

**DURANGO – LA PLATA  
COUNTY AIRPORT**

**FINANCIAL STATEMENTS**

**December 31, 2019**

## TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15-24
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP Budgetary Basis)	25
Schedule of Passenger Facility Charges	26
COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 -28
Independent Auditor's Report on Compliance with the Passenger Facility Charge Program and on Internal Control over Compliance and on the Schedule of Passenger Facility Charges Earned and Expended	29-30
Schedule of Findings and Responses	31



## Independent Auditor's Report

Durango City Council and the La Plata Board of County Commissioners  
Durango-La Plata County Airport  
Durango, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of Durango-La Plata County Airport, which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Durango-La Plata County Airport as of December 31, 2019, and the respective changes in financial positions and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Restatements**

As described in Note 11 to the financial statements, the Airport determined there to be a restatement of prior period balances due to a reclassification of capital assets. This change resulted in a restatement of prior period net position and accumulated depreciation. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis on pages 4-11 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 taken as a whole. The accompanying Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP Budgetary Basis) – 2019 and Schedule of Passenger Facility Charges – 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures – Budget to actual (Non-GAAP Budgetary Basis) and Schedule of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures – Budget to actual (Non-GAAP Budgetary Basis) and Schedule of Passenger Facility Charges are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2021 on our consideration of the Durango-La Plata County Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Durango-La Plata County Airport's 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 Durango-La Plata County Airport's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Denver, Colorado  
February 11, 2021

**DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

December 31, 2019

Within this section of the Durango-La Plata County Airport annual financial report, the Airport management is pleased to provide this narrative and analysis of the financial activities of the Airport for the fiscal year ended December 31, 2019. The Airport’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- Passenger enplanements increased from 190,373 in 2018 to 195,396 in 2019, a 2.6% increase.
- Operating and intergovernmental revenue increased from \$7,112,998 in 2018 to \$11,081,447 in 2019. Intergovernmental revenues increased from \$3,160,659 in 2018 to \$6,557,487 in 2019. Operating revenues increased from \$3,952,339 collected in 2018 to \$4,523,960 in 2019 mainly due to increased rental fees collected and flowage fees.
- Charges for services revenue continued to remain strong as \$3,210,027 was collected in 2018 compared to \$3,972,063 collected in 2019. A largest portion of this revenue is related to fees for parking which represents approximately 63% of the charges for services revenue.
- Airport load factors finished 2019 at 68.6% compared to 74.9% in 2018. A substantial 12% increase in airline seat capacity led to these reduced load factors.
- Long-term debt for the Airport increased during 2019 due to the issuance of Certificates of Participation in the amount of \$3,900,000 for the acquisition of land.
- Net position for 2019 increased by \$5,891,959 and \$2,291,805 in 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report is comprised of three parts:

- Management’s Discuss and Analysis
- Basic Financial Statements
- Supplementary Information

DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2019

**REQUIRED FINANCIAL STATEMENTS**

The Airport’s financial statements report information about the Airport using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

**Statements of Net Position**

The Statements of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to Airport creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the Airport and assessing the liquidity and financial flexibility of the Airport.

**Statements of Revenues, Expenses and Changes in Net Position**

This statement measures the results of the Airport’s operation over the past year and can be used to determine whether the Airport has successfully recovered all its costs through its lease revenue, fuel fees, fuel taxes and other user fees.

**Statements of Cash Flows**

The primary purpose of the Statement of Cash Flows is to report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

**Notes to the Financial Statements**

The notes to the financial statements provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

**Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)**

This schedule reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

**DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**  
December 31, 2019

**FINANCIAL ANALYSIS OF THE AIRPORT**

**NET POSITION**

The Airport’s net position at December 31, 2019 was \$48,668,225. The following table provides a summary of the Airport’s net position.

Condensed Statements of Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2019	2018*		
<b>ASSETS:</b>				
Current assets	\$ 10,316,460	\$ 10,695,115	\$ (378,655)	(3.5%)
Capital assets	<u>43,206,822</u>	<u>32,428,156</u>	<u>10,778,666</u>	<u>33.2%</u>
Total Assets	<u>53,523,282</u>	<u>43,123,271</u>	<u>10,400,011</u>	<u>29.7%</u>
<b>LIABILITIES:</b>				
Current liabilities	1,228,689	294,564	934,125	317.1%
Long-term liabilities	<u>3,626,368</u>	<u>52,441</u>	<u>3,573,927</u>	<u>6815.1%</u>
Total Liabilities	<u>4,855,057</u>	<u>347,005</u>	<u>4,508,052</u>	<u>7132.3%</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	39,306,822	32,428,156	6,878,666	21.2%
Restricted	3,785,035	6,110,685	(2,325,650)	(38.1%)
Unrestricted	<u>5,576,368</u>	<u>4,237,425</u>	<u>1,338,943</u>	<u>31.6%</u>
Total Net Position	<u>\$ 48,668,225</u>	<u>\$ 42,776,266</u>	<u>\$ 5,891,959</u>	<u>14.8%</u>

\*Fiscal year 2018 balances have been restated due to a prior period adjustment. See Note 11 for additional information.

**DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**  
December 31, 2019

**CONDENSED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**

The following table provides a summary of the Airport’s changes in net position for the years ended December 31, 2019 and 2018:

Summary of Changes in Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2019	2018*		
<b>REVENUES:</b>				
Operating Revenues	\$ 4,523,960	\$ 3,952,339	\$ 571,621	14.5%
Non-Operating Revenues	6,718,634	3,310,042	3,408,592	103.0%
Total Revenues	<u>11,242,594</u>	<u>7,262,381</u>	<u>3,980,213</u>	<u>54.8%</u>
<b>EXPENSES:</b>				
Operating Expenses	3,492,178	3,303,904	188,274	5.7%
Non-Operating Expenses	72,508	-	72,508	100.0%
Depreciation	2,541,545	2,736,387	(194,842)	(7.1%)
Total Expenses	<u>6,106,231</u>	<u>6,040,291</u>	<u>65,940</u>	<u>1.1%</u>
Passenger Facility Charges	755,596	737,413	18,183	2.5%
Change in Net Position	5,891,959	1,959,503	3,914,273	199.8%
Beginning Net Position - Restated	<u>42,776,266</u>	<u>40,816,763</u>	<u>1,959,503</u>	<u>4.8%</u>
Ending Net Position	<u>\$ 48,668,225</u>	<u>\$ 42,776,266</u>	<u>\$ 5,891,959</u>	<u>13.8%</u>

\*Fiscal year 2018 balances have been restated due to a prior period adjustment. See Note 11 for additional information.

Total net position for the Airport increased by \$5,891,959 in 2019 compared to 2018. Total revenues increased by 54.8% from 2018 to 2019 due to increased intergovernmental grants while expenses only increased approximately 1.1% from 2018 to 2019.

**DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

December 31, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The following table provides a summary of capital asset activity for the year ended December 31, 2019 and 2018. See Note 3 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

Capital Assets			
	2019 <u>(Restated)</u>	2018 <u>(Restated)</u>	Increase <u>(Decrease)</u>
Non-Depreciable Assets:			
Land and Right of Way	\$ 2,125,516	\$ 1,303,766	\$ 821,750
Construction in Progress	<u>261,208</u>	<u>1,945,024</u>	<u>(1,683,816)</u>
Total Non-Depreciable	<u>2,386,724</u>	<u>3,248,790</u>	<u>(862,066)</u>
Depreciable Assets:			
Buildings, Improvements & Infrastructure	85,737,312	71,667,908	14,069,404
Equipment	<u>6,797,791</u>	<u>6,705,217</u>	<u>92,574</u>
Total Depreciable	<u>92,535,103</u>	<u>78,373,125</u>	<u>14,161,978</u>
Less Accumulated Depreciation	<u>(51,715,005)</u>	<u>(49,193,759)</u>	<u>(2,521,246)</u>
Net Depreciable Assets	<u>40,820,098</u>	<u>29,179,366</u>	<u>11,640,732</u>
Total Capital Assets	<u>\$ 43,206,822</u>	<u>\$ 32,428,156</u>	<u>\$ 10,778,666</u>

**Long-Term Debt**

During the year ended December 31, 2019, the Airport issued Certificates of Participation, Series 2019 in the amount of \$3,900,000. See Note 4 for additional information. The following table provides a summary of long-term debt activity for the year ended December 31, 2019 and 2018.

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019	Due Within One Year
Certificates of Participation, Series 2019	\$ -	\$ 3,900,000	\$ -	\$ 3,900,000	\$ 335,000
Total	<u>\$ -</u>	<u>\$ 3,900,000</u>	<u>\$ -</u>	<u>\$ 3,900,000</u>	<u>\$ 335,000</u>

**DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

December 31, 2019

**MAJOR HIGHLIGHTS AT THE AIRPORT IN 2019**

- Reached an all-time record for annual passenger traffic, with over 195,000 enplanements.
- Implemented the recommendation of the 2018 Airport Rates & Charges study, resulting in a 47% increase in airline revenue for 2019
- Facilitated the addition of two new seasonal airline routes to Chicago and Houston. Year four of seasonal service to Los Angeles was also successfully run.
- Secured over \$7.1 million in Federal Aviation Administration and CDOT Aeronautics grant funding for eligible infrastructure projects.
- Acquired 12.5 acres of commercial land adjacent to existing terminal facilities, allowing for more unconstrained growth alternatives to be considered by the airport to meet its growing demand
- Designed and delivered major construction improvements to the leased airline operating areas of the terminal.
- Finalized the Environmental Assessment for terminal development and initiated a Terminal Area Plan study.
- Updated two of the airport’s key guiding documents (Airport Rules and Regulations, Airport Minimum Standards for Commercial Aeronautical Activities) to ensure that both current activities and future development are consistent with City policy and direction.
- Reconstructed a portion of TWY A, a critical airfield pavement surface.
- Managed the crack repair and seal coat of two vehicle parking lots.
- Managed the road rehabilitation and repairs on two public and non-public roadways.
- Procured and installed a new emergency power generator to support the airfield lighting system.

**BUDGETARY HIGHLIGHTS**

Budget to actual schedules are included as Supplementary Information in the financial statements.

**ECONOMIC CONDITIONS AND NEXT YEAR’S BUDGET**

- The Airport continues to be eligible for Federal Aviation Administration Airport Improvement Program (AIP) grants. New grants will require an 8.12% match, traditionally split between the Colorado State Aeronautics Division and the Airport.
- Demand for commercial airline service at the Durango-La Plata County Airport (DRO) continued its long-term growth pattern in 2019, reaching an all-time record for annual passenger traffic, with over 195,000 enplanements.
- Leakage to competing airports in Albuquerque and Denver remains an ongoing challenge due primarily to high airfares in the Durango market.

DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2019

**ECONOMIC CONDITIONS AND NEXT YEAR’S BUDGET (CONTINUED)**

- Airline seat capacity increased sharply in 2019. This 12% increase by airlines serving DRO resulted in decreased load factors. The Durango market remains a consistently profitable one for airlines due to consistent demand and high airfares. It is projected that airline seat capacity will be moderate in 2020.
- American Airlines displayed strong growth in the market in 2019, with a 5.4% increase in enplaned passengers. United Airlines saw a flat 2019 but remained the narrow market share leader at DRO.
- DRO entered 2020 with healthy passenger enplanement numbers, strong airline seat capacity, and a diverse nonstop route network serving three major hub destinations daily with seasonal service to three additional destinations.
- FY 2020 budget priorities include strengthening DRO’s capital program, diversifying revenue streams, and increasing airport staff through part-time hiring. Sustaining marketing and public relations efforts, re-invigorating air service development efforts to accompany planned facility upgrades, and completing a Terminal Area Plan update, all represent key efforts as well. Lastly, it is anticipated that significant staff resources will be spent focusing on the facilitation of an aggressive construction in progress plan, intended to improve the efficiency and prolong the life of aging airport infrastructure.
- FY 2020 airport operating revenues are projected to total \$4,405,371, with FY 2020 operating expenses projected to total \$4,161,418.
- A rates and charges study was conducted in 2018 and implemented beginning in 2019. The airport’s Cost Per Enplanement (CPE) was previously far below industry standard, and phased increases implemented in 2019 and 2020 have begun to move the airport towards industry average as DRO seeks to maximize its existing revenue sources.
- The COVID-19 pandemic emerged as a worldwide emergency during the first quarter of 2020, which severely impacted in the United States beginning in mid-March of 2020. The aviation industry, and commercial airline traffic in particular, have been heavily impacted by this pandemic. Worldwide passenger traffic has been reduced on an unprecedented scale. Recovery of the industry began in May 2020, and it is anticipated that 3-5 years will pass before 2019 passenger traffic levels are again realized. At DRO, passenger traffic has recovered well ahead of the nationwide average but remains down approximately 50% YTD as of September 2020. Airport operating revenue is strongly tied to passenger traffic levels, with approximately 70% of all revenue sources variable with traffic volume. CARES Act funding of \$2.54 million is forecast to backfill operating deficits in FY20 and FY21 as long-term recovery comes into greater focus. While CARES funding and healthy reserves should fortify the operating budget, capital project funding at DRO will need to be carefully monitored over the coming years as PFC, CFC, and operational surpluses have all fallen dramatically.

DURANGO – LA PLATA COUNTY AIRPORT  
MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2019

**CONTACTING THE AIRPORT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Airport’s finances, comply with finance-related laws and regulations, and demonstrate the Airport’s commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City of Durango Finance Director or the Director of Aviation for the Airport at the City of Durango, 949 E. Second Avenue, Durango, CO 81301.

DURANGO – LA PLATA COUNTY AIRPORT  
STATEMENT OF NET POSITION  
December 31, 2019

ASSETS

CURRENT ASSETS

Cash in Managed Pool	\$	3,569,690
Accounts Receivable		6,731,887
Inventory		14,883
Total Current Assets		10,316,460

PROPERTY AND EQUIPMENT

Land and Right of Way		2,125,516
Buildings, Improvements, and Infrastructure		85,737,312
Equipment		6,797,791
Construction in Process		261,208
Total Property and Equipment		94,921,827
Accumulated Depreciation		(51,715,005)
Net Property and Equipment		43,206,822
Total Assets		53,523,282

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts and Retainage Payable		744,085
Deposits		12,500
Accrued Interest		11,213
Accrued Liabilities		64,523
Compensated Absences - due in one year		61,368
Certifications of Participation - due in one year		335,000
Total Current Liabilities		1,228,689

LONG TERM LIABILITIES

Compensated Absences, net of current portion		61,368
Certificates of Participation, net of current portion		3,565,000
Total Long Term Liabilities		3,626,368
Total Liabilities		4,855,057

NET POSITION

Net Investment in Capital Assets		39,306,822
Restricted		3,785,035
Unrestricted		5,576,368
Total Net Position	\$	48,668,225

DURANGO – LA PLATA COUNTY AIRPORT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2019

OPERATING REVENUES	
Concession Sales and Parking Charges	\$ 2,502,030
Rentals	734,740
Landing and Flowage Fees	477,415
Fuel Sales	257,878
Rental Car Surcharge	438,181
Miscellaneous	110,815
Gain on Sale of Fixed Asset	2,901
Total Operating Revenues	4,523,960
OPERATING EXPENSES	
Depreciation	2,541,545
Personnel Services	1,805,958
Purchased Services	900,850
Supplies	513,893
Utilities	271,477
Total Operating Expenses	6,033,723
OPERATING INCOME (LOSS)	(1,509,763)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	6,557,487
Passenger Facility Charges	755,596
Interest Income	161,147
Interest Expense	(72,508)
Total Non-Operating Revenues (Expenses)	7,401,722
CHANGE IN NET POSITION	5,891,959
NET POSITION, Beginning of Year - Restated	42,776,266
NET POSITION, End of Year	\$ 48,668,225

DURANGO – LA PLATA COUNTY AIRPORT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 4,422,744
Cash Paid to Suppliers	(1,134,566)
Cash Paid to Employees	(1,773,085)
Cash Received from Other Operating Activities	113,716
Net Cash Provided by Operating Activities	<u>1,628,809</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Issuance of Certificates of Participation	3,900,000
Purchase of Property, Plant and Equipment	(13,320,211)
Interest Paid	<u>(61,295)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(9,481,506)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental Revenues Received	698,918
Cash Received from Other Nonoperating Activities	<u>755,596</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,454,514</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	<u>161,147</u>
Net Cash Provided by Investing Activities	<u>161,147</u>
NET DECREASE IN CASH IN MANAGED POOL	(6,237,036)
CASH IN MANAGED POOL - Beginning of Year	<u>9,806,726</u>
CASH IN MANAGED POOL - End of Year	<u>\$ 3,569,690</u>
 <b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Loss from Operations	(1,509,763)
<b>ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Depreciation	2,541,545
Increase/(Decrease) in Assets and Liabilities:	
Inventory	188
Deposits	12,500
Accounts and Retainage Payable	551,466
Accrued Salaries and Vacation	<u>32,873</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,628,809</u>

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

In accordance with governmental accounting standards, the Durango - La Plata County Airport (the Airport) has considered the possibility of inclusion of additional entities in its financial statements. The definition of a reporting entity is based primarily on financial accountability. The Airport is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Airport officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific burdens on, the Airport. The Airport may also be financially accountable for other organizations that are fiscally dependent upon it. Based on the application of this criterion, no additional organizations are includable within the Airport's reporting entity.

The Airport is jointly operated under an Intergovernmental Agreement (IGA) between the City of Durango (City) and La Plata County (County). All property of the Airport is owned 50% by the City and 50% by the County and all costs and expenses are shared in the same proportion. Only the financial transactions of this joint venture are included in this report, and the Airport is not included as a component unit of any other government.

The IGA sets forth the operations of the Airport. The City of Durango is the manager of the Airport and is responsible for the operations of the Airport. The Airport is managed as a City Department and follows all City of Durango regulations, policies, and procedures. All Airport employees are City of Durango employees.

The Durango City Council and the La Plata County Board of County Commissioners appoint an advisory commission to serve in a liaison role to the Durango-La Plata County Airport. The Durango-La Plata County Airport Commission consists of nine members: three citizen members appointed by the Durango City Council; three citizen members appointed by the Board of County Commissioners of La Plata County; two ex-officio members (one of which shall be an elected official or City staff member appointed by the City Council and one of which shall be an elected official or County staff member appointed by the Board of County Commissioners); and one member jointly appointed by the Durango City Council and the Board of County Commissioners.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Accounting**

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. Enterprise funds recognize revenues and expenses on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. The accounting policies of the Airport conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governmental units accounted for as an Enterprise Fund.

**Basis of Accounting**

The Airport distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the Airport's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Airport applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Airport's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, with the exception of contingent lease payments, which are recognized when received, as amounts cannot be reasonably estimated. Expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense, expenditures for property and equipment are shown as increases in assets and payments of capital lease obligations are recorded as a reduction in liabilities. Capital grant proceeds are recognized as a component of other income when the qualifying expenditures under the specific grant are incurred.

**Budgets**

In accordance with the State Budget Law, the Durango City Council holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The budget is also approved by the County. The City Manager can modify the budget by line item within the total appropriation without notification. The City Council must approve additional appropriations. Operating appropriations lapse at year end; however, capital projects approved do not.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Cash in Managed Pool**

For purposes of the statement of cash flows, cash and cash equivalents are considered to be short-term investments with original maturities three months or less from the date of purchase. The Airport considers all cash on hand and on deposit available for immediate withdrawal to be cash and cash equivalents.

**Inventory**

Inventory is stated at the lower of cost or net realizable value using the last-in-first-out method.

**Capital Assets**

Capital assets are recorded at cost except for certain vehicles and land parcels, which have been contributed to the Airport. The contributed assets are stated at their estimated fair value at the date of contribution. The Airport capitalizes all assets with an original cost of \$5,000 or more and an estimated useful life in excess of one year. Depreciation expense has been computed using the straight-line method. Estimated useful lives are:

Buildings and improvements	40 years
Runways and access roads	10 years
Furniture and equipment	5 - 10 years

**Compensated Absences**

Airport employees are entitled to accumulate earned by unused personal time off (PTO). All PTO is accrued as expense when incurred.

**Compliance with Uniform Grant Guidance**

The Airport receives funding from the Federal Aviation Administration and the City of Durango administers these grants. As such, these grants have been included in the City's Single Audit Report.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Passenger Facility Charges**

The Airport collects passenger facility charges on each enplanement in the amount of \$4.50 per passenger. These funds are restricted for specific projects that are approved by the Federal Aviation Administration.

**Customer Facility Charges**

The Airport collects rental car surcharge on each rental car transaction of \$3 per rental day. These funds are restricted by agreements for specific projects that are related to rental car agencies.

**Use of Estimates**

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

**Recently Issued Accounting Standards**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for fiscal years beginning after June 15, 2021.

The impact of this pronouncement on the Airport's financial statements is currently being evaluated and has not yet been fully determined.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 2: CASH DEPOSITS AND INVESTMENTS

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Bank Commissioner is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Airport pools its cash deposits with the City of Durango. As such, at December 31, 2019 all cash deposits are covered by federal depository insurance or collateralized with securities under the Public Deposit Protection Act.

**Investments**

The Airport pools its investments with the City of Durango. Colorado revised statutes and the City's investment policy specifies investment instruments meeting defined rating and risk criteria in which the City may invest:

- Obligations of the United States and certain U.S. Agency securities and the Work Bank
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial Paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts (GICs)

All investments are held in the name of the City of Durango. These investments include U.S. Agency securities, Treasury Notes, and local government investment pools.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 2: CASH DEPOSITS AND INVESTMENTS (CONTINUED)

**Investments (Continued)**

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses from prevailing market interest rates, the City’s investment policy states that the City will minimize the interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City investment policy states that the weighted average maturity of the portfolio shall be no greater than 3 years, and all investments shall have a final maturity not exceeding five years from the date of purchase.

*Credit Risk* – The City’s investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The City’s investment policy limits investments in fixed income securities to U.S. Treasury Bills; U.S. Government Agencies; Certificates of Deposit; Commercial Paper; Investment-grade Obligations of the State; Repurchase Agreements; Money Market Mutual Funds’ and Local Government Investment Pools. The investment policy limits investments in commercial paper to be rated A-1 by Standard & Poor’s, P-1 by Moody’s, or F-1 by Fitch at the time of purchase.

As of December 31, 2019, the City’s investments in local government investment pools (CSAFE and COLOTRUST) were rated AAAM by Standard & Poor’s.

*Concentration of Credit Risk* – It is the intent of the City to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City’s policy specifies that no more than 50 percent of the portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. No more than 10 percent of the portfolio may be invested in each of the following categories of securities:

- Commercial Paper
- Negotiable certificates of deposit
- Banker’s acceptance
- Obligations not fully collateralized or insured

At least 5 percent of the portfolio shall be invested in overnight instruments or in marketable securities which can be sold to raise cash in one day’s notice. The City’s total portfolio was within these limits for the year ended December 31, 2019.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 3: CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019
Capital Assets, Non-Depreciable				
Land and Right of Way	\$ 1,303,766	\$ 821,750	\$ -	\$ 2,125,516
Construction in Progress	1,945,024	7,175,627	(8,859,443)	261,208
Total Capital Assets, Non-Depreciable	<u>3,248,790</u>	<u>7,997,377</u>	<u>(8,859,443)</u>	<u>2,386,724</u>
Capital Assets, Depreciable				
Buildings, Improvements, & Infrastructure	71,667,908	14,069,404	-	85,737,312
Equipment	6,705,217	112,873	(20,299)	6,797,791
Total Capital Assets, Being Depreciated	<u>78,373,125</u>	<u>14,182,277</u>	<u>(20,299)</u>	<u>92,535,103</u>
Accumulated Depreciation*	<u>(49,193,759)</u>	<u>(2,541,545)</u>	<u>20,299</u>	<u>(51,715,005)</u>
Depreciable Capital Assets, Net	<u>29,179,366</u>	<u>11,640,732</u>	<u>-</u>	<u>40,820,098</u>
Total Capital Assets	<u>\$ 32,428,156</u>	<u>\$ 19,638,109</u>	<u>\$ (8,859,443)</u>	<u>\$ 43,206,822</u>

\*See Note 11 for additional documentation related to prior period adjustment and impact to beginning balance of accumulated depreciation.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019	Due Within One Year
Certificates of Participation, Series 2019	\$ -	\$ 3,900,000	\$ -	\$ 3,900,000	\$ 335,000
Compensated Absences	104,882	35,707	(17,853)	122,736	61,368
Total	<u>\$ 104,882</u>	<u>\$ 3,935,707</u>	<u>\$ (17,853)</u>	<u>\$ 4,022,736</u>	<u>\$ 396,368</u>

On June 17, 2019, the City issued Certificates of Participation, Series 2019, in the amount of \$3,900,000, for the purpose of financing the purchase of a parcel of land for the Durango – La Plata County Airport. Payments of principal are due annually on December 1 through 2029. Interest accrues at a rate of 3.450% and is payable semiannually on June 1 and December 1.

Annual debt service requirements for the outstanding Certificates of Participation at December 31, 2019 are as follows:

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 4: LONG-TERM DEBT (CONTINUED)

Year Ending December 31,	Principal	Interest	Total
2020	\$ 335,000	\$ 134,550	\$ 469,550
2021	345,000	122,992	467,992
2022	355,000	111,090	466,090
2023	370,000	98,842	468,842
2024	380,000	86,078	466,078
2025-2029	2,115,000	223,562	2,338,562
Total	<u>\$ 3,900,000</u>	<u>\$ 777,114</u>	<u>\$ 4,677,114</u>

NOTE 5: PENSION

***401A Money Purchase Plan Great West Life***

Effective January 1, 2003, all eligible employees were enrolled in a money purchase plan. The plan offered to eligible participants is a 401(a) Money Purchase Plan administered by the Great West Life and Annuity Insurance Company. The participants are offered various investment options through the plan and are allowed to invest all monies in their account, at their own discretion, among the options. The City may amend, modify, or terminate the Plan, upon approval of such amendment, modification, or termination by 65% of the active participants, provided no amendment or modification shall reduce the account balances of any participant accrued to the date of the change.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees covered by this plan are eligible to participate from the date of employment. The plan defines the City and employee contributions as 11.2% and 9% respectively. The City's contributions for each employee are fully vested in five years. These contributions are vested at 20% at one year, 40% at two years, 60% at 3 years and 80% at 4 years. City contributions, and the interest thereon, for employees who leave employment prior to becoming vested are applied toward the City's obligation to contribute. The Airport's total payroll for the year ended December 31, 2019 was \$1,242,909. The contribution to the plan totaled \$237,363 which consists of \$105,756 contributed by employees and \$131,607 contributed by the Airport.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 6: NET POSITION

Net position is restricted for capital projects related to the following fees collected at the Airport:

Passenger Facility Charges	\$ 887,245
Customer Facility Charges	<u>2,897,790</u>
Total Restricted Net Position	<u>\$ 3,785,035</u>

NOTE 7: RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Airport carries commercial insurance. The Colorado Intergovernmental Risk Sharing Agency (CIRSA) is a public entity risk pool currently operating as a common risk management and insurance program for over 100 municipalities. The City, as a member of the pool, pays annual premiums on behalf of the Airport to CIRSA for its property and casualty insurance and workers' compensation insurance coverage. The bylaws and Intergovernmental Agreement of CIRSA provides that CIRSA will provide coverage through pooling of self-insured losses and the purchase of stop-loss insurance coverage. The Airport also has an Airport Liability policy through ACE Group insurance companies. Claims did not exceed insurance coverage in any of the three prior years.

Benefits are provided to Airport employees by the City's insurance programs. Beginning in 1985, the City has a self-insurance program for medical claims.

NOTE 8: TABOR

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. Management believes its airport operations and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45-1-01, et seq. TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation. The Airport believes it is in compliance with TABOR.

DURANGO – LA PLATA COUNTY AIRPORT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Airport participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Airport may be required to reimburse the grantor government. As of December 31, 2019, significant amounts of grant expenses have not been audited but the Airport believes disallowed expenses, if any, based on subsequent audits will not have a material effect its overall financial position.

NOTE 10: SUBSEQUENT EVENTS

In 2020, the Airport paid in full the principal of and interest on the Certificates of Participation, Series 2019.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world, including the United States. COVID-19 has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. In addition, as a result of the COVID-19 pandemic, many governmental entities, including the State of Colorado, have issued directives limiting travel, reducing social gatherings, and restricting the movement of individuals. At the current time, the duration and the resulting economic fallout of the COVID-19 pandemic crisis is still unknown.

On May 22, 2020, The Hertz Corporation filed a Voluntary Petition with the United States Bankruptcy Court under Chapter 11 of the Bankruptcy Code. The effect on the Airport is not known at this time.

NOTE 11: RESTATEMENT

As the result of a correction of an error, accumulated depreciation was increased and net position was decreased by \$332,302 as of December 31, 2018.

The effect of the restatement as of December 31, 2018 is as follows:

	As Previously Reported	Restated
	<u>          </u>	<u>          </u>
Accumulated Depreciation	\$ 48,861,457	\$ 49,193,759
Net Position	\$ 43,108,568	\$ 42,776,266

DURANGO – LA PLATA COUNTY AIRPORT  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Grants				
Federal	\$ 7,217,323	\$ 7,217,323	\$ 6,184,960	\$ (1,032,363)
State	334,480	334,480	372,527	38,047
Charges for Services	3,362,551	3,362,551	3,972,063	609,512
Passenger Facility Charges	740,000	740,000	755,596	15,596
Rental Car Surcharge	438,000	438,000	438,181	181
Interest Income	90,000	90,000	161,147	71,147
Miscellaneous	293,956	293,956	110,815	(183,141)
Gain on Sale of Fixed Asset	-	-	2,901	2,901
Total Revenues	<u>12,476,310</u>	<u>12,476,310</u>	<u>11,998,190</u>	<u>(478,120)</u>
<b>EXPENDITURES</b>				
Terminal	3,705,686	3,743,947	3,492,178	251,769
Non-Departmental	58,783	58,783	-	58,783
Interest Expense	-	61,295	72,508	(11,213)
Capital Outlay	8,783,634	15,450,242	13,320,211	2,130,031
Total Expenditures	<u>12,548,103</u>	<u>19,314,267</u>	<u>16,884,897</u>	<u>2,429,370</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (71,793)</u>	<u>\$ (6,837,957)</u>	<u>\$ (4,886,707)</u>	<u>\$ 1,951,250</u>
<b>Reconciliation to GAAP</b>				
Revenue to GAAP Basis:				
Operating Revenues			\$ 4,523,960	
Non-Operating Revenues			7,474,230	
Total Actual Revenue Budgetary Basis			<u>11,998,190</u>	
<b>Expense Reconciliation</b>				
Operating Expenses			6,033,723	
Non-Operating Expenses			72,508	
Total Expenses GAAP Basis			<u>6,106,231</u>	
Add: Capital Outlay			13,320,211	
Less: Depreciation			(2,541,545)	
Subtotal			<u>10,778,666</u>	
Total Actual Expenditures Budgetary Basis			<u>\$ 16,884,897</u>	

DURANGO – LA PLATA COUNTY AIRPORT  
SCHEDULE OF PASSENGER FACILITY CHARGES  
REVENUES AND EXPENDITURES

For the Year Ended December 31, 2019 and each quarter during  
the period from January 1, 2019 through December 31, 2019

<u>Agency/Program Grant Title</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
Unexpended passenger facility charges balance, January 1, 2019					\$ 3,713,462
Passenger facility charges collected	182,548	197,662	204,474	170,912	755,596
Interest Income	16,251	18,811	15,698	480	51,240
Passenger facility charges expended Capital Projects	8,705	125,083	316,873	3,182,392	<u>3,633,053</u>
Unexpended passenger facility charges balance, December 31, 2019					<u>\$ 887,245</u>



**Independent Auditor’s 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***

Durango City Council and the La Plata Board of County Commissioners  
Durango – La Plata County Airport  
Durango, Colorado

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 Durango – La Plata County Airport, as of and for the year then ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Durango – La Plata County Airport’s basic financial statements and have issued our report thereon dated February 11, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Durango – La Plata County Airport'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 Durango – La Plata County Airport’s internal control. Accordingly, we do not express an opinion on the effectiveness of Durango – La Plata County Airport’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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Durango – La Plata County Airport '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*.

### **Example Entity's Response to Findings**

Durango – La Plata County Airport's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. Durango – La Plata County Airport'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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Denver, Colorado  
February 11, 2021



CPAs & BUSINESS ADVISORS

**Independent Auditor’s Report on Compliance with the Passenger Facility Charge Program and on Internal Control over Compliance and on the Schedule of Passenger Facility Charges Earned and Expended**

Durango City Council and the La Plata Board of County Commissioners  
Durango – La Plata County Airport  
Durango, Colorado

**Report on Compliance**

We have audited the compliance of the Durango – La Plata County Airport’s (the Airport) compliance with the types of requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on its passenger facility charge program for the quarters ended March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and for the year ended December 31, 2019.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on the Airport’s compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport’s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the passenger facility charge program. However, our audit does not provide a legal determination on the Airport’s compliance.

***Opinion on the Airport’s Passenger Facility Charge Program***

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the quarters ended March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019 and for the year ended December 31, 2019.

**Report on Internal Control over Compliance**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport’s internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over compliance.

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

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

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

### **Report on Schedule of Passenger Facility Charges Earned and Expended**

We have audited the basic financial statements of the Airport as of and for the year ended December 31, 2019, and have issued our report thereon dated February 11, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The accompanying schedule of Passenger Facility Charges Earned and Expended is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 Schedule of Passenger Facility Charges Earned and Expended is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Denver, Colorado

**Section I – Financial Statement Findings**

---

**2019-001      Restatement and Material Audit Adjustment  
Material Weakness**

*Criteria:* The Airport is required to provide accurate GAAP basis financial data for preparation of the annual financial statements. Additionally, a good system of internal accounting control contemplates an adequate system for recording, processing and reconciling account balances to the financial statements.

*Condition:* Management identified an error during 2019 that resulted in a material audit adjustment and restatement to the previously issued December 31, 2018 financial statements, summarized as follows:

- At December 31, 2018, various capital asset expenditures were classified as construction in process, however, were for assets that had been completed as of December 31, 2018 and should have been included in completed assets. As such, when the classification was corrected in 2019, catch up depreciation was calculated on the completed asset, which now includes the additional appropriately classified costs, resulting in an addition to accumulated depreciation as of December 31, 2018.

The errors noted were identified by consultants hired by management to help reconcile the accounting records and prepare the December 31, 2019 financial statement for the airport.

*Cause:* The Airport's financial statement reconciliation controls failed to prevent, or detect on a timely basis, the material error in the financial statements that was noted. Specifically, management failed to identify all components of the completed asset when reclassifying construction in process costs to the completed asset in 2017 and carried forward the construction in process costs from when the project was completed in 2017 through December 31, 2018.

**Section I – Financial Statement Findings (continued)**

---

*Effect:* Depreciation expense and accumulated depreciation was understated on the December 31, 2018 financial statements by a material amount. Management has posted the correcting journal entry for the item noted, which resulted in a restatement of the accumulated depreciation and net position balances previously reported as of December 31, 2018.

*Recommendation:* We recommend management revisit construction in process costs outstanding on a period basis in future years to ensure that they represent valid costs related to ongoing projects still in process, rather than costs associated with completed projects.

*Views of Responsible Officials:* Agreed.