

DURANGO-LA PLATA COUNTY  
AIRPORT

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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## 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 statements of net position as of December 31, 2020 and 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 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 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, 2020 and 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.

**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 4-10 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) – 2020 and 2019 and Schedule of Passenger Facility Charges – 2020 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 August 18, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado  
August 18, 2021

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

December 31, 2020 and 2019

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Within this section of the Durango-La Plata County Airport (DRO) 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, 2020 and 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 decreased from 195,396 in 2019 to 99,390 in 2020, a 49.1% decrease. The decrease was attributable to the effects of the COVID-19 global pandemic and its impact on air travel demand in 2020.
- Total revenues decreased from \$11,998,190 in 2019 to \$11,586,201 in 2020. Intergovernmental revenues increased from \$6,557,487 in 2019 to 7,847,757 in 2020. Operating revenues decreased from \$4,082,878 collected in 2019 to \$2,968,949 in 2020. All revenues except rental fees decreased, with the largest decline being in concession sales and parking charges.
- Charges for services revenue also decreased as \$3,972,063 was collected in 2019 compared to \$2,615,791 collected in 2020. The largest portion of this revenue is related to fees for parking which represents approximately 55.6% of the charges for services revenue.
- Airline seat capacity decreased from 284,774 in 2019 to 178,901 in 2020, a 37.2% decrease. Airport load factors finished 2020 at 55.6% compared to 68.6% in 2019. The reduced supply (seat capacity) and demand (load factor) can be attributed to the impacts of the COVID-19 global pandemic.
- As a result of grant funding, long-term debt for the Airport decreased during 2020 due to the full payment of principal for the Certificates of Participation in the amount of \$3,900,000 for the acquisition of land.
- Net position for 2020 increased by \$5,298,287 and \$5,891,959 in 2019.

## **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, 2020 and 2019

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**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, 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 (Non-GAAP 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, 2020 and 2019

**FINANCIAL ANALYSIS OF THE AIRPORT NET POSITION**

The Airport's net position at December 31, 2020 was \$53,966,512. The following table provides a summary of the Airport's net position.

Condensed Statements of Net Position

|                                  | 2020                 | 2019                 | 2018                 | 2020/2019<br>Change | 2020/2019 Percent<br>Change |
|----------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------------|
| <b>ASSETS:</b>                   |                      |                      |                      |                     |                             |
| Current assets                   | \$ 10,335,020        | \$ 10,316,460        | \$ 10,695,115        | \$ 18,560           | 0.18%                       |
| Capital assets                   | 44,292,076           | 43,206,822           | 32,428,156           | 1,085,254           | 2.51%                       |
| Total Assets                     | <u>54,627,096</u>    | <u>53,523,282</u>    | <u>43,123,271</u>    | <u>1,103,814</u>    | <u>2.06%</u>                |
| <b>LIABILITIES:</b>              |                      |                      |                      |                     |                             |
| Current liabilities              | 593,497              | 1,228,689            | 294,564              | (635,192)           | -51.70%                     |
| Long-term liabilities            | 67,087               | 3,626,368            | 52,441               | (3,559,281)         | -98.15%                     |
| Total Liabilities                | <u>660,584</u>       | <u>4,855,057</u>     | <u>347,005</u>       | <u>(4,194,473)</u>  | <u>-86.39%</u>              |
| <b>NET POSITION:</b>             |                      |                      |                      |                     |                             |
| Net Investment in Capital Assets | 44,292,076           | 39,306,822           | 32,428,156           | 4,985,254           | 12.68%                      |
| Restricted                       | 4,118,499            | 3,785,035            | 6,110,685            | 333,464             | 8.81%                       |
| Unrestricted                     | 5,555,937            | 5,576,368            | 4,237,425            | (20,431)            | -0.37%                      |
| Total Net Position               | <u>\$ 53,966,512</u> | <u>\$ 48,668,225</u> | <u>\$ 42,776,266</u> | <u>\$ 5,298,287</u> | <u>10.89%</u>               |

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

December 31, 2020 and 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, 2020, 2019 and 2018:

Summary of Changes in Net Position

|                            | 2020                 | 2019                 | 2018                 | 2020/2019<br>Change | 2020/2019<br>Percent Change |
|----------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------------|
| <b>REVENUES:</b>           |                      |                      |                      |                     |                             |
| Operating Revenues         | \$ 2,968,949         | \$ 4,082,878         | \$ 3,952,339         | \$ (1,113,929)      | -27%                        |
| Non-Operating Revenues     | 8,205,437            | 7,159,716            | 3,310,042            | 1,045,721           | 15%                         |
| Total Revenues             | <u>11,174,386</u>    | <u>11,242,594</u>    | <u>7,262,381</u>     | <u>(68,208)</u>     | <u>-1%</u>                  |
| <b>EXPENSES:</b>           |                      |                      |                      |                     |                             |
| Operating Expenses         | 3,136,861            | 3,492,178            | 3,303,904            | (355,317)           | -10%                        |
| Non-Operating Expenses     | 39,617               | 72,508               | -                    | (32,891)            | -45%                        |
| Depreciation               | 3,111,436            | 2,541,545            | 2,736,387            | 569,891             | 22%                         |
| Total Expenses             | <u>6,287,914</u>     | <u>6,106,231</u>     | <u>6,040,291</u>     | <u>181,683</u>      | <u>3%</u>                   |
| Passenger Facility Charges | 411,815              | 755,596              | 737,413              | (343,781)           | -45%                        |
| Change in Net Position     | 5,298,287            | 5,891,959            | 1,959,503            | (593,672)           | -10%                        |
| Beginning Net Position     | 48,668,225           | 42,776,266           | 40,816,763           | 5,891,959           | 14%                         |
| Ending Net Position        | <u>\$ 53,966,512</u> | <u>\$ 48,668,225</u> | <u>\$ 42,776,266</u> | <u>\$ 6,130,314</u> | <u>13%</u>                  |

Total net position for the Airport increased by \$5,298,287 in 2020 compared to 2019. Total revenues remained constant from 2019 to 2020, expenses only increased approximately 3% from 2019 to 2020.

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

December 31, 2020 and 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The following table provides a summary of capital asset activity for the year ended December 31, 2020, 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.

|   | Balance<br>December 31,<br>2020 | Balance<br>December 31,<br>2019 | Balance<br>December 31,<br>2018 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Capital Assets, Non-Depreciable Land and Right of Way | \$ 2,125,516                    | \$ 2,125,516                    | \$ 1,303,766                    |
| Construction in Progress                              | 17,525                          | 261,208                         | 1,945,024                       |
|   | <u>2,143,041</u>                | <u>2,386,724</u>                | <u>3,248,790</u>                |
| Capital Assets, Depreciable                           |                                 |                                 |                                 |
| Buildings, Improvements, & Infrastructure             | 90,152,728                      | 85,737,312                      | 71,667,908                      |
| Equipment   | 6,807,748                       | 6,797,791                       | 6,705,217                       |
|   | <u>96,960,476</u>               | <u>92,535,103</u>               | <u>78,373,125</u>               |
| Accumulated Depreciation                              | <u>(54,811,441)</u>             | <u>(51,715,005)</u>             | <u>(49,193,759)</u>             |
| Depreciable Capital Assets, Net                       | <u>42,149,035</u>               | <u>40,820,098</u>               | <u>29,179,366</u>               |
|   | <u>\$ 44,292,076</u>            | <u>\$ 43,206,822</u>            | <u>\$ 32,428,156</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. During the year ended December 31, 2020, the Airport received grant funds to pay off this debt. See Note 4 for additional information. The following table provides a summary of long-term debt activity for the year ended December 31, 2020, 2019 and 2018.

|                                | Balance at<br>December 31,<br>2020 | Balance at<br>December 31,<br>2019 | Balance at<br>December 31,<br>2018 |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Certificates of Participation, | \$ -                               | \$ 3,900,000                       | \$ -                               |
| Compensated Absences           | 134,174                            | 122,736                            | 104,882                            |
| Total                          | <u>\$ 134,174</u>                  | <u>\$ 4,022,736</u>                | <u>\$ 104,882</u>                  |

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

December 31, 2020 and 2019

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## **MAJOR HIGHLIGHTS AT THE AIRPORT IN 2020**

- Managed a historic global pandemic and the resultant impacts to demand for air travel and aviation services, prioritizing public health throughout the event.
- Secured over \$7.8 million in Federal Aviation Administration and CDOT Aeronautics grant funding for eligible projects.
- Utilized federal and state grant funds to pay off the financing for the 2019 acquisition of 12.5 acres of commercial land adjacent to existing terminal facilities.
- Completed a Terminal Area Plan study to guide the long-term development of terminal facilities and supporting infrastructure. Updated the Airport Layout Plan (ALP) in accordance with FAA guidelines.
- Reconstructed a portion of the Commercial Apron, a critical airfield pavement surface.
- Managed the upgrade of treatment technologies to the airport's water system.
- Managed pavement maintenance projects on the North and South GA Aprons.
- Managed the road rehabilitation and repairs on two public and non-public roadways.
- Procured and installed new no-foam testing equipment for the airport's primary fire rescue vehicle.

## **BUDGETARY HIGHLIGHTS**

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

## **ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET**

- 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, were heavily impacted by this pandemic. Worldwide passenger traffic were reduced on an unprecedented scale. Recovery of the industry is anticipated to take 2-4 years before 2019 passenger traffic levels are again realized. At Durango-La Plata County Airport, passenger traffic has recovered well ahead of the nationwide average but still finished down approximately 49% in 2020. Airport operating revenue is strongly tied to passenger traffic levels, with approximately 70% of all revenue sources variable with traffic volume. Coronavirus Aid, Relief, and Economic Security Act (CARES) funding of \$2.54 million is projected to backfill operating deficits in FY20 and FY21 as long-term recovery comes into greater focus. Subsequent Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and American Rescue Plan Act of 2021 (ARPA) COVID relief funding and healthy reserves are expected to fortify the operating budget and allow for continued investment in capital project funding at DRO.
- 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 DRO tracked far above nationwide averages during a pandemic-impacted 2020. Consistent with nationwide trends, DRO's position serving a market attractive to domestic leisure travel has boosted the pandemic recovery.

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

December 31, 2020 and 2019

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

- Leakage to competing airports in Albuquerque and Denver remains an ongoing challenge due primarily to high airfares in the Durango market.
- American Airlines was the market share leader at DRO in 2020, carrying 57% of traffic. United Airlines carried the remaining 43% of traffic.
- Despite heavy impacts from the pandemic, DRO entered 2021 with proportionately healthy passenger enplanement numbers, strong airline seat capacity, and a diverse nonstop route network serving three major hub destinations daily.
- FY 2021 budget priorities include rebuilding the air service route network, reformulating DRO's capital program, reinvesting in preventative maintenance, exploring diversified revenue streams, and restoring airport staffing levels. Sustaining marketing and public relations efforts to combat passenger leakage, re-invigorating air service development efforts to accompany the pandemic recovery, and facilitating utility system upgrades all represent key efforts as well.
- Airline rates and charges were held flat for 2021 acknowledging the impact of the pandemic on airline revenue. As passenger traffic recovers, the airport's Cost Per Enplanement (CPE) will be re-evaluated as DRO seeks to maximize its existing revenue sources and invest in capital infrastructure.

**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, 2020 and 2019

|   | 2020          | 2019          |
|---|---------------|---------------|
| <u>ASSETS</u>   |               |               |
| CURRENT ASSETS  |               |               |
| Cash in Managed Pool                                  | \$ 8,391,727  | \$ 3,569,690  |
| Accounts Receivable                                   | 1,828,508     | 6,731,887     |
| Prepaid Expenses                                      | 93,333        | -             |
| Inventory   | 21,452        | 14,883        |
| Total Current Assets                                  | 10,335,020    | 10,316,460    |
| PROPERTY AND EQUIPMENT                                |               |               |
| Land and Right of Way                                 | 2,125,516     | 2,125,516     |
| Buildings, Improvements, and Infrastructure           | 90,152,728    | 85,737,312    |
| Equipment   | 6,807,748     | 6,797,791     |
| Construction in Process                               | 17,525        | 261,208       |
| Total Property and Equipment                          | 99,103,517    | 94,921,827    |
| Accumulated Depreciation                              | (54,811,441)  | (51,715,005)  |
| Net Property and Equipment                            | 44,292,076    | 43,206,822    |
| Total Assets  | 54,627,096    | 53,523,282    |
| <u>LIABILITIES AND NET POSITION</u>                   |               |               |
| Current Liabilities                                   |               |               |
| Accounts and Retainage Payable                        | 446,878       | 744,085       |
| Deposits  | 12,500        | 12,500        |
| Accrued Interest                                      | -             | 11,213        |
| Accrued Liabilities                                   | 67,032        | 64,523        |
| Compensated Absences - due in one year                | 67,087        | 61,368        |
| Certificates of Participation - due in one year       | -             | 335,000       |
| Total Current Liabilities                             | 593,497       | 1,228,689     |
| LONG TERM LIABILITIES                                 |               |               |
| Compensated Absences, net of current portion          | 67,087        | 61,368        |
| Certificates of Participation, net of current portion | -             | 3,565,000     |
| Total Long Term Liabilities                           | 67,087        | 3,626,368     |
| Total Liabilities                                     | 660,584       | 4,855,057     |
| NET POSITION  |               |               |
| Net Investment in Capital Assets                      | 44,292,076    | 39,306,822    |
| Restricted  | 4,118,499     | 3,785,035     |
| Unrestricted  | 5,555,937     | 5,576,368     |
| Total Net Position                                    | \$ 53,966,512 | \$ 48,668,225 |

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

DURANGO-LA PLATA COUNTY AIRPORT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2020 and 2019

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>OPERATING REVENUES</b>               |                      |                      |
| Concession Sales and Parking Charges    | \$ 1,454,786         | \$ 2,502,030         |
| Rentals                                 | 938,766              | 734,740              |
| Landing and Flowage Fees                | 333,283              | 477,415              |
| Fuel Sales                              | 147,173              | 257,878              |
| Miscellaneous                           | 94,941               | 110,815              |
| Total Operating Revenues                | 2,968,949            | 4,082,878            |
| <b>OPERATING EXPENSES</b>               |                      |                      |
| Depreciation                            | 3,111,436            | 2,541,545            |
| Personnel Services                      | 1,761,412            | 1,805,958            |
| Purchased Services                      | 721,683              | 900,850              |
| Supplies                                | 385,263              | 513,893              |
| Utilities                               | 268,503              | 271,477              |
| Total Operating Expenses                | 6,248,297            | 6,033,723            |
| <b>OPERATING LOSS</b>                   | <b>(3,279,348)</b>   | <b>(1,950,845)</b>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                      |                      |
| Intergovernmental Revenue               | 7,847,757            | 6,557,487            |
| Passenger Facility Charges              | 411,815              | 755,596              |
| Customer Facility Charges               | 286,242              | 438,181              |
| Interest Income                         | 71,238               | 161,147              |
| Gain on Sale of Fixed Asset             | 200                  | 2,901                |
| Interest Expense                        | (39,617)             | (72,508)             |
| Total Non-Operating Revenues (Expenses) | 8,577,635            | 7,842,804            |
| <b>CHANGE IN NET POSITION</b>           | 5,298,287            | 5,891,959            |
| <b>NET POSITION, Beginning of Year</b>  | 48,668,225           | 42,776,266           |
| <b>NET POSITION, End of Year</b>        | <b>\$ 53,966,512</b> | <b>\$ 48,668,225</b> |

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

DURANGO-LA PLATA COUNTY AIRPORT  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2020 and 2019

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Cash Received from Customers  | \$ 2,838,603        | \$ 3,984,563        |
| Cash Paid to Suppliers  | (1,770,049)         | (1,134,566)         |
| Cash Paid to Employees  | (1,749,974)         | (1,773,085)         |
| Cash Received from Other Operating Activities   | 94,941              | 110,815             |
| Net Cash Provided (Used) by Operating Activities  | <u>(586,479)</u>    | <u>1,187,727</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   | (4,196,690)         | (13,320,211)        |
| Sale of Property, Plant and Equipment   | 200                 | 2,901               |
| Principal paid Certificates of Participation  | (3,900,000)         | -                   |
| Interest Paid   | (50,830)            | (61,295)            |
| Net Cash Used by Capital and Related Financing Activities   | <u>(8,147,320)</u>  | <u>(9,478,605)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                     |                     |
| Intergovernmental Revenues Received   | 12,786,541          | 698,918             |
| Cash Received from Other Nonoperating Activities  | 698,057             | 1,193,777           |
| Net Cash Provided by Noncapital Financing Activities  | <u>13,484,598</u>   | <u>1,892,695</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Interest Received   | 71,238              | 161,147             |
| Net Cash Provided by Investing Activities   | <u>71,238</u>       | <u>161,147</u>      |
| NET INCREASE (DECREASE) IN CASH IN MANAGED POOL   | 4,822,037           | (6,237,036)         |
| CASH IN MANAGED POOL - Beginning of Year  | 3,569,690           | 9,806,726           |
| CASH IN MANAGED POOL - End of Year  | <u>\$ 8,391,727</u> | <u>\$ 3,569,690</u> |
| <b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>         |                     |                     |
| Loss from Operations  | \$ (3,279,348)      | \$ (1,950,845)      |
| <b>ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                     |                     |
| Depreciation  | 3,111,436           | 2,541,545           |
| Increase/(Decrease) in Assets and Liabilities:  |                     |                     |
| Accounts Receivable   | (35,405)            | -                   |
| Prepaid Expenses  | (93,333)            | -                   |
| Inventory   | (6,569)             | 188                 |
| Deposits  | -                   | 12,500              |
| Accounts and Retainage Payable  | (297,207)           | 551,466             |
| Accrued Liabilities   | 2,509               | -                   |
| Accrued Salaries and Vacation   | 11,438              | 32,873              |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES  | <u>\$ (586,479)</u> | <u>\$ 1,187,727</u> |

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

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

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

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

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.

**Accounts Receivable**

The Airport recognizes revenue in the period earned. Accounts receivable are reported net of estimated uncollectible amounts. An allowance for doubtful accounts for the Aviation Enterprise Fund is based on management estimates of uncollectible revenue billings. At December 31, 2020 and 2019 the Airport reports no allowance for doubtful accounts.

**Inventory**

Inventory, which consists of fuel, 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

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.

**Net Position**

Equity is displayed in three components, as follows:

*Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

*Unrestricted* – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, generally it is the Airport’s policy to use restricted resources first and then unrestricted resources when they are needed.

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

NOTE2: 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, 2020 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 World 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, and
- 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

NOTE2: 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, 2020, 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, 2020.

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2020 follows:

|   | <u>Balance</u><br><u>December 31,</u> |              |              | <u>Balance</u><br><u>December 31,</u> |  |  |
|---|---------------------------------------|--------------|--------------|---------------------------------------|--|--|
|   | 2019                                  | Additions    | Deletions    | 2020                                  |  |  |
| Capital Assets, Non-Depreciable           |                                       |              |              |                                       |  |  |
| Land and Right of Way                     | \$ 2,125,516                          | \$ -         | \$ -         | \$ 2,125,516                          |  |  |
| Construction in Progress                  | 261,208                               | 17,525       | (261,208)    | 17,525                                |  |  |
| Total Capital Assets, Non-Depreciable     | 2,386,724                             | 17,525       | (261,208)    | 2,143,041                             |  |  |
| Capital Assets, Depreciable               |                                       |              |              |                                       |  |  |
| Buildings, Improvements, & Infrastructure | 85,737,312                            | 4,415,416    | -            | 90,152,728                            |  |  |
| Equipment                                 | 6,797,791                             | 24,957       | (15,000)     | 6,807,748                             |  |  |
| Total Capital Assets, Being Depreciated   | 92,535,103                            | 4,440,373    | (15,000)     | 96,960,476                            |  |  |
| Accumulated Depreciation                  | (51,715,005)                          | (3,111,436)  | 15,000       | (54,811,441)                          |  |  |
| Depreciable Capital Assets, Net           | 40,820,098                            | 1,328,937    | -            | 42,149,035                            |  |  |
| Total Capital Assets                      | \$ 43,206,822                         | \$ 1,346,462 | \$ (261,208) | \$ 44,292,076                         |  |  |

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

|   | <u>Balance</u><br><u>December 31,</u> |               |                | <u>Balance</u><br><u>December 31,</u> |  |  |
|---|---------------------------------------|---------------|----------------|---------------------------------------|--|--|
|   | 2018                                  | Additions     | Deletions      | 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     | 3,248,790                             | 7,997,377     | (8,859,443)    | 2,386,724                             |  |  |
| 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   | 78,373,125                            | 14,182,277    | (20,299)       | 92,535,103                            |  |  |
| Accumulated Depreciation                  | (49,193,759)                          | (2,541,545)   | 20,299         | (51,715,005)                          |  |  |
| Depreciable Capital Assets, Net           | 29,179,366                            | 11,640,732    | -              | 40,820,098                            |  |  |
| Total Capital Assets                      | \$ 32,428,156                         | \$ 19,638,109 | \$ (8,859,443) | \$ 43,206,822                         |  |  |

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

NOTE4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2020:

|                                | Balance at<br>December 31,<br>2019 | Additions         | Deletions             | Balance at<br>December 31,<br>2020 | Due Within One<br>Year |
|--------------------------------|------------------------------------|-------------------|-----------------------|------------------------------------|------------------------|
| Certificates of Participation, |                                    |                   |                       |                                    |                        |
| Series 2019                    | \$ 3,900,000                       | \$ -              | \$ (3,900,000)        | \$ -                               | \$ -                   |
| Compensated Absences           | 122,736                            | 123,092           | (111,654)             | 134,174                            | 67,087                 |
| <b>Total</b>                   | <b>\$ 4,022,736</b>                | <b>\$ 123,092</b> | <b>\$ (4,011,654)</b> | <b>\$ 134,174</b>                  | <b>\$ 67,087</b>       |

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

|                                | Balance at<br>December 31,<br>2018 | Additions           | Deletions          | Balance at<br>December 31,<br>2019 | Due Within One<br>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                 |
| <b>Total</b>                   | <b>\$ 104,882</b>                  | <b>\$ 3,935,707</b> | <b>\$ (17,853)</b> | <b>\$ 4,022,736</b>                | <b>\$ 396,368</b>      |

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 were due annually on December 1 through 2029. Interest accrued at a rate of 3.450% and was payable semiannually on June 1 and December 1. As the result of a receipt of a grant the Airport paid all of the outstanding principal on the Certificates of Participation during the year ended December 31, 2020.

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.

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

NOTE 5: PENSION (Continued)

***401A Money Purchase Plan Great West Life (Continued)***

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, 2020 was \$1,187,638. The contribution to the plan totaled \$231,427 which consists of \$103,111 contributed by employees and \$128,316 contributed by the Airport.

NOTE 6: NET POSITION

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

|                               | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| Passenger Facility Charges    | \$ 922,594   | \$ 887,245   |
| Customer Facility Charges     | 3,195,905    | 2,897,790    |
| Total Restricted Net Position | \$ 4,118,499 | \$ 3,785,035 |

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.

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

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 may require judicial interpretation. The Airport believes it is in compliance with TABOR.

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, 2020, 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.

**COVID Pandemic**

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, because 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 December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted into law. Division M of that Act is the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (“CRRSA”). CRRSA provides approximately \$2 billion in economic relief to airports to prevent, prepare for, and respond to the COVID-19 public health emergency, including relief from rent and minimum annual guarantees (MAGs) for eligible airport concessions. The Airport has been awarded \$1,861,463 in operational funding and \$41,811 in concession relief funds.

DURANGO-LA PLATA COUNTY AIRPORT NOTES  
TO THE FINANCIAL STATEMENTS

NOTE 10: ADOPTION OF CURRENT GASB PRONOUNCEMENTS

For the year ended December 31, 2020, the Airport implemented the following Governmental Accounting Standards Board (GASB) statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No.88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. These statements did not have a material impact on the Airport’s financial statements.

*Future GASB pronouncements*

In addition, the Airport has reviewed pronouncements which have been issued but not yet implemented. Of those, only GASB Statement No. 87, *Leases* may have a material impact on the Airport. 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 requires 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 liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. On May 6, 2020, GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones GASB 87’s effective date to reporting periods 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.

NOTE 11: SUBSEQUENT EVENTS

On March 11, 2021, the President of the United States signed the American Rescue Plan Act of 2021 (“ARPA”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. In addition to other economic relief, ARPA includes financial relief for certain eligible airports. For eligible airports, ARPA appropriates \$8 billion to assist to prevent, prepare for, and respond to COVID-19, and such amounts remain available until September 30, 2024. ARPA requires that, of the \$8 billion appropriated, not more than \$6.492 billion will be made available for primary airports such as the Airport, for “costs related to operations, personnel, cleaning, sanitation, janitorial services, combating the spread of pathogens at the airport, and debt service payments.” ARPA further appropriates not more than \$608 million to pay a federal share of one hundred percent of the costs for any grant awarded in federal fiscal year 2021 (or in federal fiscal year 2020 with less than a one hundred percent federal share) for any airport redevelopment project, and provides for not more than \$800 million for sponsors of primary airports to provide relief from rent and minimum annual guarantees to airport concessions. To date the Airport has been awarded \$2,757,318 in operational funding and \$167,244 in concession relief funding.

DURANGO-LA PLATA COUNTY  
 AIRPORT SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)  
 For the Year Ended December 31, 2020

|  | Original Budget | Final Budget   | Actual        | Variance<br>Favorable<br>(Unfavorable) |
|--|-----------------|----------------|---------------|--|
| <b>REVENUES</b>                                      |                 |                |               |  |
| Grants   |                 |                |               |  |
| Federal  | \$ 1,031,537    | \$ 2,131,007   | \$ 7,330,304  | \$ 5,199,297                           |
| State  | 403,577         | 1,796,665      | 517,453       | (1,279,212)                            |
| Charges for Services                                 | 3,926,441       | 2,483,883      | 2,615,791     | 131,908                                |
| Passenger Facility Charges                           | 746,025         | 746,025        | 411,815       | (334,210)                              |
| Customer Facility Charges                            | 436,450         | 436,450        | 286,242       | (150,208)                              |
| Interest Income                                      | 50,000          | 170,547        | 71,238        | (99,309)                               |
| Miscellaneous  | 500,007         | 329,460        | 353,158       | 23,698                                 |
| Gain on Sale of Fixed Asset                          | -               | -              | 200           | 200                                    |
| Total Revenues                                       | 7,094,037       | 8,094,037      | 11,586,201    | 3,492,164                              |
| <b>EXPENDITURES</b>                                  |                 |                |               |  |
| Terminal   | 3,672,868       | 4,700,868      | 3,125,423     | 1,575,445                              |
| Non-Departmental                                     | 19,000          | 19,000         | 11,438        | 7,562                                  |
| Debt Service   |                 |                |               |  |
| Principal  | 335,000         | 3,900,000      | 3,900,000     | -                                      |
| Interest Expense                                     | 134,550         | 134,550        | 39,617        | 94,933                                 |
| Capital Outlay                                       | 1,125,470       | 4,063,033      | 4,196,690     | (133,657)                              |
| Total Expenditures                                   | 5,286,888       | 12,817,451     | 11,273,168    | 1,544,283                              |
| Excess (deficiency) of<br>revenues over expenditures | \$ 1,807,149    | (\$ 4,723,414) | \$ 313,033    | \$ 1,947,881                           |
| <b>Reconciliation to GAAP</b>                        |                 |                |               |  |
| Revenue to GAAP Basis                                |                 |                |               |  |
| Operating Revenues                                   |                 |                | \$ 2,968,949  |  |
| Non-Operating Revenues                               |                 |                | 8,617,252     |  |
| Total Actual Revenue Budgetary Basis                 |                 |                | 11,586,201    | -                                      |
| Expense Reconciliation                               |                 |                |               |  |
| Operating Expenses                                   |                 |                | 6,248,297     |  |
| Non-Operating Expenses                               |                 |                | 39,617        |  |
| Total Expenses GAAP Basis                            |                 |                | 6,287,914     |  |
| Add:   |                 |                |               |  |
| Capital Outlay                                       |                 |                | 4,196,690     |  |
| Principal  |                 |                | 3,900,000     |  |
| Less:  |                 |                |               |  |
| Depreciation   |                 |                | (3,111,436)   |  |
| Subtotal   |                 |                | 4,985,254     |  |
| Total Actual Expenditures Budgetary Basis            |                 |                | \$ 11,273,168 |  |

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<br>Favorable<br>(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                                 |
| Customer Facility Charges                            | 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                                       | 12,476,310      | 12,476,310     | 11,998,190     | (478,120)                              |
| <b>EXPENDITURES</b>                                  |                 |                |                |  |
| Terminal   | 3,705,686       | 3,743,947      | 3,492,178      | 251,769                                |
| Non-Departmental                                     | 58,783          | 58,783         | -              | 58,783                                 |
| Debt Service   |                 |                |                |  |
| Principal  | -               | -              | -              | -                                      |
| Interest Expense                                     | -               | 61,295         | 72,508         | (11,213)                               |
| Capital Outlay                                       | 8,783,634       | 15,450,242     | 13,320,211     | 2,130,031                              |
| Total Expenditures                                   | 12,548,103      | 19,314,267     | 16,884,897     | 2,429,370                              |
| Excess (deficiency) of<br>revenues over expenditures | (\$ 71,793)     | (\$ 6,837,957) | (\$ 4,886,707) | (\$ 2,907,490)                         |
| <b>Reconciliation to GAAP</b>                        |                 |                |                |  |
| Revenue to GAAP Basis                                |                 |                |                |  |
| Operating Revenues                                   |                 |                | \$ 4,082,878   |  |
| Non-Operating Revenues                               |                 |                | 7,915,312      |  |
| Total Actual Revenue Budgetary Basis                 |                 |                | 11,998,190     | -                                      |
| Expense Reconciliation                               |                 |                |                |  |
| Operating Expenses                                   |                 |                | 6,033,723      |  |
| Non-Operating Expenses                               |                 |                | 72,508         |  |
| Total Expenses GAAP Basis                            |                 |                | 6,106,231      |  |
| Add:   |                 |                |                |  |
| Capital Outlay                                       |                 |                | 13,320,211     |  |
| Less:  |                 |                |                |  |
| Depreciation   |                 |                | (2,541,545)    |  |
| Subtotal   |                 |                | 10,778,666     |  |
| Total Actual Expenditures Budgetary Basis            |                 |                | \$ 16,884,897  |  |

DURANGO-LA PLATA COUNTY AIRPORT  
SCHEDULE OF PASSENGER FACILITY CHARGES  
REVENUES AND EXPENDITURES  
For the Year Ended December 31, 2020 and each quarter during the  
period from January 1, 2020 through December 31, 2020

| Agency/Program Grant Title  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Total             |
|---|------------------|-------------------|------------------|-------------------|-------------------|
| Unexpended passenger facility charges balance,<br>January 1, 2020 |                  |                   |                  |                   | \$ 887,245        |
| Passenger facility charges collected                              | \$ 180,227       | \$ 41,599         | \$ 98,101        | \$ 91,888         | 411,815           |
| Interest Income   | 3,388            | 1,732             | 936              | 893               | 6,949             |
| Passenger facility charges expended Capital Projects              | 43,905           | 201,992           | 46,563           | 90,955            | 383,415           |
| Unexpended passenger facility charges                             |                  |                   |                  |                   | <u>\$ 922,594</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, 2020, 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 August 18, 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) as a basis for designing 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 financial statements. 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 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.

*Eide Bailly LLP*

Denver, Colorado  
August 18, 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, 2020, June 30, 2020, September 30, 2020, December 31, 2020 and for the year ended December 31, 2020.

***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, 2020, June 30, 2020, September 30, 2020, and December 31, 2020 and for the year ended December 31, 2020.

**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, 2020, and have issued our report thereon dated August 18, 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  
August 18, 2021

**Section I – Financial Statement Findings**

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None.