

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Financial Statements
and
Independent Auditors' Report
December 31, 2015 and 2014**

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GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Grand Junction Regional Airport Authority
Board of Commissioners
Grand Junction, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of Grand Junction Regional Airport Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Grand Junction Regional Airport Authority as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with auditing standards generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1 to the financial statements, in 2015 the Authority adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Accordingly, the 2014 financial statements have been restated and an adjustment has been made to net position as of December 31, 2013 to properly reflect the retroactive application of GASB No. 68. Our opinion was not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and pension information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of passenger facility charges, as required by the Federal Aviation Administration, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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March 11, 2016
Denver, Colorado

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

The following discussion and analysis of the financial performance and activity of the Grand Junction Regional Airport Authority (the "Authority" or "GJRA") is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

OPERATIONAL AND FINANCIAL ACTIVITY

Enplanements

Enplanements remained consistent from 2014 to 2015 with a slight decrease of approximately 300 enplaned passengers for a total of 218,948 in 2015. The cost per enplanement decreased in 2015 to \$7.96 from \$8.37 in 2014. During the year 2014, the following flights were available to passengers of Grand Junction Airport ("GJT"):

- United Airlines ("United") offered daily service to Denver International Airport ("DIA") and Houston's George Bush Intercontinental Airport ("IAH")
- Delta Air Lines ("Delta") operated two daily flights to Salt Lake City International Airport ("SLC")
- US Airways operated four daily flights to Phoenix Sky Harbor International Airport ("PHX")
- American Eagle had one daily flight to Dallas/Fort Worth International Airport ("DFW")
- Allegiant offered two flights per week to Las Vegas McCarran International Airport ("LAS") and a seasonal flight to Los Angeles International Airport ("LAX")
- Charter flights were available from Denver Air Connection with flights to airports near Denver: Rocky Mountain Metro Airport in Jefferson County and Centennial Airport in Centennial, Colorado.

The largest number of enplanements by carrier from 2011 through 2014 has been United with approximately 86,000 enplanements in 2014. However, with the merger of American Airlines ("American") with US Airways has resulted in American having the most enplanements in 2015 with approximately 85,000 and United second with approximately 82,000.

<u>Year</u>	<u>Allegiant</u>	<u>American (Adjusted with US Airways)</u>	<u>Delta</u>	<u>United</u>	<u>Other</u>	<u>Total</u>
2011	25,825	66,713	31,588	92,441	5,529	222,096
2012	23,716	73,850	30,086	86,540	5,451	219,643
2013	20,126	75,925	29,345	84,287	8,001	217,684
2014	19,328	77,806	29,145	85,721	7,252	219,252
2015	17,797	84,849	27,255	81,928	7,119	218,948

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Aircraft Operations

Aircraft operations are departures or arrivals for two components:

1. Itinerant airlines – composed of air carriers, air taxi (commuter), general aviation, and military
2. Local airlines – composed of local general aviation and local military

Total aircraft operations have decreased from 2014 to 2015 year over year. The most significant decrease was in local civilian, with a total operations decrease of approximately 2,900 operations. However, there was an increase in total military operations of 1,200 operations.

<u>Year</u>	<u>Air Carrier</u>	<u>Air Taxi</u>	<u>General Aviation</u>	<u>Military</u>	<u>Local Civilian</u>	<u>Local Military</u>	<u>Total</u>
2014	3,233	12,241	17,604	1,573	10,363	1,026	46,040
2015	3,068	11,529	17,043	2,250	7,653	1,581	43,124

Cargo Operations

Airfreight was provided primarily by FedEx, which accounted for 90% of freight in 2015 versus 89% in 2014. The other airfreight was provided by a smaller freight company and passenger air carriers. Total cargo pounds of airfreight decreased to approximately 11,024,000 pounds in 2015 from approximately 11,527,000 pounds in 2014. Revenue to the airport is generated from cargo operations through landing fees.

<u>Carrier</u>	<u>FY 2015 Pounds</u>	<u>FY 2014 Pounds</u>
FedEx	9,900,000	10,200,000
Key Lime	1,100,000	1,300,000
Passenger airlines	<u>24,000</u>	<u>27,000</u>
Total	<u>11,024,000</u>	<u>11,527,000</u>

Rental Car Operations

Rental Car Revenue

Rental car revenue is comprised of four components:

- Minimum Annual Guarantee ("MAG")
MAG is the minimum amount the rental car company must pay the Authority each month. Each rental car company has a different MAG based on the individual contract. However, they all must pay the greater of MAG or 10% of gross revenue.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Rental Car Operations (continued)

Rental Car Revenue (continued)

- Terminal rent
Terminal rent is charged at \$30.30 per square foot. All on-airport rental car companies have a terminal space of 536 square feet.
- Service area land and building leases
There are three rental car service area facilities. The rent received is based on the amount of land and the square feet of the building that occupies the land. All land areas are the same size, however, the building size ranges from approximately 800 to 2,100 square feet.
- Fuel sales
The rental car companies had a fuel service area built as part of the Colorado State Infrastructure Bank ("SIB") loan as discussed below. The Authority operates the fuel site, supplies all of the fuel and charges the rental car companies a maximum mark up of \$1.00 per gallon. The total amount charged to the rental car companies is based on the Authority's purchase price of fuel.

The total rental car revenue received decreased from approximately \$1,206,000 for the 12 months ended December 31, 2014 to approximately \$1,151,000 for the 12 months ended December 31, 2015. The 2015 actual was lower than budget of \$1,250,000 due to the lower-than-expected revenue received from fuel sales. This fuel sales revenue is based on the cost of gas the airport purchased.

Customer Facility Charges ("CFC")

In 2009, GJRA borrowed \$4,000,000 from the SIB to finance construction of a rental car parking lot and rental car service area. The airport board approved a facility use fee of \$3.25 per on-airport rental car per day in 2007 to fund the quarterly principal and interest payments. The loan has an annual interest rate of 3% and is to be re-paid over 10 years with quarterly principal and interest payments of \$116,122 starting on September 1, 2009. The SIB loan has a remaining balance of approximately \$1,538,000 as of December 31, 2015. The CFC revenue was approximately \$599,000 and 157,000 rental days for the 12 months ended December 31, 2015 versus revenue of approximately \$495,000 and 152,000 rental days for the 12 months ended December 31, 2014. CFC revenue is restricted and used to pay the principal and interest on the SIB loan. The 2015 actual was approximately \$200,000 over the budgeted amount. The 2015 budgeted CFC revenue did not include the increase in the CFC daily rate from \$3.25 to \$3.80 in 2015.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Terminal Rent Revenue

Terminal rent revenue is received from four elements:

- Airline terminal space
The airlines paid \$30.30 price per square foot for the main ticket counter with square feet ranging from approximately 600 to 3,200. In addition to the airlines' individual space, they also must pay for shared space that is utilized by all of the airlines. The shared space is comprised of three components: baggage processing area, boarding area, and ticketing area. In addition, there is an allocation for security services. The monthly shared space charge of approximately \$85,000 is prorated based on each airlines' reported enplanements. The 2015 budget was \$1,180,000 compared to 2015 actual of \$1,182,000
- Rental car counter space
Rental car counter space rent is discussed in the rental car operations section.
- Office space
Office space is rented to the Transportation Security Administration ("TSA"). The TSA rents approximately 8,400 square feet at a price of \$28.63 per square foot for a total annual rent of approximately \$240,000. The 2015 budget was \$240,000.
- Retail space
Retail space rent is the greater of an annual MAG rent of approximately \$28,000 or 8.5% of annual gross revenue. The total amount of retail space rent for 2015 was approximately \$35,000 compared to a 2015 budget of \$28,000.

Parking and Ground Transportation Revenue

The Authority has an agreement with Republic Parking Inc. to manage parking operations for the airport. Commissions from parking and ground transportation revenue were consistent with approximately \$1,291,000 for the 12 months ending December 31, 2014 and 2015 compared to a 2015 budget of \$1,167,000. The Authority has a two-tier system that requires payment to the Authority the greater of annual MAG of \$350,000 or 80.45% of gross revenues up to \$500,000 plus 91.50% of gross revenues in excess of \$500,000.

Fuel Flowage Revenue

Fuel flowage revenue is received from two sources:

- On-airport fuel provider
The Authority receives \$0.10 for every gallon pumped for Avgas Jet A and military Jet A; an additional \$0.10 per gallon is added to this fee for capital improvement funding, excluding commercial airlines. Fuel providers shall pay a fuel flowage fee to the Authority on all fuel sold at the airport to military, government, and general aviation aircraft fuel purchasers. Unless specified in an airline operating agreement, Part 121 air carriers are excluded from fuel flowage fees.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Fuel Flowage Revenue (continued)

- Aviation fuel tax disbursements
Aviation fuel tax disbursements are made based on the formula of \$0.04 per gallon on aviation gasoline and jet fuel and 65% of the sales taxes collected on jet fuel used for commercial operations as reported to the Colorado Department of Revenue by the fuel providers.

Fuel flowage revenue increased approximately \$51,000 from approximately \$415,000 to approximately \$466,000 for the 12 months ended December 31, 2014 and 2015, respectively, compared to a 2015 budget of \$480,000.

Other Revenue Sources

Landing Fees

Commercial signatory aircraft over 12,500 pounds landing weight pay a landing fee of \$1.70 per 1,000 pounds. Landing fees were down slightly from \$503,000 to approximately \$475,000 for the 12 months ended December 31, 2014 and 2015, respectively, compared to a 2015 budget of \$600,000.

Restaurant Revenue

The Authority is the operator of a Subway franchise located on the secured side of the airport terminal. Restaurant revenue was down slightly from \$455,000 to approximately \$447,000 for the 12 months ended December 31 2014 and 2015, respectively, compared to a 2015 budget of \$450,000

Land and Building Leases

The Authority leases land and buildings for general aviation hangars and other customers. The land and building leases revenue was up to approximately \$541,000 for the 12 months ended December 31, 2015, compared to a 2015 budget of \$530,000.

Airport Financial Statements

The Authority engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business. The Authority's financial report includes statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. Also, included are notes to the financial statements that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Airport Financial Statements (continued)

Statements of Net Position

The statements of net position present the financial position of the Authority at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority. The net position of the Authority represents the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority.

A summarized comparison of the Authority's statement of financial position is as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 6,866,945	\$ 4,305,552
Restricted assets	4,110,867	4,713,504
Capital assets, net	<u>58,942,759</u>	<u>62,829,977</u>
Total assets	<u>69,920,571</u>	<u>71,849,033</u>
Deferred outflows of resources	<u>331,456</u>	<u>165,627</u>
Total assets and deferred outflows of resources	<u>\$ 70,252,027</u>	<u>\$ 72,014,660</u>
Current liabilities	\$ 2,455,892	\$ 2,240,613
Non-current liabilities	<u>16,142,379</u>	<u>17,447,565</u>
Total liabilities	<u>18,598,271</u>	<u>19,688,178</u>
Deferred inflows of resources	<u>105,192</u>	<u>-</u>
Net position		
Net investment in capital assets	43,638,337	46,274,370
Restricted for debt service and capital assets	3,421,604	4,206,215
Unrestricted	<u>4,488,623</u>	<u>1,845,897</u>
Total net position	<u>51,548,564</u>	<u>52,326,482</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 70,252,027</u>	<u>\$ 72,014,660</u>

Current assets increased approximately \$2,600,000, which is attributable to the construction costs of an administration building ("Administration Building") adjacent to the main terminal in 2014, there were immaterial costs associated with the Administration Building in 2014.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Airport Financial Statements (continued)

Statements of Net Position (continued)

Non-current assets decreased approximately \$4,500,000 due to depreciation of approximately \$4,400,000. Total liabilities decreased approximately \$924,000 from the principal payment on debt. Additional increases to assets and liabilities are due to the following changes:

	December 31,	
	2015	2014
Deferred outflows	\$ 331,456	\$ 165,627
Net pension liability	\$ 2,136,600	\$ 2,135,590
Deferred inflows	\$ 105,192	\$ -

See Note 8 in the notes to the consolidated financial statements for additional discussion of pension plan, the implementation of GASB 68 and GASB 71 and the effect on the 2014 and 2015 statements of net position.

Capital Assets

During 2015, the Authority decreased its construction in progress by approximately \$2,300,000 with 97% of that cost paying for construction of the Administration Building when compared to 2014.

Construction in progress:

	December 31,	
	2015	2014
Airport improvement projects		
AIP - 40 Runway environmental assessments	\$ 46,257	\$ 30,917
AIP - 52 Rehabilitate runway, taxiway, and connectors	270,651	-
AIP - 53 Apron design	114,503	-
Airport self-funded projects		
Air carrier ramp design	-	41,745
Architectural and construction fees	21,368	2,218,117
Other	28,378	4,750
Total	<u>\$ 481,157</u>	<u>\$ 2,295,529</u>

Note 4 to the financial statements provides additional information on the Authority's capital asset activity.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Airport Financial Statements (continued)

Statements of Net Position (continued)

Long-Term Debt

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, public debt issues, and airport operating revenues. As of December 31, 2015, the Authority has approximately \$13,760,000 in outstanding bonds used to primarily finance construction of the road and public parking improvements. In addition, the Authority has approximately \$1,537,000 outstanding in a note payable to the Colorado State Infrastructure Bank to finance construction of a rental car parking lot and rental car service area. Note 6 to the financial statements provides additional information regarding the Authority's debt activities.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position reflect the operating activity of the Authority for the year using the accrual basis of accounting, similar to private sector companies. The change in net position is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year.

The change in net position for the years ended December 31, 2015 and 2014 was a reduction of approximately \$778,000 and \$967,000, respectively.

	For the Years Ended December 31,	
	2015	2014
Total operating revenues	\$ 6,400,317	\$ 6,550,426
Total non-operating revenues	879,050	944,795
Total revenues	<u>7,279,367</u>	<u>7,495,221</u>
Total operating expenses	3,942,275	3,988,342
Deprecation expense	4,379,094	4,327,249
Net non-operating expenses	749,253	798,833
Total expenses	<u>9,070,622</u>	<u>9,114,424</u>
Loss before capital contributions	(1,791,255)	(1,619,203)
Capital contributions	<u>1,013,337</u>	<u>651,741</u>
Change in net position	<u>\$ (777,918)</u>	<u>\$ (967,462)</u>

Operating revenues decreased approximately \$150,000 for the 12 months ended December 31, 2015 from 2014. The decrease was due to the lower-than-expected cost of fuel the airport sells to rental car operators. Operating expenses decreased slightly by \$46,000.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Airport Financial Statements (continued)

Statements of Revenues, Expenses, and Changes in Net Position (continued)

Non-operating revenue increased by approximately \$344,000. This was due to the increase in PFC revenue as a result in the increase in the daily PFC rate from \$3.25 to \$3.80, as previously discussed. There was also an increase in capital contributions from federal and state governments. Federal and state grants are scheduled several years in advance of funding and vary from year to year based on an airport's capital improvement program and the cost of the projects programmed each year. Capital contributions were higher in 2015 due to AIP 49, AIP 52, and AIP 53.

	December 31,	
	2015	2014
AIP - 49 Runway environmental assessments	\$ 42,190	\$ 35,784
AIP - 52 Rehabilitate runway, taxiway, and connectors	243,556	-
AIP - 53 Apron design	100,440	-
State of Colorado grants	19,110	120,200
Federal Mineral Lease District	<u>9,118</u>	<u>-</u>
Total	<u>\$ 414,414</u>	<u>\$ 155,984</u>

Financial Contact

The Authority's financial statements are designed to present interested parties (customers, tenants, creditors, and the community) with a general overview of the Authority's finances and to demonstrate the accountability to all interested parties. If you have any questions concerning this report or need additional financial information, please contact the Grand Junction Regional Airport Authority, 800 Eagle Drive, Grand Junction, Colorado 81506 or at 970-244-9100. Additionally, the individual Authority staff members may be contacted via e-mail in the "Contact Us" section of the Authority's website.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Net Position

	December 31,	
	2015	2014 (Restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 6,265,142	\$ 3,590,539
Receivables		
Accounts receivable	501,573	559,834
Grants	22,379	118,712
Prepaid expenses	77,851	36,467
Total current assets	6,866,945	4,305,552
Restricted cash, cash equivalents, and investments		
Passenger facility charges	1,779,152	2,164,679
Revenue bond reserve fund	1,460,000	1,540,000
Revenue bond sinking fund	182,452	501,536
Rental car improvements	538,310	392,574
Lease deposits	150,953	114,715
Total restricted assets	4,110,867	4,713,504
Capital assets, net	58,942,759	62,829,977
Total non-current assets	63,053,626	67,543,481
Total assets	69,920,571	71,849,033
Deferred Outflows of Resources		
Deferred amortization related to pension plan	331,456	165,627
Total assets and deferred outflows of resources	\$ 70,252,027	\$ 72,014,660
Liabilities		
Current liabilities		
Accounts payable	\$ 166,671	\$ 129,507
Accounts payable - capital assets	463,701	414,168
Accrued expenses	305,736	290,647
Lease deposits	150,953	114,715
Current portion of revenue received in advance	70,188	40,391
Current portion of note payable	423,096	410,638
Current portion of revenue bonds payable	875,547	840,547
Total current liabilities	2,455,892	2,240,613
Non-current liabilities		
Revenue received in advance, net of current portion	-	7,553
Notes payable, net of current portion	1,114,764	1,537,860
Revenue bonds payable, net of current portion	12,891,015	13,766,562
Net pension liability	2,136,600	2,135,590
Total non-current liabilities	16,142,379	17,447,565
Total liabilities	18,598,271	19,688,178
Deferred Inflows of Resources		
Deferred amortization related to pension plan	105,192	-
Total liabilities and deferred inflows of resources	18,703,463	19,688,178
Commitments and contingencies		
Net Position		
Net investment in capital assets	43,638,337	46,274,370
Restricted for debt service and capital assets	3,421,604	4,206,215
Unrestricted	4,488,623	1,845,897
Total net position	51,548,564	52,326,482
Total liabilities, deferred inflows of resources, and net position	\$ 70,252,027	\$ 72,014,660

See notes to financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended	
	December 31,	
	2015	2014
		(Restated)
Operating revenues		
Aeronautical revenue		
Passenger airlines revenue		
Passenger airlines landing fees	\$ 474,514	\$ 502,886
Terminal rent	1,181,845	1,243,186
Other	87,015	89,495
Total passenger airlines revenue	<u>1,743,374</u>	<u>1,835,567</u>
Non-passenger airline revenue		
Landing fees from cargo	96,294	84,130
Cargo and hangar rentals	50,630	50,505
Aviation fuel tax	256,975	316,538
Fuel flowage fees	466,040	414,985
Other	11,370	8,400
Total non-passenger airline revenue	<u>881,309</u>	<u>874,558</u>
Total aeronautical revenue	<u>2,624,683</u>	<u>2,710,125</u>
Non-aeronautical revenue		
Land and building leases	541,343	536,864
Terminal - food and beverage	446,702	455,007
Terminal - retail	35,498	34,415
Terminal - other	241,466	241,465
Rental cars	1,150,665	1,205,661
Parking and ground transportation	1,290,840	1,290,743
Other	69,120	76,146
Total non-aeronautical revenue	<u>3,775,634</u>	<u>3,840,301</u>
Total operating revenues	<u>6,400,317</u>	<u>6,550,426</u>
Operating expenses		
Personnel compensation and benefits	2,063,862	1,733,417
Communications and utilities	284,701	291,679
Supplies and materials	556,840	695,044
Contract services	536,955	627,707
Repairs and maintenance	269,023	250,510
Insurance	89,692	80,384
Other	141,202	143,974
Total operating expenses	<u>3,942,275</u>	<u>3,822,715</u>
Operating income, before depreciation	2,458,042	2,727,711
Depreciation	<u>4,379,094</u>	<u>4,327,249</u>
Operating loss	(1,921,052)	(1,599,538)
Non-operating revenues (expenses)		
Passenger facility charges	874,101	897,805
Interest income	19,630	15,714
Interest expense	(749,253)	(798,833)
Customer facility charges	598,923	495,757
Capital contributions	414,414	155,984
Other (expenses) revenues	(14,681)	31,276
Total non-operating revenues	<u>1,143,134</u>	<u>797,703</u>
Change in net position	(777,918)	(801,835)
Net position at beginning of year	<u>52,326,482</u>	<u>53,128,317</u>
Net position at end of year	<u>\$ 51,548,564</u>	<u>\$ 52,326,482</u>

See notes to financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Cash Flows

	For the Years Ended December 31,	
	<u>2015</u>	<u>2014</u> (Restated)
Cash flows from operating activities		
Cash received from customers and users	\$ 6,480,822	\$ 6,569,404
Cash paid to vendors for goods and services	(1,904,047)	(2,150,422)
Cash paid to and for employees	<u>(2,082,823)</u>	<u>(1,883,976)</u>
Net cash provided by operating activities	<u>2,493,952</u>	<u>2,535,006</u>
Cash flows from non-capital financing activities		
Receipts of lease deposits, net	<u>36,238</u>	<u>6,730</u>
Net cash provided by non-capital financing activities	<u>36,238</u>	<u>6,730</u>
Cash flows from capital and related financing activities		
Grants received	510,747	120,200
Customer facility charges received	598,923	495,757
Passenger facility charges received	874,101	897,805
Interest paid	(753,385)	(800,159)
Acquisition and construction of capital assets	(457,055)	(2,617,307)
Proceeds from sale of assets	-	159,000
Bond reserve balance reduction	80,000	-
Principal payments on note and bonds payable	<u>(1,251,185)</u>	<u>(1,199,093)</u>
Net cash used in capital and related financing activities	<u>(397,854)</u>	<u>(2,943,797)</u>
Cash flows from investing activities		
Certificates of deposit	-	103,044
Interest received on cash equivalents	<u>19,630</u>	<u>15,714</u>
Net cash flows provided by investing activities	<u>19,630</u>	<u>118,758</u>
Net increase (decrease) in cash and cash equivalents	2,151,966	(283,303)
Cash and cash equivalents at beginning of year	<u>6,764,043</u>	<u>7,047,346</u>
Cash and cash equivalents at end of year	<u>\$ 8,916,009</u>	<u>\$ 6,764,043</u>

(Continued on the following page)

See notes to financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Cash Flows

(Continued from the previous page)

Reconciliation of loss from operations to net cash provided by operating activities:

	For the Years Ended December 31,	
	<u>2015</u>	<u>2014</u> (Restated)
Operating loss	\$ (1,921,052)	\$ (1,599,538)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	4,379,094	4,327,249
Changes in certain assets and liabilities		
Receivables	58,261	55,731
Prepaid expenses	(41,384)	(3,080)
Accounts payable	37,164	(71,018)
Accrued liabilities	19,252	28,032
Net pension liability and pension related deferred inflows and outflows of resources	(59,627)	(165,627)
Revenue received in advance	22,244	(36,743)
	<u>4,415,004</u>	<u>4,134,544</u>
Net cash provided by operating activities	<u>\$ 2,493,952</u>	<u>\$ 2,535,006</u>

Non-cash investment and capital and related financing activities:

	December 31,	
	<u>2015</u>	<u>2014</u> (Restated)
Net change in capital assets purchased with payables	<u>\$ (34,821)</u>	<u>\$ (239,316)</u>

Statements of net position cash and cash equivalents:

	December 31,	
	<u>2015</u>	<u>2014</u> (Restated)
Operating cash	\$ 6,265,142	\$ 3,590,539
Restricted cash and cash equivalents		
Revenue bond sinking fund	182,452	501,536
Passenger facility charges	1,779,152	2,164,679
Rental car improvements	538,310	392,574
Lease deposits	<u>150,953</u>	<u>114,715</u>
Net cash and cash equivalents	<u>\$ 8,916,009</u>	<u>\$ 6,764,043</u>

See notes to financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Grand Junction Regional Airport Authority (the "Authority") was established in 1971 under the provisions of the Public Airport Authority Act of 1965 when all assets of the city/county-owned airport were transferred to the Authority. The Authority's Board Commissioners (the "Board") consist of seven members with three members appointed by the Mesa County Commissioners, which may include one commissioner; three members appointed by the Grand Junction City Council, including one council member; and one member appointed by the other six members, with the concurrence of the Mesa County Commissioners and the Grand Junction City Council.

As noted above, neither the city of Grand Junction nor Mesa County appoint a voting majority of the Authority's Board; however, both have signed a supplemental co-sponsorship agreement between the Authority and the Federal Aviation Administration ("FAA"). The co-sponsorship mandates that the city of Grand Junction and Mesa County would be liable for the financial commitments of the sponsor under the grant agreements should the Authority not be able to satisfy the financial commitments out of the new revenues generated by the operation of the airport.

The reporting entity of the Authority includes those activities and functions over which the Authority is considered to be financially accountable. The Authority's financial statements include the accounts and operations of all of the Authority's functions. The Authority is the primary government and does not include any component units using the criteria set forth in accounting principles generally accepted in the United States of America ("GAAP").

The Authority is a special-purpose government engaged only in business-type activities. For this type of government, only enterprise financial statements are presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities 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.

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives and contingencies. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Authority's records are maintained on the accrual basis of accounting and economic resource measurement focus in accordance with GAAP, including all applicable statements of the Governmental Accounting Standards Board ("GASB"). Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first with the exception of the debt service on the revenue bonds that is paid partially from the restricted passenger facility charges ("PFC") and partially from operating funds.

The operations of the Authority are accounted for on a fund basis in a single enterprise fund. Enterprise funds may be used to account for operations (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Cash and Cash Equivalents

The Authority considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Receivables

The Authority provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Authority's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Authority's estimate of the allowance for doubtful accounts will change and that losses ultimately incurred could differ materially from the amounts estimated in determining the allowance. Based on the Authority's review of accounts receivable, no allowance for doubtful accounts has been established as of December 31, 2015 or 2014.

Grants receivable represent reimbursements due from the federal government for allowable costs incurred on federal award programs.

Budgeting Requirements

The Authority's budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for the airport. The budget is prepared by the Authority and approved by the Board in accordance with the state of Colorado's *Financial Management Manual* and in accordance with Colorado Revised Statutes. The initial budget is submitted to the Board by October 15 and the Authority adopts an appropriation resolution for the next fiscal year by December 31. The Board may amend the appropriation resolution at any time during the year if warranted by circumstances.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Budgeting Requirements (continued)

The Authority appropriates, and may not exceed appropriations, at a total fund level. Appropriations for the year ended December 31, 2015 were \$9,438,816.

The budget basis of accounting differs from the GAAP basis in that debt proceeds are included as revenue, outlays for acquisition of capital assets and debt principal payments are included as expenditures, and depreciation is not included in expenditures.

Restricted Assets

Passenger Facility Charges

The Authority received approval from the FAA to impose and use a PFC of \$4.50 per eligible enplaned passenger from August 2011 through August 2019. During 2007, the Authority was approved to collect PFCs of \$15,857,760. The PFCs are restricted for use in the construction of certain airport improvements and related construction debt as approved by the FAA. As of December 31, 2015, the Authority had collected \$8,378,016 of the approved charges. With approval of the FAA, the PFC receipts are recognized and recorded as non-operating revenue in the year collected. PFCs are paid by the carriers, with unexpended amounts reflected as a restriction of net position.

Revenue Bond Reserve and Sinking Funds

The debt service account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to subsidize potential deficiencies from operations that could adversely affect debt service payments. Unexpended amounts are reflected as a restriction of net position.

Rental Car Improvements

During 2008, the Authority began assessing a daily use fee, or Customer Facility Charge ("CFC"), of up to \$3.25 per on-airport rental car per day. These funds are being used to make payments on debt for construction of new rental car parking and on-airport rental car service areas. In 2014, the CFC was increased to \$3.80 per on-airport rental car per day.

Lease Deposits

The Authority requires lease deposits from the lessees for the duration of the lease. The deposits are refunded when the tenants vacate, provided the tenants are current on rental payments.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500. Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years. Depreciation of construction-in-progress assets begins when an asset is placed in service.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred.

Long-Lived Assets

The Authority evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the service utility of the asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Authority measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Authority to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. As of December 31, 2015 and 2014, no events or changes in circumstances were identified that would require the Authority to impair any of its long-lived assets.

Components of Net Position

Net investment in capital assets - This amount is derived by subtracting the outstanding debt incurred by the Airport to buy or construct capital assets shown on the statement of net position. Capital assets cannot readily be sold and converted to cash.

Restricted - This category represents restrictions imposed on the use of the Authority's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. As of December 31, 2015 and 2014, the Authority reported restricted net position of \$3,421,604 and \$4,206,215, respectively, for debt service and PFCs.

Unrestricted - This category consists of net position that does not meet the definition of net investment in capital assets or restricted.

Revenue Received in Advance

During March 1997, the Authority granted a lease to the Bureau of Land Management ("BLM") for use of airport land for a term of 20 years. The BLM prepaid the entire lease in the amount of \$150,000. The prepayment is reflected as revenue received in advance and is being amortized over the life of the lease in the amount of \$7,500 per year. As of December 31, 2015 and 2014, the unamortized balance was \$7,500 and \$15,053, respectively.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Revenue Received in Advance (continued)

Terminal space rentals and land and building lease payments collected in advance are recorded as a liability and recognized into revenue in the applicable period. As of December 31, 2015 and 2014, the amount of prepaid rent was \$62,688 and \$32,891, respectively.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Federal and State Grants

Outlays for airport capital improvements are subject to reimbursement from federal grant programs through the Airport Improvement Program ("AIP") of the FAA. Funds are also received for airport development from the State of Colorado. Funding provided from government grants is considered earned as the related approved capital outlays are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Contributions

Certain expenditures for airport capital improvements are significantly funded through the AIP of the FAA, with certain matching funds provided by the state of Colorado, or from various state allocations of grant programs. Capital funding provided under governmental grants is considered earned as the related allowable expenditures are incurred. Grants for capital asset acquisition, facility development and rehabilitation, and eligible long-term planning studies are reported in the financial statements after non-operating revenues and expenses as capital contributions.

Risk Management

The Authority is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by commercial insurance. There has been no significant reduction in insurance coverage, and settlement amounts have not materially exceeded coverage for the current or prior three years.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Pension Plan

During the year ended December 31, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governmental entities that provide their employees with pension benefits. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense; information about the fiduciary net position of the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan (the "Plan"); and additions to/deduction from the LGDTF's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement Association of Colorado ("PERA"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Subsequent Events

The Authority has evaluated all subsequent events through the auditors' report date. There were no material subsequent events that required recognition or disclosure.

Note 2 - Restatement

The Authority's December 31, 2014 financial statements have been restated to reflect balances and activity related to the adoption of GASB Statement Nos. 68 and 71. It was not practical for the Authority to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of December 31, 2014. Accordingly, the beginning balances of deferred inflows of resources and deferred outflows of resources were not recognized in the December 31, 2014 financial statements, other than contributions subsequent to the measurement date in accordance with GASB Statement No. 71.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 2 - Restatement (continued)

	December 31, 2014		
	As Previously Reported	Effect of Restatement	As Restated
Deferred outflows of resources			
Authority contributions subsequent to the measurement date	\$ -	\$ 165,627	\$ 165,627
Net pension liability	\$ -	\$ (2,135,590)	\$ (2,135,590)
Personnel compensation and benefits expense	\$ 1,899,044	\$ (165,627)	\$ 1,733,417
Net position			
Unrestricted - undesignated - assets limited as to use	\$ 3,815,860	\$ (2,135,590)	\$ 1,680,270
Net position - beginning of year	\$ 55,263,907	\$ (2,135,590)	\$ 53,128,317
Net position - end of year	\$ 54,296,445	\$ (1,969,963)	\$ 52,326,482

Note 3 - Cash Deposits

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

The Authority's deposits include the following:

	December 31,	
	2015	2014
Cash and cash equivalents	\$ 6,265,142	\$ 3,590,539
Restricted cash	<u>4,110,867</u>	<u>4,713,504</u>
Total deposits and investments	<u>\$ 10,376,009</u>	<u>\$ 8,304,043</u>

The bank balances on deposit were \$10,552,639 and \$8,320,364 at December 31, 2015 and 2014, respectively.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 3 - Cash Deposits (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies; obligations of the State of Colorado or of any county, school district, and certain towns and cities therein; notes or bonds secured by insured mortgages or trust deeds; obligations of national mortgage associations; certain repurchase agreements; and local government investment pools.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Investments

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes limit authorized investments to investments having maturities of five years or less, unless the entity's governing body specifically authorizes longer maturities.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 4 - Capital Assets

A summary of changes in capital assets is as follows as of December 31, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	<u>6,583,538</u>	<u>481,157</u>	<u>-</u>	<u>7,064,695</u>
Total capital assets, not being depreciated	<u>8,999,596</u>	<u>481,157</u>	<u>-</u>	<u>9,480,753</u>
Capital assets, being depreciated				
Buildings and improvements	17,242,750	-	-	17,242,750
Land improvements	84,771,418	12,697	-	84,784,115
Equipment	<u>4,824,990</u>	<u>12,733</u>	<u>119,205</u>	<u>4,718,518</u>
Total capital assets, being depreciated	<u>106,839,158</u>	<u>25,430</u>	<u>119,205</u>	<u>106,745,383</u>
Less accumulated depreciation for				
Buildings and improvements	8,776,957	683,008	-	9,459,965
Land improvements	41,611,424	3,297,737	-	44,909,161
Equipment	<u>2,620,396</u>	<u>398,349</u>	<u>104,494</u>	<u>2,914,251</u>
Total accumulated depreciation	<u>53,008,777</u>	<u>4,379,094</u>	<u>104,494</u>	<u>57,283,377</u>
Total capital assets, being depreciated, net	<u>53,830,381</u>	<u>(4,353,664)</u>	<u>14,711</u>	<u>49,462,006</u>
Capital assets, net	<u>\$ 62,829,977</u>	<u>\$ (3,872,507)</u>	<u>\$ 14,711</u>	<u>\$ 58,942,759</u>

A summary of changes in capital assets is as follows as of December 31, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	<u>4,288,009</u>	<u>2,295,529</u>	<u>-</u>	<u>6,583,538</u>
Total capital assets, not being depreciated	<u>6,704,067</u>	<u>2,295,529</u>	<u>-</u>	<u>8,999,596</u>
Capital assets, being depreciated				
Buildings and improvements	17,242,750	-	-	17,242,750
Land improvements	84,771,418	-	-	84,771,418
Equipment	<u>5,205,355</u>	<u>82,462</u>	<u>462,827</u>	<u>4,824,990</u>
Total capital assets, being depreciated	<u>107,219,523</u>	<u>82,462</u>	<u>462,827</u>	<u>106,839,158</u>
Less accumulated depreciation for				
Buildings and improvements	8,090,660	686,297	-	8,776,957
Land improvements	38,387,938	3,223,486	-	41,611,424
Equipment	<u>2,538,034</u>	<u>417,464</u>	<u>335,102</u>	<u>2,620,396</u>
Total accumulated depreciation	<u>49,016,632</u>	<u>4,327,247</u>	<u>335,102</u>	<u>53,008,777</u>
Total capital assets, being depreciated, net	<u>58,202,891</u>	<u>(4,244,785)</u>	<u>127,725</u>	<u>53,830,381</u>
Capital assets, net	<u>\$ 64,906,958</u>	<u>\$ (1,949,256)</u>	<u>\$ 127,725</u>	<u>\$ 62,829,977</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 5 - Accrued Expenses

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Vacation	\$ 161,000	\$ 128,000
Compensation and related	60,065	52,399
Interest	58,985	63,148
Other	<u>25,686</u>	<u>47,100</u>
	<u>\$ 305,736</u>	<u>\$ 290,647</u>

Note 6 - Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Revenue bonds, Series 2007	\$14,600,000	\$ -	\$ (840,000)	\$13,760,000	\$ 875,000
Bond premium	7,109	-	(547)	6,562	547
Colorado State Infrastructure Bank loan	<u>1,948,498</u>	<u>-</u>	<u>(410,638)</u>	<u>1,537,860</u>	<u>423,096</u>
Total long-term obligations	<u>\$16,555,607</u>	<u>\$ -</u>	<u>\$ (1,251,185)</u>	<u>\$15,304,422</u>	<u>\$ 1,298,643</u>

Changes in long-term obligations for the year ended December 31, 2014 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Revenue bonds, Series 2007	\$15,400,000	\$ -	\$ (800,000)	\$14,600,000	\$ 840,000
Bond premium	7,656	-	(547)	7,109	547
Colorado State Infrastructure Bank loan	<u>2,347,044</u>	<u>-</u>	<u>(398,546)</u>	<u>1,948,498</u>	<u>410,638</u>
Total long-term obligations	<u>\$17,754,700</u>	<u>\$ -</u>	<u>\$ (1,199,093)</u>	<u>\$16,555,607</u>	<u>\$ 1,251,185</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 6 - Long-Term Debt (continued)

2007 Bonds

The Authority issued Airport Revenue Bonds, Series 2007, dated May 1, 2007, in the amount of \$19,560,000, for the purpose of funding a portion of the costs of new road improvements to the airport and refunding the 2003 Series bonds. The bonds are secured by net operating revenues of the Authority and a reserve account in the amount of \$1,460,000 funded from the net proceeds of the bonds. The bonds bear interest from 4.4% to 5.0% with interest payable semi-annually on June 1 and December 1, with principal payable annually on December 1 and maturing on December 1, 2027.

The debt service requirements to maturity, excluding any unamortized premium are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 875,000	\$ 662,313	\$ 1,537,313
2017	910,000	622,938	1,532,938
2018	955,000	581,988	1,536,988
2019	1,000,000	534,235	1,534,235
2020	1,050,000	484,238	1,534,238
2021-2025	6,100,000	1,586,988	7,686,988
2026-2027	<u>2,870,000</u>	<u>206,150</u>	<u>3,076,150</u>
	<u>\$ 13,760,000</u>	<u>\$ 4,678,850</u>	<u>\$ 18,438,850</u>

Colorado State Infrastructure Bank Note

The Authority borrowed \$4,000,000 from the Colorado State Infrastructure Bank on May 29, 2009 for the purpose of funding complete reconstruction of the rental car parking lot, including construction and installation of all supporting infrastructure and the design phase of the vehicle service area. The note is secured by an on-airport rental car facility fee. The note carries an interest rate of 3% and is to be paid in quarterly installments of principal and interest of \$116,122 through June 2019.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 423,096	\$ 41,391	\$ 464,487
2017	435,932	28,555	464,487
2018	449,158	15,329	464,487
2019	<u>229,674</u>	<u>2,571</u>	<u>232,245</u>
	<u>\$ 1,537,860</u>	<u>\$ 87,846</u>	<u>\$ 1,625,706</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 7 - Future Rental Revenue

The Authority leases a portion of its property under non-cancelable operating lease agreements for airline operations, concessions, and other commercial and private purposes.

The following is a summary of approximate future minimum rental payments to be received under non-cancelable operating leases:

Year Ending December 31,

2016	\$	1,272,000
2017		1,177,000
2018		1,126,000
2019		1,020,000
2020		504,000
Thereafter		<u>1,169,000</u>
	\$	<u>6,268,000</u>

Note 8 - Pension Plans

Defined Benefit Pension Plan

Plan Description

The Authority contributes to the LGDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the Authority to establish benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 8 - Pension Plans (continued)

Defined Benefit Pension Plan (continued)

Funding Policy

The Authority is required to contribute member and employer contributions to PERA at a rate set by Colorado statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate is 8.00% of covered salary for members and 10.00% of covered salary for the Authority. A portion of the Authority's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortized equalization disbursement ("AED") equal to 2.20% of the total payroll for the calendar year 2015. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.50% of the total payroll for the calendar year 2015. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including AED and SAED) on the amounts paid for the retiree; however, no member contributions are required. The Authority's contributions to LGDTF for the years ended December 31, 2015 and 2014 were \$201,249 and \$178,950 (as restated), respectively, equal to their required contributions for each year.

Benefits Provided

LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. Retirement benefits are based upon a defined or fixed multiplier, age, years of credited services, and Highest Average Salary ("HAS"). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals $2.5\% \times HAS \times \text{Years of Service}$. Employees with 25 years of continuous service are eligible to retire at age 50. Employees are eligible for service-related disability benefits with five or more years of service. Disability benefits are divided into a two-tier disability program consisting of a short-term disability program and a disability retirement benefit. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

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

At December 31, 2015 and 2014 the Authority reported a liability of \$2,136,600 and \$2,135,590, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and 2013, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2014 using standard roll-forward techniques on an actuarial valuation as of December 31, 2013. The Authority's proportion of the net pension liability was based on a projections of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2014, the Authority's proportion was 0.2384%, which was a decrease of 0.0227% from its proportion measured as of December 31, 2013.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 8 - Pension Plans (continued)

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

For the years ending December 31, 2015 and 2014, the Authority recognized pension expense of \$141,624 and \$190,796. At December 31, 2014, the Authority reported deferred outflows of resources related to the Authority contributions subsequent to the measurement date of \$165,627. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 429
Net difference between projected and actual earnings on pension plan investments	115,868	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	14,339	104,763
The Authority contributions subsequent to the measurement date	<u>201,249</u>	<u>-</u>
Total	<u>\$ 331,456</u>	<u>\$ 105,192</u>

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date of \$201,249 will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 30,

2016	\$ (47,192)
2017	12,689
2018	30,551
2019	<u>28,967</u>
	<u>\$ 25,015</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 8 - Pension Plans (continued)

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

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.80%
Salary increases	3.90% - 10.85%, average, including inflation
Long-term investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2020 with males set back one year, and females set back two years.

The LGDTF total pension liability was determined by actuarial valuations as of December 31, 2013, and accepted actuarial procedures were applied to roll forward the pension liability to December 31, 2014. The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity - large-cap	26.76 %	5.00 %
U.S. equity - small-cap	4.40	5.19 %
Non-U.S. equity - developed	22.06	5.29 %
Non-U.S. equity - emerging	6.24	6.76 %
Core fixed income	24.05	0.98 %
High yield	1.53	2.64 %
Long duration government/credit	0.53	1.57 %
Emerging market bonds	0.43	3.04 %
Real estate	7.00	5.09 %
Private equity	7.00	7.15 %
Total	100 %	

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 8 - Pension Plans (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from the local governments will be made at equal to the fixed statutory rates specified in law, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability	\$ 3,489,303	\$ 2,136,600	\$ 1,008,843

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA LGDTF financial report.

Post-Employment Health Care Benefits

Plan Description

The Authority contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the state legislature. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 8 - Pension Plans (continued)

Funding Policy

The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 41, Section 208 of the CRS, as amended. The Authority's contributions to HCTF for the years ended December 31, 2015 and 2014 were \$14,947 and \$13,323, respectively, equal to their required contributions for each year.

Defined Contribution Plan

The Authority has a 401(k) Plan (the "Plan") to provide retirement and incidental benefits for its full-time employees who have completed at least one year of service. The Authority matches employee contributions dollar for dollar up to a maximum of 4% of the employee's gross pay per calendar year. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Authority's Board. Such contributions to the Plan are allocated among eligible participants in proportion of their salaries to the total salaries of all participants. For the years ended December 31, 2015 and 2014, the Authority's contributions to the Plan totaled \$31,280 and \$31,647, respectively.

Note 9 - Commitments and Contingencies

Tax, Spending, and Debt Limitations

In November 1992, voters passed an amendment to the Constitution of the State of Colorado, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment excludes enterprises from its provisions. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the amendment. It is the Authority's opinion that it qualifies for the exclusion and is, therefore, excluded from the provisions of the amendment.

Federally Assisted Grant Programs

The Authority participates in federally assisted grant programs. These programs are subject to the provisions of the Single Audit Act of 1996 and the Uniform Grant Guidance. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time; although, the Authority expects such amounts, if any, to be immaterial.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 9 - Commitments and Contingencies (continued)

Contingencies

The Authority learned of a criminal investigation into its affairs by the U.S. Department of Justice ("DOJ") in November 2013. The criminal investigation of the airport was concluded on May 12, 2014, by execution of a Non-Prosecution Agreement between the Authority and the DOJ. Pursuant to that agreement, the U.S. government agreed not to prosecute the Authority criminally, in light of substantial remediation and cooperation already completed by the Authority, and in exchange for the pledge by the Authority to complete plans to enhance compliance infrastructure at the airport and to continue to cooperate with the U.S. government in its ongoing investigation into matters involving public corruption, procurement integrity, and fraud associated with the affairs of the Authority in the past. Performance of the Authority's obligations under the Non-Prosecution Agreement is continuing.

The DOJ is conducting a civil investigation relating to the same subject matter as the criminal investigation that led to the execution, on May 12, 2014, of a Non-Prosecution Agreement between the Authority and the DOJ. It is not unusual in such circumstances for the U.S. government or a private party acting in the interests of the U.S. government to assert civil claims on behalf of the U.S. government under the federal False Claims Act. The Non-Prosecution Agreement concluded with the DOJ and did not address or resolve the civil investigation, and did not preclude assertion of civil claims. Such a civil action, whether brought directly by the U.S. Government, or by a private individual acting *qui tam*, would be filed under seal in federal district court. If such an action were filed, the Authority would defend the action vigorously.

The Authority is also aware of the existence of an unasserted administrative claim of the FAA against the Authority in the estimated amount of \$500,000 for funds reimbursed to the Authority for the electrification of the Authority's perimeter security fence, which the FAA reportedly now considers to have been an unallowable cost mistakenly reimbursed by the FAA. The Authority does not know at this time whether the FAA will assert such claim against the Authority.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 10 - Service Concession Arrangements

In April 2011, the Authority renewed an agreement with Republic Parking ("Republic"), a privately held corporation, under which Republic will operate, maintain, and retain fees from the airport's terminal building public parking areas through March 2016. In January 2016, the current agreement was extended for one additional five-year term terminating on March 31, 2021 at the mutual agreement of the Authority and Republic. Republic is required to operate and maintain the public parking areas in accordance with the Parking Lot Operating Agreement; this agreement also regulates the parking rates and fees that may be charged. In consideration of its operating rights hereunder, Republic shall pay the Authority the greater of (a) the Applicable Percentage of Annual Gross Revenues, or (b) the Minimum Annual Guarantees for each year the Agreement is in effect as amended. The term "Applicable Percentage of Annual Gross Revenues" means 80.45% of gross revenues from \$0 up to, and including \$500,000 plus 91.50% of gross revenues in excess of \$500,000. The term "Minimum Annual Guarantees" means for each year the Agreement is in effect, as amended, and shall be \$350,000 each year. Pursuant to the service concession arrangement, except for personal property of Republic, which may be removed from the premises by the Authority at the termination of this Agreement, title to any equipment and improvements installed or furnished by Republic shall vest in the Authority upon installation of such equipment and improvements. The Authority reports the public parking areas and related improvements as capital assets with a carrying amount of approximately \$10,372,000 at year end.

In May 2015, the Authority renewed agreements with various rental car companies or concessionaires, under which the rental car companies are granted the right to operate and retain fees from a non-exclusive rental car concession from the Authority, lease motor vehicles from the rental car office and ticket counter area located in the airport terminal building assigned to the respective companies, and to park and store motor vehicles owned or leased by it in the parking lot spaces assigned to the respective companies through April 2020. The rental car companies are required to operate and maintain the rental car areas in accordance with the Airport Facilities Lease and Rental Car Concession Agreement. In consideration of its operating rights hereunder, the rental car companies shall pay the Authority the guaranteed minimum concession fee set forth for each period of the concession term set forth on the bid proposal, or 10% of their gross revenue for each such period of the concession term, whichever amount is greater. For each of the subsequent years of the concession term, the annual guaranteed minimum concession shall be the year-one MAG or 85% of 10% of their previous contract year's annual gross revenue, whichever is greater. Pursuant to the service concession arrangement, upon such expiration or termination of this Agreement, title to all improvements, additions, and fixtures erected or installed upon the terminal office and ticket counter area and rental car parking lot area by the Authority or the rental car companies shall automatically vest in the Authority, without payment by the Authority to the respective rental car companies of any compensation whatsoever, and shall thereafter be owned by the Authority free and clear of any claim of right, title, or interest of the respective rental car companies, any mortgagee, or of any third party of any kind or nature whomsoever. The Authority reports the rental car areas and related improvements as capital assets with a carrying amount of approximately \$2,846,000 at year end.

In 2015, the minimum concession fees were approximately \$702,000.

ACCOMPANYING INFORMATION

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Local Government Division Trust Pension Plan**

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability	0.23838 %	0.26113 %
Authority's proportionate share of the net pension liability	\$ 2,136,600	\$ 2,148,912
Authority's covered-employee payroll	\$ 1,389,005	\$ 1,444,734
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.82 %	148.74 %
Plan fiduciary net position as a percentage of the total pension liability	80.72 %	77.66 %

Note: The amounts presented for each fiscal year were determined as of December 31.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Required Supplementary Information
Schedule of Authority's Contributions
Local Government Division Trust Pension Plan**

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 200,476	\$ 165,627
Contributions in relation to the contractually required contributions	<u>(201,249)</u>	<u>(165,627)</u>
Contribution deficiency (excess)	<u>\$ (773)</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,559,838	\$ 1,389,005
Contributions as a percentage of covered-employee payroll	12.85 %	11.92 %

Note to Required Supplementary Information

There were no changes to benefit terms, changes in the size or composition of the population covered by benefit terms, or the use of different assumptions, which would affect trends significantly in the amounts reported for the Plan during the years ended December 31, 2015 and 2014.

**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***

Board of Commissioners
Grand Junction Regional Airport Authority
Grand Junction, Colorado

We have audited, in accordance with the 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, the financial statements of the business-type activities of Grand Junction Regional Airport Authority (the "Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 11, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("Internal Control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's Internal Control. Accordingly, we do not express an opinion on the effectiveness of the Authority's Internal Control.

A deficiency in Internal Control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in Internal Control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in Internal Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of Internal Control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in Internal Control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in Internal Control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

EKS&H LLLP

EKS&H LLLP

March 11, 2016
Denver, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

Grand Junction Regional Airport Authority
Board of Commissioners
Grand Junction, Colorado

COMPLIANCE

We have audited the Grand Junction Regional Airport Authority's (the "Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2015. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority'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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above occurred that could have a direct and material effect on the passenger facility charge program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

OPINION

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2015.

INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of an internal control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Honorable Mayor, Members of the Board of the County Commissioners, management of the Authority, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

EKS&H LLLP

EKS&H LLLP

March 11, 2016
Denver, Colorado

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2015**

<u>Grantor/Program</u>	<u>Application Approved Number</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2014</u>	<u>Passenger Facility Charge Revenue</u>	<u>Expenditures</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2015</u>
Passenger facility charges	06-07-C-02-GJT	\$ 2,164,679	\$ 842,873	\$ (1,228,400)	\$ 1,779,152

See accompanying notes to schedule of expenditures of passenger facility charges.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Notes to Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2015**

Note 1 - Basis of Presentation

The schedule of expenditures of passenger facility charges includes agreements entered into directly between the the Authority and the Federal Aviation Administration ("FAA"). The information in this schedule is prepared on the accrual basis of accounting and is presented in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the FAA in September 2000.

Note 2 - Passenger Facility Charges

Revenue consists of passenger facility fees and investment earnings on restricted cash related to passenger facility charges. Expenditures represent airport construction-related costs incurred at the Aviation Department. Unliquidated passenger facility charges represent the net restricted cash and passenger facility fees receivable and accounts payable as of year end.