

DURANGO-LA PLATA COUNTY
AIRPORT

FINANCIAL STATEMENTS

December 31, 2022

DURANGO – LA PLATA COUNTY AIRPORT

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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 Audit of the Financial Statements

Opinion

We have audited accompanying financial statements of the business-type activity of Durango-La Plata County Airport ("the Airport") as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Airport, as of December 31, 2022 and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Airport has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The accompanying Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP Budgetary Basis) – 2022 and Schedule of Passenger Facility Charges are presented for purposes of additional analysis and are 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 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2023 on our consideration of the 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 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 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 Airport's internal control over financial reporting and compliance.



Denver, Colorado
July 19, 2023

DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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, 2022 and 2021. 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 199,677 in 2021 to 183,440 in 2022, an 8% decrease. The decrease was attributable to two primary factors. First, a 10-day runway closure occurred in September 2022 to facilitate the repaving of Runway 3/21. This closure represented an approximate 3% reduction in available seat capacity for the year. Second, airline seat capacity emerged as a sizable limiting factor in the summer 2022. An ongoing nationwide pilot shortage heavily impacted the availability of regional aircraft resources across the country. Markets served predominantly by regional jets, such as DRO, saw flight frequencies reduced not because of lack of customer demand, but rather due to unavailability of airline flight crews.
- Total revenues increased from \$7,864,892 in 2021 to \$22,270,096 in 2022. Intergovernmental revenues increased from \$2,155,571 in 2021 to \$16,241,966 in 2022. Operating revenues increased from \$4,481,069 collected in 2021 to \$4,745,628 in 2022. Operating revenues showed a 5% increase in concession sales and parking charges collected with \$2,765,157 in 2021 and \$2,906,903 in 2022.
- Airline seat capacity decreased from 280,260 in 2021 to 232,539 in 2022, a 17% decrease. Airline load factors finished 2022 at 78.9% compared to 71.2% in 2021. The decreased supply (seat capacity) can be attributed to the nationwide pilot shortage and subsequent drawdown of regional aircraft flight frequencies in 2022. Partially attributable to the decrease in seat supply, load factors rose sharply in 2022. This increase also represents the ongoing strength in passenger demand within the market, despite the challenges with airline seat capacity.
- Net position increased by \$15,382,079 in 2022 and \$939,641 in 2021.

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, 2022

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.

Statement 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.

Statement 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.

Statement 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, 2022

FINANCIAL ANALYSIS OF THE AIRPORT NET POSITION

The Airport's net position as of December 31, 2022 was \$70,288,232. The following table provides a summary of the Airport's net position for the years ended December 31, 2022, 2021 and 2020:

Condensed Statements of Net Position

	2022	2021	2020	2022/2021 Change	2022/2021 Percent Change
ASSETS:					
Current assets	\$ 17,128,595	\$ 13,714,092	\$ 10,335,020	\$ 3,414,503	24.90%
Capital assets	55,645,088	41,804,302	44,292,076	13,840,786	33.11%
Total Assets	72,773,683	55,518,394	54,627,096	17,255,289	31.08%
LIABILITIES:					
Current liabilities	667,178	538,096	593,497	129,082	23.99%
Long-term liabilities	172,590	74,144	67,087	98,446	132.78%
Total Liabilities	839,768	612,240	660,584	227,528	37.16%
Deferred Inflows Related to Leases	1,645,682	-	-	1,645,682	100.00%
Total Liabilities	2,485,450	612,240	660,584	1,873,210	100%
NET POSITION:					
Net Investment in Capital Assets	55,645,088	41,804,302	44,292,076	13,840,786	33.11%
Restricted	5,001,228	5,099,002	4,118,499	(97,774)	-1.92%
Unrestricted	9,641,916	8,002,849	5,555,937	1,639,067	20.48%
Total Net Position	\$ 70,288,232	\$ 54,906,152	\$ 53,966,512	\$ 15,382,079	28.02%

DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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, 2022, 2021 and 2020:

Summary of Changes in Net Position

	2022	2021	2020	2022/2021 Change	2022/2021 Percent Change
REVENUES:					
Operating Revenues	\$ 4,745,629	\$ 4,481,069	\$ 2,968,949	\$ 264,560	5.90%
Non-Operating Revenues	17,524,468	3,383,823	8,617,252	14,140,645	417.89%
Total Revenues	<u>22,270,097</u>	<u>7,864,892</u>	<u>11,586,201</u>	<u>14,405,205</u>	<u>183.16%</u>
EXPENSES:					
Operating Expenses	3,679,110	3,478,528	3,136,861	200,582	5.77%
Non-Operating Expenses	-	-	39,617	-	0.00%
Depreciation	3,208,907	3,446,723	3,111,436	(237,817)	-6.90%
Total Expenses	<u>6,888,017</u>	<u>6,925,251</u>	<u>6,287,914</u>	<u>(37,235)</u>	<u>-0.54%</u>
Change in Net Position	15,382,080	939,640	5,298,287	14,442,440	1537.02%
Beginning Net Position	54,906,152	53,966,512	48,668,225	939,640	1.74%
Ending Net Position	<u>\$ 70,288,232</u>	<u>\$ 54,906,152</u>	<u>\$ 53,966,512</u>	<u>\$ 15,382,079</u>	<u>28.02%</u>

Total net position for the Airport increased by \$15,382,080 in 2022. Total revenues increased approximately 180% from 2021 to 2022 due largely to an increase in intergovernmental revenue, while expenses only decreased approximately 1% from 2021 to 2022.

**DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following table provides a summary of capital asset activity for the year ended December 31, 2022, 2021 and 2020. See Note 3 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

	<u>Balance 12/31/2022</u>	<u>Balance 12/31/2021</u>	<u>Balance 12/31/2020</u>
Capital Assets, Non-Depreciable			
Land and Right of Way	\$ 2,125,516	\$ 2,125,516	\$ 2,125,516
Construction in Progress	1,082,653	772,695	17,525
Total Capital Assets, Non-Depreciable	<u>3,208,169</u>	<u>2,898,211</u>	<u>2,143,041</u>
Capital Assets, Depreciable			
Buildings, Improvements, & Infrastructure	105,989,048	89,425,579	90,152,728
Equipment	7,012,229	6,844,116	6,807,748
Right of Use Lease Assets	2,456	-	-
Total Capital Assets, Being Depreciated	<u>113,003,732</u>	<u>96,269,695</u>	<u>96,960,476</u>
Less Accumulated depreciation/amortization for:			
Right of Use Lease Assets	(2,196)	-	
Accumulated Depreciation	<u>(60,564,617)</u>	<u>(57,363,604)</u>	<u>(54,811,441)</u>
Depreciable Capital Assets, Net	<u>52,436,919</u>	<u>38,906,091</u>	<u>42,149,035</u>
Total Capital Assets	<u>\$ 55,645,088</u>	<u>\$ 41,804,302</u>	<u>\$ 44,292,076</u>

LONG-TERM DEBT

The following table provides a summary of long-term debt activity for the year ended December 31, 2022, 2021 and 2020.

	<u>Balance at 12/31/2022</u>	<u>Balance at 12/31/2021</u>	<u>Balance at 12/31/2020</u>
Compensated Absences	\$ 196,895	\$ 148,288	\$ 134,174
Total	<u>\$ 196,895</u>	<u>\$ 148,288</u>	<u>\$ 134,174</u>

DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

MAJOR HIGHLIGHTS AT THE AIRPORT IN 2022

- Completed the rehabilitation of Runway 3/21 while minimizing project duration and maximizing communication with stakeholders and the community.
- Completed design on Phase 1A of terminal development.
- Completed a financial analysis for Phase 1B of terminal development
- Completed rehabilitation of the airport's south potable water storage tank
- Completed the reconstruction of a portion of Taxiway A
- Completed the rehabilitation of the Commercial Apron
- Expanded the rental car return parking lot

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 in 2020 was reduced on an unprecedented scale. Recovery of the industry began in earnest in 2021, with some markets meeting or exceeding pre-pandemic traffic levels by Q3. Demand for commercial airline service at DRO tracked far above nationwide averages during 2021. Consistent with nationwide trends, DRO's position serving a market attractive to domestic leisure travel boosted the pandemic recovery. The first quarter of 2022 brought moderate pandemic disruption nationwide, with most pandemic impacts then waning for the duration of the year.
- An ongoing nationwide pilot shortage heavily impacted the availability of regional aircraft resources across the country in 2022. Markets served predominantly by regional jets, such as DRO, saw flight frequencies reduced not because of lack of customer demand, but rather due to unavailability of airline flight crews.
- Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) grant funds were fully drawn down by the Airport in 2022. American Rescue Plan Act of 2021 (ARPA) grant funds are anticipated to be fully drawn down upon by the Airport by year-end in 2023.
- 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.

DURANGO-LA PLATA COUNTY AIRPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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.
- United Airlines was the market share leader at DRO in 2022, carrying 49% of traffic. American Airlines carried another 48% of traffic and Frontier Airlines carried the remaining 3% of traffic.
- Despite challenges with airline seat capacity, DRO entered 2023 with generally healthy passenger enplanement numbers, strong load factors, and a diverse nonstop route network serving three major hub destinations daily.
- FY 2023 budget priorities include fortifying the air service route network, executing an ambitious capital program, continuing investment in preventative maintenance, initiating construction on airport terminal expansion, further exploring diversified revenue streams, and augmenting airport staffing levels. Sustaining marketing and public relations efforts to combat passenger leakage and facilitating utility system upgrades all represent key efforts as well.
- Airline rates and charges were increased by 7.5% in 2023 to offset increased operating costs driven by inflation and a large capital program. As passenger traffic demand continues to evolve and the Airport's terminal development program comes into further clarity, 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.

DURANTO - LA PLATA COUNTY AIRPORT
STATEMENT OF NET POSITION
December 31, 2022

	2022
ASSETS	
CURRENT ASSETS	
Cash in Managed Pool	\$ 11,758,296
Accounts Receivable	3,561,803
Prepaid Expenses	80,000
Inventory	34,240
Lease Receivable	1,694,255
Total Current Assets	17,128,595
LONG TERM ASSETS	1,532,778
Total Assets	18,661,373
PROPERTY AND EQUIPMENT	
Land and Right of Way	2,125,516
Buildings, Improvements, and Infrastructure	105,989,048
Equipment	7,012,229
Construction in Process	1,082,653
Total Property and Equipment	116,209,446
Accumulated Depreciation	(60,564,618)
Net Property and Equipment	55,644,828
Right to use Assets	
Equipment	2,456
Accumulated Amortization	(2,196)
Right to use Assets, net	260
Total Capital Assets	55,645,088
Total Assets	72,773,683
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts and Retainage Payable	619,381
Deposits	12,500
Accrued Liabilities	10,684
Compensated Absences - due in one year	24,303
Lease Payable	311
Total Current Liabilities	667,178
LONG TERM LIABILITIES	
Compensated Absences, net of current portion	172,592
Total Long Term Liabilities	172,592
Total Liabilities	839,770
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources - lease related	1,645,682
Total Deferred Inflows of Resources	1,645,682
NET POSITION	
Net Investment in Capital Assets	55,645,088
Restricted	5,001,228
Unrestricted	9,641,916
Total Net Position	\$ 70,288,232

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 Year Ended December 31, 2022

	2022
OPERATING REVENUES	
Concession Sales and Parking Charges	\$ 2,906,903
Rentals	882,235
Landing and Flowage Fees	478,007
Fuel Sales	270,816
Miscellaneous	159,094
Lease Revenue	48,574
Total Operating Revenues	4,745,629
OPERATING EXPENSES	
Depreciation	3,208,907
Personnel Services	2,062,972
Purchased Services	758,251
Supplies	611,791
Utilities	246,095
Total Operating Expenses	6,888,016
OPERATING LOSS	(2,142,388)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	16,241,966
Passenger Facility Charges	711,069
Customer Facility Charges	379,323
Interest Income	192,108
Total Non-Operating Revenues (Expenses)	17,524,466
CHANGE IN NET POSITION	15,382,079
NET POSITION, Beginning of Year	54,906,153
NET POSITION, End of Year	\$ 70,288,232

The accompanying notes are an integral part of these financial statements

DURANGO - LA PLATA COUNTY AIRPORT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 4,753,004
Cash Paid to Suppliers	(1,435,685)
Cash Paid to Employees	(2,014,365)
Cash Received from Other Operating Activities	159,096
Net Cash Provided (Used) by Operating Activities	1,462,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property, Plant and Equipment	(17,049,432)
Cash Received on Lease Receivables, net of liabilities	31,691
Cash Received on Lease Receivables - Interest	16,883
Net Cash Used by Capital and Related Financing Activities	(17,000,858)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental Revenues Received	13,889,159
Cash Received from Other Nonoperating Activities	1,041,818
Net Cash Provided by Noncapital Financing Activities	14,930,977
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	192,110
Net Cash Provided by Investing Activities	192,110
NET INCREASE (DECREASE) IN CASH IN MANAGED POOL	(415,721)
CASH IN MANAGED POOL - Beginning of Year	12,174,017
CASH IN MANAGED POOL - End of Year	\$ 11,758,296
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Loss from Operations	\$ (2,142,388)
ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation	3,208,907
Increase/(Decrease) in Assets and Liabilities:	
Accounts Receivable	166,522
Prepaid Expenses	6,667
Inventory	(4,878)
Accounts and Retainage Payable	200,212
Accrued Liabilities	(21,599)
Compensated Absences	48,607
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,462,050

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.

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

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Board of County Commissioners. 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 are re-appropriated should the project span more than one fiscal year.

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 of 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.

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Airport recognizes revenue in the period earned. Accounts receivables 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, 2022, 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

Lease Receivables

Lease receivables are recorded by the Airport as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the Airport charges the lessee.

Compensated Absences

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows are related to leases where the Airport is the lessor and it is reported in the Airport balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

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.

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 A 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.

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Implementation of GASB Statement No. 87

As of January 1, 2022, the Airport adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased 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. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. As a result of implementing this standard, the Airport recognized a lease receivable and deferred inflow of resources in the amounts of \$1,837,565 and \$1,837,565 as of January 1, 2022, respectively. As a lessee, the Airport also recognized a right of use asset and lease liability of \$2,456 and \$2,456 as of January 1, 2022, respectively. As a result of these adjustments, there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 10.

Rounding

The preparation of the financial statements represents accurate numerical values by using rounding which may cause differences in the statements due to rounding. Rounding a numerical value means replacing it by another value that is approximately equal but shorter, simpler, or more explicit.

NOTE 2: CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for public

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:

CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022, 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' acceptance 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 local government investment pools.

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 three years, and all investments shall have a final maturity not exceeding five years from the date of purchase.

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:

CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022, 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, 2022.

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, 2022, follows:

	Balance 1/1/2022, restated	Additions	Deletions	Transfers	Balance 12/31/2022
Capital Assets, Non-Depreciable					
Land and Right of Way	\$ 2,125,516	\$ -	\$ -	\$ -	\$ 2,125,516
Construction in Progress	772,695	881,200	-	(571,243)	1,082,652
Total Capital Assets, Non-Depreciable	2,898,211	881,200	-	(571,243)	3,208,168
Capital Assets, Depreciable					
Right to use lease Assets	2,456	-	-	-	2,456
Buildings, Improvements, & Infrastructure	89,425,579	15,992,226	-	571,243	105,989,049
Equipment	6,844,116	176,006	(7,893)	-	7,012,229
Total Capital Assets, Being Depreciated	96,272,151	16,168,232	(7,893)	571,243	113,003,734
Accumulated Amortization	-	(2,196)	-	-	(2,196)
Accumulated Depreciation	(57,363,604)	(3,208,907)	7,893	-	(60,564,618)
Depreciable Capital Assets, Net	38,908,547	12,957,129	-	571,243	52,436,920
Total Capital Assets	\$ 41,806,758	\$ 13,838,329	\$ -	\$ -	\$ 55,645,088

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2022:

	Balance at 12/31/2021	Additions	Deletions	Balance at 12/31/2022	Due Within One Year
Compensated Absences	148,288	129,481	(80,875)	196,894	24,303
Total	\$ 148,288	\$ 129,481	\$ (80,875)	\$ 196,894	\$ 24,303

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: PENSION

401(a) 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, 80% at 4 years, and 100% at 5 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 plan allows hardship distributions and can be taken on a lump sum or installment basis. The Airport's total payroll for the year ended December 31, 2022, was \$1,121,832. The contribution to the plan totaled \$241,568 which consists of \$106,669 contributed by employees and \$134,899 contributed by the Airport.

NOTE 6: RESTRICTED NET POSITION

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

	2022
Passenger Facility Charges	\$ 1,270,322
Customer Facility Charges	3,730,906
Total Restricted Net Position	\$ 5,001,228

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: RISK MANAGEMENT

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

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

NOTE 8: TABOR

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

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

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

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, 2022, 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 on its overall financial position.

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.

NOTE 10: LEASES

Lessor

The Airport leases land and buildings for several leases as the Lessor. Lease receivables are recorded by the Airport as the present value of the future lease payments expected to be received from the lessee during the lease terms. Lease receivables are then reduced over the life of the lease as payments are received and applied in the appropriate period. The interest rate used for lease receivables ranges from 1.35% to 3.29% and is based on State and Local Government Series (SLGS) securities statistics. For these leases the Airport is reporting lease receivables of \$1,694,255 and a deferred inflow of resources of \$1,645,682 as of December 31, 2022.

DURANGO – LA PLATA COUNTY AIRPORT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: LEASES (CONTINUED)

Future minimum payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 144,595	\$ 51,069	\$ 195,664
2024	99,026	47,826	146,852
2025	82,727	45,018	127,745
2026	81,951	42,464	124,415
2027	75,374	40,034	115,408
2028 - 2032	391,838	162,443	554,280
2033 - 2037	305,058	106,118	411,176
2038 - 2042	238,659	62,710	301,369
2043 - 2047	178,611	84,118	262,729
2048 - 2052	47,843	3,954	51,797
Total	<u>\$ 1,645,682</u>	<u>\$ 645,754</u>	<u>\$ 2,291,435</u>

Some leases are comprised of fixed and variable payments. Concession lease agreement revenues are based on the greater of an aggregated percentage of gross receipts or a Minimum Annual Guarantee (MAG). Concession agreements are capitalized using the MAG amount and amounts over the MAG are recorded as rental revenue. The Airport Authority received \$286,905 of rental revenue for fiscal year 2022 from the variable component above the minimum.

Short-term Leases

In accordance with GASB No. 87, the Airport does not recognize a lease receivable and deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term of 12 months or less, including options to extend. Short-term leases do not include leases that automatically renew in perpetuity. The Airport recognized lease revenue of \$0 in fiscal year 2022 for short-term leases.

Regulated Leases

The Airport leases hangars, buildings, office space, terminal space, and land that are considered regulated leases that are subject to external laws, regulations or legal rulings, the U.S. Department of Transportation and Federal Aviation Administration (FAA), between airports, air carriers and other aeronautical users. In accordance with GASB No. 87, the Airport Authority does not recognize a lease receivable and deferred inflow of resources for regulated leases. In fiscal year 2022, the Airport recognized lease revenue of \$74,578 for regulated leases.

DURANGO - LA PLATA COUNTY AIRPORT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Grants				
Federal	\$ 17,149,962	\$ 18,150,162	\$ 15,364,328	\$ (2,785,834)
State	396,971	661,310	877,638	216,328
Charges for Services	3,958,634	3,834,106	4,405,663	571,557
Passenger Facility Charges	1,618,983	1,618,983	711,069	(907,914)
Customer Facility Charges	429,836	429,836	379,323	(50,513)
Interest Income	16,000	16,000	192,110	176,110
Lease Revenue	-	-	48,574	48,574
Miscellaneous	352,205	352,205	291,392	(60,813)
Total Revenues	<u>23,922,591</u>	<u>25,062,602</u>	<u>22,270,097</u>	<u>(2,792,505)</u>
EXPENDITURES				
Terminal	-	-	3,630,453	(3,630,453)
Non-Departmental	-	-	48,657	(48,657)
Capital Outlay	24,311,870	30,232,991	17,049,432	13,183,559
Total Expenditures	<u>24,311,870</u>	<u>30,232,991</u>	<u>20,728,542</u>	<u>9,504,449</u>
Excess (deficiency) of revenues over	<u>(\$ 389,279)</u>	<u>(\$ 5,170,389)</u>	<u>\$ 1,541,557</u>	<u>\$ 6,711,944</u>
Reconciliation to GAAP				
Revenue to GAAP Basis				
Operating Revenues			\$4,745,631	
Non-Operating Revenues			17,524,466	
Total Actual Revenue Budgetary Basis			<u>22,270,097</u>	
Expense Reconciliation				
Operating Expenses			6,888,016	
Total Expenses GAAP Basis			<u>6,888,016</u>	
Add:				
Capital Outlay			17,049,432	
Less:				
Depreciation			(3,208,906)	
Subtotal			<u>13,840,525</u>	
Total Actual Expenditures Budgetary Basis			<u>\$20,728,542</u>	

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

For the Year Ended December 31, 2022 and each quarter during
the period from January 1, 2022 through December 31, 2022

Agency/Program Grant Title	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Unexpended passenger facility charges balance, January 1, 2022					\$ 1,488,086
Passenger facility charges collected	\$ 187,175	\$ 187,573	\$ 160,939	\$ 175,382	711,069
Interest Income	548	3,402	6,208	4,856	15,014
Passenger facility charges expended Capital Projects	(20,491)	(5,351)	(638,143)	(279,864)	(943,849)
Unexpended passenger facility charges balance, December 31, 2022					\$ 1,270,320



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 (the Airport), as of and for the year then ended December 31, 2022, 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 July 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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

Denver, Colorado
July 19, 2023



Independent Auditor’s Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Passenger Facility Charges Required by the Passenger Facility Charge Audit Guide for Public Agencies

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

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Durango – La Plata County Airport’s compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) that could have a direct and material effect on its passenger facility charge program for the quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and for the year ended December 31, 2022.

In our opinion, Durango – La Plata County Airport’s complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and for the year ended December 31, 2022.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Durango – La Plata County Airport’s and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of Durango – La Plata County Airport’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Durango – La Plata County Airport’s passenger facility charge program.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Durango – La Plata County Airport’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Durango – La Plata County Airport’s compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Durango – La Plata County Airport’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Durango – La Plata County Airport’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Durango – La Plata County Airport’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Expenditures of Passenger Facility Charges Required by the Guide

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Durango – La Plata County Airport's as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Durango – La Plata County Airport's basic financial statements. We issued our report thereon dated July 19, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by 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 expenditures of passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.



Denver, Colorado
July 19, 2023

Section I – Financial Statement Findings

None.