

***DURANGO – LA PLATA
COUNTY AIRPORT***

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITORS' 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 the Durango-La Plata County Airport, as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 auditors' 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 respective financial position of the Durango-La Plata County Airport as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Durango-La Plata County Airport's basic financial statements. The accompanying Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP Budgetary Basis) – 2018 and 2017 and Schedule of Passenger Facility Charges – 2018 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) – 2018 and 2017 and Schedule of Passenger Facility Charges – 2018 are 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 Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP Budgetary Basis) – 2018 and 2017 and Schedule of Passenger Facility Charges – 2018 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019, 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, 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 result 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 Durango-La Plata County Airport's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Broomfield, Colorado
June 12, 2019

DURANGO-LA PLATA COUNTY AIRPORT MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018 and December 31, 2017

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 years ended December 31, 2018 and December 31, 2017. 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 186,491 in 2017 to 190,373 in 2018, a 2.1% increase.
- Operating and intergovernmental revenue increased from \$4,210,818 in 2017 to \$7,112,998 in 2018. Intergovernmental revenues increased from \$290,294 in 2017 to \$3,160,659 in 2018. Operating revenues remained flat with \$3,952,339 collected in 2018 and \$3,920,524 collected in 2017.
- Charges for services revenue continued to remain strong \$3,210,027 was collected in 2018 and \$3,358,777 was collected in 2017. A large portion of this revenue is the fee for parking which represents about 41% of charges for services revenue.
- Airport load factors finished 2018 at 74.9%, up over 3% from 2017.
- Total airline seat capacity decreased from 261,689 in 2017 to 254,176 in 2018, a 2.9% decrease.
- Net position for 2018 increased by \$2,291,805.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report is comprised of three parts:

- Management's Discussion and Analysis
- Financial Statements and Notes to the Financial Statements
- Supplementary Information

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

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 Statement 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 Changes in 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.

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF THE AIRPORT

NET POSITION

The Airport's net position at fiscal year-end was \$43,108,568. The following table provides a summary of the Airport's net position.

Condensed Statements of Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2018	2017		
Assets:				
Current assets	\$ 10,695,115	\$ 9,207,459	\$ 1,487,656	16.2%
Capital assets	<u>32,760,458</u>	<u>31,879,344</u>	<u>881,114</u>	2.8%
Total assets	<u>43,455,573</u>	<u>41,086,803</u>	<u>2,368,770</u>	5.8%
Liabilities:				
Current liabilities	294,564	223,344	71,220	31.9%
Long term liabilities	<u>52,441</u>	<u>46,696</u>	<u>5,745</u>	12.3%
Total liabilities	<u>347,005</u>	<u>270,040</u>	<u>76,965</u>	28.5%
Net position:				
Investment in capital assets	32,760,458	31,879,344	881,114	2.8%
Restricted	6,110,685	5,700,859	409,826	7.2%
Unrestricted	<u>4,237,425</u>	<u>3,236,560</u>	<u>1,000,865</u>	30.9%
Total net position	<u>\$ 43,108,568</u>	<u>\$ 40,816,763</u>	<u>\$ 2,291,805</u>	5.6%

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

The Airport's net position at December 31, 2017 was \$40,816,763. The following table provides a summary of the Airport's net position:

Condensed Statements of Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2017	2016		
Assets:				
Current assets	\$ 9,207,459	\$ 8,101,219	\$ 1,106,240	13.7%
Capital assets	<u>31,879,344</u>	<u>33,872,748</u>	<u>(1,993,404)</u>	-5.9%
Total assets	<u>41,086,803</u>	<u>41,973,967</u>	<u>(887,164)</u>	-2.1%
Liabilities:				
Current liabilities	223,344	512,389	(289,045)	-56.4%
Long term liabilities	<u>46,696</u>	<u>44,342</u>	<u>2,354</u>	5.3%
Total liabilities	<u>270,040</u>	<u>556,731</u>	<u>(286,691)</u>	-51.5%
Net position:				
Investment in capital assets	31,879,344	33,872,748	(1,993,404)	-5.9%
Restricted	5,700,859	4,589,288	1,111,571	24.2%
Unrestricted	<u>3,236,560</u>	<u>2,955,200</u>	<u>281,360</u>	9.5%
Total net position	<u>\$ 40,816,763</u>	<u>\$ 41,417,236</u>	<u>\$ (600,473)</u>	-1.4%

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

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, 2018 and 2017:

Summary of Changes in Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2018	2017		
Revenues:				
Operating Revenues	\$ 3,952,339	\$ 3,920,524	\$ 31,815	0.8%
Non Operating Revenues	<u>3,310,042</u>	<u>290,294</u>	<u>3,019,748</u>	<u>1040.2%</u>
Total revenues	<u>7,262,381</u>	<u>4,210,818</u>	<u>3,051,563</u>	<u>72.5%</u>
Expenses:				
Operating Expense	3,303,904	3,011,976	291,928	9.7%
Depreciation	<u>2,404,085</u>	<u>2,522,876</u>	<u>(118,791)</u>	<u>-4.7%</u>
Total expenses	<u>5,707,989</u>	<u>5,534,852</u>	<u>173,137</u>	<u>3.1%</u>
Capital Contributions	<u>737,413</u>	<u>723,561</u>	<u>13,852</u>	<u>1.9%</u>
Change in net position	<u>2,291,805</u>	<u>(600,473)</u>	<u>2,892,278</u>	<u>481.7%</u>
Beginning net position	<u>40,816,763</u>	<u>41,417,236</u>	<u>(600,473)</u>	<u>-1.4%</u>
Ending net position	<u>\$ 43,108,568</u>	<u>\$ 40,816,763</u>	<u>\$ 2,291,805</u>	<u>5.6%</u>

Total net position for the Airport increased by \$2,291,805 in 2018 compared to 2017. Total revenues increased by 72.5% from 2017 to 2018 due to increased intergovernmental grants while expenditures increased by 3.1% from 2017 to 2018.

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

The following table provides a summary of the Airport's changes in net position for the years ended December 31, 2017 and 2016:

Summary of Changes in Net Position

	Business-Type Activities		Increase (Decrease)	Percentage Change
	2017	2016		
Revenues:				
Operating Revenues	\$ 3,920,524	\$ 3,801,326	\$ 119,198	3.1%
Non Operating Revenues	<u>290,294</u>	<u>5,311,503</u>	<u>(5,021,209)</u>	<u>-94.5%</u>
Total revenues	<u>4,210,818</u>	<u>9,112,829</u>	<u>(4,902,011)</u>	<u>-53.8%</u>
Expenses:				
Operating Expense	3,011,976	2,811,008	200,968	7.1%
Depreciation	<u>2,522,876</u>	<u>2,259,770</u>	<u>263,106</u>	<u>11.6%</u>
Total expenses	<u>5,534,852</u>	<u>5,070,778</u>	<u>464,074</u>	<u>9.2%</u>
Capital Contributions	<u>723,561</u>	<u>733,554</u>	<u>(9,993)</u>	<u>-1.4%</u>
Change in net position	<u>(600,473)</u>	<u>4,775,605</u>	<u>(5,376,078)</u>	<u>-112.6%</u>
Beginning net position	<u>41,417,236</u>	<u>36,641,631</u>	<u>4,775,605</u>	<u>13.0%</u>
Ending net position	<u>\$40,816,763</u>	<u>\$ 41,417,236</u>	<u>\$ (600,473)</u>	<u>-1.4%</u>

Total net position for the Airport decreased by \$600,473 in 2017 compared to 2016. Total revenues decreased by 53.8% from 2016 to 2017 due to increased intergovernmental grants while expenditures increased by 9.2% from 2016 to 2017.

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Capital Assets		Increase (Decrease)
	2018	2017	
Non-depreciable assets:			
Land	\$ 1,303,766	\$ 1,303,766	\$ -
Construction in progress	<u>1,945,024</u>	<u>1,528,565</u>	<u>416,459</u>
Total non-depreciable	<u>3,248,790</u>	<u>2,832,331</u>	<u>416,459</u>
Depreciable assets:			
Buildings, Improvements & Infrastructure	71,667,910	69,305,712	2,362,198
Equipment	<u>6,705,216</u>	<u>6,218,860</u>	<u>486,356</u>
Total depreciable assets	78,373,126	75,524,572	2,848,554
Less accumulated depreciation	<u>48,861,458</u>	<u>46,477,559</u>	<u>2,383,899</u>
Book value- depreciable assets	29,511,668	29,047,013	464,655
Percentage depreciated	<u>62%</u>	<u>62%</u>	
Net Property and Equipment	<u>\$ 32,760,458</u>	<u>\$ 31,879,344</u>	<u>\$ 881,114</u>

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

The following table provides a summary of capital asset activity for the year ended December 31, 2017.

	Capital Assets		Increase
	2017	2016	(Decrease)
Non-depreciable assets:			
Land	\$ 1,303,766	\$ 1,303,766	\$ -
Construction in progress	<u>1,528,565</u>	<u>1,859,661</u>	<u>(331,096)</u>
Total non-depreciable	<u>2,832,331</u>	<u>3,163,427</u>	<u>(331,096)</u>
Depreciable assets:			
Buildings, Improvements & Infrastructure	69,305,712	68,533,941	771,771
Equipment	<u>6,218,860</u>	<u>6,130,063</u>	<u>88,797</u>
Total depreciable assets	75,524,572	74,664,004	860,568
Less accumulated depreciation	<u>46,477,559</u>	<u>43,954,683</u>	<u>2,522,876</u>
Book value- depreciable assets	29,047,013	30,709,321	(1,662,308)
Percentage depreciated	<u>62%</u>	<u>59%</u>	
Net Property and Equipment	<u>\$ 31,879,344</u>	<u>\$ 33,872,748</u>	<u>\$ (1,993,404)</u>

DURANGO-LA PLATA COUNTY AIRPORT MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018 and December 31, 2017

Major Highlights at the Airport in 2018

- Completed a comprehensive Airport Rates and Charges study, resulting in a significant adjustment to airline landing fees and terminal rent.
- Welcomed year three of seasonal service to Los Angeles on American Airlines
- Initiated the acquisition of 12.5 acres of land adjacent to the airport terminal complex
- Finalized the design of an expansion and renovation of airline operating, office, and baggage makeup facilities in the terminal
- Implemented a formal Airport Rules and Regulations document
- Created and adopted an Airport Marketing Plan
- Accepted approximately \$236,000 in FAA grant funding for capital projects
- Completed asphalt rehabilitation in the airport main parking lot and rental car ready return lot
- Acquired a new snow removal equipment chassis and rotary broom
- Continued to facilitate an ongoing Environmental Assessment of the terminal alternatives identified in the Airport Master Plan

Long-term Debt

The Airport does not have any outstanding long term debt.

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, typically split between the Colorado State Aeronautics Division and the Airport.
- Demand for commercial airline service at the Durango-La Plata County Airport resumed its long-term growth pattern in 2018 after plateauing over the previous three years. Leakage to competing airports in Denver and Albuquerque remains an ongoing challenge due primarily to high airfares in the Durango market.
- Airline seat capacity contracted slightly in 2018. This supply discipline by airlines serving DRO resulted in increased load factors. The Durango market remains a profitable one for airlines due to consistent demand and high airfares.

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and December 31, 2017

- United Airlines displayed strong growth in the market in 2018, with a 9.7% increase in enplaned passengers. American Airlines was a 5% decrease in 2018, losing its previous position as market share leader at DRO to United Airlines.
- DRO enters 2019 with healthy passenger enplanement numbers, strong airline seat capacity, and a diverse nonstop route network serving three major hub destinations daily.
- FY 2019 budget priorities include realizing increased airport revenue streams, strengthening DRO's capital program, 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, completing a proposed land acquisition process, and finalizing key airport guiding documents all represent key efforts as well. Lastly, it is anticipated that significant staff resources will be spent focusing on the facilitation of an aggressive 2019 CIP, intended to improve the efficiency and prolong the life of aging airport infrastructure.
- FY 2019 airport operating revenues are projected to total \$3,740,987, a 10% increase from 2018. The largest single revenue source at DRO, the vehicle parking lot, is forecast to experience a 1.3% increase in 2019. Airline terminal rentals and landing fees are forecast to rise 84% and 33% respectively due to a rate increase imposed January 1st, 2019.
- 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 have begun as the airport seeks to maximize its existing revenue sources.
- FY 2019 airport operating expenses are anticipated to total \$3,764,469, a 14% increase from 2018. Notable increases in expenses include part time salaries, overtime, insurance, and vehicle rent.

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

STATEMENTS OF NET POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,806,726	\$ 8,742,176
Accounts Receivable	873,318	436,816
Inventory	15,071	28,467
Total Current Assets	<u>10,695,115</u>	<u>9,207,459</u>
PROPERTY AND EQUIPMENT		
Land and Right of Way	1,303,766	1,303,766
Buildings, Improvements, and Infrastructure	71,667,910	69,305,712
Equipment	6,705,216	6,218,860
Construction in Process	1,945,024	1,528,565
Total Property and Equipment	81,621,916	78,356,903
Accumulated Depreciation	<u>(48,861,458)</u>	<u>(46,477,559)</u>
Net Property and Equipment	<u>32,760,458</u>	<u>31,879,344</u>
Total Assets	<u>43,455,573</u>	<u>41,086,803</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts and Retainage Payable	192,619	126,692
Deposits		370
Compensated Absences-due in one year	52,441	46,696
Accrued Liabilities	49,504	49,586
Total Current Liabilities	<u>294,564</u>	<u>223,344</u>
LONG TERM LIABILITIES		
Compensated Absences net of current portion	<u>52,441</u>	<u>46,696</u>
Total Long Term Liabilities	<u>52,441</u>	<u>46,696</u>
Total Liabilities	<u>347,005</u>	<u>270,040</u>
NET POSITION		
Investment in capital assets	32,760,458	31,879,344
Restricted - Passenger Facility Charges	3,654,927	3,635,236
Restricted - Rental Car Surcharge	2,455,758	2,065,623
Unrestricted	4,237,425	3,236,560
Total Net Position	<u>\$ 43,108,568</u>	<u>\$ 40,816,763</u>

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

DURANGO - LA PLATA COUNTY AIRPORT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Concession Sales and Parking Charges	\$ 2,328,436	\$ 2,364,056
Rentals	444,024	372,045
Landing and Flowage Fees	369,293	363,068
Fuel Sales	235,898	259,608
Rental Car Surcharge	435,158	430,558
Miscellaneous	139,530	131,189
	3,952,339	3,920,524
OPERATING EXPENSES		
Depreciation	2,404,085	2,522,876
Personnel Services	1,654,201	1,514,409
Purchased Services	963,681	809,890
Supplies	421,191	430,384
Utilities	264,831	257,293
	5,707,989	5,534,852
OPERATING LOSS	(1,755,650)	(1,614,328)
NONOPERATING REVENUES		
Intergovernmental Revenue	3,160,659	290,294
Interest Income	149,383	-
	3,310,042	290,294
Total Non-Operating Revenues before Capital Contributions	3,310,042	290,294
CAPITAL CONTRIBUTIONS	737,413	723,561
CHANGE IN NET POSITION	2,291,805	(600,473)
NET POSITION, Beginning of Year	40,816,763	41,417,236
NET POSITION, End of Year	\$ 43,108,568	\$ 40,816,763

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

DURANGO - LA PLATA COUNTY AIRPORT

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 3,731,462	\$ 3,814,710
Cash Paid to Suppliers	(1,570,380)	(1,804,693)
Cash Paid to Employees	(1,642,793)	(1,506,257)
Cash Received from Other Operating Activities	139,530	131,189
Net Cash Provided By Operating Activities	<u>657,819</u>	<u>634,949</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Property, Plant and Equipment	(3,285,199)	(529,472)
Capital Contributions	737,413	723,561
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(2,547,786)</u>	<u>194,089</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES:		
Intergovernmental Revenues Received	2,805,134	5,238,207
Interest Received	149,383	-
Net Cash Provided by Non-Operating Activities	<u>2,954,517</u>	<u>5,238,207</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,064,550	6,067,245
CASH AND CASH EQUIVALENTS - Beginning of Year	8,742,176	2,674,931
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 9,806,726</u>	<u>\$ 8,742,176</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Loss from Operations	(1,755,650)	(1,614,328)
ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	2,404,085	2,522,876
Increase/(Decrease) in Assets and Liabilities:		
Accounts Receivable	(81,347)	25,375
Inventory	13,396	(12,283)
Accounts and Retainage Payable	65,927	(294,843)
Accrued Salaries and Vacation	11,408	8,152
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 657,819</u>	<u>\$ 634,949</u>

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

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 (Continued)

December 31, 2018 and 2017

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 (Continued)

December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include “equity in treasurer’s cash and equivalents,” and “restricted cash and cash equivalents.” Investments are considered cash equivalents with original maturities three months or less from the date of purchase. The Airport considers all cash on hand and cash on deposit available for immediate withdrawal to be cash and cash equivalents.

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. Effective January 1, 2003, 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

Accumulated paid time off at December 31, 2018 and December 31, 2017, for employees of the Airport have been accrued. These compensated absences are recognized as current salary costs when earned.

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.

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compliance with Uniform Grant Guidance

The Airport receives funding from the Federal Aviation Administration and the City of Durango administers this grant. As such, these grants have been audited at the City level in accordance with Uniform Guidance for grant awards.

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. Statutes require that any public depository which accepts and holds public funds maintain, as security for public deposits accepted and held by it, not insured by federal depository insurance, eligible collateral having a market value, at all times, equal to at least one hundred and two percent of the amount of public deposits. Banking institutions are monitored by the State of Colorado Banking Commission and must report monthly on all public deposits held. Pledged collateral must be held in joint custody of the bank and the State of Colorado Banking Commission in accordance with the Public Deposit Protection Act in a safekeeping account held by a third party, usually the Federal Reserve Bank. The pledged collateral cannot be released unless approval is obtained by the banking commission.

The Airport pools its cash deposits with the City of Durango. As such, at December 31, 2018 and 2017, all cash deposits are covered by federal depository insurance and collateralized with securities held by a third party in the name of the Public Deposit Protection Act, as the agent for the City of Durango.

Restricted Cash

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.

The Airport collects rental car surcharge on each rental car transaction. These funds are restricted by agreements for specific projects that are related to rental car agencies.

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

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:

- United States Treasury Obligations
- United States Government Agency and Instrumentality Obligations
- Certificates of Deposit
- Commercial Paper
- Investment-grade Obligations of the State
- Repurchase Agreements
- Money Market Mutual Funds
- Local Government Investment Pools

All investments are held in the name of the City of Durango.

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

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 2: CASH DEPOSITS AND INVESTMENTS (Continued)

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, 2018, 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, 2018.

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 3: CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2018 and December 31, 2017 follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Capital Assets, Non-Depreciable				
Land and Right of Way	\$ 1,303,766	\$ -	\$ -	\$ 1,303,766
Construction in Progress	<u>1,528,565</u>	<u>596,767</u>	<u>(180,308)</u>	<u>1,945,024</u>
Subtotal	<u>2,832,331</u>	<u>596,767</u>	<u>(180,308)</u>	<u>3,248,790</u>
Capital Assets, Depreciable				
Buildings, Improvements, & Infrastructure	69,305,712	2,362,196	-	71,667,908
Equipment	<u>6,218,860</u>	<u>506,544</u>	<u>(20,187)</u>	<u>6,705,217</u>
Total Capital Assets, Being Depreciated	75,524,572	2,868,740	(20,187)	78,373,125
Accumulated Depreciation	<u>(46,477,559)</u>	<u>(2,404,085)</u>	<u>20,187</u>	<u>(48,861,457)</u>
Depreciable Capital Assets, Net	<u>29,047,013</u>	<u>464,655</u>	<u>-</u>	<u>29,511,668</u>
Net Property and Equipment	<u>\$ 31,879,344</u>	<u>\$ 1,061,422</u>	<u>\$ (180,308)</u>	<u>\$ 32,760,458</u>

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 3: CAPITAL ASSETS (Continued)

A summary of changes to capital assets for the year ended December 31, 2017 and December 31, 2016 follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Capital Assets, Non-Depreciable				
Land and Right of Way	\$ 1,303,766	\$ -	\$ -	\$ 1,303,766
Construction in Progress	<u>1,859,661</u>	<u>388,023</u>	<u>(719,119)</u>	<u>1,528,565</u>
Subtotal	<u>3,163,427</u>	<u>388,023</u>	<u>(719,119)</u>	<u>2,832,331</u>
Capital Assets, Depreciable				
Buildings, Improvements, & Infrastructure	68,533,941	771,771	-	69,305,712
Equipment	<u>6,130,063</u>	<u>88,797</u>	<u>-</u>	<u>6,218,860</u>
Total Capital Assets, Being Depreciated	<u>74,664,004</u>	<u>860,568</u>	<u>-</u>	<u>75,524,572</u>
Accumulated Depreciation	<u>(43,954,683)</u>	<u>(2,522,876)</u>	<u>-</u>	<u>(46,477,559)</u>
Depreciable Capital Assets, Net	<u>30,709,321</u>	<u>(1,662,308)</u>	<u>-</u>	<u>29,047,013</u>
Net Property and Equipment	<u>\$ 33,872,748</u>	<u>\$(1,274,285)</u>	<u>\$(719,119)</u>	<u>\$ 31,879,344</u>

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 4: 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, 2018 was \$1,154,616. The contribution to the plan totaled \$233,232 which consists of \$103,915 contributed by employees and \$129,317 contributed by the Airport. The Airport's total payroll for the year ended December 31, 2017 was \$1,093,133. The contribution to the plan totaled \$220,813 which consists of \$98,382 contributed by employees and \$122,431 contributed by the Airport.

NOTE 5: 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.

DURANGO – LA PLATA COUNTY AIRPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

NOTE 6: 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. The Airport is of the opinion that 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. The Airport's annual budget and financial statements are deemed by the Airport to be the annual budget and financial statements of the Enterprise.

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 Section 20, Article X of the Colorado Constitution.

DURANGO - LA PLATA COUNTY AIRPORT

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Grants:				
Federal	\$ 236,591	\$ 236,591	\$ 2,870,150	\$ 2,633,559
State	95,455	95,455	290,509	195,054
Charges for Services	3,024,819	3,024,819	3,210,027	185,208
Passenger Facility Charges	835,000	835,000	737,413	(97,587)
Rental Car Surcharge	450,000	450,000	435,158	(14,842)
Interest Income	110,000	110,000	149,383	39,383
Miscellaneous	887,500	887,500	307,154	(580,346)
Total Revenues	<u>5,639,365</u>	<u>5,639,365</u>	<u>7,999,794</u>	<u>2,360,429</u>
EXPENDITURES:				
Terminal	3,914,856	3,954,856	3,303,904	650,952
Non-Departmental	2,509	2,509	-	2,509
Capital Outlay	1,174,200	4,827,754	1,602,175	3,225,579
Total Expenditures	<u>5,091,565</u>	<u>8,785,119</u>	<u>4,906,079</u>	<u>3,879,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 547,800</u>	<u>\$ (3,145,754)</u>	<u>\$ 3,093,715</u>	<u>\$ 6,239,469</u>
Reconciliation To GAAP			<u>2018</u>	
Revenue GAAP Basis:				
Operating Revenues			\$ 3,952,339	
Non-Operating Revenues			3,310,042	
Capital Contributions			737,413	
Total Actual Revenue Budgetary Basis			<u>7,999,794</u>	
Expense Reconciliation:				
Operating Expenses			<u>5,707,989</u>	
Total Expenses GAAP Basis			<u>5,707,989</u>	
Add: Capital Outlay			1,602,175	
Less: Depreciation			<u>(2,404,085)</u>	
Subtotal			<u>(801,910)</u>	
Total Actual Expenditures Budgetary Basis			<u>\$ 4,906,079</u>	

DURANGO - LA PLATA COUNTY AIRPORT

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Grants:				
Federal	\$ 2,782,273	\$ 2,782,273	\$ 285,147	\$ (2,497,126)
State	122,944	122,944	5,147	(117,797)
Charges for Services	3,189,190	3,189,190	3,358,777	169,587
Passenger Facility Charges	835,000	835,000	723,561	(111,439)
Rental Car Surcharge	450,000	450,000	430,558	(19,442)
Interest Income	106,000	106,000		(106,000)
Miscellaneous	142,800	142,800	131,189	(11,611)
Total Revenues	<u>7,628,207</u>	<u>7,628,207</u>	<u>4,934,379</u>	<u>(2,693,828)</u>
EXPENDITURES:				
Terminal	3,216,290	3,216,290	3,007,269	209,021
Non-Departmental	42,233	42,233	4,707	37,526
Capital Outlay	2,114,000	12,268,129	860,568	11,407,561
Total Expenditures	<u>5,372,523</u>	<u>15,526,652</u>	<u>3,872,544</u>	<u>11,654,108</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,255,684</u>	<u>\$ (7,898,445)</u>	<u>\$ 1,061,835</u>	<u>\$ 8,960,280</u>
Reconciliation To GAAP			<u>2017</u>	
Revenue GAAP Basis:				
Operating Revenues			\$ 3,920,524	
Non-Operating Revenues			290,294	
Capital Contributions			723,561	
Total Actual Revenue Budgetary Basis			<u>4,934,379</u>	
Expense Reconciliation:				
Operating Expenses			5,534,852	
Total Expenses GAAP Basis			<u>5,534,852</u>	
Add: Capital Outlay			860,568	
Less: Depreciation			<u>(2,522,876)</u>	
Subtotal			<u>(1,662,308)</u>	
Total Actual Expenditures Budgetary Basis			<u>\$ 3,872,544</u>	

**City of Durango
Durango-LaPlata County Airport**

*Schedule of Passenger Facility Charges
Revenues and Expenditures
For the Year Ended December 31, 2018 and each quarter during
the period from January 1, 2018 through December 31, 2018*

<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, 2018					\$ 3,693,771
Passenger facility charges collected	63,993	188,128	200,025	285,266	737,413
Interest Income	21,233	17,610	16,778	19,405	75,026
Passenger facility charges expended Capital Projects	792,748				<u>792,748</u>
Unexpended passenger facility charges balance, December 31, 2018					<u>\$ 3,713,462</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Durango-La Plata County Airport, as of and for the year ended December 31, 2018, 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 June 12, 2019.

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. 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 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*.

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 result 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 12, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance

We have audited Durango-La Plata County Airport's (Airport) compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), applicable to Durango-La Plata County Airport's passenger facility charge program for the year ended December 31, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Durango-La Plata County Airport's management.

Auditors' Responsibility

Our responsibility is to express an opinion on Durango-La Plata County Airport's compliance based on our audit.

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 compliance requirements referred to above that could have a 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

Opinion

In our opinion, Durango-La Plata County Airport complied, in all material respects, with the compliance requirements referred to above that are applicable to the passenger facility charge program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance*, is a deficiency, or combination of deficiencies, in internal control over compliance 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 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 significant deficiencies or material weaknesses in internal control over compliance. 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 result 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

We have audited the financial statements of Durango-La Plata County Airport as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements. We issued our report thereon dated June 12, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges revenues and expenditures is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration 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 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, revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 12, 2019

**DURANGO-LA PLATA COUNTY AIRPORT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018**

Section I – Financial Statement Findings

None.

Section II – Summary Schedule of Prior Audit Findings

None.