | 2 | 9 | 2 | 8 | 2 | 8 |
| Economy A | 1 | 6 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 6 | 1 | 6 |
| Economy B | 1 | 6 | 1 | 7 | 1 | 7 | 1 | 7 | 1 | 6 | 1 | 6 | 1 | 6 | 1 | 6 | 1 | 6 | 1 | 5 | 1 | 5 |
| Economy C | 1 | 6 | 1 | 6 | 1 | 6 | 1 | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Valet | 6 | 15 | 6 | 15 | 6 | 15 | 6 | 16 | 6 | 13 | 6 | 13 | 6 | 13 | 6 | 13 | 10 | 15 | 10 | 15 | 10 | 15 |

Note: Rates are subject to change during year.
 Parking public is the only source of parking revenue.
 Economy C lot opened in 2003

Capital Region Airport Commission
REVENUE BOND COVERAGE
Ten Years Ended June 30, 2006

| Fiscal Year | Revenue | Expense | Net Revenue Available | Debt Service on Bonds | Debt Service | Coverage | |
|-------------|--------------|---------------|-----------------------|-----------------------|---------------|-----------------------|--------------|
| | | | | | | Debt Service on Bonds | Debt Service |
| 2006 | \$34,813,516 | \$ 17,651,002 | \$ 17,162,514 | \$ 7,631,672 | \$ 15,473,983 | 2.25 | 1.11 |
| 2005 | 32,585,580 | 16,516,915 | 16,068,665 | 7,366,097 | 13,183,282 | 2.18 | 1.22 |
| 2004 | 29,811,296 | 16,059,893 | 13,751,403 | 7,169,402 | 12,736,501 | 1.92 | 1.08 |
| 2003 | 29,359,910 | 14,284,498 | 15,075,412 | 8,156,867 | 14,066,114 | 1.85 | 1.07 |
| 2002 | 28,475,092 | 14,739,523 | 13,735,569 | 4,942,755 | 10,655,801 | 2.78 | 1.29 |
| 2001 | 32,988,540 | 15,110,233 | 17,878,307 | 5,142,498 | 11,020,259 | 3.48 | 1.62 |
| 2000 | 30,883,028 | 16,592,525 | 14,290,503 | 5,142,827 | 14,186,275 | 2.78 | 1.01 |
| 1999 | 28,356,177 | 15,142,375 | 13,213,802 | 5,116,438 | 13,096,170 | 2.58 | 1.01 |
| 1998 | 25,018,629 | 14,063,799 | 10,954,830 | 5,008,349 | 10,393,067 | 2.19 | 1.05 |
| 1997 | 21,167,509 | 9,754,895 | 11,412,614 | 297,316 | 8,886,186 | 3.83 | 1.28 |

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 assets 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.

REVENUE RATES
Ten Years Ended June 30, 2006

| | Fiscal Year | | | | | | | | | |
|-----------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Apron fees | \$ 1.34 | \$ 1.49 | \$ 1.51 | \$ 1.49 | \$ 1.72 | \$ 1.71 | \$ 1.77 | \$ 1.74 | \$ 1.60 | \$ 334.06 |
| Landing fees (per 1,000 lbs unit) | 1.16 | 1.21 | 1.21 | 1.21 | 1.28 | 1.25 | 1.33 | 1.25 | 1.11 | 1.08 |
| Terminal rental (square foot) | 40.66 | 41.52 | 41.04 | 39.35 | 46.82 | 48.57 | 49.13 | 48.48 | 46.06 | 44.29 |

Note: 1997 apron fees quoted in linear feet vs. square feet for later years.

Capital Region Airport Commission
OUTSTANDING DEBT
Ten Years Ended June 30, 2006
(dollars in thousands)

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| Airport Revenue Bonds: | | | | | | | | | | |
| Series 1994 | \$ - | \$ - | \$ 1,105 | \$ 19,505 | \$ 20,455 | \$ 21,330 | \$ 22,140 | \$ 22,890 | \$ 23,590 | \$ 24,235 |
| Series 1995 A,B,C | 15,880 | 16,405 | 46,295 | 46,570 | 47,835 | 48,090 | 48,330 | 49,060 | 49,880 | 50,680 |
| Series 2001 A&B | 42,806 | 44,180 | 45,492 | 40,825 | 33,269 | 5,838 | - | - | - | - |
| Series 2004 A | 15,955 | 17,380 | 17,380 | - | - | - | - | - | - | - |
| Airport Refunding Series 2005A | 28,725 | 28,725 | - | - | - | - | - | - | - | - |
| PFC Revenue Bonds: | | | | | | | | | | |
| Series 1999 A | - | - | 3,260 | - | 4,000 | 6,495 | 8,600 | 5,700 | 5,800 | 5,900 |
| Series 1999 B | - | - | 17,000 | - | 17,000 | 17,000 | 17,000 | - | - | - |
| Series 2005 A | 27,335 | 27,885 | - | 3,640 | - | - | - | - | - | - |
| Series 2005 B | 22,660 | 23,115 | - | 17,000 | - | - | - | - | - | - |
| Car Rental Garage Revenue Bond | 9,275 | 9,910 | 10,510 | 11,075 | 11,305 | 11,305 | - | - | - | - |
| The Warehouse Company Note | 1,874 | 2,043 | 2,197 | 2,331 | 2,444 | 2,542 | 2,633 | 2,723 | 2,810 | 2,895 |
| Line of Credit | - | - | 1,119 | - | 5,458 | 3,823 | 2,322 | 1,859 | 3,950 | 2,614 |
| Unsecured Tax Exempt Note Series 2000 | - | - | - | - | - | - | 2,965 | - | - | - |
| | <u>164,510</u> | <u>169,643</u> | <u>144,358</u> | <u>140,946</u> | <u>141,766</u> | <u>116,423</u> | <u>103,990</u> | <u>82,232</u> | <u>86,030</u> | <u>86,324</u> |
| Add: Bond premium, net | 2,147 | 2,393 | 1,081 | - | - | - | - | - | - | - |
| Less: Debt issuance costs, net | (4,433) | (4,666) | (3,147) | (2,325) | (2,571) | (2,874) | (2,450) | (2,408) | (2,568) | (2,733) |
| Total Long Term Debt | <u>\$ 162,224</u> | <u>\$ 167,370</u> | <u>\$ 142,292</u> | <u>\$ 138,621</u> | <u>\$ 139,195</u> | <u>\$ 113,549</u> | <u>\$ 101,540</u> | <u>\$ 79,824</u> | <u>\$ 83,462</u> | <u>\$ 83,591</u> |

Capital Region Airport Commission
MAJOR CUSTOMERS
Year Ended June 30, 2006

| Company | Revenue | Percent of Operating Revenue |
|--|--------------|------------------------------|
| USAir, Inc. | \$ 2,002,704 | 6.2% |
| Hertz Rent-A-Car Company, Inc. | 1,478,503 | 4.6 |
| Delta Airlines, Inc. | 1,307,481 | 4.1 |
| Delaware North Company (<i>Formally CA One Services</i>) | 1,022,785 | 3.2 |
| Avis Rent-A-Car Company | 996,455 | 3.1 |

Source: Airport records.

ENPLANEMENT TRENDS
RICHMOND, SMALL HUBS, UNITED STATES
Ten Years Ended June 30, 2006

| Year | Annual Percent Change in Enplanements | | |
|------|---------------------------------------|------------|---------------|
| | Richmond | Small Hubs | United States |
| 2006 | 17.3% | N/A | N/A |
| 2005 | 16.2 | 5.2 | 1.2 |
| 2004 | 4.3 | 3.0 | 9.9 |
| 2003 | 1.2 | 30.0 | 3.3 |
| 2002 | (1.8) | (7.3) | (3.5) |
| 2001 | (10.6) | (9.3) | (6.9) |
| 2000 | 2.1 | 3.8 | 7.6 |
| 1999 | 2.5 | 2.6 | 1.0 |
| 1998 | 8.5 | 3.2 | 2.4 |
| 1997 | 9.9 | (1.7) | 2.9 |

Note: Calendar year data except for 2005, 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: Department of Transportation, Form 41, Schedule T3 and Airport Activity.

Statistics of Certificated Route Air Carriers.

Regional Airline Association., Airport records.

N/A: Not available.

Capital Region Airport Commission
ENPLANED PASSENGERS
Ten Years Ended June 30, 2006

| | 2006 | Share of Total 2006 | 2005 | Share of Total 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-------------------------|------------------|------------------------|------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Majors: | | | | | | | | | | | | |
| AirTran Airways | 137,411 | 8.8% | 2,960 | 0.2% | - | - | - | - | - | 25,898 | 28,123 | 21,051 |
| American Airlines | 106,789 | 6.8 | 87,196 | 6.6 | 105,235 | 129,884 | 102,556 | 78,121 | 82,371 | 86,328 | 80,348 | 77,119 |
| Continental | 113,434 | 7.2 | 100,856 | 7.6 | 95,311 | 80,119 | 66,570 | 106,900 | 79,361 | 71,829 | 72,043 | 84,606 |
| Delta Airlines | 221,489 | 14.1 | 243,800 | 18.4 | 229,351 | 254,184 | 253,204 | 317,052 | 333,863 | 362,716 | 311,489 | 268,206 |
| JetBlue | 36,894 | 2.3 | - | - | - | - | - | - | - | - | - | - |
| Northwest Airlines | 26,522 | 1.7 | 39,425 | 3.0 | 44,552 | 57,095 | 52,275 | 62,342 | 67,497 | 62,129 | 66,999 | 60,591 |
| United Airlines | 60,870 | 3.9 | 55,035 | 4.1 | 59,163 | 76,420 | 80,868 | 97,152 | 112,074 | 107,419 | 89,480 | 86,294 |
| US Airways | 145,018 | 9.2 | 180,443 | 13.6 | 191,477 | 223,145 | 278,295 | 409,693 | 426,850 | 446,342 | 456,840 | 415,736 |
| Total Major | 848,427 | 54.0 | 709,715 | 53.4 | 725,089 | 820,847 | 833,768 | 1,071,260 | 1,102,016 | 1,162,661 | 1,105,322 | 1,013,603 |
| Regionals: | | | | | | | | | | | | |
| Air Canada | - | - | - | - | - | 3,211 | 11,151 | 13,614 | 16,143 | - | - | - |
| Air Ontario | - | - | - | - | - | - | - | - | - | 15,496 | 10,118 | - |
| Air Wisconsin | 43,229 | 2.8 | 18,091 | 1.4 | 50,836 | 8,728 | - | - | - | - | - | - |
| American Eagle | 70,709 | 4.5 | 82,715 | 6.2 | 55,974 | 46,228 | 40,916 | 37,592 | 7,118 | - | - | - |
| Atlantic Coast | - | - | 3,509 | 0.3 | 27,519 | 44,594 | 31,461 | 52,221 | 45,587 | - | 27,787 | 28,853 |
| Atlantic Coast Jet | - | - | - | - | - | 5,622 | 14,381 | - | - | - | - | - |
| Atlantic Southeast | 36,185 | 2.3 | 11,607 | 0.9 | - | - | - | 3,098 | 6,695 | 36,522 | - | - |
| CC Air | - | - | - | - | - | - | - | - | - | 222 | 100 | - |
| Chautauqua | 106,948 | 6.8 | 84,362 | 6.3 | 62,137 | 85,443 | 53,924 | 28,618 | - | - | - | - |
| ComAir/Delta Connection | 99,709 | 6.4 | 72,469 | 5.5 | 66,278 | 49,223 | 24,094 | 24,116 | 25,936 | 21,849 | 19,917 | 11,563 |
| CommutAir | - | - | - | - | - | 10,585 | - | 3,733 | 9,971 | 2,065 | - | - |
| Eastwind | - | - | - | - | - | - | - | - | - | - | - | 8,318 |
| Mesa Airlines | 56,606 | 3.6 | 38,820 | 2.9 | 24,053 | 6,274 | - | - | - | - | - | - |
| Midway | - | - | - | - | - | - | - | - | - | - | - | 4,688 |
| Piedmont | 5,603 | 0.4 | 5,851 | 0.4 | 14,648 | 26,243 | 4,096 | 7,728 | 19,833 | 24,140 | 12,317 | 12,231 |
| Pinnacle Airlines | 71,560 | 4.6 | 67,382 | 5.1 | 46,356 | 7,146 | - | - | - | - | - | - |
| PSA | 34,578 | 2.2 | 25,707 | 1.9 | 11,281 | 64,401 | 4,378 | 5,636 | 12,259 | 18,856 | - | - |
| RSA | - | - | - | - | - | - | - | - | - | - | 18,706 | 17,373 |
| Republic | 347 | - | - | - | - | - | - | - | - | - | - | - |
| Shuttle America | 521 | - | 4,803 | 0.4 | - | - | - | - | - | - | - | - |
| SkyWest | 1,070 | 0.1 | - | - | - | - | - | - | - | - | - | - |
| Trans States | 191,465 | 12.2 | 193,070 | 14.5 | 124,345 | - | 62,770 | 46,749 | - | - | - | - |
| TransWorld Express | - | - | - | - | - | - | - | - | 16,599 | 18,750 | 15,765 | 9,543 |
| TWA | - | - | - | - | - | - | 17,555 | 42,366 | 38,121 | 5,652 | - | - |
| USA 3000 | - | - | 3,762 | 0.3 | 5,055 | 8,509 | - | - | - | - | - | - |
| US Airways Express | - | 0.0 | - | 0.0 | 8,678 | 16,665 | - | 13,955 | - | - | - | - |
| Total Regionals | 718,530 | 45.8 | 612,148 | 46.1 | 488,482 | 382,872 | 264,726 | 265,471 | 198,262 | 143,552 | 104,710 | 92,569 |
| Charters | 3,035 | - | 6,705 | - | 14,527 | 17,202 | 14,199 | 19,672 | 24,440 | 20,014 | 15,503 | 15,477 |
| Total | 1,569,992 | 100.0% | 1,328,568 | 100.0% | 1,228,098 | 1,220,921 | 1,112,693 | 1,356,403 | 1,324,718 | 1,326,227 | 1,225,535 | 1,121,649 |

Source: Airport records.

Capital Region Airport Commission
AIRLINE MARKET SHARES
Eight Years Ended June 30, 2006
Landed Weight (1,000 Pound Units)

| | 2006 | Share of Total 2006 | 2005 | Share of Total 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|--------------------------------|------------------|------------------------|------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Major Airlines: | | | | | | | | | | |
| American Airlines | 133,808 | 6.4% | 128,589 | 6.2% | 175,943 | 235,775 | 217,518 | 143,812 | 144,225 | 138,572 |
| Air Tran Airways | 220,792 | 10.5 | 4,992 | 0.2 | - | - | - | - | - | 55,644 |
| Continental Airlines | 154,396 | 7.4 | 153,118 | 7.3 | 146,851 | 138,855 | 168,521 | 235,840 | 154,531 | 130,018 |
| Delta Airlines | 296,066 | 14.1 | 339,027 | 16.2 | 329,080 | 396,205 | 586,861 | 510,597 | 544,552 | 556,657 |
| JetBlue Airways | 51,606 | 2.5 | - | - | - | - | - | - | - | - |
| Northwest Airlines | 27,917 | 1.3 | 69,772 | 3.2 | 75,358 | 120,177 | 128,692 | 120,568 | 125,021 | 118,361 |
| United Airlines | 84,523 | 4.0 | 86,915 | 4.2 | 93,352 | 138,652 | 196,687 | 217,219 | 210,513 | 218,270 |
| US Air | 310,410 | 14.8 | 379,899 | 18.2 | 367,808 | 440,347 | 735,991 | 780,412 | 758,058 | 670,999 |
| Total Major Airlines | 1,279,518 | 61.0 | 1,162,312 | 54.0 | 1,188,392 | 1,470,011 | 2,034,270 | 2,008,448 | 1,936,900 | 1,888,521 |
| Regional Airlines: | | | | | | | | | | |
| Air Canada | - | - | - | - | - | 5,115 | 28,705 | 32,177 | - | - |
| Air Ontario | - | - | - | - | - | - | - | - | 32,082 | 31,425 |
| Air Wisconsin | 60,160 | 2.9 | 20,949 | 1.0 | 62,889 | 9,588 | - | - | - | - |
| Allegiant Airlines | 837 | - | - | - | - | - | - | - | - | - |
| American Eagle | 88,973 | 4.2 | 115,106 | 5.5 | 85,644 | 80,444 | 102,508 | 87,683 | 11,216 | - |
| Atlantic Coast | - | - | 4,227 | 0.2 | 35,197 | 58,249 | 85,462 | 77,943 | 57,188 | 55,827 |
| Atlantic Coast Jet | - | - | - | - | - | - | 4,501 | - | - | - |
| Atlantic Southeast | 39,331 | 1.9 | 12,126 | 0.6 | - | - | - | 12,784 | 18,424 | - |
| CC Air | - | - | - | - | - | - | - | - | - | 1,826 |
| Chautauqua | 140,818 | 6.7 | 115,227 | 5.5 | 88,528 | 153,061 | 134,753 | 52,840 | - | - |
| ComAir/Delta Connection | 143 | - | 119,709 | 5.7 | 127,276 | 88,548 | 42,676 | 34,310 | 36,020 | 30,798 |
| CommutAir | - | - | - | - | - | - | - | 14,133 | 19,417 | 3,397 |
| Eastwind | - | - | - | - | - | - | - | - | - | - |
| Freedom Airlines | 34 | - | - | - | - | - | - | - | - | - |
| Mesa Airlines | 37,777 | 1.8 | 54,708 | 2.6 | 35,824 | 14,916 | - | - | - | - |
| Midway | - | - | - | - | - | - | - | - | - | - |
| Piedmont | 6,806 | - | 8,308 | 0.4 | 26,075 | 5,724 | 4,902 | 15,968 | 36,385 | 41,799 |
| Pinnacle Airlines | 94,047 | 4.5 | 108,429 | 5.2 | 70,688 | 37,647 | 2,820 | - | - | - |
| PSA | 48,097 | 2.3 | 41,372 | 2.0 | 18,688 | 9,596 | 10,850 | 18,200 | 25,171 | 33,270 |
| RSA | - | - | - | - | - | - | - | - | - | - |
| Republic Airlines | 1,229 | - | - | - | - | - | - | - | - | - |
| Shuttle America | 898 | - | 28,179 | 1.4 | - | - | - | - | - | - |
| Skywest Airlines | 1,316 | - | - | - | - | - | - | - | - | - |
| Trans States | 297,240 | 14.2 | 291,520 | 14.0 | 196,199 | 119,256 | 145,451 | 89,896 | - | - |
| Trans World Express | - | - | - | - | - | - | - | - | 25,374 | 28,007 |
| TWA | - | - | - | - | - | - | 35,926 | 66,558 | 72,778 | 10,820 |
| USA 3000 | - | - | 6,683 | 0.3 | - | - | - | - | - | - |
| US Airways Express | - | - | - | - | 8,678 | 16,665 | - | 9,899 | - | - |
| Total Regional Carriers | 817,706 | 38.5 | 926,543 | 44.4 | 755,686 | 598,809 | 598,554 | 512,391 | 334,055 | 237,169 |
| Total Airline Weight | 2,097,224 | 100.0% | 2,088,855 | 100.0% | 1,944,078 | 2,068,820 | 2,632,824 | 2,520,839 | 2,270,955 | 2,125,690 |

Capital Region Airport Commission
AIRLINE MARKET SHARES (Continued)
Eight Years Ended June 30, 2006
Landed Weight (1,000 Pound Units)

| | 2006 | Share of Total 2006 | 2005 | Share of Total 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|----------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Airborne Express | 25,891,700 | 6.6% | 48,669,200 | 11.8% | 51,796,600 | 51,697,100 | 51,599,000 | 51,561,000 | 51,237,700 | 52,397,500 |
| AirNet Systems | 10,105,604 | 2.6 | 11,227,336 | 2.7 | 10,183,552 | 9,253,672 | 5,151,468 | 5,942,500 | 6,407,776 | 5,083,904 |
| Airtrain/Emery Worldwide | - | - | - | - | - | - | 14,448,000 | 87,086,500 | 86,766,500 | 85,679,500 |
| Ameriflight | - | - | 4,004,000 | 1.0 | 2,349,000 | 155,000 | 450,700 | 1,849,000 | 4,309,300 | 4,699,600 |
| BAX Global | - | - | - | - | - | - | - | 30,393,500 | 68,746,000 | 50,220,337 |
| Emery Worldwide | - | - | - | - | - | - | 17,364,000 | 87,571,500 | 99,312,500 | 64,103,000 |
| Federal Express | 185,593,950 | 47.3 | 183,839,450 | 44.4 | 185,484,450 | 181,046,100 | 173,956,850 | 135,337,250 | 143,944,200 | 196,128,700 |
| Mountain Air Cargo | 8,500 | - | 42,500 | - | 25,500 | 126,000 | 714,000 | 721,000 | 92,500 | - |
| UPS | 171,104,680 | 43.6 | 165,935,000 | 40.1 | 165,813,500 | 162,638,500 | 162,638,000 | 137,852,000 | 163,764,500 | 154,832,000 |
| Total Cargo Weight | 392,704,434 | 100.0% | 413,717,486 | 100.0% | 415,652,602 | 404,916,372 | 426,322,018 | 538,314,250 | 624,580,976 | 613,144,541 |
| Total Landed Weight | 394,801,658 | | 415,806,341 | | 417,596,680 | 406,985,192 | 428,954,842 | 540,835,089 | 626,851,931 | 615,270,231 |

Note: Data for 1998 and 1997 not available.

Source: Airport records

Capital Region Airport Commission
TAKEOFF AND LANDING OPERATIONS SUMMARY
Ten Years Ended June 30, 2006

| Fiscal Year | Air Carrier | General Aviation | Air Taxi | Military | Total |
|------------------------------|----------------|---------------------|--------------|---------------|---------------|
| 2006 | 32,735 | 24,536 | 64,526 | 11,463 | 133,260 |
| 2005 | 24,760 | 31,354 | 67,273 | 12,377 | 135,764 |
| 2004 | 24,759 | 31,991 | 63,834 | 13,686 | 134,270 |
| 2003 | 30,112 | 35,206 | 47,220 | 12,471 | 125,009 |
| 2002 | 36,030 | 47,745 | 40,583 | 11,805 | 136,163 |
| 2001 | 49,871 | 51,804 | 37,056 | 12,733 | 151,464 |
| 2000 | 42,797 | 56,331 | 34,882 | 20,236 | 154,246 |
| 1999 | 41,633 | 52,419 | 33,846 | 16,156 | 144,054 |
| 1998 | 42,912 | 63,528 | 33,292 | 21,231 | 160,963 |
| 1997 | 39,651 | 60,187 | 30,786 | 18,613 | 149,237 |
| Average Annual Change | (5.2%) | (8.8%) | 9.10% | (3.4%) | (3.7%) |

Source: Richmond International Airport Air Traffic Control Tower records.

Capital Region Airport Commission
PRIMARY ORIGIN AND DESTINATIONS PASSENGER MARKETS
Calendar Years 2005 and 2004

| 2005 | | | | 2004 | | | |
|------|---------------------|--------------------------|----------------------|------|---------------------|-------------|----------------------|
| Rank | Market | Trip Length ¹ | Total O&D Passengers | Rank | Market | Trip Length | Total O&D Passengers |
| 1 | Atlanta | SH | 226,800 | 1 | New York | SH | 199,540 |
| 2 | New York/Newark | SH | 218,970 | 2 | Chicago | MH | 139,550 |
| 3 | Chicago | MH | 137,650 | 3 | Atlanta | SH | 134,210 |
| 4 | Orlando | MH | 120,880 | 4 | Dallas/Fort Worth | LH | 94,170 |
| 5 | Dallas/Fort Worth | LH | 108,090 | 5 | Orlando | MH | 89,230 |
| 6 | Boston | MH | 105,040 | 6 | Boston | MH | 83,440 |
| 7 | Tampa | MH | 59,450 | 7 | Tampa | MH | 50,620 |
| 8 | Fort Lauderdale | MH | 59,200 | 8 | Fort Lauderdale | MH | 45,360 |
| 9 | Philadelphia/Camden | SH | 58,310 | 9 | Minneapolis | MH | 44,580 |
| 10 | Houston | LH | 55,090 | 10 | Detroit | MH | 43,580 |
| 11 | Las Vegas | LH | 52,480 | 11 | Houston | LH | 43,580 |
| 12 | Los Angeles | LH | 50,750 | 12 | Philadelphia/Camden | SH | 40,870 |
| 13 | Minneapolis/St Paul | MH | 49,840 | 13 | Charlotte | SH | 40,480 |
| 14 | Denver | LH | 46,310 | 14 | San Francisco | LH | 40,140 |
| 15 | Detroit | MH | 44,650 | 15 | Los Angeles | LH | 37,740 |
| 16 | San Francisco | LH | 43,390 | 16 | Denver | LH | 36,860 |
| 17 | Charlotte | SH | 42,630 | 17 | Las Vegas | LH | 36,860 |
| 18 | Miami | MH | 37,310 | 18 | New Orleans | MH | 34,580 |
| 19 | St Louis | MH | 36,580 | 19 | Miami | MH | 34,420 |
| 20 | Cincinnati | MH | 35,670 | 20 | Cincinnati | MH | 32,830 |
| 21 | New Orleans | MH | 32,480 | 21 | St Louis | MH | 28,180 |
| 22 | Memphis | MH | 32,120 | 22 | Nashville | MH | 28,060 |
| 23 | Nashville | MH | 31,830 | 23 | Pittsburgh | SH | 27,560 |
| 24 | San Diego | LH | 28,970 | 24 | Jacksonville | MH | 26,580 |
| 25 | Jacksonville | MH | 2,880 | 25 | San Diego | LH | 24,320 |
| | Total | | 1,717,370 | | Total | | 1,437,340 |

Note: Calendar year data

Source: Department of Transportation's Survey of Airline Passengers compiled by Data Base Products, Dallas, Texas – 2005.

¹ SH=Short Haul= 0 to 600 miles. MH=Medium Haul=601 to 1,800 miles. LH=Long Haul= over 1,800 miles.

Capital Region Airport Commission
POPULATION IN THE AIR TRADE AREA
Calendar Years 2005, 2004, 2003 and 2002

POPULATION

| PRIMARY TRADE AREA | 2005(a) | 2004 | 2003 | 2002 | PERCENTAGE CHANGE | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------------|-----------|-----------|
| | | | | | 2004-2005 | 2003-2004 | 2002-2003 |
| United States(b) | 296,410,404 | 293,655,404 | 290,809,777 | 288,368,698 | 0.9% | 1.0% | 0.8% |
| Virginia-total | 7,567,465 | 7,459,827 | 7,386,330 | 7,293,542 | 1.4 | 1.0 | 1.3 |
| Richmond MSA(c) | 1,175,654 | 1,154,317 | 1,126,624 | N/A | 1.8 | 2.5 | N/A |
| Richmond-Petersburg MSA | 1,064,821 | 1,047,366 | 1,021,797 | 1,023,419 | 1.7 | 2.5 | (0.2) |
| Richmond City | 193,777 | 192,494 | 194,729 | 197,456 | 0.7 | -1.1 | (1.4) |
| Henrico County | 280,581 | 276,479 | 267,841 | 268,270 | 1.5 | 3.2 | (0.2) |
| Chesterfield County | 288,876 | 282,925 | 270,814 | 271,142 | 2.1 | 4.5 | (0.1) |
| Hanover County | 97,426 | 96,054 | 91,814 | 92,050 | 1.4 | 4.6 | (0.3) |
| Petersburg City | 32,604 | 32,757 | 33,117 | 33,115 | (0.5) | (1.1) | - |
| Hopewell City | 22,690 | 22,369 | 22,423 | 22,525 | 1.4 | (0.2) | (0.5) |
| Colonial Heights City | 17,567 | 17,511 | 17,153 | 17,063 | 0.3 | 2.1 | 0.5 |
| Charles City County | 7,119 | 7,120 | 7,118 | 7,239 | - | - | (1.7) |
| Dinwiddie County | 25,391 | 25,173 | 24,853 | 24,747 | 0.9 | 1.3 | 0.4 |
| Goochland County | 19,360 | 18,753 | 18,138 | 17,523 | 3.2 | 3.1 | 3.5 |
| New Kent County | 16,107 | 15,552 | 14,843 | 14,157 | 3.6 | 4.8 | 4.8 |
| Powhatan County | 26,598 | 25,866 | 24,649 | 23,997 | 2.8 | 4.9 | 2.7 |
| Prince George County | 36,725 | 34,313 | 34,305 | 34,135 | 7.0 | 0.0 | 0.5 |
| Amelia County | 12,273 | 11,929 | 11,742 | N/A | 2.9 | 1.6 | N/A |
| Caroline County | 25,563 | 24,019 | 23,190 | N/A | 6.4 | 3.6 | N/A |
| Cumberland County | 9,378 | 9,178 | 9,189 | N/A | 2.2 | (0.1) | N/A |
| King and Queen County | 6,796 | 6,775 | 6,588 | N/A | 0.3 | 2.8 | N/A |
| King William County | 14,732 | 14,334 | 14,131 | N/A | 2.8 | 1.4 | N/A |
| Louisa County | 30,020 | 28,802 | 28,031 | N/A | 4.2 | 2.8 | N/A |
| Sussex County | 12,071 | 11,914 | 11,596 | N/A | 1.3 | 2.7 | N/A |

Sources: (a) Estimates by Census Bureau, May 2006.

(b) United States population projected by Census Bureau, March 2006.

(c) December 2003 Office of Management and Budget (OMB) metropolitan definition.

Includes counties of Amelia, Caroline, Cumberland, King and Queen, King William, Louisa and Sussex.

NA: Not available

PERSONAL INCOME

| Millions of Dollars | 2004 | 2003 | 2002 | 2001 | 2000 |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| United States | \$9,705,504 | \$9,157,257 | \$8,872,871 | \$8,716,992 | \$8,422,074 |
| Virginia | 270,522 | 251,139 | 240,534 | 233,770 | 220,845 |
| Richmond MSA | 40,978 | 38,013 | 36,593 | 35,437 | 33,603 |
| Annual Growth Rate | 7.8% | 3.9% | 3.3% | 5.5% | 7.9% |

Note: 2004 is the most recent year available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, May 2006.

Capital Region Airport Commission
PER CAPITA INCOME
June 30, 2006

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|----------|----------|----------|----------|----------|
| United States | \$33,050 | \$31,484 | \$30,810 | \$30,574 | \$29,845 |
| Virginia | 36,160 | 34,014 | 33,013 | 32,505 | 31,087 |
| Richmond MSA | 35,422 | 33,316 | 32,513 | 31,887 | 30,548 |
| Percent of Richmond MSA vs United States | 107.18% | 105.82% | 105.53% | 104.29% | 102.35% |

Note: 2004 is the most recent year available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, May 2006.

PRINCIPAL EMPLOYERS IN THE PRIMARY AIR TRADE AREA
Calendar Year 2006

| <u>Major Private Employers</u> | <u>City/County</u> | <u>Full-Time Employees</u> | <u>Percentage of Total Employment</u> | <u>Product or Service</u> |
|--|--------------------|----------------------------|---------------------------------------|---------------------------|
| Capital One Financial Corp. | Goochland | 7,057 | 1.2% | Credit Cards |
| Virginia Commonwealth University Health System | Richmond | 6,729 | 1.2 | Hospitals |
| HCA Inc. | Richmond | 6,678 | 1.2 | Hospitals |
| Philip Morris USA | Richmond | 6,300 | 1.1 | Cigarettes |
| Wal-Mart Stores Inc. | Richmond | 5,371 | 1.0 | Discount Retailer |
| Wachovia Corp. | Richmond | 5,315 | 0.9 | Banking |
| Dominion Resources Inc. | Richmond | 4,763 | 0.8 | Energy |
| Bon Secours Richmond Health System | Richmond | 4,351 | 0.8 | Hospitals |
| Ukrop's Super Markets Inc. | Richmond | 3,733 | 0.7 | Retail Grocery |
| SunTrust Banks Inc. | Richmond | 3,542 | 0.6 | Banking |
| Bank of America Corp. | Richmond | 3,100 | 0.5 | Banking |
| Wellpoint, Inc. | Richmond | 3,041 | 0.5 | Insurance |

Note: This table shows the top twelve employers in the Richmond region.

Source: Richmond Times-Dispatch, April 23, 2006.

EMPLOYMENT DATA WITHIN VIRGINIA

| MAJOR PUBLIC EMPLOYERS | Average Number of Employees |
|--------------------------|-----------------------------|
| Local Governments | 55,400 |
| Commonwealth of Virginia | 44,100 |
| Federal Government | 15,000 |

Source: Virginia Employment Commission, Current Employment Statistics Program, 2005 Annual Averages.

EMPLOYMENT BY INDUSTRY (Non-Agricultural)

| Richmond-Petersburg MSA | Annual Average | | Percent Change | Percent of Total | |
|------------------------------------|----------------|---------|----------------|------------------|--------|
| | 2005 | 1995 | From 1995 | 2005 | 1995 |
| Total Employment | 616,200 | 527,900 | 16.7% | 100.0% | 100.0% |
| By Industry: | | | | | |
| Government | 114,500 | 103,200 | 10.9 | 19.5 | 18.6 |
| Wholesale and retail trade | 92,800 | 81,900 | 13.3 | 15.5 | 15.1 |
| Manufacturing | 45,200 | 58,000 | (22.1) | 7.3 | 11.0 |
| Finance, insurance and real estate | 46,900 | 38,200 | 22.8 | 7.2 | 7.6 |
| Construction and mining | 44,700 | 32,200 | 38.8 | 6.1 | 7.3 |
| Transportation and utilities | 20,300 | 19,100 | 6.3 | 3.6 | 3.3 |
| Information | 11,200 | 10,900 | 2.8 | 2.1 | 1.8 |
| Professional and business services | 92,800 | 75,900 | 22.3 | 14.4 | 15.1 |
| Educational and health services | 68,400 | 47,600 | 43.7 | 9.0 | 11.1 |
| Leisure and hospitality services | 49,400 | 41,300 | 19.6 | 7.8 | 8.0 |
| Other services | 30,100 | 19,900 | 51.3 | 3.8 | 4.9 |

Source: Virginia Employment Commission, Current Employment Statistics Program.
The most current data available is 2005

UNEMPLOYMENT RATES

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|-------------------------|-------|------|------|------|------|
| United States | 5.10% | 5.5% | 6.0% | 5.8% | 4.7% |
| Virginia | 3.5 | 3.7 | 4.1 | 4.2 | 3.2 |
| Richmond-Petersburg MSA | 3.7 | 3.9 | 4.3 | 4.1 | 3.2 |

Note: The most current year available is 2005.

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

**Capital Region Airport Commission
COMMISSION EMPLOYEES
Eight Years Ended June 30, 2006**

| | Full Time Equivalent Employees | | | | | | | |
|-------------------------------------|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Police | 30 | 30 | 30 | 41 | 39 | 31 | 30 | 29 |
| Communications | 12 | 13 | 12 | N/A | N/A | N/A | N/A | N/A |
| Aircraft Rescues & Fire Fighting | 19 | 19 | 18 | 19 | 19 | 18 | 18 | 18 |
| Custodial Services | 31 | 31 | 27 | 30 | 29 | 28 | 26 | N/A |
| Utilities/Ground Maintenance | 12 | 12 | 9 | 6 | 9 | 14 | 15 | 14 |
| Equipment/Automotive Maintenance | 5 | 5 | 4 | 4 | 5 | 5 | 5 | 4 |
| Building Maintenance | 8 | 9 | 9 | 10 | 14 | 14 | 15 | 26 |
| Electronic Systems | 4 | 4 | 3 | 4 | N/A | N/A | N/A | 4 |
| HVAC | 4 | 20 | N/A | N/A | N/A | N/A | N/A | 4 |
| Electrical Maintenance | 5 | 15 | 5 | 5 | 5 | 4 | 6 | 3 |
| Finance and Administrative Services | 12 | 10 | 11 | 10 | 9 | 13 | 25 | 14 |
| Ground Transportation | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Information Systems | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 |
| Executive Marketing | 4 | 4 | 4 | 5 | 3 | 3 | 3 | 7 |
| Human Resources | 4 | 4 | 4 | 4 | 5 | 4 | 3 | 3 |
| Baggage System | 4 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Operations | N/A | N/A | N/A | N/A | N/A | 8 | 10 | 11 |
| Total Employees | 157 | 179 | 139 | 141 | 140 | 145 | 161 | 141 |

Note: A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Full time equivalent employment is calculated by dividing total labor hours by 2088.
Several departments have been reclassified which resulted in variances.

CAPITAL ASSET INFORMATION
As of June 30, 2006

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 | 76,783 SF | |
| | Tenants | 40,597 SF | |
| | Public/common | 62,845 SF | |
| | Mechanical | 15,946 SF | |
| | Other | 193,797 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 | 4000 |
| | | Short-term | 280 |
| | | Long-term | 0 |
| | | Economy | 3000 |
| | | Rental cars | 490 |
| | | Employees | 600 |
| International: | Customs/Immigration Federal Inspection Service Facility | | |
| Tower: | TRACON 24/7-365 | | |
| FBOs | Aero Industries, MillionAir, Richmond Jet Center | | |

**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 the basic financial statements of the Capital Region Airport Commission (the "Commission") as of and for the year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

However, we noted certain other matters which we have reported to management of the Commission in a separate letter dated November 8, 2006.

This report is intended for the information of the Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
November 8, 2006



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Capital Region Airport Commission (the "Commission") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audit 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 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 the 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. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Commission, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
November 8, 2006

CAPITAL REGION AIRPORT COMMISSION

Schedule Of Findings And Questioned Costs

For the Fiscal Year Ended June 30, 2006

A. Summary of Auditors' Results

- 1. The type of report issued on the basic financial statements: **UNQUALIFIED OPINION**
- 2. Reportable conditions in internal control disclosed by the audit of the financial statements: **NO**
- 3. Noncompliance, which is material to the financial statements: **NO**
- 4. Reportable conditions in internal control over major programs: **NO**
- 5. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
- 6. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
- 7. The programs tested as major programs were:

| Name of Federal Program or Cluster | <u>CFDA Number</u> |
|---|---------------------------|
| Airport Improvement Program | 20.106 |

- 8. Dollar threshold to distinguish between Types A and B Programs: **\$341,377**
- 9. The Capital Region Airport Commission was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

NONE

C. Findings and Questioned Costs - Major Federal Awards

NONE

D. Resolution of Prior Year's Findings

There were no findings reported

