

LEWISTON-NEZPERCE COUNTY REGIONAL AIRPORT  
AUTHORITY

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

# Lewiston-Nez Perce County Regional Airport Authority

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Lewiston-Nez Perce County Regional Airport Authority  
Lewiston, ID 83868

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Lewiston-Nez Perce County Regional Airport Authority ("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***

The Lewiston-Nez Perce County Regional Airport Authority's 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 respective financial position of the governmental activities and each major fund of the Lewiston-Nez Perce County Regional Airport Authority as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that certain GASB No. 68 pension information and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewiston-Nez Perce County Regional Airport Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information, as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016, on our consideration of the Lewiston-Nez Perce County 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 Lewiston-Nez Perce County Regional Airport Authority's internal control over financial reporting and compliance.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh, & Co., P.A.

February 9, 2016

## FINANCIAL SECTION

### BASIC FINANCIAL STATEMENTS

**Lewiston-Nez Perce County Regional Airport Authority**

**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Governmental Activities</b>
	<b>Total</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 291,175
Restricted cash - capital funds	386,974
Receivables, net	205,342
Prepaid expenses	1,031
Total assets	<u>884,522</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Proportionate share of collective deferred outflows of resources	<u>48,815</u>
Total deferred outflows of resources	<u>48,815</u>
<b>LIABILITIES</b>	
Accounts payable	261,307
Accrued payroll and benefits	5,683
Accrued compensated absences	3,063
Unearned revenue	38,759
Other payables	1,539
Due to other funds	-
Net pension liability	<u>106,981</u>
Total liabilities	<u>417,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Proportionate share of collective deferred inflows of resources	<u>69,005</u>
Total deferred inflows of resources	<u>69,005</u>
<b>NET POSITION</b>	
Restricted for capital improvements	335,930
Restricted for marketing	10,546
Unrestricted	<u>100,524</u>
Total net position	<u><u>\$ 447,000</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**Lewiston-Nez Perce County Regional Airport Authority**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Airport operations	\$ 600,092	\$ 645,783	\$ 94,000	\$ -	\$ 139,691
Airport improvements	801,025	262,146	-	575,022	36,143
Change in net pension liability	14,072	-	-	-	(14,072)
Unallocated actual PERSI contributions	(25,045)	-	-	-	25,045
Total governmental activities	<u>\$ 1,390,144</u>	<u>\$ 907,929</u>	<u>\$ 94,000</u>	<u>\$ 575,022</u>	<u>186,807</u>
General revenues:					
Investment income					1,335
Other income					<u>2,799</u>
Total general revenues					<u>4,134</u>
Change in net position					<u>190,941</u>
Net position - beginning					394,203
Prior period adjustment					<u>(138,144)</u>
Net position - ending					<u><u>\$ 447,000</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Lewiston-Nez Perce County Regional Airport Authority

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 291,175	\$ -	\$ 291,175
Receivables, net	34,780	170,562	205,342
Prepaid expenses	1,031	-	1,031
Cash and cash equivalents - restricted	-	386,974	386,974
Total assets	<u>326,986</u>	<u>557,536</u>	<u>884,522</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 39,701	\$ 221,606	\$ 261,307
Accrued payroll and benefits	5,683	-	5,683
Unearned revenue	38,759	-	38,759
Other payables	1,539	-	1,539
Total liabilities	<u>85,682</u>	<u>221,606</u>	<u>307,288</u>
<b>FUND BALANCE</b>			
Non-spendable:			
Prepaid expenses	1,031	-	1,031
Restricted:			
Capital improvements	-	335,930	335,930
Marketing Southside	10,546	-	10,546
Unassigned	229,727	-	229,727
Total fund balance	<u>241,304</u>	<u>335,930</u>	<u>577,234</u>
Total liabilities and fund balance	<u>\$ 326,986</u>	<u>\$ 557,536</u>	<u>\$ 884,522</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**Lewiston-Nez Perce County Regional Airport Authority**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2015**

Total fund balances - Governmental Funds, September 30, 2015	\$ 577,234
Amounts reported for governmental activities in the Statement of Net Position Entity-Wide are different because	
Compensated absences	(3,063)
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:	
Airport's proportionate share of the net pension liability	(106,981)
Proportionate share of collective deferred outflows of resources	48,815
Proportionate share of collective deferred intflows of resources	<u>(69,005)</u>
Net position, September 30, 2015	<u><u>\$ 447,000</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Lewiston-Nez Perce County Regional Airport Authority

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Airport operations	\$ 287,534	\$ -	\$ 287,534
Property lease/rental operations	358,249	-	358,249
Intergovernmental revenues	94,000	166,600	260,600
Passenger facility charges	-	262,146	262,146
Federal Aviation Administration Grants	-	408,422	408,422
Investment income	890	445	1,335
Other income	2,799	-	2,799
Total revenues	<u>743,472</u>	<u>837,613</u>	<u>1,581,085</u>
<b>EXPENDITURES</b>			
Personnel services	339,138	-	339,138
Supplies and materials	53,310	-	53,310
Services and charges	209,316	-	209,316
Airport improvements	-	801,025	801,025
Total expenditures	<u>601,764</u>	<u>801,025</u>	<u>1,402,789</u>
Excess of revenues over expenditures	<u>141,708</u>	<u>36,588</u>	<u>178,296</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (to) from other funds	<u>(52,699)</u>	<u>52,699</u>	<u>-</u>
Net change in fund balances	89,009	89,287	178,296
Fund balances - beginning	152,295	246,643	398,938
Fund balances - ending	<u>\$ 241,304</u>	<u>\$ 335,930</u>	<u>\$ 577,234</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**Lewiston-Nez Perce County Regional Airport Authority**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015**

Total net changes in fund balances for year ended September 30, 2015	\$ 178,296
Amounts reported for governmental activities in the Statement of Activities Entity-Wide are different because:	
Add: Change in compensated absences	1,672
Add: Change in net pension liability	<u>10,973</u>
Change in net position for year ended September 30, 2015	<u>\$ 190,941</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# **Lewiston-Nez Perce County Regional Airport Authority**

## **NOTES TO THE FINANCIAL STATEMENTS September 30, 2015**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Organization**

Lewiston-Nez Perce County Regional Airport Authority ("the Authority") manages a regional airport located in Lewiston, Idaho. The authority was formed in October 2010 when the City of Lewiston Council and the Nez-Perce County Commissioners jointly approved the formation of a separate Joint Airport Authority, under a Joint Powers Agreement. The purpose of the agreement was to create an Authority that would manage airport property and the daily operations of the airport in the City of Lewiston ("the City") in Nez-Perce County, Idaho ("the County"), and implement the Airport Master Plan, a long-range planning document. The City and County have the right to terminate the agreement at any time, by mutual written agreement between the City and County, after giving sufficient notice. The Authority is governed by a Board of Commissioners consisting of five members, two of which were originally appointed by the City, two of which were originally appointed by the County, and one member that was appointed by a majority of the original four members.

The non-capital assets and liabilities, plus the operation of the airport, were turned over to the Authority effective October 1, 2010. Any excess of expenditures, including capital improvements, over revenues is funded equally between the City and the County. The Authority leases all of its real and personal property from the City and the County for the use and benefit of the Authority, with title remaining with the City and County. Lease payments are not to exceed \$10 per year. Title to any capital improvements made, or equipment purchased, by the Authority remains with the City and County.

The Authority uses the real and personal property to generate revenue in the form of landing and parking fees, hangar and facilities rents, and concession and franchise revenues. The Authority is also approved by the Federal Aviation Administration (FAA) to impose and use passenger facility charges (PFC's) for certain approved airport improvement projects, in accordance with section 158.37 of the FAA Regulations (14 CFR 158).

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. During the year ended September 30, 2015, the Authority implemented GASB No. 68, Accounting and Financial Reporting for Pensions. The following notes to the financial statements are an integral part of the Authority's financial statements.

#### **B. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

#### **C. Basis of Presentation – Fund Financial Statements**

These statements provide information about the Authority's government. The emphasis of fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other funds. The Authority only has the following fund type:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities is reported as fund balance.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Basis of Presentation – Fund Financial Statements (Concluded)

The Authority has the following governmental funds, which it considers to be major funds:

- General Fund - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.
- Capital Fund - is used to account for the financial resources accumulated and payments made for the improvement of runways, construction and remodel of facilities and procurement of equipment. This is a budgeted fund, and any fund balances are restricted.

#### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 30 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences, and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

#### E. Budgetary Information

The Authority's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Annual appropriated budgets are adopted for the General and Capital Projects Funds. All fiscal appropriations lapse at year-end.

(Continued)

# **Lewiston-Nez Perce County Regional Airport Authority**

## **NOTES TO THE FINANCIAL STATEMENTS September 30, 2015**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **E. Budgetary Information (Concluded)**

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The Authority publishes the proposed budgets for public review.
- Public hearings are set to obtain taxpayer comments.
- Prior to October 1, the budgets are adopted by the Board of Commissioners and published.
- The final budgets are then filed with the state of Idaho. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of the budgetary control is the functional level at which the Commissioners must approve any over-expenditures of appropriations or transfers of appropriated amounts.

#### **F. Cash and Cash Equivalents**

The Authority considers all cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash and cash equivalents consist of amounts required to be segregated pursuant to the terms governing passenger facility charges received during the fiscal year but not spent for the purpose of capital improvements and are presented as restricted in the Statement of Net Position – Entity-Wide.

#### **G. Accounts Receivable**

Accounts receivable in the General Fund consist of amounts owed to the Authority for rental services, fuel taxes, and advertising services provided by the Authority. Accounts receivable in the Capital projects Fund consist of amounts owed to the Authority for grant-related expenditures to be reimbursed by the Federal Aviation Administration (FAA). Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management has not provided for uncollectible amounts through an allowance for doubtful accounts because they believe that all accounts receivable balances are collectible.

#### **H. Capital Assets**

The Authority leases all of its real and personal property from the City of Lewiston and Nez-Perce County for the use and benefit of the Authority, with the title for such property remaining with the County and the City. Lease payments are not to exceed \$10 per year.

#### **I. Liabilities**

Liabilities shown on the Balance Sheet – Governmental Funds are those that have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming fiscal year, and are reported as an expenditure and fund liability of the governmental fund that will pay it. On the entity-wide statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

(Continued)

# **Lewiston-Nez Perce County Regional Airport Authority**

## **NOTES TO THE FINANCIAL STATEMENTS September 30, 2015**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **J. Accrued Payroll and Benefits**

These amounts consist of accrued wages, accrued employee benefits and payroll taxes payable.

#### **K. Compensated Absences**

The Authority reports compensated absences in accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences. Compensated absences consist of accumulated vacation leave balances that are unpaid by the financial statement date.

Full time, permanent employees, as well as half-time employees, are granted vacation leave in varying amounts up to specified maximums depending on their tenure with the Authority. The maximum vacation accrual for each employee is limited to 120 hours. Employees may accumulate up to 196 hours of sick leave, although unused sick leave is not paid upon termination of employment.

Accumulated vacation that has become due and payable at the end of the fiscal year, which is expected to be paid during the upcoming fiscal year, is reported as an expenditure and fund liability of the governmental fund that will pay it. Accumulated vacation that is expected to be utilized by employees during the upcoming fiscal year is reported as a current obligation in the entity-wide financial statements. Accumulated vacation leave that is not expected to be utilized by employees during the upcoming fiscal year is reported as a noncurrent obligation in the entity-wide financial statements. When an employee terminates employment with the Authority, unused accumulated vacation leave is paid at the employee's hourly rate then in effect.

#### **L. Other Operating Revenues and Expenses**

The principal operating revenues of the Authority are charges to airlines for use of the airport; property leases; concessions and franchise fees; rental operations and intergovernmental revenues. Operating expenditures include personnel services, supplies and materials. And service charges.

#### **M. Revenue Recognition and Unearned Revenue**

The Authority offers annual hangar leases to its customers, who prepay their annual lease amount for the year at the inception of the lease. Management recognizes the portion of total hangar leases that have expired as of fiscal year end as property lease or rental revenue. The unearned portion of the leases that have not expired as of fiscal year end are recorded as unearned revenue in the financial statements.

#### **N. Grant Revenue**

The Authority receives financial assistance from governmental agencies in the form of grants. Revenue is deemed earned and thus recognized when applicable expenditures are recorded. Grant funds received but not earned, if any, at September 30, 2015, are recorded as unearned grant revenue.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement 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 has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

#### P. Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

*Restricted for capital improvements* – This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority had \$335,930 of amounts restricted for capital improvement as of September 30, 2015.

*Restricted for marketing* – This component of net position consists of amounts subject to constraints imposed by Nez Perce County and the City of Lewiston. The Authority had \$10,546 of amounts restricted for marketing as of September 30, 2015.

*Unrestricted* – This component of net position consists of amounts that do not meet the definition of “restricted for capital improvements”.

#### Q. Use of Restricted Resources

When expenditures qualify to be paid out of both restricted and unrestricted resources, it is generally the policy of the Authority to use restricted resources first.

(Continued)

# **Lewiston-Nez Perce County Regional Airport Authority**

## **NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2015**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **R. Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54 requires that fund balance amounts to be properly reported within one of the following fund balance classifications:

*Nonspendable:* The portion of fund balance that is not expected to be converted to cash, such as inventories or prepaid expenses, if any;

*Restricted:* The portion of the fund balance that can be used only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

*Committed:* The portion of the fund balance that can be used only for the specific purposes determined by a formal action of the Authority's Board of Commissioners (the Authority's highest level of decision-making authority);

*Assigned:* The portion of the fund balance that is intended to be used by the Authority for specific purposes, but does not meet the criteria to be classified as restricted or committed; and

*Unassigned:* The residual portion of fund balance for the Authority's General Fund and includes all spendable amounts not included in the other classifications.

#### **S. Fund Balance Spending Policy**

The Authority's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then any remaining fund balance amounts for governmental funds other than the General fund are classified as restricted fund balance.

It is possible for governmental funds other than the General Fund to have negative unassigned fund balances when nonspendable amounts plus restricted amounts exceed the positive fund balance.

#### **T. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Authority.

#### **U. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

#### V. Subsequent Events

The Authority has evaluated subsequent events through February 9, 2016, the dates as of which these financial statements were available to be issued. No material subsequent events have occurred since September 30, 2015 that required recognition or disclosure in these financial statements.

#### W. Pensions

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 Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. 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.

### NOTE 2: CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents on the Authority's books at September 30, 2015 was \$678,149, as follows:

Cash and cash equivalents, Statement of Net Position	\$ 291,175
Restricted cash and cash equivalents, Statement of Net Position	386,974
	<u>\$ 678,149</u>

Cash and cash equivalents consist of cash on hand and deposits held in checking and money market accounts with a local bank. 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's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Bank balances totaled \$680,224 at September 30, 2015. The differences between the carrying amount of cash and cash equivalents on the Authority's books and the bank balances consisted of outstanding checks and deposits not processed by the bank as of September 30, 2015.

A summary of the total insured and uninsured bank balances at September 30, 2015 is as follows:

Total bank balances	\$ 680,224
Portion insured by FDIC	<u>(250,000)</u>
Uninsured bank balances	<u>\$ 430,224</u>

### NOTE 3: RECEIVABLES

Receivables consist of \$34,780 due to the Authority for rental services, fuel taxes, and advertising services provided. Additionally \$170,562 is due from the FAA to the Capital Projects Fund for reimbursement of grant-related expenditures that had not been received as of September 30, 2015.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 4: RESTRICTED ASSETS

Certain proceeds and resources are set aside and classified as restricted assets on the Statement of Net Position – Entity-Wide because their use is limited by an FAA agreement. The Authority receives cash from PFC's that is to be used for capital projects at the airport. In compliance with the FAA agreement, these resources are restricted to cover the costs of capital projects to the airport.

### NOTE 5: DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

The Lewiston-Nez Perce County Regional Airport Authority contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Retirees and beneficiaries receiving benefits	42,657
Terminated employees entitled to but not yet receiving benefits	11,859
Active plan members	67,008
	<u>121,524</u>

#### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2014 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The Authority's contributions were \$25,045 for the year ended September 30, 2015.

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

At September 30, 2015, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, 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 was based on the Authority's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the Authority's proportion was 0.0081241 percent.

For the year ended September 30, 2015, the Authority recognized pension expense of \$14,072. At September 30, 2015 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	\$ 39,372	\$ 12,825
Changes of assumptions	3,896	-
Net difference between projected and actual earnings on pension plan investments	-	56,180
Lewiston-Nez Perce County Airport Authority's contributions subsequent to the measurement date	5,547	-
Total	<u>\$ 48,815</u>	<u>\$ 69,005</u>

\$5,547 reported as 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 ending June 30, 2016.

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

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

#### Year ended June 30:

2016	\$ (10,974)
2017	\$ (10,974)
2018	\$ (10,974)
2019	\$ 7,965
2020	\$ (779)

#### *Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5-10.00%
Salary inflation	3.75%
Investment rate of return	7.1%, net of investment expenses
Cost of Living (COLA) adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Long-Term	
		Target Allocation	Expected Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of investment expenses</b>			<b>7.10%</b>

(Continued)

# Lewiston-Nez Perce County Regional Airport Authority

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2015

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit 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. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's net pension liability (asset) - Authority	\$ 260,567	\$ 106,981	\$ (20,705)

#### *Pension plan fiduciary net position*

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

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

#### *Payables to the pension plan*

At September 30, 2015, the Authority reported no payables to the defined benefit pension plan for legally required employer contributions. The Authority also reported no legally required employee contributions withheld from employee wages but not yet remitted to PERSI.

### NOTE 6: COMMITMENTS

Effective November 1, 2013, the Authority was approved by the FAA to impose and use \$1,073,616 of PFC's to cover the costs of completed and upcoming projects. The agreement allows for the Authority to collect \$4.50 per ticket sold in order to fund these projects, up to the amount improved by the FAA. This agreement is set to expire on March 1, 2019. PFC collections currently retained by the Authority are restricted as such on the Statement of Net Position – Entity-Wide (see Note 4).

(Continued)

# **Lewiston-Nez Perce County Regional Airport Authority**

## **NOTES TO THE FINANCIAL STATEMENTS September 30, 2015**

### **NOTE 7: CONTINGENCIES**

#### Credit Risk

Financial instruments which potentially subject the Authority to concentration of credit risk consist principally of cash and cash equivalents. The Authority maintains its cash in bank deposit accounts at high quality financial institutions. At times, deposit account balances may exceed federally insured limits. The Authority has not experienced any losses from such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Risk Pool

The Authority participates in the Idaho Counties Risk Management Pool (ICRMP) to provide general liability and property insurance. The Authority, along with other participating entities, contributes annual amounts determined by the ICRMP management. As claims arise, they are submitted to and paid by the ICRMP. If necessary, the ICRMP may assess members additional amounts to cover losses. No such additional assessments were made during the fiscal year ended September 30, 2015, or in any of the previous two years.

#### Litigation

The Authority's management is not aware of any pending litigation or claims against the Authority at September 30, 2015. The Authority has no reserve established for the payment of uninsured claims. Expenditures are recognized when amounts are paid.

### **NOTE 8: ECONOMIC DEPENDENCY**

The Authority currently receives a portion of its funding from the City of Lewiston and Nez Perce County. In creating the Authority, the City and County agreed to provide financial support for an unspecified period of time until the Authority is able to function without their financial support. The amounts contributed by the City and County, which are shared equally by both organizations, are not predetermined, but are sufficient to fully cover the costs incurred by the Authority. On a combined basis, the City and County contributed \$260,600, \$292,000 and \$248,430, during 2015, 2014 and 2013, respectively, for both operating and capital purposes.

### **NOTE 9: PRIOR PERIOD ADJUSTMENT**

Beginning net position for the government-wide governmental activities was adjusted in order to implement GASB 68, the new pension accounting standard, which became effective this year and for a correction in the governmental funds. Accordingly, beginning net position was decreased by a net \$138,144, deferred outflows of resources were increased by \$11,502, deferred inflows of resources were increased by \$86,680 and the beginning balance of the Agency's proportional share of the pension plan's collective net pension liability was established at \$62,966. See Note 5 for further disclosures on the pension plan and related accounting.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

**Lewiston-Nez Perce County Regional Airport Authority**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended September 30, 2015**

	<b>Budgeted Amount Original/Final*</b>	<b>Actual Modified Accrual Basis</b>	<b>Variances Favorable/ (Unfavorable) Final to Actual</b>
<b>REVENUES</b>			
Airport Operations	\$ 249,400	\$ 287,534	\$ 38,134
Property lease/rental operations	362,175	358,249	(3,926)
Intergovernmental revenues	94,000	94,000	-
Investment Income	420	890	470
Other income	10,940	2,799	(8,141)
Total revenues	<u>716,935</u>	<u>743,472</u>	<u>26,537</u>
<b>EXPENDITURES</b>			
Personnel services	384,230	339,138	45,092
Supplies and materials	54,930	53,310	1,620
Services and charges	<u>247,448</u>	<u>209,316</u>	<u>38,132</u>
Total expenditures	<u>686,608</u>	<u>601,764</u>	<u>84,844</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>30,327</u>	<u>141,708</u>	<u>111,381</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers to other fund	<u>(30,000)</u>	<u>(52,699)</u>	<u>(22,699)</u>
Net change in fund balances	327	89,009	88,682
Fund balances - beginning	152,295	152,295	-
Fund balances - ending	<u>\$ 152,622</u>	<u>\$ 241,304</u>	<u>\$ 88,682</u>

\*The budget was not amended

**Lewiston-Nez Perce County Airport Authority**

**GASB 68 Required Supplementary Information  
For the Year Ended September 30, 2015**

**Schedule of Employers's Share of Net Pension Liability  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<b>2015</b>
Employer's portion of the net pension liability	0.0081241%
Employer's proportionate share of the net pension liability	\$ 106,981
Employer's covered-employee payroll	\$ 221,246
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	48.35%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of July 1, 2015 (measurement date).

**Schedule of Employer Contributions  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<b>2015</b>
Statutorily required contribution	\$ 25,045
Contributions in relation to the statutorily required contribution	25,045
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 221,246
Contributions as a percentage of covered-employee payroll	11.32%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of September 30, 2015.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

# Lewiston-Nez Perce County Regional Airport Authority

## CAPITAL PROJECTS FUND BUDGETARY COMPARISON SCHEDULE For the Year Ended September 30, 2015

	<u>Budgeted Amount Original/Final*</u>	<u>Actual Modified Accrual Basis</u>	<u>Variances Favorable/ (Unfavorable) Final to Actual</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$ 166,600	\$ 166,600	\$ -
Passenger facility charges	171,875	262,146	90,271
Federal Aviation Administration grants	2,578,125	408,422	(2,169,703)
Investment income	-	445	445
Total revenues	<u>2,916,600</u>	<u>837,613</u>	<u>(2,078,987)</u>
<b>EXPENDITURES</b>			
Airport improvements	<u>3,108,801</u>	<u>801,025</u>	<u>2,307,776</u>
Total expenditures	<u>3,108,801</u>	<u>801,025</u>	<u>2,307,776</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(192,201)</u>	<u>36,588</u>	<u>228,789</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers from other fund	<u>30,000</u>	<u>52,699</u>	<u>22,699</u>
Net change in fund balances	(162,201)	89,287	251,488
Fund balances - beginning	246,643	246,643	-
Fund balances - ending	<u>\$ 84,442</u>	<u>\$ 335,930</u>	<u>\$ 251,488</u>

\*The budget was not amended

# Lewiston-Nez Perce County Regional Airport Authority

## SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED For the Year Ended September 30, 2015

### SOURCES:

PFC collections	\$ 262,146
Interest earned	<u>260</u>
Total sources	<u>262,406</u>

### USES:

Cost of improvements	<u>56,308</u>
Total uses	<u>56,308</u>
Net change in PFC reserve account	206,098
Beginning PFC reserve account	<u>166,446</u>
Ending PFC reserve account	<u><u>\$ 372,544</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

## REPORTS REQUIRED BY GAO

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Lewiston-Nez Perce County Regional Airport Authority  
Lewiston, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, of the Lewiston-Nez Perce County Regional Airport Authority ("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, and have issued our report thereon dated February 9, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

**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 (CONCLUDED)**

**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.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Co., P.A.

February 9, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
COMPLIANCE FOR PASSENGER FACILITY CHARGE (PFC) PROGRAMS**

To the Board of Directors  
Lewiston Nez Perce County Regional Airport Authority  
Lewiston, Idaho

**Report on Compliance**

We have audited Lewiston Nez Perce County Regional Airport (Authority) compliance with the types of compliance requirements described in 14 CFR Part 158 "Passenger Facility Charges" (PFC) that are applicable to the PFC program for the year ended September 30, 2015.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws and regulations applicable to passenger facility charges.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Authority's PFC based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards in 14 CFR Part 158, "Passenger Facility Charges." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the program facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for passenger facility charges. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

**Opinion on Passenger Facility Charges**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended September 30, 2015.

# **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE FOR PASSENGER FACILITY CHARGE (PFC) PROGRAMS (CONCLUDED)**

## **Report on Internal Control over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to passenger facility charges. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with requirements that could have direct and material effect on the program facility charge program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with the standards in 14 CFR Part 158, "Passenger Facility Charges", but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing bases on the requirements of 14 CFR Part 158 that are applicable to Passenger Facility Charges. Accordingly, this report is not suitable for any other purpose.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Co., P.A.

February 9, 2016