Yuma County Airport Authority, Inc.

Basic Financial Statements

Year Ended September 30, 2015

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Walker & Armstrong LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
Yuma County Airport Authority, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of Yuma County Airport Authority, Inc. (the Authority) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and major fund of the Authority, as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required pension schedules on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
April 4, 2016

YUMA COUNTY AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended September 30, 2015

As management of the Yuma County Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the following financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $42,156,760 (net position).
- The Authority's cash balance at September 30, 2015 was $753,879 representing an increase of $293,386 from September 30, 2014.
- The Authority had intergovernmental revenues of $421,464, operating revenues (charges for services) of $3,865,694 and operating expenses of the enterprise fund totaling $5,226,634 for the year ended September 30, 2015.
- The Authority's capital outlays for the year ended September 30, 2015 totaled $566,409 which includes costs of $545,565 in construction in progress.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates using only enterprise funds and has no governmental fund reporting activities.

The *fund financial statements* focus on individual parts of the government and reporting the Authority's operations. Fund financial statements include the following funds:

- Enterprise funds which are used to account for the Authority's business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 25 of this report.

FUND FINANCIAL ANALYSIS

The following is a discussion of the Authority's completed and capitalized projects and significant changes in operations from the prior year.

Significant capital outlays included in construction in progress for the year included:

1. **DCC Apron Phase II**. Capital outlays of $257,991 were expended on the construction of this project which resulted in the expansion of a heavy aircraft parking ramp in the Defense Contractors Complex. This project was funded by an FAA airport improvement project grant, the ADOT and the Passenger Facility Charge system. The project was completed in December of 2014 at a total cost of $4,101,790.

2. **DCC Blast Deflector Apron**. Capital outlays of $109,595 were expended on the design of improvements to an existing aircraft parking apron located South of Taxiway F-1 in the Defense Contractors Complex. This project will entail a combination of re-construction and rehabilitation of the existing large aircraft parking ramp. The project's total cost is estimated to be $2,437,000. Funding for the project which has completed the design and bidding stage will be provided by the ADOT and the Passenger Facility Charge program.

Capital grants and contributions of $421,464 which are reported as intergovernmental revenue decreased by $3,383,557 as compared to the fiscal year ended September 30, 2014.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $42,156,760 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, construction in progress, improvements, buildings, furniture, fixtures, and equipment).

FUND FINANCIAL ANALYSIS – CONTINUED

The Authority uses these capital assets to provide the means to create and maintain facilities necessary to support the continued growth of civil aviation in Yuma, Arizona; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide services.

The following is a summary analysis of the net position and changes in net position of the Authority:

Net Position
September 30, 2015 and 2014

	2015	2014
Assets:		**(as restated)**
Current and other assets	$ 1,473,425	$ 1,195,826
Capital assets	60,116,490	61,862,024
Total assets	61,589,915	63,057,850
Deferred outflows of resources		
Deferred outflows relating to pensions	216,961	112,619
Liabilities:		
Current	785,629	927,099
Non-current	7,548,907	7,947,344
Total liabilities	8,334,536	8,874,443
Deferred inflows of resources		
Unearned revenue	324,994	619,188
Service concession arrangements	10,635,094	11,063,242
Deferred inflows relating to pensions	355,492	-
Total deferred inflows of resources	11,315,580	11,682,430
Net position:		
Net investment in capital assets	43,429,511	44,545,388
Unrestricted (deficit)	(1,272,751)	(1,931,792)
Total net position	$ 42,156,760	$ 42,613,596

FUND FINANCIAL ANALYSIS – CONTINUED

Changes in Net Position
Years ended September 30, 2015 and 2014

	2015	2014
Program revenues:		
Charges for services	$ 3,865,694	$ 3,731,030
Intergovernmental	421,464	3,805,021
General revenues:		
Passenger facility charges	286,097	304,180
Interest income	251	228
Service concessions	428,148	428,148
Total revenues	5,001,654	8,268,607
Expenses:		
Airport operations	5,226,634	5,166,886
Interest expense	231,856	227,113
Total expenses	5,458,490	5,393,999
Change in net position	(456,836)	2,874,608
Net position, beginning of year, as restated	42,613,596	39,738,988
Net position, end of year	$ 42,156,760	$ 42,613,596

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2015, the Authority's investment in capital assets was $43,429,511 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, furniture, fixtures and equipment.

The major capital asset addition during this year was completion of the expansion of the DCC Apron west of the fuel farm providing ample large aircraft parking apron for both existing facilities as well as providing room to allow additional investment in facilities along Taxiway H-1 in the Defense Contractors Complex. This apron is already providing space to accommodate the world's largest aircraft.

CAPITAL ASSET AND DEBT ADMINISTRATION – Continued

Capital Assets – Continued

- There was $11,244 in capital expenditures for the purchase of equipment and furniture for the Authority's operations.
- The Authority did not acquire any additional vehicles during the year.
- There were no capital expenditures for the purchase of land.

Additional information on the Authority's capital assets can be found in Note 4 on pages 15 and 16 of this report.

Debt

Line of Credit

The Authority has a revolving line of credit. The detail of this debt is discussed in Note 5 on page 16 of this report.

Long-Term Debt

The Authority has three notes payable. The detail of these notes is discussed in Note 7 on pages 17 and 18 of this report.

Net Pension Liability

The Authority participates in the Arizona State Retirement System and has recorded the Authority's proportionate share of the net pension liability of the cost sharing plan. The detail of the pension plan is discussed in Note 11 on pages 20 and 24 of this report.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 2191 E. 32nd Street, Suite 218, Yuma, AZ 85365 or call (928) 726-5882.

Yuma County Airport Authority
Statement of Net Position - Enterprise Fund
September 30, 2015

Assets		
Current assets:		
Cash and cash equivalents	$	753,879
Accounts receivable, net		58,272
Intergovernmental receivables		28,216
Prepaid items		77,102
Deposits		6,924
Total current assets		924,393
Noncurrent assets:		
Restricted cash		549,032
Capital assets:		
Capital assets, not being depreciated		7,067,676
Capital assets, being depreciated, net		53,048,814
Total noncurrent assets		60,665,522
Total assets		61,589,915
Deferred Outflow of Resources		
Deferred outflows relating to pensions		216,961
Liabilities		
Current liabilities:		
Accounts payable		221,538
Accrued expenses		239,599
Refundable deposits		93,851
Current portion of long-term liabilities		230,641
Total current liabilities		785,629
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities		5,821,244
Net pension liability		1,727,663
Total noncurrent liabilities		7,548,907
Total liabilities		8,334,536
Deferred Inflows of Resources		
Unearned revenue		324,994
Service concession arrangements		10,635,094
Deferred inflows relating to pensions		355,492
Total deferred inflows of resources		11,315,580
Net Position		
Net investment in capital assets		43,429,511
Unrestricted (deficit)		(1,272,751)
Total net position	$	42,156,760

The accompanying notes are an integral part of these financial statements.

Yuma County Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Fund
Year ended September 30, 2015

Operating Revenues:	
Aeronautical	$ 2,388,292
Non-aeronautical	1,477,402
Total operating revenues	3,865,694
Operating Expenses:	
Personnel expenses	1,754,969
Operating expenses	1,145,208
Depreciation	2,311,943
Amortization	14,514
Total operating expenses	5,226,634
Operating loss	(1,360,940)
Nonoperating Revenues (Expenses):	
Interest income	251
Service concessions revenue	428,148
Intergovernmental	421,464
Passenger facility charges	286,097
Interest expense	(231,856)
Total nonoperating revenues (expenses)	904,104
Decrease in net position	(456,836)
Total net position - beginning of year, as restated	42,613,596
Total net position - end of year	$ 42,156,760

The accompanying notes are an integral part of these financial statements.

Yuma County Airport Authority
Statement of Cash Flows - Enterprise Fund
Year ended September 30, 2015

Cash flows from operating activities:	
Receipts from customers and users	$ 3,572,637
Payments to suppliers	(1,202,228)
Payments to employees	(1,793,644)
Net cash provided by operating activities	576,765
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(566,410)
Receipts of passenger facilities charges	286,097
Capital grants received	710,220
Increase in restricted assets	(280,172)
Proceeds from debt	179,415
Principal paid on debt	(380,924)
Interest paid on debt	(231,856)
Net cash used for capital and related financing activities	(283,630)
Cash flows from investing activities:	
Interest and dividends	251
Net increase in cash and cash equivalents	293,386
Cash and cash equivalents, beginning of year	460,493
Cash and cash equivalents, end of year	$ 753,879
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (1,360,940)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,311,943
Amortization of unearned revenue	(294,194)
Pension expense	90,481
Employer pension contributions	(129,156)
Changes in assets and liabilities:	
Increase in accounts receivable	(330)
Decrease in prepaid items	7,533
Decrease in accounts payable	(68,963)
Increase in accrued expenses	18,924
Increase in refundable deposits	1,467
Net cash provided by operating activities	$ 576,765

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Yuma County Airport Authority conform to generally accepted accounting principles applicable to governmental entities adopted by the Governmental Accounting Standards Board (GASB).

For the year ended September 30, 2015, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statements No. 68 and 71 establish standards for measuring and recognizing net pension (assets and) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

A. Reporting Entity

Yuma County Airport Authority, Inc. is a validly organized and existing body politic incorporated in the State of Arizona. Yuma County Airport Authority, Inc. (the Authority) was formed to operate the Yuma International Airport located in Yuma, Arizona under a lease authorized by Arizona Revised Statute Section 28-8411, et seq, which provides for tax exempt status of the Authority. Accordingly, no provision is made for Federal or Arizona income taxes.

The Authority has no governmental funds. All of the Authority's activities are reported in one enterprise fund related to Airport operations.

B. Fund Financial Statements

The fund financial statements provide information about the Authority's only fund which is an enterprise fund reported as a proprietary fund type. As such, no separate government-wide financial statement is required.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Note 1 – Summary of Significant Accounting Policies – Continued

Under the terms of grant agreements, the Authority funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The Authority applies grant resources to such programs before using general revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and service. Operating expenses of the Authority's enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position

1. **Deposits and Investments -** The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

   Concentration of credit risk - the Authority's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Authority places its cash with high credit worthy institutions. At times such cash may be in excess of the FDIC insurance limit. All amounts in excess of FDIC coverage are fully collateralized in accordance with State Law. The Authority routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

2. **Receivables and Payables -** All trade receivables are shown net of an allowance for uncollectibles.

   Federal and state grants and contracts are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. That portion of reimbursement in excess of expenditures is offset in the unearned revenue account.

Note 1 – Summary of Significant Accounting Policies – Continued

3. **Prepaid Items -** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. **Capital Assets -** Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

   Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

   Property and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 50 years
Furniture, fixtures and equipment	3 to 50 years
Vehicles	5 to 7 years

5. **Compensated Absences -** It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, all unused vacation and sick leave benefits are paid to employees with more than six months length of employment. Accordingly, vacation and sick leave benefits are accrued as a liability in the financial statements.

6. **Deferred Outflows and Inflows of Resources -** The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

7. **Passenger Facility Charge -** The Airport has received approval from the Federal Aviation Administration (FAA) to impose a Passenger Facility Charge (PFC) of up to $4.50 for each enplaned passenger that utilizes the Yuma International Airport. The charge is collected by all carriers and remitted to the Authority, less a $0.11 per passenger handling fee. The proceeds from PFCs are restricted for use by the Authority for certain FAA approved projects and debt service on bonds used to fund PFC eligible projects per Code of Federal Regulations (C.F.R) 158.13. PFC proceeds are recorded as non-operating revenues.

Note 1 – Summary of Significant Accounting Policies – Continued

8. **Unearned Revenue -** Unearned revenue represents the unamortized balance in remodel costs of the terminal building incurred by the Authority that were reimbursed in 2011 by the lessee. The Authority is amortizing the unearned revenue over the 5 year life of the building lease.

9. **Estimates -** The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

At September 30, 2015, the Authority's cash consisted of the following:

	Unrestricted	Restricted	Total
Cash on hand	$ 200	$ -	$ 200
Cash in bank	753,678	549,032	1,302,710
Total	$ 753,878	$ 549,032	$ 1,302,910

At September 30, 2015, the carrying amount of the Authority's total cash in bank was $1,302,710 and the bank balance was $1,312,892. Of the bank balance, $397,890 was covered by federal depository insurance and $915,002 was covered by collateral held by the pledging institution's trust department.

Restricted Cash

The restricted cash at September 30, 2015 was held in a demand deposit bank account. This account represents passenger facility charges that have been collected by the Authority. These funds are restricted in that they can only be used for projects authorized by the Federal Aviation Administration.

Note 3 – Receivables

Accounts receivable consisted of the following at September 30, 2015:

Accounts receivable	$ 58,772
Less allowance for uncollectibles	(500)
Net total receivables	$ 58,272

Note 3 – Receivables – Continued

Intergovernmental receivables consisted of the following at September 30, 2015:

Federal Aviation Administration	$ 908
Arizona Department of Transportation	6,949
U.S. Department of Homeland Security	20,359
Total intergovernmental receivables	$ 28,216

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and easements	$ 6,485,651	$ -	$ -	$ 6,485,651
Construction in progress	4,138,250	545,565	(4,101,790)	582,025
Total capital assets, not being depreciated	10,623,901	545,565	(4,101,790)	7,067,676
Capital assets, being depreciated:				
Buildings and improvements	69,987,146	4,111,390	-	74,098,536
Furniture, fixtures and equipment	1,903,131	11,244	(69,744)	1,844,631
Vehicles	434,029	-	(38,358)	395,671
Total capital assets, being depreciated	72,324,306	4,122,634	(108,102)	76,338,838
Less accumulated depreciation for:				
Buildings and improvements	(19,573,400)	(2,117,215)	-	(21,690,615)
Furniture, fixtures and equipment	(1,162,666)	(163,990)	69,744	(1,256,912)
Vehicles	(350,117)	(30,738)	38,358	(342,497)
Total accumulated depreciation	(21,086,183)	(2,311,943)	108,102	(23,290,024)
Total capital assets, being depreciated, net	51,238,123	1,810,691	-	53,048,814
Business-type activities capital assets, net	$ 61,862,024	$ 2,356,256	$(4,101,790)	$ 60,116,490

Note 4 – Capital Assets – Continued

Construction in Progress

The activity for the Authority's projects in progress for the year ended September 30, 2015 follows:

Project	Balance, October 1, 2014	Additions	Completed Projects	Balance, September 30, 2015
Land Acquisition	$ 38,750	$ -	$ -	$ 38,750
Taxiway Y Phase I	255,701	-	-	255,701
DCC Apron Phase II	3,843,799	257,991	(4,101,790)	-
DCC Blast Deflector Apron	-	109,595	-	109,595
Note #2004 Investments	-	177,979	-	177,979
Total	$ 4,138,250	$ 545,565	$ (4,101,790)	$ 582,025

Note 5 - Line of Credit

The Authority has a $1,000,000 revolving line of credit available through June 21, 2038 with a variable interest rate (4.25% at September 30, 2015) with no floor or ceiling. The line of credit is to be used to provide funds to pay contractors on construction draws prior to the Authority receiving grant payments from the Aeronautical Division of the Arizona Department of Transportation (ADOT). The line of credit has monthly interest payments with outstanding principal payable upon receipt of grant funding from ADOT, not to exceed 6 months from the date of the applicable draw. Activity for the line of credit for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Line of credit	$ 103,278	$ 59,556	$ 162,834	$ -	$ -

Note 6 – Service Concession Arrangements

The Authority has entered into lease agreements with five tenants under which these tenants have constructed or improved buildings and operate and collect user fees from their customers. These agreements have land leases ranging from 15 to 40 years. The tenants are required to operate and maintain their facilities in accordance with the land leases. As of September 30, 2015, the Authority reports the assets constructed or improved as capital assets which have a carrying value of $11,476,422 and reports deferred inflow of resources in the amount of $10,635,094 pursuant to the service concession arrangements.

Note 7 – Long-Term Debt

Long-term debt of the Authority at September 30, 2015, consists of:

Note Payable to 1st Bank Yuma, with monthly payments of $14,474 including interest at 3% as of September 30, 2015. The interest rate is adjusted every five years. The note has a no negative amortization clause and matures on July 21, 2038. The Authority has pledged general airport revenues, as collateral for the note.	$ 2,910,709
Note Payable to 1st Bank Yuma, with monthly payments of $12,517 including interest at prime plus 1% (4.25% at September 30, 2015) with no floor or ceiling. The note has a no negative amortization clause and matures on June 21, 2038. The Authority has pledged general airport revenues, as collateral for the note.	1,688,801
Note Payable to 1st Bank Yuma for $2,000,000 with interest only payments on the outstanding balance at a variable interest of prime plus 1.65% (4.9% September 30, 2015) with no floor or ceiling. Monthly principal and interest payments of $10,781; maturing in December 2043. The Authority has pledged general airport revenues as collateral for the note.	1,452,375
	$ 6,051,885

Note 7 – Long-Term Debt - Continued

Debt service requirements (at current interest rates) at September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	$ 230,641	$ 222,490	$ 453,131
2017	239,926	216,610	456,536
2018	249,539	206,997	456,536
2019	259,553	196,983	456,536
2020	269,984	186,552	456,536
2021-2025	1,522,363	760,315	2,282,678
2026-2030	1,857,345	425,333	2,282,678
2031-2035	964,317	131,519	1,095,836
2036-2040	458,217	19,223	477,440
	$ 6,051,885	$ 2,366,022	$ 8,417,907

Changes in long-term debt for the year ended September 30, 2015, are as follows:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Notes payable	$ 6,150,115	$ 119,638	$ (217,868)	$ 6,051,885	$ 230,641

Note 8 – Commitments and Contingency

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On January 17, 1966 the Yuma County Airport Authority, Inc. entered into an agreement with the County of Yuma, whereby the Authority would lease all buildings, structures, improvements and personal property of the Yuma International Airport for a nominal fee. Effective December 1, 2007, the Authority and Yuma County entered into an amendment of this agreement which extends the agreement another 25 years to November 30, 2032 in addition to allowing for the option to renew for another 25 years. On March 18, 2008, the Authority exercised the option to renew for the additional 25 years which brings the termination of the agreement to November 30, 2057.

Note 8 – Commitments and Contingency - Continued

Title to all real property acquired by the Yuma County Airport Authority, Inc. vests in the County of Yuma. During the term of the lease agreement, the Authority will operate and manage the property. All personal property acquired belongs to the Authority and may be sold or traded by it. However, upon termination of the lease agreement, the personal property passes to the County of Yuma.

The Authority is subject to legal proceedings and claims which arise in the ordinary course of its operations. Management believes the amount of liability, if any, with respect to these actions will not materially affect the financial position of the Authority. Accordingly, no provision has been recognized in the financial statements for any potential claim pertaining to the civil matters.

Note 9 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Rental Revenues and Landing Fees

The Authority derives revenue from the leasing of property and equipment. A schedule of minimum future rentals under non-cancelable operating leases as of the end of the last fiscal year is as follows:

Year Ending September 30,	
2016	$ 1,986,627
2017	1,976,291
2018	1,655,318
2019	1,338,587
2020	968,059
Thereafter	8,688,461
Total	$ 16,613,343

Landing fees received by the Authority are a contingent rental based on a charge per thousand pounds of certified gross weight of the aircraft for each landing. The Authority is also receiving contingent rental revenue from various car rental agencies, the airport restaurant, and Republic Parking Systems, based on a percentage of gross revenue.

Note 10 – Rental Revenues and Landing Fees - Continued

The amount of contingent rentals for the past four fiscal years follows:

	Year Ended September 30,			
	2015	**2014**	**2013**	**2012**
Aircraft landing fees	$ 137,287	$ 161,586	$ 174,307	$ 144,249
Car rental and parking fees	970,076	931,542	942,667	976,708
Total	$ 1,107,363	$ 1,093,128	$ 1,116,974	$ 1,120,957

Note 11 – Employee Retirement Systems and Post Employment Plans

The Authority and employees contribute to a retirement plan. The plan is the Arizona State Retirement System (ASRS). Benefits for non-public safety personnel are established based on contributions to the plan.

At September 30, 2015, the Authority reported the following aggregate amounts related to pensions for which it contributes:

	ASRS
Net pension liability	$ 1,727,663
Deferred outflows of resources	216,961
Deferred inflows of resources	355,492
Pension expense	90,481

A. Arizona State Retirement System

Plan Description: The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium benefit (OPEB) plan; and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan administered by the *Arizona State Retirement System* (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statute Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. Reports may be obtained online at www.azasrs.gov, by writing or calling: Arizona State Retirement System, 3300 N. Central Avenue, Phoenix, Arizona 85012, (602) 240-2000.

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement initial membership date	
	Before July 1, 2011	*On or after July 1, 2011*
Years of service and age required to receive benefits	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contribution and employer's contributions, plus interest earned.

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The Arizona State Legislature establishes and may amend active plan members' and the Authority's contribution rates. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

For the year ended September 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent retirement and .12 percent for long-term disability) of the active members' annual covered payroll through June 30, 2015 and 11.47 percent (11.35 percent retirement and .12 percent for long-term disability) thereafter. The Authority was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent retirement, .59 percent for health insurance premiums and .12 percent for long-term disability) of the active members' annual covered payroll through June 30, 2015 and 11.47 percent (10.79 percent retirement, .56 percent for health insurance premiums and .12 percent for long-term disability) thereafter. The Authority's contributions to ASRS for the year ended September 30, 2015 was $129,156.

The Authority’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 6,503	$ 1,340
2014	6,262	2,505
2013	7,372	2,722

During fiscal year 2015, the Authority paid for ASRS from the enterprise fund.

Pension Liability – At September 30, 2015, the Authority reported a liability of $1,727,663 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Authority’s proportion of the net pension liability was based on the Authority’s actual contributions to the plan relative to the total of all employers’ contributions for the year ended June 30, 2014. The Authority’s proportion measure as of June 30, 2014, was 0.012 percent, which was consistent to its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended September 30, 2015, the Authority recognized pension expense for ASRS of $90,481. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,805	$ -
Net difference between projected and actual earnings	-	302,115
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	53,377
Authority contributions subsequent to the measurement date	129,156	-
Total	$ 216,961	$ 355,492

The $129,156 reported as deferred outflows of resources relates to ASRS pensions resulting from the Authority's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending September 30	
2016	$(60,560)
2017	(60,560)
2018	(71,038)
2019	(75,529)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic 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
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.5%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 8 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 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The Authority's proportionate share of the net pension liability	$ 2,183,677	$ 1,727,663	$ 1,480,252

Note 11 – Employee Retirement Systems and Post Employment Plans – Continued

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Note 12 – Change in Accounting Principle

Net position as of October 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities
Net position as previously reported at September 30, 2014	$ 44,518,465
Prior period adjustment – implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(2,017,487)
Deferred outflows of resources – pension related	112,618
Net position as restated, October 1, 2014	$ 42,613,596

Yuma County Airport Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended September 30, 2015

Arizona State Retirement System	**Reporting Fiscal Year (Measurement Date)**	
	2015 (2014)	**2014 through 2006**
Authority's proportion of the net pension liability	0.01168%	Information
Authority's proportion share of the net pension liability	$ 1,727,663	not available
Authority's covered-employee payroll	975,893	
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.03%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Yuma County Airport Authority
Required Supplementary Information
Schedule of Authority Pension Contributions
Year Ended September 30, 2015

ASRS

	2015	2014	2006 through 2013
Statutorily determined contribution	$ 129,156	$ 112,618	Information not available
Authority's contributions in relation to the statutorily determined contribution	129,156	112,618	
Authority's contribution deficiency (excess)	$ -	$ -	
Authority's covered-employee payroll	$ 1,113,414	$ 975,893	
Authority's contributions as a percentage of covered-employee payroll	11.60%	11.54%	