

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Financial Statements
and
Independent Auditors' Report
December 31, 2017 and 2016**

EKS&H

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 the business-type activities of Grand Junction Regional Airport Authority (the "Authority") as of December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Grand Junction Regional Airport Authority as of December 31, 2017 and 2016, 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 - 23 and the pension information on pages 49 - 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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March 1, 2018
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, 2017 and 2016. 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.

AIRPORT OVERVIEW

Airport Authority Governance

Grand Junction Regional Airport, Colorado, Public Airport Authority was created in 1971 under the Public Airport Authority Act of 1965. The Authority is composed of seven appointed members: three from Mesa County, three from the City of Grand Junction and one at-large selection. The term of each Director of the Authority Board is four years; no member may serve more than two consecutive four year terms. As of December 31, 2017, the appointed members were:

Rick Taggart, Chairman – city council representative	Appointed annually
Tom Benton, Vice Chairman – county appointed	Expires April 2021
Erling Brabaek, Commissioner – city appointed	Expires July 2021
Robin Brown, Commissioner – county appointed	Expires April 2020
Charles McDaniel, Commissioner – At Large	Expires April 2021
Clay Tufly, Commissioner – county appointed	Expires April 2019
Thaddeus Shrader, Commissioner – city appointed	Expires June 2021

The Board of Directors selects and appoints an Executive Director who implements the policies established by the Board, manages the airport, and serves at the pleasure of the Board.

Other individuals are employed by the Authority to assist the Executive Director in managing the operations of the airport and to serve at the pleasure of the Executive Director.

Airport Classification and Services

The National Plan of Integrated Airport Systems ("NPIAS") classifies Grand Junction Regional Airport as a short-haul primary commercial service airport. These airports provide commercial airline service, mostly to destinations within 500 miles, in addition to general aviation services. The Grand Junction metropolitan area is classified as a non-hub commercial service market, as Grand Junction Regional Airport enplanes less than 0.05% of all commercial airline enplanements in the United States.

Airport Facilities

The airport is located on approximately 2,847 acres of land. The airfield is open 24 hours per day. The terminal building is open from 4:00am until after the last flight arrives in the evening at approximately 11:00pm. The air traffic control tower is open 16 hours per day from 6:00am to 10:00pm.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

AIRPORT FACILITIES

Airfield

Grand Junction Regional Airport's two (2) active runways are primary Runway 11/29, capable of handling commercial, military, and general aviation traffic, and crosswind Runway 4/22, designed to accommodate smaller aircraft.

Runways

The primary runway is Runway 11/29, which measures 10,501 feet long and 150 feet wide with a northwest-southeast orientation. The runway is painted with standard precision runway markings and shoulder markings. Paved blast pads measuring 100 feet long and 250 feet wide extend from both ends of the runway. The surface is composed of grooved asphalt. The load bearing strength is 110,000 pounds for single wheel gear loading (SWG), 180,000 pounds dual gear wheel loading (DWG), and 260,000 pounds dual-tandem wheel gear loading (DTG). The runway was resurfaced in 2009, and a fog seal coat was applied in 2009.

Crosswind Runway 4/22 measures 5,501 feet long and 75 feet wide in a southwest/northeast orientation. It is painted with standard basic runway markings. The surface is composed of grooved asphalt, which was resurfaced in 1998. The load bearing strength is 20,000 pounds SWG and 30,000 DWG. The runway is designed to facilitate the operations of smaller aircraft during crosswind conditions on Runway 11/29.

Taxiways and Taxi Lanes

Taxiway A is a full-length parallel taxiway along the south side of primary Runway 11/29. It is 75 feet wide and provides eight exits. An aircraft run up area is located adjacent to the A-7 exit. Taxiway C is also a full length parallel taxiway, running along the west side of crosswind runway 4/22. It measures 35 feet wide and has four exits.

Taxiway C1A is located in the general aviation area of the airport. It is 1,600 feet long and 35 feet wide. An additional 575 x 35 feet of asphalt runs perpendicular to the taxiway to facilitate access to newly-constructed private hangars in that area.

Lighting Aids

- Airport beacon signaling the location and presence of the airport at night and during low visibility conditions
- Precision Approach Path Indicator (PAPI) visual approach aids for Runways 11 and 4
- Runway end identifier lights (REILs) on Runway 4/22
- High intensity runway edge lighting (HIRL) on Runway 11/29
- Medium intensity runway edge lighting (MIRL) on Runway 4/22
- Medium intensity taxiway lights (MITL) and signage on Taxiway A
- Taxiway reflectors on Taxiway C
- Distance to go signs on Runways 11/29 and 4/22

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Management's Discussion and Analysis

Passenger Terminal Building and Apron

The passenger terminal building opened in 1982, and contains approximately 76,000 square feet of space. Additional boarding area space, along with two aircraft loading bridges, opened in spring 2004. The passenger terminal apron encompasses approximately 13,000 square yards of asphalt and concrete pavement adjacent to the terminal building and provides for aircraft parking, access, and circulation.

Aircraft Rescue Firefighting (ARFF)

The ARFF Maintenance Building is located adjacent to the base of the air traffic control tower. It was constructed in 2000, and houses the aircraft rescue firefighting and maintenance equipment. A 3,200 square foot addition was completed in 2010.

Air Traffic Control Tower

Consisting of approximately 10,000 square feet, the tower was originally constructed in 1963, and was most recently renovated in 1996. The tower elevator was modernized in 2013. Limited tower office space and adjacent bays were leased to West Star in 2013.

Airport Authority Hangars

Constructed in 1957, and most recently renovated in 1998, this hangar is leased to Federal Express, and consists of approximately 6,724 square feet. It includes space for offices and sorting operations. In December 2012, a hangar and adjacent offices used by Mesa Airlines for aircraft maintenance reverted to the airport. The 25,600 square foot hangar was constructed in 1970, and the 7,168 square foot adjacent offices constructed in 1980. The hangar is leased to West Star for aircraft maintenance. In 2013, the airport purchased a 4,800 square foot hangar in the C1A area to store equipment. The hangar was built in 1996.

Rental Car Facilities

The airport currently owns three rental car service facility buildings that are leased to Avis, Hertz, and Enterprise Rent a Car. The rental car parking lot was reconstructed during the summer of 2009. The rental car parking lot has parking for 226 vehicles, with 146 spaces assigned as rental car ready spaces. The remaining spaces are used for rental car employee parking.

Parking

Vehicle parking for the passenger terminal building includes public and employee parking. A paved parking lot, immediately southwest of the terminal building, provides 638 standard, 30 handicap, and 12 motorcycle parking spots. An adjacent compacted asphalt lot provides approximately 232 spaces for overflow and employee parking.

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Management's Discussion and Analysis

Access Roadways

The following vehicle roadways are owned and maintained by the Airport Authority:

Walker Field Drive
Falcon Way
Eagle Drive

Navigator's Way
Heritage Court

Aviator's Way
Landing View Lane

Many of the roadways were rebuilt as part of the 2007 Bond Proceeds. Roundabouts were added and several roadways were realigned to better serve traffic flow. Construction was completed by fall 2008 with landscaping continuing through 2009.

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Management's Discussion and Analysis

AIRPORT DEBT

2009 Colorado State Infrastructure Bank Loan

The rental car parking lot was reconstructed during the summer of 2009 and completed August 2009. A \$4 million 10-year loan was obtained from the Colorado State Infrastructure Bank (SIB) to finance construction of the rental car parking lot in June 2009. Quarterly payments of \$116,122 started September 1, 2009. The airport board approved a facility use fee of \$3.25 per on-airport rental car per day in 2007 to fund the quarterly principal and interest payments. The facility use fee is currently established at \$4.00.

2016 Revenue Bonds

The 2016 Revenue Bonds are comprised of two components, refunding the 2007 Revenue Bonds and additional borrowing of \$9 million. The additional project fund will be used to enhance the airport terminal, with the replacement of the HVAC, smoke evacuation system, roof replacement and escalator replacement. The 2016 bonds were issued with a Moody's insured rating of A3 (underlying: Baa2) underwritten by RBC Capital Markets and insured by National Public Finance Guarantee, the November 3, 2016 Official Statement can be found at:

<http://emma.msrb.org/EP963233-EP747265-EP1148779.pdf>

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Management's Discussion and Analysis

AIR SERVICE

Aircraft operations are defined as the number of arrivals and departures from the airport at which an airport traffic control tower is located. There are two types of operations: local and itinerant.

1. Local operations are those operations performed by aircraft that remain in the local traffic pattern, execute simulated instrument approaches or low passes at the airport, and the operations to or from the airport and a designated practice area within a 20-mile radius of the tower.
2. Itinerant operations are operations performed by an aircraft that lands at an airport, arriving from outside the airport area, or departs an airport and leaves the airport area.

Enplanements

Enplanements increased 3% from 2016 to 2017 from 232,672 to 240,132, respectively. The cost per enplanement decreased in 2017 to \$7.57 from \$7.89 in 2016. During the year 2017, the following flights were available to passengers of Grand Junction Airport ("GJT"):

- American Airlines ("American") offered daily service to Dallas/Fort Worth International Airport ("DFW") and to Phoenix Sky Harbor International Airport ("PHX") and a seasonal flight to Los Angeles International Airport ("LAX")
- 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")
- Allegiant offered two flights per week to Las Vegas McCarran International Airport ("LAS") and a seasonal flight to LAX
- Other 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 following table lists the total number of enplanements by airline for 2017 and 2016:

<u>Year</u>	<u>Allegiant</u>	<u>American</u>	<u>Delta</u>	<u>United</u>	<u>Other</u>	<u>Total</u>
2017	16,818	104,696	43,314	66,141	9,163	240,132
2016	17,466	98,653	40,291	68,352	7,910	232,672

Aircraft Operations

Total aircraft operations have decreased from 2016 to 2017 year over year, with a decrease in local operations and a small increase in itinerant operations, representing an overall decrease of approximately 1.6%.

<u>Year</u>	<u>Total Itinerant</u>	<u>Total Local</u>	<u>Total</u>
2017	35,199	9,107	44,306
2016	35,161	9,870	45,001

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Management's Discussion and Analysis

Cargo

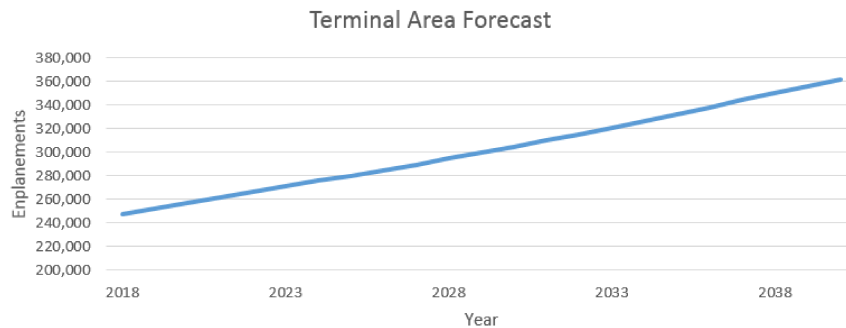
Airfreight was provided primarily by FedEx and Key Lime. Total cargo pounds provided by these carriers of airfreight decreased to approximately 10,157,709 pounds in 2017 from approximately 10,509,307 pounds in 2016. Revenue to the airport is generated from cargo operations through landing fees.

<u>Carrier</u>	<u>FY 2017 Pounds</u>	<u>FY 2016 Pounds</u>
FedEx	8,970,988	9,404,670
Key Lime	<u>1,249,721</u>	<u>1,104,637</u>
Total	<u>10,220,709</u>	<u>10,509,307</u>

Terminal Area Forecast

The Terminal Area Forecast ("TAF") is the official FAA forecast of aviation activity for U.S. airports. It contains active airports in the National Plan of Integrated Airport Systems ("NPIAS") including FAA-towered airports, Federal contract-towered airports, nonfederal towered airports, and non-towered airports. Forecasts are prepared for major users of the National Airspace System including air carrier, air taxi/commuter, general aviation, and military. The forecasts are prepared to meet the budget and planning needs of the FAA and provide information for use by state and local authorities, the aviation industry, and the public.

According to the TAF, by 2040 the Grand Junction Airport is projected to have an increase in enplanements to approximately 362,000.



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Management's Discussion and Analysis

LOCATION

Mesa County

Grand Junction is situated in the Grand Valley on the western slope of the Rocky Mountains in Mesa County, Colorado. Grand Junction Regional Airport and the city of Grand Junction are located between Denver and Salt Lake City, approximately 260 miles from each. The closest airports, which provide regularly scheduled commercial or regional jet service, are Aspen-Pitkin County Airport, Eagle County, and Montrose County Regional Airport. Grand Junction Regional Airport is situated within the boundaries of the city of Grand Junction in the northeast area of the city approximately one mile north of Interstate 70.



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Management's Discussion and Analysis

AIRPORT FINANCIAL STATEMENTS

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

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, 2017 and 2016 was an increase of approximately \$3,450,000 and \$330,000, respectively.

	For the Years Ended	
	December 31,	
	2017	2016
Total operating revenues	\$ 6,360,576	\$ 6,230,407
Total non-operating revenues	<u>1,088,844</u>	<u>923,320</u>
Total revenues	<u>7,449,420</u>	<u>7,153,727</u>
Total operating expenses	4,286,196	4,299,327
Depreciation expense	4,161,422	4,187,322
Net non-operating expense	<u>1,468,896</u>	<u>1,258,768</u>
Total expenses	<u>9,916,514</u>	<u>9,745,417</u>
Loss before capital contributions	(2,467,094)	(2,591,690)
Capital contributions	<u>5,921,779</u>	<u>2,923,406</u>
Change in net position	<u>\$ 3,454,685</u>	<u>\$ 331,716</u>

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Management's Discussion and Analysis

Aeronautical Revenue

	<u>2017</u>	<u>2016</u>
Passenger airline revenue		
Passenger airline landing fees	\$ 528,794	\$ 506,670
Terminal rent	1,185,356	1,181,845
Other	<u>102,575</u>	<u>90,611</u>
Total passenger airline revenue	<u>1,816,725</u>	<u>1,779,126</u>
Non-passenger airline revenue		
Non-passenger landing fees	143,955	106,434
Cargo and hangar rentals	51,173	50,631
Aviation fuel tax	179,453	208,930
Fuel flowage fees	449,834	454,497
Other	<u>3,030</u>	<u>3,750</u>
Total non-passenger airline revenue	<u>827,445</u>	<u>824,242</u>
Total aeronautical revenue	<u>\$ 2,644,170</u>	<u>\$ 2,603,368</u>

Commentary

Passenger Airline Landing Fees

Commercial signatory aircraft over 12,500 pounds landing weight pay a landing fee of \$1.70 per 1,000 pounds. This fee is charged for passenger and cargo aircraft, no landing fee is charged for general aviation or military aircraft. Average landing fees:

- 50 seat aircraft based on average 50,000 pounds is \$85
- 70 seat aircraft based on average 75,000 pounds is \$128
- 150 seat aircraft based on average 140,000 pounds is \$238

Terminal Rent

The largest aeronautical revenue source is terminal rent. Rent revenue is received from the following:

1. Airline exclusive space – the airlines that utilize exclusive space are required to pay \$30.30 per square foot. The exclusive space rented by the airlines is ticketing, office and garage areas located on the first floor of the terminal. There are four airline ticket offices of approximately 2,850 square feet. Currently, three of the airline ticket offices have tenants.
2. Airline common space – this space is comprised of three areas:
 - Baggage processing – aircraft operators that utilize the baggage processing areas of the terminal building in a particular month shall pay their pro rata share of rent. The pro rata share shall be based on the total number of enplaned revenue passengers during the month. The rate for the baggage processing area is \$27.27 per square foot and this area is currently 5,721 square feet.

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Management's Discussion and Analysis

- Boarding area – aircraft operators that utilize the boarding area of the terminal building in a particular month shall pay their pro rata share of rent. The pro rata share shall be based on the total number of enplaned revenue passengers during the month. The rate for the boarding area is \$27.27 per square foot and this area is currently 17,721 square feet.
 - Ticketing area – aircraft operators that utilize the ticketing area of the terminal building in a particular month shall pay their pro rata share of rent. The pro rata share shall be based on the total number of enplaned revenue passengers during the month. The rate for the ticketing area is \$27.27 per square foot and this area is currently 4,587 square feet.
3. Airline security services – security service is a total of \$200,000 per year. The pro rata share shall be based on the total number of enplaned revenue passengers utilizing the boarding area.

Other (Boarding Bridge; Deicing)

The Other portion of passenger airline revenue is derived from boarding bridge fees and commercial airline deicing fees. The boarding bridge is charged at \$25 per use, the airlines use is based on availability of the two boarding bridges. In general, if there's an open boarding bridge the airline will use it. The deicing chemical of glycol is disposed of by the Airport and used by the airlines during winter service. The reported usage of the glycol determines the amount charged to the airlines.

Landing Fees from Cargo

Commercial signatory aircraft (including cargo) over 12,500 pounds landing weight pay a landing fee of \$1.70 per 1,000 pounds. The primary cargo carrier landing at the Airport is Federal Express (Fed Ex), with an average landing of five times per week. Fed Ex is flying a 757 with a maximum landing weight of 198,000 pounds, this generates \$337 per landing. Landing fees from cargo included \$27,000 in landing fees received from Bureau of Land Management in 2017 versus \$6,000 in 2016.

Cargo and Hangar Rentals

Fed Ex has a lease with the Airport with a ground lease of 143,221 square feet (charged at \$0.1817 per square foot) and hangar lease with 4,880 square feet (charged at \$0.4341 per square foot).

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Aviation Fuel Tax

Airports eligible to receive benefits from the aviation fuel tax pursuant to CRS 43-10-103(4), CRS 43-10-108.5 and CRS 43-10-110 do so in two different ways: discretionary aviation grants and airport fuel tax disbursements. Airport tax disbursements are the portion of the tax that is collected at an airport, which is then returned directly to the airport based on the type and quantity of fuel sold. Pursuant to CRS 43-10-110 tax disbursements are the full four cents per gallon jet fuel excise tax, and four cents per gallon of the avgas excise tax. The sales tax on jet fuel is disbursed at a rate of 65% of the total sales tax that was collected.

Fuel Flowage Fees

The fuel flowage revenue is received from the on airport fuel provider. The Airport receives \$0.1017 for every gallon pumped for Avgas, Jet A, and military Jet A. A cost recovery amount of \$0.10 per gallon is included in the fuel flowage fee account based on an Airport Improvement Fuel Flowage Fee Agreement between the Airport and West Star Aviation. The airport receives a fuel flowage fee on all aircraft excluding commercial aircraft. The total gallons subject to the fuel flowage fee was 2,076,000 in 2017, versus 2,180,442 in 2016.

Other (Rapid Refuel; Plane Parking)

The Other portion of non-passenger airline revenue is derived from rapid refuel and airplane ramp parking. Rapid refuel is charged to the military when a refueling is performed with the aircraft engines running. When a rapid refuel is requested, the ARFF truck must be near the aircraft in case of emergency, billed at \$120 per hour. Airplane parking is billed at \$60 per month for a designated tie down space.

Non-Aeronautical Revenue

	<u>2017</u>	<u>2016</u>
Land and building leases	\$ 573,411	\$ 565,339
Terminal - food and beverage	94,495	61,216
Terminal - retail	30,735	34,129
Terminal - other	255,550	245,613
Rental cars	1,217,503	1,158,797
Parking and ground transportation	1,476,492	1,432,442
Other	<u>68,220</u>	<u>129,503</u>
Total non-aeronautical revenue	<u>\$ 3,716,406</u>	<u>\$ 3,627,039</u>

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Management's Discussion and Analysis

Commentary

Land and Building Leases

The Airport has approximately 40 land and building leases. These leases vary in square feet and price per square feet. The variance in price is a result of the year the lease was signed and the how much the CPI increase has effected the lease base rate. During 2017, the Bureau of Land Management (BLM) signed a 20 year lease. The BLM agreed to make a one-time lump sum payment of \$500,000 resulting in \$25,000 per year (\$5,000 for 2017).

Terminal – Food, Beverage and Retail

The Airport entered a concession agreement in May 2016 for food, beverage, and retail. The concession fee is variable based on gross revenue. The concession agreement also included an additional location for food and beverage on the passenger secured side of the airport. In 2017, the concessionaire opened a food, beverage, and retail location on the unsecured side of the airport. The Minimum Annual Guarantee (MAG) for the concessionaire is \$60,000.

Terminal - Other

There is office space on the second and third floor of the terminal that is occupied. The second floor is 2,050 square feet and the third floor is 6,384 square feet. The rent was increased from \$28.63 to \$30.30 per square foot starting September 2016 for a five-year lease.

Rental Cars

Rental car revenue is comprised of MAG, which is the minimum amount the rental car company must pay the Airport each month. Each rental car company has a different MAG based on the individual contract. The following are the current rental car annual MAG's:

- Avis/Budget \$203,310
- National/Alamo \$183,592
- Hertz \$204,442
- Enterprise \$152,300

The MAG is adjusted annually in May to either the year one MAG or 85% of 10% of the previous year's annual gross revenue, whichever is greater.

Rental car exclusive space – rental car operators that utilize exclusive space are required to pay \$30.30 per square foot. The exclusive space rented by the rental car operators is located on the first floor of the terminal. There are four counters and office locations available to the rental car operators, each at 536 square feet.

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Management's Discussion and Analysis

Parking and Ground Transportation

The parking lot is managed by a third-party concessionaire. The management agreement has a two-tier system that requires payment to the Airport at the greater of annual MAG of \$350,000 or 80.45% of gross revenues up to \$500,000, plus 91.5% of gross revenues in excess of \$500,000. This agreement expires on March 31, 2021. The parking lot maximum daily rate is \$10 per day.

Ground transportation providers are required to pay the following:

- Taxis, shuttles/vans, etc. – 10% of revenue for dropping off and picking up passengers.
- Buses – 10% of revenue or \$400 annual fee for unlimited service.
- Transportation Network Companies - \$2.50 for dropping off and picking up passengers.
- Hotels - \$0.20 per room in the hotel per month

Other

The Other portion of non-aeronautical revenue is derived from the following:

- Security badge fees – there are three types of badges Security Identification Display Area (SIDA), sterile area and Airport Operations Area (AOA). SIDA and sterile area badge fees range from a \$25 renewal without fingerprint processing and \$85 initial issue with fingerprint processing. AOA does not require fingerprints and badge fees are a \$25 renewal and a \$35 initial issue.
- Advertising – the Airport has a concession agreement effective through October 2018 for advertising in the terminal with a MAG of \$16,500.
- Vending – the Airport has a concession agreement effective through February 2020 to receive 15% of the vendor's gross revenue. This generates approximately \$4,500 annually.

Operating Expenses

	<u>2017</u>	<u>2016</u>
Personnel compensation and benefits	\$ 2,294,107	\$ 2,025,827
Communications and utilities	292,520	289,490
Supplies and materials	440,370	405,993
Contract services	547,622	930,041
Repairs and maintenance	349,878	450,339
Insurance	93,944	91,037
Other	<u>267,755</u>	<u>106,600</u>
Total operating expenses	<u>\$ 4,286,196</u>	<u>\$ 4,299,327</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Commentary

Personnel Compensation and Benefits

The largest increase in compensation came as a result of increased PERA pension expense caused by the change in the discount rate used in the PERA contribution calculation. This resulted in a net year over year increase of approximately \$160,000. Overall compensation increased from 2016 due to the fulfillment of management positions in late 2016. Other employee benefits were consistent year over year.

Communications and Utilities

The utilities had a slight change with a \$3,000 increase in water utilities. Electric of \$200,000; phone of \$28,000; trash of \$11,000; sewer and gas of \$26,000 remained consistent 2017 compared to 2016.

Supplies and Materials

The cost of rental car fuel is included in supplies and materials with a cost of approximately \$222,000 in 2017, versus \$178,000 in 2016. The cost of the fuel is recovered when it's sold to the rental car companies. The airport charges a fee of approximately \$0.25 per gallon.

Contract Services

The reduction in contract services is a result of a savings in legal fees of approximately \$276,000. This lower cost is due to the settlement in 2017 of outstanding legal claims. The settlement of the lawsuits was approximately \$150,000. 2016 also included \$170,000 for a terminal area plan.

Repairs and Maintenance

The cost in 2016 included the replacement of carpet and furniture in the boarding area for approximately \$60,000 and \$23,000, respectively.

Insurance

Insurance is consisted year over year with a slight increase in the premium for directors and officers insurance.

Other

The increase in other expenses is due to the following:

- Personnel recruiting – the executive director position became available in May 2017. The board of commissioners decided to use a consulting firm to assist in the process of filling the position. The cost of this process was approximately \$45,000.
- Marketing – the increase in marketing expense was approximately \$42,000, with the majority of this expense used for television and print advertising and website development.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

- Education and training – the Airport Rescue and Fire Fighting (ARFF) team added four members. This required initial training and certification and resulted in a year over year increase of approximately \$10,000.
- Other – the administrative expense for the 2017 air show and the Airport's tri annual exercise accounted for approximately \$15,000. These are not annual expenses.

Non-Operating Revenue and Expense

	<u>2017</u>	<u>2016</u>
Passenger facility charges	\$ 901,543	\$ 894,064
Interest income	187,301	29,256
Interest expense	(1,318,486)	(696,874)
Customer facility charges	719,971	705,523
Capital contributions	5,201,808	2,217,883
Other	<u>(150,410)</u>	<u>(561,894)</u>
Total non-operating revenue	<u>\$ 5,541,727</u>	<u>\$ 2,587,958</u>

Commentary

Passenger Facility Charges (PFC)

The Airport receives the maximum allowed fee of \$4.50 per passenger with a handling fee of \$0.11 retained by the air carrier. The use of the PFC revenue was to service the 2007 Bonds and is being used to service the 2016 Bonds along with other PFC eligible projects as administered by the FAA Order 5500.1.

Interest Income

Interest income is received from the unrestricted operation cash funds and the restricted PFC cash account and the 2016 bond fund. The bond fund is budgeted to be utilized in 2018.

Interest Expense

The interest expense is from three sources, the Colorado SIB loan and the 2007 Bonds and 2016 Bonds. The increase in the interest expense is due to the final payment for the 2007 Bonds, this amount was held in escrow as part of the settlement of the 2016 Bonds. Additionally, the 2016 Bonds incurred a full year of interest expense during 2017 compared to only a partial year of interest expense during 2016.

Customer Facility Charges (CFC)

The Customer Facility Charge (CFC) is a pass through cost to the rental car customer that must pay \$4.00 per rental day. The revenue is used to pay the 10-year 2009 Colorado State Infrastructure Bank loan that was received to build the rental car parking and fuel facilities used by the rental car companies.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Capital Contributions

The capital contributions are received from federal, state and local entities. The Airport Improvement Program ("AIP") projects received funding from the Federal Aviation Administration and the Colorado Department of Aeronautics. The following table is based on the funding received by project:

	<u>2017</u>	<u>2016</u>
AIP49 - Runway environmental assessment	\$ -	\$ 24,536
AIP52 – Rehabilitate runway; taxiway; connectors	313,614	1,986,046
AIP53 – Apron design	-	67,320
AIP54 – Rehabilitate apron	2,426,947	32,080
AIP55 – Runway phase 1	1,638,248	-
AIP56 – Runway phase 2	637,529	-
AIP59 – Taxiway alpha rehabilitation	4,544	-
Federal Mineral Lease District	28,480	-
State of Colorado grants	<u>152,446</u>	<u>107,901</u>
Total capital contributions	<u>\$ 5,201,808</u>	<u>\$ 2,217,883</u>

Other

The amount in the Other category 2016 is for a reimbursement to the FAA for ineligible costs from a project that was completed in 2012. The 2017 expense includes final legal settlement on claims made in previous years.

Statements of Net Position

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

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

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

	December 31,	
	2017	2016
Current assets	\$ 9,727,950	\$ 8,670,736
Restricted assets	11,690,440	11,596,160
Capital assets, net	<u>60,304,804</u>	<u>58,240,193</u>
Total assets	81,723,194	78,507,089
Deferred outflows of resources	<u>847,415</u>	<u>850,586</u>
Total assets and deferred outflows of resources	<u>\$ 82,570,609</u>	<u>\$ 79,357,675</u>
Current liabilities	\$ 3,371,417	\$ 3,054,284
Non-current liabilities	<u>23,699,175</u>	<u>24,348,769</u>
Total liabilities	27,070,592	27,403,053
Deferred inflows of resources	165,052	74,342
Net position		
Total net position	<u>55,334,965</u>	<u>51,880,280</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 82,570,609</u>	<u>\$ 79,357,675</u>

Commentary

Current Assets

The increase in current assets is related to the increase in the accounts receivable for the FAA for AIP project grants. As of 12/31/17, this receivable amount increased by approximately \$1,817,000 compared to 12/31/16. The receivable is typically received 10-15 days after being submitted for payment.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

Capital Assets

During 2017, the Authority had an overall increase to construction in progress of approximately \$3,000,000. The 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 52 and security solutions project with a final cost of approximately \$2,849,536 and \$209,026, respectively. The following table illustrates the project costs as of December 31, 2017:

	December 31, 2016	Additional Cost	Transfer to Capital Asset	December 31, 2017
AIP52 – Rehabilitate runway; taxiway; connectors	\$ 2,576,814	\$ 272,722	\$ (2,849,536)	\$ -
AIP54 – Rehabilitate apron	38,152	2,944,268	-	2,982,420
AIP55 – Runway phase 1	36,161	1,820,739	-	1,856,900
AIP56 – Runway phase 2	-	708,830	-	708,830
AIP57 – RTR Relocation	156,078	-	-	156,078
AIP58 – 27 1/4 road relocation	2,975	-	-	2,975
AIP59 – Taxiway alpha rehabilitation	-	5,049	-	5,049
Security solutions	209,026	-	(209,026)	-
Administration/ARFF Building	4,087,745	4,571	-	4,092,316
Passenger boarding bridge	-	157,145	-	157,145
Terminal renovations	-	157,427	-	157,427
Total	<u>\$ 7,106,951</u>	<u>\$ 6,070,751</u>	<u>\$ (3,058,562)</u>	<u>\$ 10,119,140</u>

Pension Plan

In 2015, the Authority adopted 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 financial reporting requirements for most governmental entities that provide their employees with pension benefits. The Authority participates in and contributes to the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement Association of Colorado ("PERA").

In accordance with GASBs 68 and 71, the Authority has recorded a net pension liability of \$3,038,815 and \$2,837,459, as of December 31, 2017 and 2016, respectively, which represents the Authority's proportionate share of the overall LGDTF pension liability which is based on actuarial assumptions and are reported by PERA. Further information regarding the LGDTF and plan assumptions is presented in Note 7 to the audited financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

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, 2017, the balance due on the 2016 Bonds was \$19,025,000. In addition, the Authority has approximately \$680,000 outstanding in a note payable to the Colorado State Infrastructure Bank to finance construction of a rental car parking lot and rental car service area.

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, 2828 Walker Field Drive, Grand Junction, Colorado 81506 or at 970-244-9100.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Net Position

	December 31,	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 7,359,127	\$ 8,143,863
Receivables		
Accounts receivable	486,121	444,789
Grants	1,817,736	13,175
Prepaid expenses	<u>64,966</u>	<u>68,909</u>
Total current assets	<u>9,727,950</u>	<u>8,670,736</u>
Restricted cash, cash equivalents, and investments		
Passenger facility charges	1,814,984	1,211,727
Revenue bond reserve fund	9,064,762	9,536,664
Rental car improvements	646,500	687,036
Lease deposits	<u>164,194</u>	<u>160,733</u>
Total restricted cash, cash equivalents, and investments	11,690,440	11,596,160
Capital assets, net	<u>60,304,804</u>	<u>58,240,193</u>
Total non-current assets	<u>71,995,244</u>	<u>69,836,353</u>
Total assets	<u>81,723,194</u>	<u>78,507,089</u>
Deferred Outflows of Resources		
Deferred amortization related to pension plan	<u>847,415</u>	<u>850,586</u>
Total deferred outflows of resources	<u>847,415</u>	<u>850,586</u>
Total assets and deferred outflows of resources	<u>\$ 82,570,609</u>	<u>\$ 79,357,675</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 108,668	\$ 234,244
Accounts payable - capital assets	1,010,507	365,519
Accrued expenses	637,181	982,588
Lease deposits	164,194	160,733
Current portion of revenue received in advance	129,918	38,477
Current portion of note payable	449,158	435,932
Current portion of revenue bonds payable	<u>871,791</u>	<u>836,791</u>
Total current liabilities	<u>3,371,417</u>	<u>3,054,284</u>
Non-current liabilities		
Revenue received in advance, net of current portion	470,000	-
Notes payable, net of current portion	229,673	678,832
Revenue bonds payable, net of current portion	19,960,687	20,832,478
Net pension liability	<u>3,038,815</u>	<u>2,837,459</u>
Total non-current liabilities	<u>23,699,175</u>	<u>24,348,769</u>
Total liabilities	<u>27,070,592</u>	<u>27,403,053</u>
Deferred Inflows of Resources		
Deferred amortization related to pension plan	<u>165,052</u>	<u>74,342</u>
Total deferred inflows of resources	<u>165,052</u>	<u>74,342</u>
Total liabilities and deferred inflows of resources	<u>27,235,644</u>	<u>27,477,395</u>
Commitments and contingencies		
Net Position		
Net investment in capital assets	38,793,495	35,456,160
Restricted for debt service and capital assets	10,879,746	10,748,391
Unrestricted	<u>5,661,724</u>	<u>5,675,729</u>
Total net position	<u>55,334,965</u>	<u>51,880,280</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 82,570,609</u>	<u>\$ 79,357,675</u>

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,	
	2017	2016
Operating revenues		
Aeronautical revenue		
Passenger airlines revenue		
Passenger airlines landing fees	\$ 528,794	\$ 506,670
Terminal rent	1,185,356	1,181,845
Other	102,575	90,611
Total passenger airlines revenue	1,816,725	1,779,126
Non-passenger airline revenue		
Landing fees from cargo	143,955	106,434
Cargo and hangar rentals	51,173	50,631
Aviation fuel tax	179,453	208,930
Fuel flowage fees	449,834	454,497
Other	3,030	3,750
Total non-passenger airline revenue	827,445	824,242
Total aeronautical revenue	2,644,170	2,603,368
Non-aeronautical revenue		
Land and building leases	573,411	565,339
Terminal - food and beverage	94,495	61,216
Terminal - retail	30,735	34,129
Terminal - other	255,550	245,613
Rental cars	1,217,503	1,158,797
Parking and ground transportation	1,476,492	1,432,442
Other	68,220	129,503
Total non-aeronautical revenue	3,716,406	3,627,039
Total operating revenues	6,360,576	6,230,407
Operating expenses		
Personnel compensation and benefits	2,294,107	2,025,827
Communications and utilities	292,520	289,490
Supplies and materials	440,370	405,993
Contract services	547,622	930,041
Repairs and maintenance	349,878	450,339
Insurance	93,944	91,037
Other	267,755	106,600
Total operating expenses	4,286,196	4,299,327
Operating income, before depreciation	2,074,380	1,931,080
Depreciation	4,161,422	4,187,322
Operating loss	(2,087,042)	(2,256,242)
Non-operating revenues (expenses)		
Passenger facility charges	901,543	894,064
Interest income	187,301	29,256
Interest expense	(1,318,486)	(696,874)
Customer facility charges	719,971	705,523
Capital contributions	5,201,808	2,217,883
Other expenses	(150,410)	(561,894)
Total non-operating revenues	5,541,727	2,587,958
Change in net position	3,454,685	331,716
Net position at beginning of year	51,880,280	51,548,564
Net position at end of year	\$ 55,334,965	\$ 51,880,280

See notes to financial statements.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers and users	\$ 6,880,685	\$ 6,255,480
Cash paid to vendors for goods and services	(2,424,171)	(1,540,007)
Cash paid to and for employees	<u>(2,029,762)</u>	<u>(1,870,779)</u>
Net cash provided by operating activities	<u>2,426,752</u>	<u>2,844,694</u>
Cash flows from non-capital financing activities		
Receipts of lease deposits, net	<u>3,461</u>	<u>9,780</u>
Net cash provided by non-capital financing activities	<u>3,461</u>	<u>9,780</u>
Cash flows from capital and related financing activities		
Grants received	3,397,247	2,227,087
Customer facility charges received	719,971	705,523
Passenger facility charges received	901,543	894,064
Interest paid	(1,514,343)	(681,159)
Acquisition and construction of capital assets	(5,581,045)	(3,616,616)
Proceeds from sale of assets	-	36,750
Bond reserve balance (increase) reduction	471,902	(8,076,664)
Proceeds from bond issuance	-	21,685,252
Defeased bond cash reserve	-	(12,885,000)
Principal payments on note and bonds payable	(1,080,933)	(1,320,641)
Non-operating expense	<u>(150,410)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(2,836,068)</u>	<u>(1,031,404)</u>
Cash flows from investing activities		
Bond issuance costs	-	(564,964)
Interest received on cash equivalents	<u>187,301</u>	<u>29,244</u>
Net cash flows provided by (used in) investing activities	<u>187,301</u>	<u>(535,720)</u>
Net (decrease) increase in cash and cash equivalents	(218,554)	1,287,350
Cash and cash equivalents at beginning of year	<u>10,203,359</u>	<u>8,916,009</u>
Cash and cash equivalents at end of year	<u>\$ 9,984,805</u>	<u>\$ 10,203,359</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>2017</u>	<u>2016</u>
Operating loss	\$ (2,087,042)	\$ (2,256,242)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	4,161,422	4,187,322
Changes in certain assets and liabilities		
Receivables	(41,332)	56,784
Prepaid expenses	3,943	8,942
Accounts payable	(125,576)	67,571
Accrued liabilities	(341,341)	661,149
Net pension liability and pension-related deferred inflows and outflows of resources	295,237	150,879
Revenue received in advance	561,441	(31,711)
	<u>4,513,794</u>	<u>5,100,936</u>
Net cash provided by operating activities	<u>\$ 2,426,752</u>	<u>\$ 2,844,694</u>

Non-cash investment and capital and related financing activities:

	December 31,	
	<u>2017</u>	<u>2016</u>
Net change in capital assets purchased with payables	<u>\$ 644,988</u>	<u>\$ (98,182)</u>

Statements of net position cash and cash equivalents:

	December 31,	
	<u>2017</u>	<u>2016</u>
Operating cash	\$ 7,359,127	\$ 8,143,863
Restricted cash and cash equivalents		
Passenger facility charges	1,814,984	1,211,727
Rental car improvements	646,500	687,036
Lease deposits	164,194	160,733
Net cash and cash equivalents	<u>\$ 9,984,805</u>	<u>\$ 10,203,359</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.

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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America, 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, 2017 or 2016.

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, 2017 were \$27,922,232.

The budget basis of accounting differs from the generally accept accounting principles 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, 2017, the Authority had collected \$10,185,335 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 Fund

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 2016, the CFC was increased to \$4.00 per on-airport rental car per day.

Lease Deposits

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

Capital Assets

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

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

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

Capital Assets (continued)

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

Long-Lived Assets

The Authority evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the service utility of the asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Authority measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Authority to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. As of December 31, 2017 and 2016, 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, 2017 and 2016, the Authority reported restricted net position of \$10,879,746 and \$10,748,391, 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 2017, 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 \$500,000. The prepayment is reflected as revenue received in advance and is being amortized over the life of the lease in the amount of \$25,000 per year. As of December 31, 2017, the unamortized balance was \$495,000.

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, 2017 and 2016, the amount of prepaid rent was \$104,918 and \$38,477, 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

The Authority follows 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 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.

During the year ended December 31, 2017, GASB issued GASB Statement No. 75, *Accounting and Reporting for Postretirement Benefits Other Than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. The statement also enhances disclosures around defined benefit OPEBs. The statement is effective for years beginning after December 15, 2017.

Subsequent Events

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

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

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.

The Authority's deposits include the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 7,359,127	\$ 8,143,863
Restricted cash	11,690,440	11,596,160
Restricted cash netted against bonds payable	<u>-</u>	<u>12,885,000</u>
Total deposits and investments	<u>\$ 19,049,567</u>	<u>\$ 32,625,023</u>

The bank balances on deposit were \$19,128,564 and \$32,642,250 at December 31, 2017 and 2016, 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 for the year ended December 31, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	7,106,951	6,070,751	3,058,562	10,119,140
Total capital assets, not being depreciated	<u>9,523,009</u>	<u>6,070,751</u>	<u>3,058,562</u>	<u>12,535,198</u>
Capital assets, being depreciated				
Buildings and improvements	17,763,201	-	10,830	17,752,371
Land improvements	87,378,594	2,849,506	4,650,021	85,578,079
Equipment	4,979,193	364,338	-	5,343,531
Total capital assets, being depreciated	<u>110,120,988</u>	<u>3,213,844</u>	<u>4,660,851</u>	<u>108,673,981</u>
Less accumulated depreciation for				
Buildings and improvements	10,154,159	689,360	10,830	10,832,689
Land improvements	48,003,292	3,095,007	4,650,021	46,448,278
Equipment	3,246,353	377,055	-	3,623,408
Total accumulated depreciation	<u>61,403,804</u>	<u>4,161,422</u>	<u>4,660,851</u>	<u>60,904,375</u>
Total capital assets, being depreciated, net	<u>48,717,184</u>	<u>(947,578)</u>	<u>-</u>	<u>47,769,606</u>
Capital assets, net	<u>\$ 58,240,193</u>	<u>\$ 5,123,173</u>	<u>\$ 3,058,562</u>	<u>\$ 60,304,804</u>

A summary of changes in capital assets is as follows for the year ended December 31, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	7,064,695	2,604,991	2,562,735	7,106,951
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	4,718,518	361,249	100,574	4,979,193
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	2,914,251	398,997	66,895	3,246,353
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>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 4 - Accrued Expenses

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Vacation	\$ 130,784	\$ 158,182
Compensation and related	63,554	67,054
Interest	70,634	74,700
Other	<u>372,209</u>	<u>682,652</u>
	<u>\$ 637,181</u>	<u>\$ 982,588</u>

Note 5 - Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2017 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	\$ -	\$ (645,000)	\$ 19,025,000	\$ 680,000
Revenue bonds, Series 2007	12,885,000	-	(12,885,000)	-	-
Bond premium	1,999,269	-	(191,791)	1,807,478	191,791
Colorado State Infrastructure Bank note	1,114,764	-	(435,933)	678,831	449,158
Less bond reserve fund to satisfy revenue bonds, series 2007	<u>(12,885,000)</u>	<u>-</u>	<u>12,885,000</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 22,784,033</u>	<u>\$ -</u>	<u>\$ (1,272,724)</u>	<u>\$ 21,511,309</u>	<u>\$ 1,320,949</u>

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 2016 A and B	\$ -	\$ 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>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 5 - Long-Term Debt (continued)

Interest expense consists of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Revenue bonds, Series 2016 A and B	\$ 859,859	\$ -
Revenue bonds, Series 2007	622,938	656,526
Colorado State Infrastructure Bank note	27,480	40,348
Bond premium	<u>(191,791)</u>	<u>-</u>
	<u>\$ 1,318,486</u>	<u>\$ 696,874</u>

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. These bonds are subject to certain restrictive covenants.

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>
2018	\$ 680,000	\$ 827,523	\$ 1,507,523
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	765,000	738,450	1,503,450
2023-2027	4,395,000	3,121,000	7,516,000
2028-2032	5,570,000	1,950,000	7,520,000
2033-2036	<u>5,470,000</u>	<u>548,475</u>	<u>6,018,475</u>
	<u>\$ 19,025,000</u>	<u>\$ 9,553,856</u>	<u>\$ 28,578,856</u>

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 5 - Long-Term Debt (continued)

2007 Bonds

The Authority issued Airport Revenue Bonds, Series 2007, dated May 1, 2007, in the amount of \$19,560,000, for the purpose of funding a portion of the costs of new road improvements to the airport and refunding the 2003 Series bonds. The bonds were 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 bore 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 was paid in full during 2017 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 was netted against cash held for refund on the statement of financial position. In accordance with the 2007 bond agreement, in December 2017 the Authority paid off the full principal balance of the Series 2007 Bonds of \$12,885,000 plus interest of \$622,938, which was held in bond escrow as of December 31, 2016.

Colorado State Infrastructure Bank Note

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

The debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 449,158	\$ 15,329	\$ 464,487
2019	<u>229,673</u>	<u>2,571</u>	<u>232,244</u>
	<u>\$ 678,831</u>	<u>\$ 17,900</u>	<u>\$ 696,731</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.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 6 - Future Rental Revenue (continued)

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

Year Ending December 31,

2018	\$ 1,775,000
2019	1,668,000
2020	1,124,000
2021	557,000
2022	315,000
Thereafter	<u>839,000</u>
	<u>\$ 6,278,000</u>

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; 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 2017. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.50% of the total payroll for calendar year 2017. 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, 2017 and 2016 were \$190,182 and \$179,788, respectively, which is equal to the required contributions for each year.

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 7 - Pension Plans (continued)

Defined Benefit Pension Plan (continued)

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.

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

At December 31, 2017 and 2016 the Authority reported a liability of \$3,038,815 and \$2,837,459, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2016 using standard rollforward techniques on an actuarial valuation as of December 31, 2015. 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, 2016, the Authority's proportion was 0.2250%, which was an increase of 0.0325% from its proportion measured as of December 31, 2016. For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of \$492,794 and \$330,667, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,077	
Changes of assumptions	215,549	8,788
Net difference between projected and actual earnings on pension plan investments	364,948	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	22,659	156,264
The Authority's contributions subsequent to the measurement date	190,182	-
Total	\$ 847,415	\$ 165,052

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)

	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

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date of \$190,182 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,

2018	\$ 240,577
2019	145,874
2020	102,263
2021	3,467
	\$ 492,181

Actuarial Assumptions

The total pension liability in the December 31, 2016 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 and December 31, 2016. The actuarial assumptions used in the December 31, 2015 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity - large-cap	21.20 %	4.30 %
Core fixed income	19.32	1.20 %
Non-U.S. equity - developed	18.55	5.20 %
Core real estate	8.50	4.90 %
Private equity	8.50	6.60 %
U.S. equity - small-cap	7.42	4.80 %
Opportunity fund	6.00	3.80 %
Non-U.S. equity - emerging	5.83	5.40 %
Non-U.S. fixed income - developed	1.84	0.60 %
High yield	1.38	4.30 %
Cash	1.00	0.20 %
Emerging market debt	<u>0.46</u>	3.90 %
Total	<u>100.00 %</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 7.25%. 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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) 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	\$ 4,480,594	\$ 3,038,815	\$ 1,844,865

Pension Plan Fiduciary Net Position

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

Post-Employment Health Care Benefits

Plan Description

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

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements

Note 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, 2017 and 2016 were \$13,913 and \$14,921, 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, 2017 and 2016, the Authority's contributions to the Plan totaled \$27,018 and \$31,190, 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, 2017.

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, 2017.

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 \$8,706,000 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 \$2,456,000 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 2017, the minimum concession fees were approximately \$1,140,000, which includes minimum concession fees from rental car companies, Republic, and Tailwind of approximately \$730,000, \$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>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.22504 %	0.25758 %
Authority's proportionate share of the net pension liability	\$ 3,038,815	\$ 2,837,459
Authority's covered-employee payroll	\$ 1,368,791	\$ 1,559,838
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	222.01 %	181.91 %
Plan fiduciary net position as a percentage of the total pension liability	73.65 %	76.87 %

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>2017</u>	<u>2016</u>
Contractually required contribution	\$ 197,556	\$ 186,871
Contributions in relation to the contractually required contributions	<u>(190,182)</u>	<u>(179,788)</u>
Contribution deficiency (excess)	<u>\$ 7,374</u>	<u>\$ 7,083</u>
Authority's covered-employee payroll	\$ 1,472,615	\$ 1,368,791
Contributions as a percentage of covered-employee payroll	13.42 %	13.65 %

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, 2017 and 2016.

**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, 2017, 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, 2018.

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, 2018
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, 2017. 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, 2017.

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.

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, 2018
Denver, Colorado

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2017**

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, 2017**

<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, 2017</u>
U.S. Department of Transportation, Federal Aviation Administration	Airport Improvement Program	20.106	Various	\$ 5,191,162

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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.

**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, 2017. 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, 2017.

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, 2018
Denver, Colorado

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2017**

<u>Grantor/Program</u>	<u>Application Approved Number</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2016</u>	<u>Passenger Facility Charge Revenue</u>	<u>Expenditures</u>	<u>Unliquidated Passenger Facility Charges at December 31, 2017</u>
Passenger facility charges	06-07-C-02-GJT	\$ 1,211,727	\$ 907,955	\$ (304,698)	\$ 1,814,984

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, 2017**

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 principal, which are payments made by the Authority on the Revenue bonds that were used to finance the construction of certain airport improvements. Unliquidated passenger facility charges represent the net restricted cash and passenger facility fees receivable and accounts payable as of year-end.