

**JAMESTOWN REGIONAL
AIRPORT AUTHORITY
Jamestown, North Dakota**

**REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended December 31, 2016**

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
CONTENTS
Year Ended December 31, 2016

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12 – 23
Required Supplementary Information	
Budgetary Comparison Schedules	
Budget and Actual (with Variances)	24
Notes to Required Supplementary Information	25
Schedule of Authority's Share of Net Pension Liability	26
Schedule of Authority's Contributions	26
Other Supplementary Information	
Schedule of Project Costs (3-38-0028-39)	27
Schedule of Project Costs (3-38-0028-40)	28
Schedule of Project Costs (3-38-0028-41)	29
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30 – 31
Schedule of Findings	32

Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
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INDEPENDENT AUDITORS' REPORT

Chairman and Authority Board
JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the **JAMESTOWN REGIONAL AIRPORT AUTHORITY**, a component unit of the CITY OF JAMESTOWN, NORTH DAKOTA as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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.

Auditors' 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 of 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.

INDEPENDENT AUDITORS' REPORT – continued

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 **JAMESTOWN REGIONAL AIRPORT AUTHORITY** as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 24 through 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **JAMESTOWN REGIONAL AIRPORT AUTHORITY's** basic financial statements. The schedules of project costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of project costs 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 project costs are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT – continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017 on our consideration of **JAMESTOWN REGIONAL AIRPORT 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 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 **JAMESTOWN REGIONAL AIRPORT AUTHORITY'S** internal control over financial reporting and compliance.

Schau & Associates, P.C.

SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants
Jamestown, ND

October 3, 2017

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

As management of the **JAMESTOWN REGIONAL AIRPORT AUTHORITY**, we offer readers of the **JAMESTOWN REGIONAL AIRPORT AUTHORITY** financial statements this narrative overview and analysis of the financial activities of the **JAMESTOWN REGIONAL AIRPORT AUTHORITY** for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the additional information presented in the accompanying basic financial statements and notes to the financial statements.

Financial Highlights

- Assets exceeded liabilities by \$9,333,716 (net position) at the close of the current year. Of this amount, \$203,778 is unrestricted and available to meet ongoing and future obligations of the Authority including its share of capital projects.
- Net position changed by \$360,230 due to the current year activity.
- Operating income before depreciation was \$2,197 in 2016 compared to operating loss before depreciation of \$31,963 in 2015 due to the following:
 - Operating revenues decreased from \$507,754 to \$478,884.
 - Operating expenses before depreciation decreased from \$539,717 to \$476,687.
- The Statement of Cash Flows, that identifies the sources and uses of cash activity for the year, indicates cash and cash equivalents increased \$4,825 for the year.

Using This Annual Report

This annual report presents the basic financial statements together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. Also included is other supplementary information.

Basic Financial Statements

The Authority is operated under one enterprise fund. The financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information and other information that are useful in understanding the overall operations of the Authority.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may 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 presents information showing how the Authority's net position changed during the most recent 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 related cash flows.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS- continued
December 31, 2016

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The statement of cash flows reports cash and cash equivalent activities for the year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

Financial Analysis of the Authority

Net Position

The following represents the Authority's financial position for the years ended December 31, 2016 and 2015:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2016	2015
Current assets	\$ 354,494	\$ 339,461
Capital assets	10,116,268	10,474,690
Other assets	4,251	4,751
Deferred outflows of resources	43,298	14,811
Total Assets and Deferred Outflows of Resources	<u>\$ 10,518,311</u>	<u>\$ 10,833,713</u>
LIABILITIES		
Current liabilities	\$ 73,969	\$ 45,559
Long-term liabilities	1,066,058	1,050,954
Total Liabilities	<u>1,140,027</u>	<u>1,096,513</u>
DEFERRED INFLOWS OF RESOURCES	<u>44,568</u>	<u>43,254</u>
NET POSITION		
Net investment in capital assets	9,129,938	9,517,936
Unrestricted	203,778	176,010
Total Net Position	<u>9,333,716</u>	<u>9,693,946</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 10,518,311</u>	<u>\$ 10,833,713</u>

The largest portion of the Authority's net position is \$9,129,938 which is invested in capital assets (e.g., land, infrastructure, buildings and equipment). There is debt of \$986,330 attributable to these assets. The Authority uses its capital assets to provide runways, taxiways and equipment to maintain these facilities, for airport users and fixed-base operators.

The remaining unrestricted net position of \$203,778 represents resources available to meet both the Authority's current and capital obligations. One primary use of these assets is to provide for the Authority's share of capital project costs, most of which are grant-funded at up to 95% federal and state funds.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS- continued
December 31, 2016

Revenues

The following represents the Authority's summary of revenues for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 217,667	\$ 210,834
Taxes	<u>261,217</u>	<u>296,920</u>
Total Operating Revenues	<u>478,884</u>	<u>507,754</u>
Non-operating Revenues		
Interest income		256
Miscellaneous income	118,260	86,938
Operating grants	<u>113,573</u>	<u>1,370,811</u>
Total Non-operating Revenues	<u>231,833</u>	<u>1,458,005</u>
Gain on sale of assets	<u>1,675</u>	
Total Revenues	<u>\$ 712,392</u>	<u>\$ 1,965,759</u>

Total revenues decreased by \$1,253,367 mainly due to a decrease in grants for projects.

Expenses

The following represents the Authority's summary of expenses for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Personnel expenses	\$ 218,717	\$ 267,912
General expenses	32,015	33,992
Fuels	13,626	5,570
Facility expenses	75,488	87,557
Equipment and vehicle expense	11,675	7,721
Insurance	14,411	12,698
Professional fees	21,943	31,587
Utilities	49,152	50,826
Assessments	39,660	41,854
Project expense	69,077	722,609
Depreciation and amortization	<u>526,858</u>	<u>508,981</u>
Total Expenses	<u>\$1,072,622</u>	<u>\$1,771,307</u>

Operating expenses and project expenses decreased by \$698,685 in 2016.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS- continued
December 31, 2016

CHANGE IN NET ASSETS

	2016	2015
Total Operating Revenues	\$ 478,884	\$ 507,754
Total Operating Expenses	<u>1,003,545</u>	<u>1,048,698</u>
Operating Loss	(524,661)	(540,944)
Non-Operating Revenue (Expense)	162,756	735,396
Gain on sale of assets	<u>1,675</u>	
Increase (Decrease) in Net Position	(360,230)	194,452
Net Position Beginning of the Year	9,693,946	9,635,813
Prior period correction		(136,319)
Net Position End of the Year	<u>\$ 9,333,716</u>	<u>\$ 9,693,946</u>

Capital Assets

Due to the Airport Improvement Program (AIP), the Authority's capital assets can increase dramatically without significant changes in current assets (cash on hand) or liabilities. For 2016, capital assets increased with the purchase of the jet bridge and work on the wetlands projects

Long-Term Debt

Currently, the Authority has long-term debt outstanding of \$986,330 that represents a loan from Unison Bank for the local portion of the terminal expansion, loans from Bank Forward for the T-Hangers, a loan from Stutsman County for purchase of the jet bridge and loans from Jamestown/Stutsman Development Corporation to buy down the interest on Flex Pace loans. Additional long-term debt is for the net pension obligation.

Economic Factors and Next Year's Budget

The **JAMESTOWN REGIONAL AIRPORT AUTHORITY** completed its second full year with commercial air service provided by SkyWest Airlines, dba United Express, during 2016. The Department of Transportation made this service possible through the Essential Air Service (EAS) Program. The Jamestown Regional Airport had 11,123 revenue passengers enplane during 2016 which is a great improvement from previous years. In 2013, 2014, and 2015 revenue passenger enplanement counts were 2,672, 3,428 and 7,996 respectively. This represents a 300% increase in passengers since SkyWest Airlines began service to Jamestown. The current airline revenue structure is based on the number of scheduled flights and not the amount of landings or passengers on board.

In 2016, the **JAMESTOWN REGIONAL AIRPORT AUTHORITY** completed the construction of a refurbished Passenger Boarding Bridge acquired from the Minot International Airport. In 2017 the airport will mitigate wetlands on the northeast corner of the airport, design the rehabilitation of Runway 4-22, reconstruct a hangar taxilane, begin a Wildlife Hazard Assessment (WHA), and perform crack sealing and re-striping of all surfaces. The airport budget is perennially tight and we would be unable to complete these projects without the funding support from the federal government (FAA AIP), the state (ND Aeronautics Commission), the City of Jamestown, and Stutsman County. For this reason, we are very appreciative for their continued support in our efforts to provide a well maintained, efficient, and safe airport to the regions.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS- continued
December 31, 2016

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions on this report or need further information, contact **JAMESTOWN REGIONAL AIRPORT AUTHORITY'S** manager at P.O. Box 1560, Jamestown, North Dakota 58402-1560.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 100,711
Accounts receivable, net	14,787
Taxes receivable	183,855
Prepaid expenses	50,821
Due from other governments	4,320
Total Current Assets	354,494
 Capital Assets:	
Land	443,705
Construction in progress	51,054
Infrastructure, runways and improvements	11,514,725
Buildings	4,970,814
Equipment	1,670,282
	18,650,580
Less accumulated depreciation	(8,534,312)
Net Capital Assets	10,116,268
 Other Assets:	
Unamortized loan fees	4,251
	4,251
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	43,298
Total Deferred Outflows of Resources	43,298
Total Assets and Deferred Outflows of Resources	\$ 10,518,311

LIABILITIES AND NET POSITION

Liabilities:	
Accounts payable	\$ 23,598
Long-term liabilities	
Due within one year	
Notes payable	50,371
Due in more than one year	
Notes payable	935,959
Net pension obligation	130,099
Total Liabilities	1,140,027
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	44,568
Total Deferred Inflows of Resources	44,568
 Net Position:	
Net investment in capital assets	9,129,938
Unrestricted	203,778
Total Net Position	9,333,716
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,518,311

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

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2016

OPERATING REVENUES	
Charges for services	\$ 217,667
Taxes	261,217
Total Operating Revenues	<u>478,884</u>
OPERATING EXPENSES	
Personnel expenses	218,717
General expenses	32,015
Fuels	13,626
Facility expenses	75,488
Equipment and vehicle expenses	11,675
Insurance	14,411
Professional fees	21,943
Utilities	49,152
Assessments	39,660
Depreciation and amortization	526,858
Total Operating Expenses	<u>1,003,545</u>
Operating Loss	<u>(524,661)</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous revenue	118,260
Operating grants	113,573
Project expenses	(69,077)
Total Non-Operating Revenues (Expenses)	<u>162,756</u>
Loss Before Special Items	(361,905)
Special item - gain on disposition of assets	1,675
Change in Net Position	<u>(360,230)</u>
Total Net Position - Beginning	9,693,946
Total Net Position - Ending	<u>\$ 9,333,716</u>

The accompanying notes are an integral part of these financial statements

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 209,049
Receipts from property taxes	249,125
Cash paid to employees and suppliers	(492,395)
Net Cash Used in Operating Activities	<u>(34,221)</u>
Cash Flows From Investing Activities	
Other income	118,260
Net Cash Provided by Investing Activities	<u>118,260</u>
Cash Flows From Capital and Related Financing Activities	
Purchase/construction of capital assets	(183,936)
Project expenses	(55,548)
Payment of notes	(35,424)
Proceeds from the sale of assets	17,675
Proceeds from federal and state grants	113,019
Proceeds from notes	65,000
Net Cash Used in Capital and Related Financing Activities	<u>(79,214)</u>
Increase in Cash and Cash Equivalents	4,825
Cash and Cash Equivalents Beginning of Year	95,886
Cash and Cash Equivalents End of Year	<u>\$ 100,711</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (524,661)
Adjustments	
Depreciation & amortization	526,858
Changes in Assets and Liabilities	
Receivables	(20,710)
Prepaid expense	11,056
Deferred outflows of resources	(28,487)
Accounts payable	(118)
Deferred inflows of resources	1,314
Net pension obligation	527
Net Cash Used in Operating Activities	<u>\$ (34,221)</u>

The accompanying notes are an integral part of these financial statements

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2016

1. Summary of Significant Accounting Policies

The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

A. Description of the Reporting Entity

The Authority enters into contracts, leases and other arrangements to benefit the Authority. The Authority also establishes the terms and conditions and fixes the charges, rentals or fees for privileges or services. The Authority adopts, amends and repeals any reasonable resolutions, rules, regulations and orders necessary for the management, governing, and use of the airport and air navigation facilities owed by it.

B. Reporting Entity

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the government. The Authority is a component unit of the City of Jamestown, North Dakota, and has been included in that oversight body's financial statements. No component units of the Authority have been excluded from this report.

C. Basis of Accounting

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Position are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property tax revenue is recorded as revenue in the year the tax is levied in the basic financial statements.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the City of Jamestown and, in turn, remitted to the Authority on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenues in the period the Authority is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized when the qualifying expenditures have been incurred and the amounts are available.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

C. Basis of Accounting - continued

Revenues susceptible to accrual include property taxes, expenditure-driven grants and interest income. Charges for services provided private parties are recognized as revenues when the services are provided.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's main ongoing operations. Grants and contributions are reported as non-operating revenues.

D. Measurement Focus

The Authority's financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the statement of net position. The proprietary fund-type operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position.

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, the Authority's policy is to apply restricted amounts first.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Deposits and Investments

The Authority maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. At December 31, 2016, the Authority's deposits were adequately covered in accordance with state statutes (See Note 2). Authorized collateral includes bills, notes, or bonds issued by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposits, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

Interest Rate Risk. 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.

Credit risk. The North Dakota State Statute limits political subdivisions to invest their surplus funds in:

JAMESTOWN REGIONAL AIRPORT AUTHORITY

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended December 31, 2016

F. Deposits and Investments – continued

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress,
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above,
3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state,
4. Obligations of the state.

The Authority has no investments other than fully insured and collateralized demand and time deposits.

Custodial credit risk – deposits. 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. As of December 31, 2016, the Authority’s deposits are fully insured or collateralized with securities held by the financial institution in the Authority’s name.

G. Cash Flow Information

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

H. Capital Assets

Capital assets comprising infrastructure (runways and improvements), buildings and equipment are recorded at cost. All expenditures for equipment over \$5,000 are capitalized. If actual cost cannot be determined, estimated historical cost is used. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation of capital assets has been provided for over the estimated useful lives using the straight line method. Estimated useful lives are as follows:

Infrastructure, runways and improvements	20 to 70 years
Buildings	50 to 60 years
Equipment	5 to 30 years

Maintenance and repair expenses are charged to operating expenses as incurred. Significant betterments and improvements are capitalized and depreciated over their estimated useful lives.

I. Equity Classifications

Equity is classified as net assets and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt

JAMESTOWN REGIONAL AIRPORT AUTHORITY

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended December 31, 2016

I. Equity Classifications -continued

attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

2. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

J. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash and Cash Equivalents

The following summary presents the amount of the Authority’s deposits which are fully insured or collateralized with securities held by the Authority or its agent in the Authority’s name (category 1), those deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the Authority’s name (category 2), and those deposits held by the pledging financial institutions or by its trust department or agent, but not in the Authority’s name (category 3) at December 31, 2016.

	Category 1	Bank Balance	Carrying Amount
Checking	\$ 115,669	\$ 115,669	\$ 98,203
Savings	2,508	2,508	2,508
	<u>\$ 118,177</u>	<u>\$ 118,177</u>	<u>\$ 100,711</u>

3. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	12/31/15	Additions	Deletions	12/31/16
Capital Assets Not Being Depreciated				
Land	\$ 443,705	\$	\$	\$ 443,705
Construction in progress	40,710	10,344		51,054
Total Capital Assets Not Being Depreciated	<u>484,415</u>	<u>10,344</u>		<u>494,759</u>

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

3. Capital Assets - continued

	<u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>
Capital Assets Being Depreciated				
Infrastructure	11,514,725			11,514,725
Buildings	4,970,814			4,970,814
Equipment	1,553,241	157,591	40,550	1,670,282
Total Capital Assets Being Depreciated	<u>18,038,780</u>	<u>157,591</u>	<u>40,550</u>	<u>18,155,821</u>
Less Accumulated Depreciation for:				
Infrastructure	6,911,610	381,875		7,293,485
Buildings	639,757	89,532		729,289
Equipment	497,138	54,950	40,550	511,538
Total Accumulated Depreciation	<u>8,048,505</u>	<u>526,357</u>	<u>40,550</u>	<u>8,534,312</u>
Capital assets, Net	<u>\$ 10,474,690</u>	<u>\$ (358,422)</u>	<u>\$</u>	<u>\$ 10,116,268</u>

4. Deferred Outflows/Inflows of Resources

In additions to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently has deferred inflows of resources related to pensions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Debt

As of December 31, 2016, the Authority had the following loans outstanding:

\$325,000 loan dated August 31, 2012, due in semi-annual payments of \$17,912.12 on November 1 and May 1, with maturity on May 1, 2025, interest at 6%, with a Flex Pace buydown through the Bank of North Dakota to 1%, secured by accounts receivable and assignment of leases and rents	\$ 235,085
\$633,000 loan dated February 2, 2015, due in semi-annual payments of \$21,439.30 on June 30 and December 31, with maturity on December 31, 2019, interest at 4.58%, with a Flex Pace buydown through the Bank of North Dakota to 1%, secured by building and assignment of leases and rents for 8 unit tee hangar	601,595

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

5. Long-Term Debt - continued

\$41,650 loan dated July 19, 2012, with no interest or principal payments due until a related bank loan is fully paid. Once the related bank loan is fully paid, repayment begins with interest at 2% and semi-annual payments due beginning six months after the first day of the month following the related loan payoff with a balloon payment making the payment in full two years after the beginning of the semi-annual payments, secured by a promissory note.	41,650
\$43,000 loan dated October 6, 2014, with no interest or principal payments due until a related bank loan is fully paid. Once the related bank loan is fully paid, repayment begins with interest at 2% and semi-annual payments due beginning six months after the first day of the month following the related loan payoff with a balloon payment making the payment in full two years after the beginning of the semi-annual payments, secured by a promissory note.	43,000
\$65,000 loan dated September 17, 2016 with no interest payable in five annual payments of \$13,000, unsecured	65,000
	<u>986,330</u>
Less current portion	50,371
	<u>\$ 935,959</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	Balance 12/31/15	Additions	Retirement	Balance 12/31/16	Due within One Year
Unison Bank	\$ 255,628	\$	\$ 20,542	\$ 235,085	\$ 21,857
Bank Forward	616,476		14,881	601,595	15,514
Jamestown/Stutsman Development Corporation	41,650			41,650	
Jamestown/Stutsman Development Corporation	43,000			43,000	
Stutsman County		65,000		65,000	13,000
Total Long-Term Debt	<u>956,754</u>	<u>65,000</u>	<u>35,423</u>	<u>986,330</u>	<u>50,371</u>
Net pension obligation	129,572	527		130,099	
	<u>\$1,086,326</u>	<u>\$ 65,527</u>	<u>\$ 35,423</u>	<u>\$1,116,429</u>	<u>\$ 50,371</u>

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

5. Long-Term Debt - continued

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,371	\$ 19,182	\$ 69,553
2018	52,440	18,257	70,697
2019	54,625	17,293	71,918
2020	56,905	16,277	73,182
2021	59,370	16,508	75,878
2022 – 2026	702,051	10,860	712,911
2027	10,568	106	10,674
	<u>\$ 986,330</u>	<u>\$ 98,483</u>	<u>\$ 1,084,813</u>

6. Compensated Absences

The Authority allows employees to accumulate up to a maximum of 960 hours of sick leave. On termination no payment is made for unused sick leave. Vacation can be carried over up to 40 hours per year. Vacation not taken is paid upon termination. As of December 31, 2016, the liability for accrued vacation is approximately \$6,609, which has not been accrued on the books.

7. Lease Commitments

The Authority has an operating lease entered into November of 2014 for a copier for a term of 63 months. Rent expense in 2016 was \$4,450. The Authority has also signed a lease in July of 2016 for a 2016 Chevrolet Silverado for a term of 60 months. Future minimum lease payments under operating leases that have terms in excess of one year as of December 31, 2016 are:

2017	\$ 6,851
2018	6,851
2019	5,115
2020	4,536
2021	2,268

8. North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three

JAMESTOWN REGIONAL AIRPORT AUTHORITY

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended December 31, 2016

8. North Dakota Public Employees Retirement System (Main System) - continued

members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefits increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

8. North Dakota Public Employees Retirement System (Main System) - continued

withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2016, the Authority reported a liability of \$130,099 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability as based on the Authority's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2016 the Employer's proportion was .013349 percent which was a decrease of .001885 from its proportion measured as of July 01, 2015.

For the year ended December 31, 2016, the Authority recognized pension expense of \$8,522. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,954	\$ 1,205
Changes in assumptions	11,993	6,463
Net difference between projected and actual earnings on pension plan investments	18,150	
Changes in proportion and difference between employer contribution and proportionate share of contributions		36,900
Employer contributions subsequent to the measurement date	11,201	
Total	<u>\$ 43,298</u>	<u>\$ 44,568</u>

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

8. North Dakota Public Employees Retirement System (Main System) - continued

Deferred outflows of resources related to pensions in the amount of \$11,201 resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ (4,343)
2018	(4,343)
2019	(383)
2020	(3,254)
2021	(148)

Actuarial assumptions. The total pension liability in the July 1 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.5% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members, and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015 funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumptions.

The long-term expected rate of return on pension plan investments was determined 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. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

8. North Dakota Public Employees Retirement System (Main System) - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. 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 as of June 30, 2015.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer'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%)
Employer's proportionate share of the net pension liability	\$ 184,543	\$ 130,099	\$ 84,227

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

9. Risk Management

The Authority is exposed to various risks including but not limited to losses from workers' compensation, care of employee health and general liability/property.

The Authority participates in the medical self-insurance plan of the City of Jamestown, North Dakota. The plan provides health insurance coverage up to \$20,000 for each employee. In addition, the City has purchased commercial insurance coverage for claims in excess of a predetermined amount. Additional information regarding the plan can be found in the primary government financial statements of the City of Jamestown, North Dakota.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2016

9. Risk Management - continued

The Authority participates in the North Dakota Insurance Reserve Fund (NDIRF) entity risk pool established by certain municipalities ("members") to provide liability coverage. The Authority's payments to the NDIRF are displayed on the financial statements as expenditures in the appropriate fund. The purpose of the NDIRF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the members and other parties included within the scope of coverage of the NDIRF. The Authority does not exercise any control over the activities of the NDIRF.

The Authority's risk for workers' compensation is covered by premiums paid to the North Dakota Worker's Compensation Bureau. The Bureau was created by the Legislature of the State of North Dakota.

The Authority's risk for property coverage is covered by premiums paid to the North Dakota State Fire and Tornado Fund. The Fund was established by the State of North Dakota to insure political subdivisions and certain other entities against loss to public buildings and permanent contents from damage caused by fire, tornadoes and other types of risk. Settled claims from these risks have not exceeded commercial coverage for the past three years.

10. Federal and State Grants

In the normal course of operations, the Authority receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

11. Commitments

As of December 31, 2016 the Authority has signed engineering contracts to begin 2017 projects in the amount of approximately \$136,000.

REQUIRED SUPPLEMENTARY INFORMATION

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
Required Supplementary Information
Budgetary Comparison Schedules
Year Ended December 31, 2016

Budget and Actual (with Variances)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 232,000	\$ 232,000	\$ 209,049	\$ (22,951)
Taxes	306,900	306,900	249,125	(57,775)
Total Operating Revenues	<u>538,900</u>	<u>538,900</u>	<u>458,174</u>	<u>(80,726)</u>
OPERATING EXPENSES				
Personnel expenses	354,300	175,400	245,363	(69,963)
General expenses	34,150	34,150	20,729	13,421
Fuels	18,000	18,000	11,621	6,379
Facility expenses	146,500	146,500	75,197	71,303
Equipment and vehicle expenses	21,900	21,900	11,398	10,502
Insurance	12,600	12,600	14,411	(1,811)
Professional fees	30,550	30,550	21,113	9,437
Utilities	55,000	55,000	52,893	2,107
Assessments	43,000	43,000	39,660	3,340
Total Operating Expenses	<u>716,000</u>	<u>537,100</u>	<u>492,385</u>	<u>44,715</u>
Operating Income (Loss)	<u>(177,100)</u>	<u>1,800</u>	<u>(34,211)</u>	<u>(36,011)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue				-
Miscellaneous revenue	104,800	104,800	118,260	13,460
Operating grants			113,019	113,019
Project expenses	(96,300)	(91,800)	(223,483)	(131,683)
Total non-operating revenues (expenses)	<u>8,500</u>	<u>13,000</u>	<u>7,796</u>	<u>(5,204)</u>
SPECIAL ITEM				
Gain on disposition of capital assets			1,675	1,675
Net change in fund balances	(168,600)	14,800	(24,740)	(39,540)
Fund balance - beginning	(681,764)	(681,764)	(681,764)	
Fund balance - ending	<u>(850,364)</u>	<u>(666,964)</u>	<u>(706,504)</u>	<u>(39,540)</u>

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
Required Supplementary Information
Budgetary Comparison Schedules
Year Ended December 31, 2016

Notes to Required Supplementary Information

Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 691,128
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Differences - budget to GAAP

Taxes receivable as of 12/31/16 are not considered revenues for budgetary purposes	183,855
Taxes receivable as of 12/31/15 are considered revenues for budgetary purposes	(171,763)

Accounts receivable as of 12/31/16 are not considered revenues for budgetary purposes	14,787
Accounts receivable as of 12/31/15 are considered revenues for budgetary purposes	(6,169)

Due from other governments as of 12/31/16 are not considered revenues for budgetary purposes	4,320
Due from other governments as of 12/31/15 are considered revenues for budgetary purposes	<u>(3,766)</u>

Total Revenues as Reported on the Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 712,392</u></u>
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Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 715,868
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Differences - budget to GAAP

Purchase/construction of capital assets are considered expenses for budgetary purposes	(167,935)
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Accounts payable as of December 31, 2015 are considered expenses for budgetary purposes	(9,814)
Accounts payable at December 31, 2016 are not considered expense for budgetary purposes	23,235

Pension accrual at December 31, 2016 is not considered expense for budgetary purposes	(26,646)
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Depreciation and amortization expense are not considered expenses for budgetary purposes	<u>537,914</u>
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Total Expenses as Reported on the Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 1,072,622</u></u>
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Note B - Budgets and Budgetary Accounting

The Authority's budget is prepared so that the budgeted revenue and expenditures can be compared on the cash basis of accounting. All annual appropriations lapse at year end. The manager presents the budget to the board for approval. It is then submitted to the city council for final approval. The monthly financial reports are prepared showing a comparison of budgeted expenditures to actual. Budgets may be amended during the year to change expenditures. The Authority does not use encumbrance accounting.

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
Required Supplementary Information
Schedule of Authority's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Years*

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.013349%	0.015234%
Employer's proportionate share of the net pension liability (asset)	\$ 130,099	\$ 129,572
Employer's covered payroll	\$ 134,524	\$ 135,713
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	96.71%	95.48%
Plan fiduciary net position as a percentage of the total pension liability	71.10%	77.15%

* Complete data for this schedule is not available prior to 2015

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
Required Supplementary Information
Schedule of Authority's Contributions
ND Public Employees Retirement System
Last 10 Years*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 9,739	\$ 10,309
Contributions in relation to the statutorily required contribution	\$ (9,578)	\$ (10,564)
Contribution deficiency (excess)	\$ 161	\$ (255)
Employer's covered - employee payroll	\$ 134,524	\$ 135,713
Contributions as a percentage of covered-employee payroll	7.12%	7.78%

* Complete data for this schedule is not available prior to 2015

Notes to Required Supplementary Information
for the Year Ended December 31, 2016

Changes of Assumptions

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

OTHER SUPPLEMENTARY INFORMATION

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
OTHER SUPPLEMENTARY INFORMATION
Year Ended December 31, 2016

SCHEDULE OF PROJECT COSTS
Project No. 3-38-0028-39
For the Period September 2, 2015 to December 31, 2016

<u>COST ELEMENT</u>	<u>Costs Claimed</u>
Administrative costs	\$ 2,000
Engineering costs	<u>88,800</u>
 Total Project Costs through December 31, 2016	 <u>\$ 90,800</u>
 Federal Share	
Computed at 90% participation rate	\$ 81,720
Federal payments received through November 21, 2016	<u>77,400</u>
Due from federal grant agency	<u>\$ 4,320</u>

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
OTHER SUPPLEMENTARY INFORMATION
Year Ended December 31, 2016

SCHEDULE OF PROJECT COSTS
Project No. 3-38-0028-40
For the Period September 1, 2015 to June 30, 2016

<u>COST ELEMENT</u>	<u>Costs Claimed</u>
Engineering costs	\$ 34,780
Total Project Costs through December 31, 2016	\$ 34,780
Federal Share Computed at 90% participation rate	\$ 31,302
Federal payments received through June 30, 2016	31,302
Due from federal grant agency	\$

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
OTHER SUPPLEMENTARY INFORMATION
Year Ended December 31, 2016

SCHEDULE OF PROJECT COSTS
Project No. 3-38-0028-41
For the Period July 27, 2016 to September 20, 2016

<u>COST ELEMENT</u>	<u>Costs Claimed</u>
Engineering costs	
Basic services	\$ 1,100
Total Project Costs through December 31, 2016	<u>\$ 1,100</u>
Federal Share	
Computed at 90% participation rate	\$ 990
Federal payments received through September 20, 2016	<u>990</u>
Due from federal grant agency	<u>\$</u>

Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
Duane R. Dunn, CPA
Robert A. Piatz, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Chairman and Authority Board
JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **JAMESTOWN REGIONAL AIRPORT AUTHORITY**, a component unit of the CITY OF JAMESTOWN, NORTH DAKOTA, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the **JAMESTOWN REGIONAL AIRPORT AUTHORITY'S** basic financial statements, and have issued our report thereon dated October 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **JAMESTOWN REGIONAL AIRPORT AUTHORITY'S** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **JAMESTOWN REGIONAL AIRPORT AUTHORITY'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **JAMESTOWN REGIONAL AIRPORT 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we considered to be a significant deficiency. (2016-001)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS – continued 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **JAMESTOWN REGIONAL AIRPORT 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*.

Jamestown Regional Airport Authority's Response to Finding

Jamestown Regional Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. Jamestown Regional Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schauer & Associates, P.C.

SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, ND
October 3, 2017

JAMESTOWN REGIONAL AIRPORT AUTHORITY
Jamestown, North Dakota
SCHEDULE OF FINDINGS
Year Ended December 31, 2016

1. Finding 2016-001 Significant Deficiency - Financial Statement Preparation

Condition - Schauer & Associates, P.C. assists the Authority's management in preparing financial statements that are presented, including note disclosures in accordance with generally accepted accounting principles.

Criteria - As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause - The Authority Board feels it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect - Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation - We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

View of Responsible Officials - The Authority Board is aware of this condition. The Board is researching alternative measures to prepare financial statements in conformity with generally accepted accounting principles including note disclosures. Until then, the Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements; however the Board will continue to instruct the Authority administration to provide all requested schedules.