

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Financial Statements  
and  
Independent Auditors' Report  
December 31, 2016 and 2015**

**EKS&H**  
AUDIT | TAX | CONSULTING

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

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## **INDEPENDENT AUDITORS' REPORT**

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

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Grand Junction Regional Airport Authority (the "Authority"), which are comprised of the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **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, 2016 and 2015, 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.

## **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 - 13 and the pension information on pages 39 - 40 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of passenger facility charges, as required by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 federal awards and the schedule of expenditures of passenger facility charges are fairly stated, in all material respects, in relation to the 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 1, 2017, 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.

*EKS&H LLLP*

EKS&H LLLP

March 1, 2017  
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, 2016 and 2015. 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 increased 3% from 2015 to 2016 from 218,946 to 225,504, respectively. The cost per enplanement decreased in 2016 to \$7.89 from \$7.96 in 2015. During the year 2016, the following flights were available to passengers of Grand Junction Airport ("GJT"):

- United Airlines ("United") offered daily service to Denver International Airport ("DIA")
- Delta Air Lines ("Delta") offered daily service to Salt Lake City International Airport ("SLC")
- American Airlines ("American") offered daily service to Dallas/Fort Worth International Airport ("DFW") and to Phoenix Sky Harbor International Airport ("PHX")
- 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 2012 through 2014 had been United. However, the merger of American with US Airways resulted in American having the most enplanements in 2016 with approximately 95,000 and United second with approximately 67,000. In 2016 United discontinued service to Houston, which accounted for an average of 15,500 annual enplanements from 2012 to 2015.

<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>
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
2016	17,466	94,898	38,557	66,717	7,866	225,504

# 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 increased from 2015 to 2016 year over year, with increases in both itinerant and local operations, representing an overall increase of approximately 4.4%. The increase in aircraft operations reflects the increase in enplanements of 3% and other general aviation and military operations.

<u>Year</u>	<u>Total Itinerant</u>	<u>Total Local</u>	<u>Total</u>
2015	33,890	9,234	43,124
2016	35,161	9,870	45,031

### Cargo Operations

Airfreight was provided primarily by FedEx, which accounted for 91% of freight in 2016 versus 90% in 2015. The other airfreight was provided by a smaller freight company and passenger air carriers. Total cargo pounds of airfreight increased to approximately 12,465,000 pounds in 2016 from approximately 11,024,000 pounds in 2015. Revenue to the airport is generated from cargo operations through landing fees.

<u>Carrier</u>	<u>FY 2016 Pounds</u>	<u>FY 2015 Pounds</u>
FedEx	11,346,000	9,900,000
Key Lime	1,104,000	1,100,000
Passenger airlines	<u>15,000</u>	<u>24,000</u>
Total	<u>12,465,000</u>	<u>11,024,000</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. Each on-airport rental car company has 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 markup 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 has slightly increased from approximately \$1,151,000 for the year ended December 31, 2015 to approximately \$1,159,000 for the year ended December 31, 2016.

#### 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 Board of Commissioners approved a facility use fee of \$3.80 and \$4.00 in 2015 and 2016, respectively, per on-airport rental car per day 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 \$1,115,000 as of December 31, 2016 and approximately \$1,538,000 as of December 31, 2015. The CFC revenue was approximately \$706,000 and 176,500 rental days for the year ended December 31, 2016 versus revenue of approximately \$599,000 and 157,000 rental days for the year ended December 31, 2015. The increase in revenue is related to the 12% increase in the number of rental days as a result of the increase in annual enplanements; additionally, as previously discussed, the daily CFC was increased by 5%. CFC revenue is restricted and used to pay the principal and interest on the SIB loan.

# 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 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 airline's reported enplanements. The 2016 budget and actual revenue from airline terminal space was approximately \$1,181,800.
- 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 2016 budget of \$180,000 anticipated a reduction in the rental space occupied by the TSA; however, the TSA maintained the 8,400 square feet. In September 2016, the TSA exercised the option on their lease expiring September 2021 at a rate of \$30.30 per square foot for a total annual rent of approximately \$255,600.
- Restaurant and retail space  
In 2016, the restaurant and retail space were combined under one concession agreement. This combined space rent is the greater of an annual MAG rent of \$60,000 or the following based on gross revenue:
  - Gross sales up to \$1,000,000.00:
    - Food, beverage, and retail - 10%
    - Liquor - 12%
  - Gross sales between \$1,000,000.01 and \$1,200,000.01:
    - Food, beverage, and retail - 12%
    - Liquor - 14%
  - Gross sales of \$1,200,000.01 and above:
    - Food, beverage, and retail - 14%
    - Liquor - 16%

The total amount of restaurant and retail space rent for 2016 was approximately \$95,000.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### **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 higher in 2016 due in part to an increase in the maximum daily rate from \$9 to \$10. This increased revenue from approximately \$1,291,000 to \$1,432,000 for the years ended December 31, 2015 and 2016, respectively, compared to a budget of \$1,312,000. The Authority has a two-tier system that requires payment to the Authority of 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**

The Authority receives \$0.1017 for every gallon pumped for Avgas, Jet A, and military Jet A based on the Rates and Charges approved by the Board of Commissioners, 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. As part of an agreement from 2007 between the Authority and West Star Aviation, an additional \$0.10 per gallon is collected from West Star Aviation for capital improvement funding. This additional fee will be paid until a total of \$3,800,000 is collected by the Authority from West Star Aviation. As of December 31, 2016, a total of approximately \$2,111,000 had been received.

Fuel flowage revenue decreased approximately \$11,500 from approximately \$466,000 to approximately \$454,500 for the years ended December 31, 2015 and 2016, respectively, compared to a budget of \$466,000.

### **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 up from \$475,000 to approximately \$507,000 for the years ended December 31, 2015 and 2016, respectively, compared to a 2016 budget of \$470,000.

#### **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 from \$592,000 to approximately \$616,000 for the years ended December 31, 2015 and 2016, respectively. The increase in revenue is due to the addition of a land lease in August 2015 along with annual adjustment to existing leases.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### **Other Revenue Sources (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. The revenue decreased from approximately \$257,000 to approximately \$209,000 for the years ended December 31, 2015 and 2016, respectively.

### **Airport Financial Statements**

The Authority engages in business-type activities. These are activities that are intended to recover all or a significant portion of 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, which 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").

#### **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.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Net Position (continued)

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 8,670,736	\$ 6,866,945
Restricted assets	11,596,160	4,110,867
Capital assets, net	<u>58,240,193</u>	<u>58,942,759</u>
Total assets	78,507,089	69,920,571
Deferred outflows of resources	<u>850,586</u>	<u>331,456</u>
Total assets and deferred outflows of resources	<u>\$ 79,357,675</u>	<u>\$ 70,252,027</u>
Current liabilities	\$ 3,054,284	\$ 2,455,892
Non-current liabilities	<u>24,348,769</u>	<u>16,142,379</u>
Total liabilities	<u>27,403,053</u>	<u>18,598,271</u>
Deferred inflows of resources	<u>74,342</u>	<u>105,192</u>
Net position		
Net investment in capital assets	35,456,160	43,638,337
Restricted for debt service and capital assets	10,748,391	3,421,604
Unrestricted	<u>5,675,729</u>	<u>4,488,623</u>
Total net position	<u>51,880,280</u>	<u>51,548,564</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 79,357,675</u>	<u>\$ 70,252,027</u>

The increase in assets is due to the refunding of the 2007 Bonds and incurring the 2016 Bonds. The 2016 Bonds added a \$9,000,000 project fund along with an approximately \$13,420,000 escrow fund for the remaining 2007 Bonds that will be retired in 2017. This also resulted in an increase in liabilities that reflect not on the 2016 Bonds but the remaining 2007 Bonds. The change in net investment in capital assets is a result of the addition of the 2016 Bonds for \$19,670,000 and the related 2016 Bond Premium for approximately \$2,000,000. As the 2016 Bonds mature and the remaining 2007 Bonds are retired in 2017, the net investment in capital assets will increase. Additionally, the change in restricted for debt service and capital assets will be reduced in 2017 once the 2007 Bonds are retired and the bond escrow fund of approximately \$13,420,000 is fully utilized. The \$9,000,000 2016 Bond project fund, once used, will reduce this account as well.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Net Position (continued)

Additional changes to the statements of net position are due to the following:

	December 31,	
	2016	2015
Deferred outflows	\$ 850,586	\$ 331,456
Net pension liability	\$ 2,837,459	\$ 2,136,600
Deferred inflows	\$ 74,342	\$ 105,192

See Note 7 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 2015 and 2016 statements of net position.

#### *Capital Assets*

The Airport Improvement Program ("AIP") provides grants to public agencies for the planning and development of public-use airports. There were two projects that were completed during the year, AIP 49 and AIP 53, with a final cost of approximately \$1,728,000 and \$835,000, respectively. There was also a continuation of work on AIP 52 with a construction-in-progress balance of approximately \$2,306,000 and the start of AIP 54 with a cost of approximately \$38,000.

Construction in progress:

	Beginning Balance	Additional Cost	Transfer to Capital Asset	Ending Balance
AIP 49 - Runway environmental assessments (completed in 2016)	\$ 1,670,694	\$ 56,832	\$ 1,727,526	\$ -
AIP 52 - Rehabilitate runway, taxiway, and connectors	270,651	2,379,560	835,209	1,815,002
AIP 53 - Apron design (completed in 2016)	761,812	-	-	761,812
AIP 54 - Rehabilitate apron	-	38,152	-	38,152
Grading and drainage RW 11/29	36,161			36,161
27 1/4 road relocation	2,975	-	-	2,975
RTR relocation	156,078	-	-	156,078
Administration/ARFF building	4,074,814	12,931	-	4,087,745
Security solutions	91,510	117,516	-	209,026
<b>Total</b>	<b>\$ 7,064,695</b>	<b>\$ 2,604,991</b>	<b>\$ 2,562,735</b>	<b>\$ 7,106,951</b>

Note 3 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. During 2016, the Authority refunded the 2007 Revenue Bonds with the 2016 Revenue Bonds, resulting in a \$9,000,000 project fund. As of December 31, 2016, the balance due on the 2016 Bonds was \$19,760,000. In addition, the Authority has approximately \$1,115,000 outstanding on a note payable to the Colorado State Infrastructure Bank to finance construction of a rental car parking lot and rental car service area. Note 5 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, 2016 and 2015 was an increase of approximately \$332,000 and reduction of approximately \$778,000, respectively.

	For the Years Ended	
	December 31,	
	2016	2015
Total operating revenues	\$ 6,230,407	\$ 6,400,317
Total non-operating revenues	923,320	879,050
Total revenues	<u>7,153,727</u>	<u>7,279,367</u>
Total operating expenses	4,299,327	3,942,275
Depreciation expense	4,187,322	4,379,094
Net non-operating expense	<u>1,258,768</u>	<u>749,253</u>
Total expenses	<u>9,745,417</u>	<u>9,070,622</u>
Loss before capital contributions and CFC revenue	(2,591,690)	(1,791,255)
Capital contributions and CFC revenue	<u>2,923,406</u>	<u>1,013,337</u>
Change in net position	<u>\$ 331,716</u>	<u>\$ (777,918)</u>

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

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

Aeronautical revenue remained relatively flat year over year, while non-aeronautical revenue showed a decrease. This decrease was due to the discontinued management by the Authority of the airport restaurant facility. The restaurant was operated by a restaurant and retail concessionaire that provides a net revenue to the Authority versus gross revenue that was reported in 2015. The increase in operating expenses is due to a review of the terminal area plan, enhancement of information technology, and higher-than-expected legal fees. Non-operating expense was a result of the debt issuance costs related to the 2016 Revenue Bonds. Capital contributions increased with the Authority receiving federal and state grants for AIP 49, AIP 52, AIP 53, and AIP 54. In addition, the increase in CFC revenue was a result of the increase in the daily CFC rate from \$3.80 to \$4.00, as previously discussed.

	December 31,	
	2016	2015
AIP 49 - Runway environmental assessments	\$ 24,536	\$ 42,190
AIP 52 - Rehabilitate runway, taxiway, and connectors	1,986,046	243,556
AIP 53 - Apron design	67,320	100,440
AIP 54 - Rehabilitate apron	32,080	-
State of Colorado grants	107,901	19,110
Federal Mineral Lease District	-	9,118
Total capital contributions	<u>\$ 2,217,883</u>	<u>\$ 414,414</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,	
		2016	2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 8,143,863	\$ 6,265,142
Receivables			
Accounts receivable		444,789	501,573
Grants		13,175	22,379
Prepaid expenses		68,909	77,851
Total current assets		8,670,736	6,866,945
Restricted cash, cash equivalents, and investments			
Passenger facility charges		1,211,727	1,779,152
Revenue bond reserve fund		9,536,664	1,460,000
Revenue bond sinking fund		-	182,452
Rental car improvements		687,036	538,310
Lease deposits		160,733	150,953
Total restricted cash, cash equivalents, and investments		11,596,160	4,110,867
Capital assets, net		58,240,193	58,942,759
Total non-current assets		69,836,353	63,053,626
Total assets		78,507,089	69,920,571
<b>Deferred Outflows of Resources</b>			
Deferred amortization related to pension plan		850,586	331,456
Total deferred outflows of resources		850,586	331,456
Total assets and deferred outflows of resources		\$ 79,357,675	\$ 70,252,027
<b>Liabilities</b>			
Current liabilities			
Accounts payable		\$ 234,244	\$ 166,671
Accounts payable - capital assets		365,519	463,701
Accrued expenses		982,588	305,736
Lease deposits		160,733	150,953
Current portion of revenue received in advance		38,477	70,188
Current portion of note payable		435,932	423,096
Current portion of revenue bonds payable		836,791	875,547
Total current liabilities		3,054,284	2,455,892
Non-current liabilities			
Notes payable, net of current portion		678,832	1,114,764
Revenue bonds payable, net of current portion		20,832,478	12,891,015
Net pension liability		2,837,459	2,136,600
Total non-current liabilities		24,348,769	16,142,379
Total liabilities		27,403,053	18,598,271
<b>Deferred Inflows of Resources</b>			
Deferred amortization related to pension plan		74,342	105,192
Total deferred inflows of resources		74,342	105,192
Total liabilities and deferred inflows of resources		27,477,395	18,703,463
Commitments and contingencies			
<b>Net Position</b>			
Net investment in capital assets		35,456,160	43,638,337
Restricted for debt service and capital assets		10,748,391	3,421,604
Unrestricted		5,675,729	4,488,623
Total net position		51,880,280	51,548,564
Total liabilities, deferred inflows of resources, and net position		\$ 79,357,675	\$ 70,252,027

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,	
	2016	2015
Operating revenues		
Aeronautical revenue		
Passenger airlines revenue		
Passenger airlines landing fees	\$ 506,670	\$ 474,514
Terminal rent	1,181,845	1,181,845
Other	90,611	87,015
Total passenger airlines revenue	1,779,126	1,743,374
Non-passenger airline revenue		
Landing fees from cargo	106,434	96,294
Cargo and hangar rentals	50,631	50,630
Aviation fuel tax	208,930	256,975
Fuel flowage fees	454,497	466,040
Other	3,750	11,370
Total non-passenger airline revenue	824,242	881,309
Total aeronautical revenue	2,603,368	2,624,683
Non-aeronautical revenue		
Land and building leases	565,339	541,343
Terminal - food and beverage	61,216	446,702
Terminal - retail	34,129	35,498
Terminal - other	245,613	241,466
Rental cars	1,158,797	1,150,665
Parking and ground transportation	1,432,442	1,290,840
Other	129,503	69,120
Total non-aeronautical revenue	3,627,039	3,775,634
Total operating revenues	6,230,407	6,400,317
Operating expenses		
Personnel compensation and benefits	2,025,827	2,063,862
Communications and utilities	289,490	284,701
Supplies and materials	405,993	556,840
Contract services	930,041	536,955
Repairs and maintenance	450,339	269,023
Insurance	91,037	89,692
Other	106,600	141,202
Total operating expenses	4,299,327	3,942,275
Operating income, before depreciation	1,931,080	2,458,042
Depreciation	4,187,322	4,379,094
Operating loss	(2,256,242)	(1,921,052)
Non-operating revenues (expenses)		
Passenger facility charges	894,064	874,101
Interest income	29,256	19,630
Interest expense	(696,874)	(749,253)
Customer facility charges	705,523	598,923
Capital contributions	2,217,883	414,414
Other expenses	(561,894)	(14,681)
Total non-operating revenues	2,587,958	1,143,134
Change in net position	331,716	(777,918)
Net position at beginning of year	51,548,564	52,326,482
Net position at end of year	\$ 51,880,280	\$ 51,548,564

See notes to financial statements.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Statements of Cash Flows**

	For the Years Ended	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from customers and users	\$ 6,255,480	\$ 6,480,822
Cash paid to vendors for goods and services	(1,540,007)	(1,904,047)
Cash paid to and for employees	<u>(1,870,779)</u>	<u>(2,082,823)</u>
Net cash provided by operating activities	<u>2,844,694</u>	<u>2,493,952</u>
Cash flows from non-capital financing activities		
Receipts of lease deposits, net	<u>9,780</u>	<u>36,238</u>
Net cash provided by non-capital financing activities	<u>9,780</u>	<u>36,238</u>
Cash flows from capital and related financing activities		
Grants received	2,227,087	510,747
Customer facility charges received	705,523	598,923
Passenger facility charges received	894,064	874,101
Interest paid	(681,159)	(753,385)
Acquisition and construction of capital assets	(3,616,616)	(457,055)
Proceeds from sale of assets	36,750	-
Bond reserve balance (increase) reduction	(8,076,664)	80,000
Proceeds from bond issuance	21,685,252	-
Defeased bond cash reserve	(12,885,000)	-
Principal payments on note and bonds payable	<u>(1,320,641)</u>	<u>(1,251,185)</u>
Net cash used in capital and related financing activities	<u>(1,031,404)</u>	<u>(397,854)</u>
Cash flows from investing activities		
Bond issuance costs	(564,964)	-
Interest received on cash equivalents	<u>29,244</u>	<u>19,630</u>
Net cash flows (used in) provided by investing activities	<u>(535,720)</u>	<u>19,630</u>
Net increase in cash and cash equivalents	1,287,350	2,151,966
Cash and cash equivalents at beginning of year	<u>8,916,009</u>	<u>6,764,043</u>
Cash and cash equivalents at end of year	<u>\$ 10,203,359</u>	<u>\$ 8,916,009</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>2016</u>	<u>2015</u>
Operating loss	<u>\$ (2,256,242)</u>	<u>\$ (1,921,052)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	4,187,322	4,379,094
Changes in certain assets and liabilities		
Receivables	56,784	58,261
Prepaid expenses	8,942	(41,384)
Accounts payable	67,571	37,164
Accrued liabilities	661,149	19,252
Net pension liability and pension-related deferred inflows and outflows of resources	150,879	(59,627)
Revenue received in advance	<u>(31,711)</u>	<u>22,244</u>
	<u>5,100,936</u>	<u>4,415,004</u>
Net cash provided by operating activities	<u>\$ 2,844,694</u>	<u>\$ 2,493,952</u>

Non-cash investment and capital and related financing activities:

	December 31,	
	<u>2016</u>	<u>2015</u>
Net change in capital assets purchased with payables	<u>\$ (98,182)</u>	<u>\$ (34,821)</u>

Statements of net position cash and cash equivalents:

	December 31,	
	<u>2016</u>	<u>2015</u>
Operating cash	\$ 8,143,863	\$ 6,265,142
Restricted cash and cash equivalents		
Revenue bond sinking fund	-	182,452
Passenger facility charges	1,211,727	1,779,152
Rental car improvements	687,036	538,310
Lease deposits	<u>160,733</u>	<u>150,953</u>
Net cash and cash equivalents	<u>\$ 10,203,359</u>	<u>\$ 8,916,009</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 of Commissioners (the "Board") consists 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, 2016 or 2015.

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, 2016 were \$18,264,280.

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, 2016, the Authority had collected \$9,277,380 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 2015, the CFC was increased to \$3.80 per on-airport rental car per day. In 2016, the CFC was increased to \$4.00.

##### *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, 2016 and 2015, 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 statements 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, 2016 and 2015, the Authority reported restricted net position of \$10,748,391 and \$3,421,604, 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, 2016 and 2015, the unamortized balance was \$0 and \$7,500, 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, 2016 and 2015, the amount of prepaid rent was \$38,477 and \$62,688, 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; and additions to/deductions 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.

#### **Recently Issued Accounting Pronouncements**

During the year ended December 31, 2016, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurement. Upon adoption, management reviewed the assets and liabilities of the Authority, established the unit of account for the assets and liabilities subject to fair value recognition and disclosure, and determined the fair value hierarchy that each unit of account should be classified under. As a result of the adoption, there were no changes in the measurement of assets or liabilities previously held by the Authority. GASB Statement No. 72 is retroactively applied to both fiscal years presented.

#### **Subsequent Events**

The Authority has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or disclosure.

### **Note 2 - 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.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### Note 2 - Cash Deposits (continued)

The Authority's deposits include the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 8,143,863	\$ 6,265,142
Restricted cash	11,596,160	4,110,867
Restricted cash netted against bonds payable	<u>12,885,000</u>	<u>-</u>
Total deposits and investments	<u>\$ 32,625,023</u>	<u>\$ 10,376,009</u>

The bank balances on deposit were \$32,642,250 and \$10,552,639 at December 31, 2016 and 2015, respectively.

### 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 3 - Capital Assets

A summary of changes in capital assets is as follows as of December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	<u>7,064,695</u>	<u>2,604,991</u>	<u>2,562,735</u>	<u>7,106,951</u>
Total capital assets, not being depreciated	<u>9,480,753</u>	<u>2,604,991</u>	<u>2,562,735</u>	<u>9,523,009</u>
Capital assets, being depreciated				
Buildings and improvements	17,242,750	520,451	-	17,763,201
Land improvements	84,784,115	2,594,479	-	87,378,594
Equipment	<u>4,718,518</u>	<u>361,249</u>	<u>100,574</u>	<u>4,979,193</u>
Total capital assets, being depreciated	<u>106,745,383</u>	<u>3,476,179</u>	<u>100,574</u>	<u>110,120,988</u>
Less accumulated depreciation for				
Buildings and improvements	9,459,965	694,194	-	10,154,159
Land improvements	44,909,161	3,094,131	-	48,003,292
Equipment	<u>2,914,251</u>	<u>398,997</u>	<u>66,895</u>	<u>3,246,353</u>
Total accumulated depreciation	<u>57,283,377</u>	<u>4,187,322</u>	<u>66,895</u>	<u>61,403,804</u>
Total capital assets, being depreciated, net	<u>49,462,006</u>	<u>(711,143)</u>	<u>33,679</u>	<u>48,717,184</u>
Capital assets, net	<u>\$ 58,942,759</u>	<u>\$ 1,893,848</u>	<u>\$ 2,596,414</u>	<u>\$ 58,240,193</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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>

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 4 - Accrued Expenses**

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Vacation	\$ 158,182	\$ 161,000
Compensation and related	67,054	60,065
Interest	74,700	58,985
Other	<u>682,652</u>	<u>25,686</u>
	<u>\$ 982,588</u>	<u>\$ 305,736</u>

**Note 5 - Long-Term Debt**

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Revenue bonds, Series 2016A and 2016B	\$ -	\$19,670,000	\$ -	\$19,670,000	\$ 645,000
Revenue bonds, Series 2007	13,760,000	-	(875,000)	12,885,000	12,885,000
Bond premium	6,562	2,015,252	(22,545)	1,999,269	191,791
Colorado State Infrastructure Bank note	1,537,860	-	(423,096)	1,114,764	435,932
Less bond reserve fund to satisfy Revenue bonds, Series 2007	<u>-</u>	<u>-</u>	<u>12,885,000</u>	<u>12,885,000</u>	<u>12,885,000</u>
Total long-term obligations	<u>\$15,304,422</u>	<u>\$21,685,252</u>	<u>\$14,205,641</u>	<u>\$22,784,033</u>	<u>\$ 1,272,723</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 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 note	<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>

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### Note 5 - Long-Term Debt (continued)

#### 2016 Bonds

The Authority issued Airport Revenue Bonds, Series 2016A and 2016B, dated November 22, 2016, in the amount of \$19,670,000, for the purpose of refunding the 2007 Series bonds. The bonds are secured by net operating revenues of the Authority. The bonds bear interest from 2.3% 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, 2036.

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>
2017	\$ 645,000	\$ 863,416	\$ 1,508,416
2018	680,000	824,523	1,504,523
2019	695,000	810,183	1,505,183
2020	715,000	790,375	1,505,375
2021	735,000	767,850	1,502,850
2022-2026	4,195,000	3,323,100	7,518,100
2027-2031	5,320,000	2,195,000	7,515,000
2032-2036	<u>6,685,000</u>	<u>839,825</u>	<u>7,524,825</u>
	<u>\$ 19,670,000</u>	<u>\$ 10,414,272</u>	<u>\$ 30,084,272</u>

#### 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 \$12,885,000 funded from the net proceeds of the 2016 Series 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. The outstanding principal as of December 31, 2016 is to be paid in full subsequent to year-end with cash received from the 2016 Series bonds (as noted above). As the cash was received prior to December 31, 2016 with the stated purpose of refunding the bond, the liability has been netted against cash held for refund on the statement of financial position. In accordance with the 2007 bond agreement, the complete payoff of the 2007 Series bonds will take place in December 2017.

#### 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.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 5 - Long-Term Debt (continued)**

**Colorado State Infrastructure Bank Note (continued)**

The debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,114,764</u>	<u>\$ 46,455</u>	<u>\$ 1,161,219</u>

**Note 6 - 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:

<u>Year Ending December 31,</u>	
2017	\$ 1,793,000
2018	1,743,000
2019	1,636,000
2020	1,116,000
2021	547,000
Thereafter	<u>948,000</u>
	<u>\$ 7,783,000</u>

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 7 - 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](http://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.

##### *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 calendar year 2016. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.50% of the total payroll for calendar year 2016. 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, 2016 and 2015 were \$179,788 and \$201,249, respectively, which is equal to the 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 service, 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.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### Note 7 - Pension Plans (continued)

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

At December 31, 2016 and 2015 the Authority reported a liability of \$2,837,459 and \$2,136,600, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2015 using standard rollforward techniques on an actuarial valuation as of December 31, 2014. The Authority's proportion of the net pension liability was based on a projection 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, 2015, the Authority's proportion was 0.2576%, which was a decrease of 0.0192% from its proportion measured as of December 31, 2014.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$330,667 and \$141,624, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,289	\$ 91
Changes of assumptions	-	51,972
Net difference between projected and actual earnings on pension plan investments	539,232	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	110,277	22,279
The Authority's contributions subsequent to the measurement date	179,788	-
Total	\$ 850,586	\$ 74,342

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 7 - Pension Plans (continued)**

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

	<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's contributions and proportionate share of contributions	14,339	104,763
The Authority's 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 \$179,788 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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 31,

2017	\$ 177,956
2018	155,602
2019	142,050
2020	<u>120,848</u>
	<u>\$ 596,456</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2014 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

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 7 - Pension Plans (continued)**

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

*Actuarial Assumptions (continued)*

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, 2014, and accepted actuarial procedures were applied to roll forward the pension liability to December 31, 2015. The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period of 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 %
Core fixed income	24.05	0.98 %
Non-U.S. equity - developed	22.06	5.29 %
Real estate	7.00	5.09 %
Private equity	7.00	7.15 %
Non-U.S. equity - emerging	6.24	6.76 %
U.S. equity - small-cap	4.40	5.19 %
High yield	1.53	2.64 %
Long duration government/credit	0.53	1.57 %
Emerging market bonds	<u>0.43</u>	3.04 %
Total	<u>100 %</u>	

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### Note 7 - 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 7.5%. 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 7.5%, 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 (6.5%) or one percentage point higher (8.5%) 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	\$ 4,348,955	\$ 2,837,459	\$ 1,582,861

##### *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](http://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 7 - Pension Plans (continued)**

#### Post-Employment Health Care Benefits (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, 2016 and 2015 were \$14,921 and \$14,947, respectively, which is equal to the 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, 2016 and 2015, the Authority's contributions to the Plan totaled \$31,190 and \$31,280, respectively.

### **Note 8 - 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 8 - 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. During 2016, such an action was unsealed and, based on current information available, the claim is not significant to the financial statements; therefore, no amount has been accrued as of December 31, 2016.

The Authority is aware of the existence of an asserted administrative claim of the FAA against the Authority in the amount of approximately \$520,000 for funds reimbursed to the Authority for the electrification of the Authority's perimeter security fence, which the FAA considers to have been an unallowable cost mistakenly reimbursed by the FAA. This has been included in accrued expenses as of December 31, 2016. The Authority paid this claim in full in February 2017.

The Authority is party to a dispute with an engineering services firm regarding billings in the amount of approximately \$225,000, of which approximately \$90,000 has been accrued as of December 31, 2016. In conjunction with this dispute, the Authority has counterclaimed for negligence, fraud, and other items in an amount in excess of the claim against the Authority; therefore, no additional accrual is considered necessary as of December 31, 2016.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 9 - Service Concession Arrangements**

In April 2011, the Authority renewed an agreement with Republic Parking Inc. ("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 \$9,533,000 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 \$2,651,000 at year-end.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 9 - Service Concession Arrangements (continued)**

In May 2016, the Authority entered into a service concession agreement with a company, Tailwind, under which the company is granted the right to operate a restaurant and retail space in the airport through April 30, 2021, with an option to extend the term of the contract by two additional one-year terms. In consideration of its operating rights hereunder, the company shall pay the Authority the guaranteed minimum annual fee of \$60,000, prorated monthly, or a graduated percentage of gross revenue for each such period of the concession term, whichever is the greater amount.

In 2016, the minimum concession fees were approximately \$1,110,000, which includes minimum concession fees from rental car companies, Republic, and Tailwind of approximately \$700,000, \$350,000, and \$60,000, respectively.

**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>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.25758 %	0.23838 %
Authority's proportionate share of the net pension liability	\$ 2,837,459	\$ 2,136,600
Authority's covered-employee payroll	\$ 1,559,838	\$ 1,389,005
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.91 %	153.82 %
Plan fiduciary net position as a percentage of the total pension liability	76.87 %	80.72 %

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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 186,871	\$ 200,476
Contributions in relation to the contractually required contributions	<u>(179,788)</u>	<u>(201,249)</u>
Contribution deficiency (excess)	<u>\$ 7,083</u>	<u>\$ (773)</u>
Authority's covered-employee payroll	\$ 1,368,791	\$ 1,559,838
Contributions as a percentage of covered-employee payroll	13.65 %	12.85 %

**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, 2016 and 2015.

**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, 2016, 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 1, 2017.

**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; 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 1, 2017  
Denver, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE**

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Grand Junction Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Award

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

**PURPOSE OF THIS REPORT**

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

*EKS+H LLLP*

EKS&H LLLP

March 1, 2017  
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, 2016. 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 that could have a direct and material effect on the passenger facility charge program occurred. 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, 2016.

## **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 1, 2017  
Denver, Colorado

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2016**

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued - *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported
- Non-compliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Type of auditors' report issued on compliance for major programs - *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?  Yes  No

Identification of major programs:

<u>Name of Program</u>	<u>CFDA#</u>
Airport Improvement Program	20.106

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as a low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures Year Ended December 31, 2016</u>
U.S. Department of Transportation, Federal Aviation Administration	Airport Improvement Program	20.106	Various	\$ 2,227,090

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Note 2 - Indirect Rate**

The Authority did not elect to use the 10% de minimis indirect cost rate and has not requested reimbursement for indirect costs.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2016**

<u>Grantor/Program</u>	<u>Application Approved Number</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2015</u>	<u>Passenger Facility Charge Revenue</u>	<u>Expenditures</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2016</u>
Passenger facility charges	06-07-C-02-GJT	\$ 1,779,152	\$ 899,364	\$ (1,466,789)	\$ 1,211,727

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, 2016**

**Note 1 - Basis of Presentation**

The schedule of expenditures of passenger facility charges includes agreements entered into directly between the Authority and the 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 Authority. Unliquidated passenger facility charges represent the net restricted cash and passenger facility fees receivable and accounts payable as of year-end.