
Grand Junction Regional Airport Authority

**Financial Report
with Supplemental Information
December 31, 2018**

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Independent Auditor's Report

To the Board of Commissioners
Grand Junction Regional Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Junction Regional Airport Authority (the "Authority") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Grand Junction Regional Airport Authority as of December 31, 2018 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in the Authority restating net position for the recognition of the Authority's other postemployment benefit-related activity incurred prior to January 1, 2018. Our opinion is not modified with respect to this matter.

To the Board of Commissioners
Grand Junction Regional Airport Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, 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, which 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 supplemental 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Grand Junction Regional Airport Authority's basic financial statements. 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 *Passenger Facility Charge Audit Guide for Public Agencies*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal awards and expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and 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 July 16, 2019 on our consideration of Grand Junction Regional Airport 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Junction Regional Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

July 16, 2019

INTRODUCTION

Grand Junction Regional Airport, Colorado, Public Airport Authority was created in 1971 under the Public Airport Authority Act of 1965. The Grand Junction Regional Airport Authority (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. 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.

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. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

GJT Description

The National Plan of Integrated Airport Systems classifies the Grand Junction Regional Airport (the "Airport" or "GJT") 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 the Airport enplanes less than 0.05% of all commercial airline enplanements in the United States.

The Airport is located on approximately 2,800 acres of land and has two active runways and an air traffic control tower. The primary runway is Runway 11/29, which measures 10,501 feet long and 150 feet wide with a northwest-southeast orientation. Crosswind Runway 4/22 measures 5,501 feet long and 75 feet wide in a southwest/northeast orientation. The secondary runway is designed to facilitate the operations of smaller aircraft during crosswind conditions on Runway 11/29.

The passenger terminal building opened in 1982 and contains approximately 76,000 square feet of space and offers one airside concourse with three passenger boarding bridges. The terminal building accommodates passenger ticketing, baggage claim, passenger screening, concessions, and rental car facilities and public parking is available on site. In addition to the passenger terminal building, the Authority also provides cargo and general aviation facilities and has an aircraft rescue firefighting building.

Location

Grand Junction is situated on the western slope of the Rocky Mountains in Mesa County, Colorado. The 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.

Air Traffic

As of December 31, 2018, GJT offered direct air service to six cities through four different commercial carriers. United Airlines, Delta Airlines, and American airlines offer daily direct service to Denver, Salt Lake, Dallas/Fort Worth, and Phoenix, respectively; and Allegiant offers two flights per week to Las Vegas and seasonal service to Los Angeles. Total passenger traffic in 2018 was consistent with 2017 traffic, only increasing 0.6%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial position and activity of the Authority provides an introduction and overview of the basic financial statements of the Authority as of and for the year ended December 31, 2018. 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.

Financial Highlights

The Authority broke ground on a runway replacement project in 2018 and as of December 31, 2018, the Authority has eight Airport Improvement Program (AIP) projects in process that are funded primarily by the Federal Aviation Administration. Total assets increased over \$13,400,000 from 2017 to 2018 due to increases in capital grants receivable and capital assets.

Operating revenues in 2018 exceeded budgeted revenues by \$235,000 and 2017 revenues by \$146,000. This increase was primarily related to non-passenger airline revenue from cargo and other itinerant operations at the airport. In 2018 the Airport served as a base for firefighting operations in the region and served over 300 diversions throughout the year compared to approximately 175 in 2017.

In 2018 the Authority adopted Governmental Accounting Standards Board ("GASB") No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which changes the accounting and presentation for the Authority's postemployment health benefits that are administered through the Colorado Public Employees' Retirement Association. Additional information related to the Authority's pension and other postemployment benefit plans can be found in Note 9 and Note 10.

The Authority also elected to adopt GASB No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* which requires interest costs incurred during construction be expensed in the period in which the cost is incurred. The requirements of the statement are effective for reporting periods beginning after December 15, 2019; however, early adoption is encouraged and the Authority elected to implement this GASB in 2018. As a result, no interest was capitalized and added to the cost of capital assets construction in progress but was recognized as interest expense during the year.

Overview of the Financial Statements

The Authority's financial statements consist of its statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows and notes to the financial statements. The statement of net position presents information on the Authority's assets, deferred outflows, liabilities, deferred inflows and net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. This report also includes required supplementary information for the Authority's pension and other postemployment benefit plan for the purpose of additional analysis.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB.

Grand Junction Regional Airport Authority

Management's Discussion and Analysis

Year Ended December 31, 2018

Summary of Revenues, Expenses, and Changes in Net Position

The following is a summary of the revenues, expenses, and changes in net position for the years ended December 31, 2018 and 2017.

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| Total operating revenues | \$6,506,646 | \$6,360,576 |
| Total non-operating revenues | 1,941,478 | 1,808,815 |
| Total revenues | 8,448,124 | 8,169,391 |
| Total operating expenses | 4,577,921 | 4,286,196 |
| Depreciation expense | 4,196,715 | 4,161,422 |
| Net non-operating expenses | 650,029 | 1,468,896 |
| Total expenses | 9,424,665 | 9,916,514 |
| Loss before capital contributions | (976,541) | (1,747,123) |
| Capital contributions | 10,154,051 | 5,201,808 |
| Increase in net position | \$9,177,510 | \$3,454,685 |

The following is a summary of operating revenues for the years ended December 31, 2018 and 2017.

| | 2018 | 2017 |
|---|--------------------|--------------------|
| Aeronautical revenue | | |
| Passenger airline revenue | | |
| Passenger airline landing fees | \$549,237 | \$528,794 |
| Terminal rent | 1,181,845 | 1,185,356 |
| Other | 113,722 | 102,575 |
| Total passenger airline revenue | 1,844,804 | 1,816,725 |
| Non-passenger airline revenue | | |
| Non-passenger landing fees | 179,586 | 143,955 |
| Cargo and hangar rentals | 52,213 | 51,173 |
| Fuel flowage fees and aviation fuel tax | 697,084 | 629,287 |
| Other | 5,880 | 3,030 |
| Total non-passenger airline revenue | 934,763 | 827,445 |
| <i>Total aeronautical revenue</i> | <i>2,779,567</i> | <i>2,644,170</i> |
| Non-aeronautical revenue | | |
| Land and building leases | 596,586 | 573,411 |
| Terminal – restaurant and retail | 142,064 | 125,230 |
| Terminal - rent | 199,259 | 255,550 |
| Rental cars | 1,270,226 | 1,217,503 |
| Parking and ground transportation | 1,442,888 | 1,476,492 |
| Other | 76,056 | 68,220 |
| <i>Total non-aeronautical revenue</i> | <i>3,727,079</i> | <i>3,716,406</i> |
| <i>Total operating revenue</i> | <i>\$6,506,646</i> | <i>\$6,360,576</i> |

Rates and charges for airport operations remained unchanged from 2017 to 2018 so changes in operating revenues were driven by activity and not changes in fees.

Grand Junction Regional Airport Authority

Management's Discussion and Analysis

Year Ended December 31, 2018

Passenger airline revenue is primarily from terminal rent which is currently based on a fixed rates and charges model, therefore there was almost no change to terminal rent. Overall passenger traffic remained flat from 2017 to 2018, so there was little change in passenger airline revenues.

Non-passenger landing fees and fuel flowage fees increased 10.8% from 2017 to 2018. This was primarily the result of increased cargo deliveries in 2018 and increased landing fees from firefighting operations staged from the Airport. In the first half of 2018, the primary cargo carrier at the airport started making two daily flights instead of just one flight which caused an increase in non-passenger landing fees and fuel flowage fees. They have since returned to their regular flight schedule.

Non-aeronautical revenue remained flat from 2017 to 2018 although there were some changes in the revenue sources.

- The decrease in terminal rent was related to a decrease in total space rented by the tenant.
- Rental car revenues increased due to a combination of increased rental days and higher average daily rates. Daily rates charged for diversion traffic tends to be higher than regular rates, and the Airport had almost twice as many diversions in 2018 as 2017.

The following is a summary of operating expenses for the years ended December 31, 2018 and 2017.

| | 2018 | 2017 |
|-------------------------------------|-------------|-------------|
| Personnel compensation and benefits | \$2,422,735 | \$2,294,107 |
| Communications and utilities | 305,528 | 292,520 |
| Supplies and materials | 545,175 | 440,370 |
| Contract services | 578,406 | 547,622 |
| Repairs & maintenance | 390,626 | 349,878 |
| Insurance | 92,983 | 93,944 |
| Depreciation | 4,196,715 | 4,161,422 |
| Other | 242,468 | 267,755 |
| Total operating expenses | \$8,774,636 | \$8,447,618 |

The largest increases from 2017 to 2018 were in personnel compensation and benefits and supplies and materials.

- The increase in personnel compensation and benefits was related to hiring a new executive director in 2018 and other staffing changes in 2018 as well as changing insurance benefits. This resulted in an increase in personnel compensation and benefits of \$129,000.
- Supplies and materials increased \$105,000 due to the purchase of new office furniture and IT equipment in 2018. The Authority was in the process of remodeling office space for staff in 2018 and these purchases were below the capitalization threshold and therefore were expensed.

Non-Operating Revenues and Expenses, Capital Grants and Capital Contributions

The following is a summary of non-operating revenues and expenses for the years ended December 31, 2018 and 2017.

| | 2018 | 2017 |
|--|--------------|-------------|
| Passenger facility charges | \$1,019,592 | \$901,543 |
| Interest income | 197,674 | 187,301 |
| Interest expense | (648,434) | (1,318,486) |
| Customer facility charges | 724,212 | 719,971 |
| Capital contributions | 10,154,051 | 5,201,808 |
| Other | (1,595) | (150,410) |
| Total non-operating revenue (expense), net | \$11,445,500 | \$5,541,727 |

The most notable change in non-operating revenue and expense is the increase in capital contributions from the FAA. These contributions represent grant revenue towards the Authority's Airport Improvement Program projects,

Grand Junction Regional Airport Authority

Management's Discussion and Analysis

Year Ended December 31, 2018

primarily focused in 2018 towards the new replacement runway.

Summary of Net Position

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Current assets | \$13,872,991 | \$9,727,950 |
| Restricted assets | 11,890,978 | 11,690,440 |
| Capital assets, net | 69,407,202 | 60,304,804 |
| Total assets | 95,171,171 | 81,723,194 |
| Deferred outflows of resources | 413,509 | 847,415 |
| Total assets and deferred outflows of resources | <u>\$95,584,680</u> | <u>\$82,570,609</u> |
| Current liabilities | \$8,467,783 | \$3,371,417 |
| Non-current liabilities | 22,294,813 | 23,699,175 |
| Total liabilities | 30,762,596 | 27,070,592 |
| Deferred inflows of resources | 518,871 | 165,052 |
| Net position | | |
| Total net position | 64,303,213 | 55,334,965 |
| Total liabilities, deferred inflows of resources and net position | <u>\$95,584,680</u> | <u>\$82,570,609</u> |

Current Assets

The increase in current assets is related to the increase in the accounts receivable for the FAA for AIP project grants. Grants receivable as of December 31, 2018 was approximately \$5,802,000 higher than grants receivable as of December 31, 2017.

Capital Assets

During 2018, the Authority had a net increase in construction in progress of approximately \$7,000,000. The AIP provides grants to public agencies for the planning and development of public-use airports. The Authority completed the East Apron replacement and the passenger boarding bridge projects during 2018 with a final cost of approximately \$4,661,595 and \$1,550,962, respectively. The following table illustrates the project costs incurred and the balance of construction in progress as of and for the year ended December 31, 2018:

| | 12/31/2017 | Additional Cost | Transfer to Capital Asset | 12/31/2018 |
|--------------------------------------|---------------------|---------------------|---------------------------|---------------------|
| AIP54 – Rehabilitate apron | \$2,982,420 | \$1,679,177 | \$(4,661,597) | \$ - |
| AIP55 – Runway phase 1 | 1,856,900 | 900,347 | - | 2,757,247 |
| AIP56 – Runway phase 2 | 708,830 | 1,307,984 | - | 2,016,814 |
| AIP57 – RTR Relocation | 156,078 | 2,585,578 | - | 2,741,656 |
| AIP58 – 27 1/4 road relocation | 2,975 | 1,694,020 | - | 1,696,995 |
| AIP59 – Taxiway alpha rehabilitation | 5,049 | 1,488,943 | - | 1,493,992 |
| AIP60 – RTR RA and Xcel | - | 678,203 | - | 678,203 |
| AIP61 – Runway Phase 3 | - | 363,009 | - | 363,009 |
| Administration/ARFF Building | 4,092,316 | - | - | 4,092,316 |
| Passenger boarding bridge | 157,145 | 1,393,816 | (1,550,961) | - |
| Terminal renovations | 157,427 | 1,073,568 | - | 1,230,996 |
| Various Improvement Projects | - | 56,161 | - | 56,161 |
| Total | <u>\$10,119,140</u> | <u>\$13,220,806</u> | <u>\$(6,212,558)</u> | <u>\$17,127,388</u> |

Grand Junction Regional Airport Authority

Management's Discussion and Analysis

Year Ended December 31, 2018

Current Liabilities

The increase in current liabilities is related to costs incurred towards the capital assets noted above. Capital accounts payable related to projects increased \$5,600,000 from 2017 to 2018.

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, 2018, the balance due on the 2016 Bonds was \$18,345,000. In addition, the Authority has approximately \$230,000 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.

Deferred Outflows and Deferred Inflows of Resources

Changes in deferred outflows and deferred inflows are related to the changes in the Authority's proportionate share of the pension and OPEB liability for the cost-sharing plan that the Authority participates in. See Note 9 and Note 10 for additional information on the calculation of these amounts.

Budgetary Highlights

| | 2018 Actual | 2018 Budget | Budget to Actual Variance |
|--|-------------|-------------|------------------------------|
| Operating Revenues | | | |
| Aeronautical revenue | \$2,779,567 | \$2,645,400 | \$134,167 |
| Non-aeronautical revenue | 3,727,079 | 3,626,000 | 101,079 |
| Total Operating Revenue | 6,506,646 | 6,271,400 | 235,246 |
| Operating expenses before depreciation | 4,577,923 | 4,734,155 | (156,232) |
| Net Operating Income (Loss) | \$1,928,723 | \$1,537,245 | \$391,478 |

Operating revenue from both aeronautical and non-aeronautical sources exceeded budget. Aeronautical revenue exceeded budget primarily due to the increased activity in Cargo and the firefighting operations described above. Non-aeronautical revenue performance was led by rental car revenues and restaurant and retail sales.

Operating expenses were below budget in a number of categories, but the primary areas that were below budget were contract services and other expenses including marketing and air service development.

| | 2017 Actual | 2017 Budget | Budget to Actual Variance |
|--|-------------|-------------|------------------------------|
| Operating Revenues | | | |
| Aeronautical revenue | \$2,644,170 | \$2,649,000 | \$(4,830) |
| Non-aeronautical revenue | 3,716,406 | 3,239,700 | 476,706 |
| Total Operating Revenue | 6,360,576 | 5,888,700 | 471,876 |
| Operating expenses before depreciation | 4,286,196 | 4,277,959 | 8,237 |
| Net Operating Income (Loss) | \$2,074,380 | \$1,610,741 | \$463,639 |

Non-aeronautical revenue from parking and rental cars both exceeded budgeted expectations in 2017 by \$85,000 and \$260,000, respectively. Additionally, terminal rent was \$65,000 ahead of budget.

Request for Information

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, Ste 301, Grand Junction, Colorado 81506 or at 970-244-9100.

Grand Junction Regional Airport Authority

Statement of Net Position

December 31, 2018

Assets

Current assets:

| | |
|------------------------------------|--------------|
| Cash and cash equivalents (Note 3) | \$ 5,433,977 |
| Receivables: | |
| Accounts receivable | 724,388 |
| Grants | 7,619,536 |
| Prepaid expenses and other assets | 95,090 |
| Total current assets | 13,872,991 |

Noncurrent assets:

| | |
|--|------------|
| Restricted assets - Cash and cash equivalents (Note 3) | 11,890,978 |
| Capital assets: (Note 4) | |
| Assets not subject to depreciation | 19,543,446 |
| Assets subject to depreciation - Net | 49,863,756 |
| Total noncurrent assets | 81,298,180 |
| Total assets | 95,171,171 |

Deferred Outflows of Resources

| | |
|--|---------|
| Deferred amortization related to pension plan (Note 9) | 392,348 |
| Deferred OPEB costs (Note 10) | 21,161 |
| Total deferred outflows of resources | 413,509 |

Liabilities

Current liabilities:

| | |
|---|-----------|
| Accounts payable | 251,878 |
| Accounts payable - Capital assets | 6,607,828 |
| Accrued expenses (Note 5) | 302,000 |
| Lease deposits | 164,546 |
| Current portion of revenue received in advance | 25,067 |
| Current portion of note payable (Note 6) | 229,673 |
| Current portion of revenue bonds payable (Note 6) | 886,791 |
| Total current liabilities | 8,467,783 |

Noncurrent liabilities:

| | |
|---|------------|
| Revenue received in advance - Net of current portion | 444,933 |
| Revenue bonds payable - Net of current portion (Note 6) | 19,073,896 |
| Net pension liability (Note 9) | 2,545,148 |
| Net OPEB liability (Note 10) | 230,836 |
| Total noncurrent liabilities | 22,294,813 |

Deferred Inflows of Resources

| | |
|--|---------|
| Deferred amortization related to pension plan (Note 9) | 514,969 |
| Deferred OPEB cost reductions (Note 10) | 3,902 |
| Total deferred inflows of resources | 518,871 |

Net Position

| | |
|--|---------------|
| Net investment in capital assets | 49,216,842 |
| Restricted for debt service and capital assets | 11,890,978 |
| Unrestricted | 3,195,393 |
| Total net position | \$ 64,303,213 |

Grand Junction Regional Airport Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2018

Operating Revenue

Aeronautical revenue:

Passenger airlines revenue:

| | | |
|---------------------------------|----|-----------|
| Passenger airlines landing fees | \$ | 549,237 |
| Terminal rent | | 1,181,845 |
| Other aeronautical revenue | | 113,722 |

Total passenger airlines revenue 1,844,804

Nonpassenger airline revenue:

| | | |
|------------------------------------|--|---------|
| Landing fees from cargo | | 179,586 |
| Cargo and hangar rentals | | 52,213 |
| Aviation fuel tax | | 158,851 |
| Fuel flowage fees | | 538,233 |
| Other nonpassenger airline revenue | | 5,880 |

Total nonpassenger airline revenue 934,763

Total aeronautical revenue 2,779,567

Nonaeronautical revenue:

| | | |
|-----------------------------------|--|-----------|
| Land and building leases | | 596,586 |
| Terminal - Food and beverage | | 110,929 |
| Terminal - Retail | | 31,135 |
| Terminal - Other | | 199,259 |
| Rental cars | | 1,270,226 |
| Parking and ground transportation | | 1,442,888 |
| Other nonaeronautical revenue | | 76,056 |

Total nonaeronautical revenue 3,727,079

Total operating revenue 6,506,646

Operating Expenses

| | | |
|-------------------------------------|--|-----------|
| Personnel compensation and benefits | | 2,422,735 |
| Communications and utilities | | 305,528 |
| Supplies and materials | | 545,175 |
| Contract services | | 578,406 |
| Repairs and maintenance | | 390,626 |
| Insurance | | 92,983 |
| Depreciation | | 4,196,715 |
| Other | | 242,468 |

Total operating expenses 8,774,636

Operating Loss

(2,267,990)

Nonoperating Revenue (Expense)

| | | |
|----------------------------|--|-----------|
| Passenger facility charges | | 1,019,592 |
| Interest income | | 197,674 |
| Customer facility charges | | 724,212 |
| Interest expense | | (648,434) |
| Other expenses | | (1,595) |

Total nonoperating revenue 1,291,449

Loss - Before capital contributions (976,541)

Capital Contributions

10,154,051

Change in Net Position

9,177,510

Net Position - Beginning of year, as adjusted (Note 13)

55,125,703

Net Position - End of year

\$ 64,303,213

Grand Junction Regional Airport Authority

Statement of Cash Flows

Year Ended December 31, 2018

Cash Flows from Operating Activities

| | |
|---|--------------------|
| Cash received from customers and users | \$ 6,133,355 |
| Cash paid to vendors for goods and services | (2,392,122) |
| Cash paid to and for employees | <u>(2,089,357)</u> |

Net cash and cash equivalents provided by operating activities 1,651,876

Cash Flows from Capital and Related Financing Activities

| | |
|--|--------------------|
| Grants received | 4,352,251 |
| Customer facility charges received | 724,212 |
| Passenger facility charges received | 1,019,592 |
| Interest paid | (837,670) |
| Acquisition and construction of capital assets | (7,703,389) |
| Principal payments on note and bonds payable | <u>(1,129,158)</u> |

Net cash and cash equivalents used in capital and related financing activities (3,574,162)

Cash Flows Provided by Investing Activities - Interest received on cash equivalents 197,674

Net Decrease in Cash and Cash Equivalents (1,724,612)

Cash and Cash Equivalents - Beginning of year 19,049,567

Cash and Cash Equivalents - End of year **\$ 17,324,955**

Classification of Cash and Cash Equivalents

| | |
|--------------------------------------|-------------------|
| Operating cash | \$ 5,433,977 |
| Restricted cash and cash equivalents | <u>11,890,978</u> |

Total cash and cash equivalents **\$ 17,324,955**

Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities

| | |
|---|------------------|
| Operating loss | \$ (2,267,990) |
| Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities: | |
| Depreciation expense | 4,196,715 |
| Changes in assets and liabilities: | |
| Receivables | (238,267) |
| Prepaid expenses | (30,124) |
| Accounts payable | 143,210 |
| Accrued liabilities | (337,382) |
| Net pension and net OPEB liability and related deferred inflows and outflows of resources | 315,632 |
| Revenue received in advance | <u>(129,918)</u> |

Total adjustments 3,919,866

Net cash and cash equivalents provided by operating activities **\$ 1,651,876**

Significant Noncash Transactions - Change in capital assets purchased with payables \$ 5,597,321

December 31, 2018

Note 1 - Nature of Business

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") is composed of seven appointed members: three from Mesa County, Colorado; three from the City of Grand Junction, Colorado; and one at-large selection. The term of each director of the Board is four years; no member may serve more than two consecutive four-year terms.

As noted above, neither the City of Grand Junction, Colorado nor Mesa County, Colorado appoint a voting majority of the 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, Colorado and Mesa County, Colorado 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 revenue 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.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Authority:

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

December 31, 2018

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

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

Accounts receivable are stated at invoiced amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible, and, therefore, an allowance for doubtful accounts has not been recorded at December 31, 2018.

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

Restricted Assets

The following amounts are reported as 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. The PFCs are restricted for use in the construction of certain airport improvements and related construction debt, as approved by the FAA. During 2007, the Authority was approved to collect PFCs to help fund airport improvement projects and was approved to collect approximately \$15,857,760 in connection with these projects. In 2018, the Authority was approved to collect an additional \$11,530,025 of PFCs for improvement projects being completed in 2018 and 2019. As of December 31, 2018, the Authority had collected \$11,204,927 of the approved charges, and, based on the project costs in the approved PFC applications and the estimated future PFC collection rate determined by the FAA, the Authority is approved to collect PFCs through 2034. The PFC receipts are recognized and recorded as nonoperating 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.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 50 years. Depreciation of construction-in-progress assets begins when an asset is placed in service.

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Grants and Contributions

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.

Pension

The Authority participates in the Local Government Division Trust Fund (the "LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, postretirement annual increases, and death benefits for members or their beneficiaries. The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been determined using the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*; and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*. 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.

Other Postemployment Benefit Costs

In addition to the LGDTF described above, the Authority also participates in the Health Care Trust Fund (the "HCTF"), a cost-sharing multiple-employer defined benefit fund administered by PERA that is considered an other postemployment benefit (OPEB). The HCTF provides a healthcare premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA healthcare plans. The net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been determined using the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. For this purpose, benefits paid on behalf of healthcare participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

December 31, 2018

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

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.

Budgeting Requirements

The Authority's budgeting process is a financial planning tool used to establish the estimated revenue 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.

The Authority appropriates, and may not exceed appropriations, at a total fund level. Appropriations for the year ended December 31, 2018 were \$30,308,230.

The budget basis of accounting differs from the generally accepted 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.

Long-lived Assets

The Authority reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

As of December 31, 2018, the Authority has identified an impaired asset that is considered idle due to construction stoppage. In 2014, the Authority stopped construction on an administration building that was to be part of the long-term terminal expansion. The Authority believes that this impairment is temporary, and, therefore, no impairment loss has been recognized in the statement of revenue, expenses, and changes in net position. As of December 31, 2018, the uncompleted building has a carrying value of \$4,092,316, and is included in capital assets not subject to depreciation in the statement of net position.

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, 2018, the unamortized balance was \$470,000.

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.

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.

December 31, 2018

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

As of December 31, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pension (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires the Authority to recognize on the statement of net position its proportionate share of the net OPEB liability related to its participation. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). See Note 13 for details on the restatement.

As of December 31, 2018, the Authority early adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will no longer be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard are applied prospectively and result in increased interest expense during periods of construction.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 16, 2019, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

Colorado statutes require that the Authority use eligible public depositories, as defined by the Colorado Public Deposit Protection Act (the "Act"). Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2018, the federal insurance limits were \$250,000. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102 percent of the aggregate uninsured deposits. The State Regulatory Commissions for banks 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.

Deposits are reported in the financial statements as follows:

| | |
|---|----------------------|
| Unrestricted cash and cash equivalents | \$ 5,433,977 |
| Restricted cash - Passenger facility charges | 1,901,305 |
| Restricted cash - Rental car improvements | 775,124 |
| Restricted cash equivalents - Revenue bond reserve fund | <u>9,214,549</u> |
| Total restricted cash and cash equivalents | <u>11,890,978</u> |
| Total cash and cash equivalents | <u>\$ 17,324,955</u> |

The Authority's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, however, the Authority's deposits are not deemed to be subject to custodial credit risk as they are covered by federal depository insurance or are collateralized under PDPA. The Authority had \$7,957,434 of bank deposits that were in excess of FDIC limits and are covered by PDPA collateral requirements at the financial institution.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

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. The Authority does not have any investments subject to concentration of credit risk.

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. Currently, the Authority has no investments.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

December 31, 2018

Note 3 - Cash and Cash Equivalents (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Authority did not have any investments valued with Level 1, 2, or 3 inputs at December 31, 2018.

Note 4 - Capital Assets

Capital asset activity of the Authority is as follows:

| | Balance January 1, 2018 | Additions | Disposals and Adjustments | Balance December 31, 2018 |
|--|----------------------------|----------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,416,058 | \$ - | \$ - | \$ 2,416,058 |
| Construction in progress | 10,119,140 | 13,220,806 | (6,212,558) | 17,127,388 |
| Subtotal | 12,535,198 | 13,220,806 | (6,212,558) | 19,543,446 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 17,752,371 | 1,550,962 | (63,495) | 19,239,838 |
| Land improvements | 85,578,079 | 4,668,322 | (1,011,744) | 89,234,657 |
| Equipment | 5,343,531 | 73,178 | (38,726) | 5,377,983 |
| Subtotal | 108,673,981 | 6,292,462 | (1,113,965) | 113,852,478 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 10,832,689 | 659,249 | (63,492) | 11,428,446 |
| Land improvements | 46,448,278 | 3,236,131 | (1,011,744) | 48,672,665 |
| Equipment | 3,623,408 | 301,335 | (37,132) | 3,887,611 |
| Subtotal | 60,904,375 | 4,196,715 | (1,112,368) | 63,988,722 |
| Net capital assets being depreciated | 47,769,606 | 2,095,747 | (1,597) | 49,863,756 |
| Net governmental activities capital assets | <u>\$ 60,304,804</u> | <u>\$ 15,316,553</u> | <u>\$ (6,214,155)</u> | <u>\$ 69,407,202</u> |

Construction in progress includes an uncompleted administration building with a cost basis of \$4,092,316 that is considered idle and impaired as of December 31, 2018 due to construction stoppage. See Note 2 for additional information.

Note 5 - Accrued Expenses

Accrued expenses for the year ended December 31, 2018 consist of the following:

| | |
|--------------------------|-------------------|
| Accrued vacation | \$ 142,892 |
| Compensation and related | 66,375 |
| Interest | 68,081 |
| Other | 24,652 |
| Total | <u>\$ 302,000</u> |

December 31, 2018

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2018 can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|----------------------|-------------|-----------------------|----------------------|------------------------|
| Bonds and contracts payable: | | | | | |
| Revenue bonds, Series 2016A and 2016B | \$ 19,025,000 | \$ - | \$ (680,000) | \$ 18,345,000 | \$ 695,000 |
| Bond premium | 1,807,478 | - | (191,791) | 1,615,687 | 191,791 |
| Colorado State Infrastructure Bank note | 678,831 | - | (449,158) | 229,673 | 229,673 |
| Total long-term obligations | \$ 21,511,309 | \$ - | \$ (1,320,949) | \$ 20,190,360 | \$ 1,116,464 |

Interest expense consists of the following:

| | |
|---|-------------------|
| Revenue bonds, Series 2016 A and B | \$ 826,003 |
| Colorado State Infrastructure Bank note | 14,222 |
| Bond premium | (191,791) |
| Total | \$ 648,434 |

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 revenue of the Authority. The bonds bear interest from 2.3 percent to 5.0 percent with interest payable semiannually on June 1 and December 1, with principal payable annually on December 1 and maturing on December 1, 2036. The bonds are subject to certain restrictive covenants.

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

| Years Ending December 31 | Principal | Interest | Total |
|--------------------------|----------------------|---------------------|----------------------|
| 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 | 795,000 | 707,850 | 1,502,850 |
| 2024-2028 | 4,615,000 | 2,901,250 | 7,516,250 |
| 2029-2033 | 5,830,000 | 1,692,500 | 7,522,500 |
| 2034-2036 | 4,195,000 | 317,875 | 4,512,875 |
| Total | \$ 18,345,000 | \$ 8,726,333 | \$ 27,071,333 |

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 percent and is to be paid in quarterly installments of principal and interest of \$116,122 through June 2019.

| Year Ending December 31 | Principal | Interest | Total |
|-------------------------|------------|----------|------------|
| 2019 | \$ 229,673 | \$ 2,571 | \$ 232,244 |

Note 6 - Long-term Debt (Continued)

Revenue Pledged

The Authority has pledged substantially all of the net operating revenue of the Authority, net of operating expenses, to repay the Series 2016A and 2016B bonds. Proceeds from the bonds were used for the refunding of the 2007 Series bonds, which were primarily used in financing for the construction of Walker Field Road improvements. The bonds are payable solely from the net revenue of the Authority. The remaining principal and interest to be paid on the bonds is \$27,071,333. During the current year, net revenue of the Authority (before depreciation) pledged for debt service was approximately \$1,929,000 compared to the annual debt requirements of \$1,507,523.

Note 7 - Future Rental Revenue

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

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

| Years Ending | Amount |
|--------------|---------------------|
| 2019 | \$ 1,878,000 |
| 2020 | 1,212,000 |
| 2021 | 624,000 |
| 2022 | 419,000 |
| 2023 | 388,000 |
| Thereafter | <u>1,108,000</u> |
| Total | <u>\$ 5,629,000</u> |

Note 8 - 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 (the "Agreement"); the 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 revenue or (b) the minimum annual guarantees for each year the Agreement is in effect as amended. The term "applicable percentage of annual gross revenue" means 80.45 percent of gross revenue from \$0 up to and including \$500,000 plus 91.50 percent of gross revenue in excess of \$500,000. The term "minimum annual guarantees" means for each year the Agreement is in effect, as amended, and the guarantees 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 \$7,903,000 at year end.

Note 8 - Service Concession Arrangements (Continued)

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 nonexclusive 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 percent 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 percent of 10 percent 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 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 \$2,262,000 at year end.

In May 2016, the Authority entered into a service agreement with a concession company. Under the agreement, 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, 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 2018, the minimum concession fees were approximately \$1,140,000, which includes minimum concession fees from rental car companies, Republic, and a concession company of approximately \$730,000, \$350,000, and \$60,000, respectively.

Note 9 - Pension Plans

Plan Description

The Authority participates in the LGDTF, a cost-sharing multiple-employer defined benefit pension fund administered by PERA. Plan benefits are specified in Title 24 of the Colorado Revised Statutes and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the LGDTF that can be obtained at www.copera.org/investments/pera-financial-reports. The report can also be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, CO 80203 or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550.

The LGDTF provides retirement, disability, and survivor benefits for members or their beneficiaries. Retirement benefits are based upon a number of factors including retirement age, years of credited service, and Highest Average Salary. Retirement eligibility is specified in tables set forth in the Colorado Revised Statutes. The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is generally the greater of the following:

- Highest average salary multiplied by 2.5 percent and then multiplied by the credited years of service

Note 9 - Pension Plans (Continued)

- The value of the retiring employee’s member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code. Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. These 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. Generally, the disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure under which service credit was obtained, and the qualified survivor who will receive the benefits.

Funding Policy

Eligible employees and the Authority are required to contribute to the LGDTF 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 percent of covered salary for eligible employees. The Authority’s contribution requirements as a percentage of employee salaries are summarized in the table below:

| | |
|--|---------|
| Employer contribution rate apportioned to the LGDTF | 8.98 % |
| Amortization equalization disbursement (AED) | 2.20 |
| Supplemental amortization equalization disbursement (SAED) | 1.50 |
| Total employer contribution rate to the LGDTF | 12.68 % |

The Authority’s contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. The Authority’s contributions to LGDTF for the year ended December 31, 2018 were \$182,848.

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

At December 31, 2018, the Authority reported a liability of \$2,545,148 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2017 using standard rollforward techniques on an actuarial valuation as of December 31, 2016. The Authority’s proportion of the net pension liability was based on the Authority’s contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF. At December 31, 2017, the Authority’s proportion was 0.2286 percent, which was an increase of 0.0036 percent from its proportion measured as of December 31, 2016. For the year ended December 31, 2018, the Authority recognized pension expense of \$495,132. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2018

Note 9 - Pension Plans (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 159,222 | \$ - |
| Changes in assumptions | 26,886 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 494,716 |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 22,425 | 20,253 |
| Employer contributions to the plan subsequent to the measurement date | 183,815 | - |
| | <u>183,815</u> | <u>-</u> |
| Total | <u>\$ 392,348</u> | <u>\$ 514,969</u> |

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$183,815 will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31 | Amount |
|-----------------------------|---------------------|
| 2019 | \$ (139,805) |
| 2020 | (146,443) |
| 2021 | <u>(20,188)</u> |
| Total | <u>\$ (306,436)</u> |

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, postretirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males - Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females - Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods from January 1, 2012, through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA board during the November 18, 2016 board meeting.

December 31, 2018

Note 9 - Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree healthcare benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc postretirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the single equivalent interest rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF'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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and, therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Investment Rate of Return

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's board on October 28, 2016.

Note 9 - Pension Plans (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-----------------------------------|-------------------|--|
| U.S. equity - Large cap | 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 | 0.46 | 3.80 |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Sensitivity 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 percent, 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 percent) or one percentage point higher (8.25 percent) than the current rate:

| | 1 Percent Decrease | Current Discount Rate | 1 Percent Increase |
|--|-----------------------|--------------------------|-----------------------|
| Authority's proportionate share of the net pension liability | \$ 4,053,595 | \$ 2,545,148 | \$ 1,287,640 |

Detailed information about the pension plan's fiduciary net position is available in PERA's Comprehensive Annual Financial Report, which can be obtained at www.copera.org/investments/pera-financial-reports.

December 31, 2018

Note 9 - Pension Plans (Continued)

Changes between the Measurement Date of the Net Pension Liability and December 31, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years. Some of the major changes to plan provisions include modification of the retirement benefits, changes to future member and employer contributions, and expanded eligibility to participate in the defined contribution plan as an alternative to the defined benefit plan. The full bill can be found online at www.leg.colorado.gov.

As of December 31, 2018, the Authority has not estimated the change in our proportionate share of the net pension liability as a result of these changes had the bill become law on December 31, 2017.

Note 10 - Other Postemployment Benefit Plan

Plan Description

In addition to the defined benefit pension plan, employees of the Authority are provided with OPEB through the HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health-care premium subsidy to eligible 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 PERA board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. 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, CO 80203; or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550

Benefits Provided

The HCTF provides a healthcare premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA healthcare plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The healthcare premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

December 31, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) (the "CRS") provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B, and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

In accordance with the CRS, certain contributions are apportioned to the HCTF. The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions. The Authority's contributions to the HCTF for the year ended December 31, 2018 were \$14,786.

Net OPEB Liability

At December 31, 2018, the Authority reported a liability of \$230,836 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The Authority's proportion of the net OPEB liability was based on the Authority's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the Authority's proportion was 0.0177620472 percent, which was an increase of 0.0004875204 percent from its proportion measured as of December 31, 2016.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$19,101.

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 1,092 | \$ - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 3,862 |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 5,283 | 40 |
| Employer contributions to the plan subsequent to the measurement date | 14,786 | - |
| Total | <u>\$ 21,161</u> | <u>\$ 3,902</u> |

Note 10 - Other Postemployment Benefit Plan (Continued)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$14,708 will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending December 31 | Amount |
|-----------------------------|-----------------|
| 2019 | \$ 575 |
| 2020 | 575 |
| 2021 | 575 |
| 2022 | 575 |
| 2023 | 575 |
| Thereafter | <u>(402)</u> |
| Total | <u>\$ 2,473</u> |

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|----------------------------|-----------------------------|
| 2017 | 5.00 % | 3.00 % |
| 2018 | 5.00 | 3.25 |
| 2019 | 5.00 | 3.50 |
| 2020 | 5.00 | 3.75 |
| 2021 | 5.00 | 4.00 |
| 2022 | 5.00 | 4.00 |
| 2023 | 5.00 | 4.25 |
| 2024+ | 5.00 | 4.25 |

The HCTF utilizes the same mortality assumptions as the LGDTF. The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita healthcare costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.

December 31, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods from January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA board during the November 18, 2016 board meeting. In addition, certain actuarial assumptions pertaining to per capita healthcare costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated healthcare cost trend rates for Medicare Part A premiums as of the December 31, 2017 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and, therefore, the discount rate is 7.25 percent.

Note 10 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected return on OPEB plan investments is the same as the long-term expected return on the LGDTF investments described above and is reviewed as part of regular experience studies prepared every four or five years for PERA.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percent Decrease (6.25%) | Current Discount Rate (7.25%) | 1 Percent Increase (8.25%) |
|---|----------------------------------|----------------------------------|----------------------------------|
| Proportionate share of the net OPEB liability | \$ 259,532 | \$ 230,836 | \$ 206,343 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the proportionate share of the net OPEB liability of the Authority, calculated using the current healthcare cost trend rates applicable to the PERA benefit structure, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

| | 1 Percent Decrease in Trend Rates | Current Healthcare Cost Trend Rates | 1 Percent Increase in Trend Rates |
|--------------------|---|---|---|
| Net OPEB liability | \$ 224,484 | \$ 230,836 | \$ 238,485 |

Note 11 - Commitments

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 percent 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.

December 31, 2018

Note 12 - Contingencies

The Authority is party to a dispute with an engineering services firm regarding billings in the amount of approximately \$225,000 related to the idle building that is impaired due to construction stoppage. In conjunction with this dispute, the Authority previously counterclaimed for negligence. As of December 31, 2018, nothing has been accrued in connection with this dispute, and the final payment amount is uncertain at this time; however, the Authority is currently in discussions with the engineering firm.

Note 13 - Change in Accounting Principle

During the current year, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the financial statements now include a liability for the unfunded portion of the Authority's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the Other Postemployment Benefit Plan note for further details.

The following financial statement line items were affected by the change in accounting principle:

| | |
|--|-----------------------------|
| Net position, January 1, 2018 - As previously stated | \$ 55,334,965 |
| Authority's share of beginning plan net OPEB liability | (223,970) |
| Authority's share of 2017 employer contributions | <u>14,708</u> |
| Net position, January 1, 2018 - As restated | <u><u>\$ 55,125,703</u></u> |

Required Supplemental Information

Grand Junction Regional Airport Authority

Required Supplemental Information Schedule of the Authority's Proportionate Share of the Net Pension Liability Local Government Division Fund Administered by the Colorado Public Employees' Retirement Association

| | Last Five Plan Years* | | | | |
|---|--|--------------|--------------|--------------|--------------|
| | Measurement Periods Ended December 31 | | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Authority's proportion of the net pension liability | 0.22859 % | 0.22504 % | 0.25758 % | 0.23838 % | 0.26113 % |
| Authority's proportionate share of the net pension liability | \$ 2,545,148 | \$ 3,038,815 | \$ 2,837,459 | \$ 2,136,600 | \$ 2,148,912 |
| Authority's covered payroll | \$ 1,442,006 | \$ 1,363,996 | \$ 1,462,822 | \$ 1,306,200 | \$ 1,393,165 |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 176.50 % | 222.79 % | 193.97 % | 163.57 % | 154.25 % |
| Plan fiduciary net position as a percentage of the total pension liability | 79.37 % | 73.65 % | 76.87 % | 80.72 % | 77.66 % |

*The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

Grand Junction Regional Airport Authority

Required Supplemental Information Schedule of Pension Contributions Local Government Division Trust Pension Plan Administered by the Colorado Public Employees' Retirement Association

Last Five Fiscal Years* Years Ended December 31

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Statutorily required contribution | \$ 183,815 | \$ 182,848 | \$ 172,959 | \$ 185,490 | \$ 165,627 |
| Contributions in relation to the statutorily required contribution | 183,815 | 182,848 | 172,959 | 185,490 | 165,627 |
| Contribution Deficiency | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's Covered Payroll | \$ 1,449,631 | \$ 1,442,006 | \$ 1,363,996 | \$ 1,462,822 | \$ 1,306,200 |
| Contributions as a Percentage of Covered Payroll | 12.68 % | 12.68 % | 12.68 % | 12.68 % | 12.68 % |

*The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

Grand Junction Regional Airport Authority

Required Supplemental Information Schedule of the Authority's Proportionate Share of the Net OPEB Liability Health Care Trust Fund Administered by the Colorado Public Employees' Retirement Association

| | Last Two Plan Years* | |
|--|---------------------------------------|--------------|
| | Measurement Periods Ended December 31 | |
| | 2017 | 2016 |
| Authority's proportion of the net OPEB liability | 0.01776 % | 0.01727 % |
| Authority's proportionate share of the net OPEB liability | \$ 230,836 | \$ 223,970 |
| Authority's covered payroll | \$ 1,442,006 | \$ 1,363,996 |
| Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll | 16.01 % | 16.42 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 79.37 % | 16.72 % |

* The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

Grand Junction Regional Airport Authority

**Required Supplemental Information
Schedule of OPEB Contributions
Health Care Trust Fund**

Administered by the Colorado Public Employees' Retirement Association

**Last Two Fiscal Years*
Years Ended December 31**

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Contractually required contribution | \$ 14,786 | \$ 14,708 |
| Contributions in relation to the contractually required contribution | 14,786 | 14,708 |
| Contribution Excess | \$ - | \$ - |
| Authority's Covered Payroll | \$ 1,449,631 | \$ 1,442,006 |
| Contributions as a Percentage of Covered Payroll | 1.02 % | 1.02 % |

*The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

Pension Information

Benefit Changes

There were no changes of benefit terms in 2018.

Changes in Assumptions

There were no changes of benefit assumptions in 2018.

Changes in Size or Composition of the Covered Population

There were no significant changes in size or composition of the covered population in 2018.

Other Supplemental Information

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*

Independent Auditor's Report

To Management and the Board of Commissioners
Grand Junction Regional Airport Authority

We have audited, 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, the financial statements of Grand Junction Regional Airport Authority (the "Authority") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 16, 2019.

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 opinions 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Commissioners
Grand Junction Regional Airport Authority

Purpose of this Report

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

Plante & Moran, PLLC

July 16, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
Grand Junction Regional Airport Authority

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 U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's 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 program.

Auditor's 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 Program

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 its major federal program for the year ended December 31, 2018.

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.

To the Board of Commissioners
Grand Junction Regional Airport Authority

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

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

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

Plante & Moran, PLLC

July 16, 2019

Grand Junction Regional Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

| <u>Federal Agency/Pass-through Agency/Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Provided to Subrecipients</u> | <u>Federal Expenditures</u> |
|--|--------------------|---------------------|--------------------------------------|---------------------------------|
| U.S. Department of Transportation, Federal Aviation Administration - Airport Improvement Program | 20.106 | Various | <u>\$ -</u> | <u>\$ 9,623,762</u> |

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Grand Junction Regional Airport Authority (the "Authority") under programs of the federal government for the year ended December 31, 2018. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Grand Junction Regional Airport Authority

Schedule of Findings and Questioned Costs

Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster | Opinion |
|-------------|------------------------------------|------------|
| 20.106 | Airport Improvement Program | Unmodified |

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Current Year None

Section III - Federal Program Audit Findings

Current Year None

Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Commissioners
Grand Junction Regional Airport Authority

Report on Compliance for the Passenger Facility Charge Program

We have audited Grand Junction Regional Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), as of and for the year ended December 31, 2018. The passenger facility charge program is identified in the passenger facility charge revenue and expenditure schedule.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's passenger facility charge program 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 in the Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Passenger Facility Charge Program

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 its passenger facility charge program for the year ended December 31, 2018.

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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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.

To the Board of Commissioners
Grand Junction Regional Airport Authority

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge 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 the passenger facility charge 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 *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

July 16, 2019

Schedule of Passenger Facility Charges

For the Year Ended December 31, 2018

| Grantor/Program | Approved Application Numbers | Unliquidated Passenger Facility Charges at December 31, 2017 | Passenger Facility Charge Revenue | Expenditures | Unliquidated Passenger Facility Charges at December 31, 2018 |
|----------------------------|--------------------------------|--|-----------------------------------|--------------|--|
| Passenger facility charges | 06-07-C-02-GJT, 18-08-C-00-GJT | \$ 1,814,984 | \$ 1,030,926 | \$ (851,818) | \$ 1,994,092 |

See accompanying notes to schedule of expenditures of passenger facility charges

Notes to Schedule of Passenger Facility Charges

December 31, 2018

Note 1 - Basis of Presentation

The accompanying 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 is 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.