

COLUMBIA GORGE REGIONAL AIRPORT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

COLUMBIA GORGE REGIONAL AIRPORT

Annual Financial Report For the Fiscal Year Ended June 30, 2019

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OFFICIALS OF THE AIRPORT

COLUMBIA GORGE REGIONAL AIRPORT

OFFICIALS OF THE AIRPORT

AS OF JUNE 30, 2019

BOARD OF DIRECTORS

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The Dalles OR 97058

David Sauter
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AIRPORT ADDRESS

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313 Court Street
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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Columbia Gorge Regional Airport
The Dalles, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Columbia Gorge Regional Airport as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Columbia Gorge Regional Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the Columbia Gorge Regional Airport, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note III (J) to the financial statements, the Columbia Gorge Regional Airport adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, as listed in the table of contents under required supplementary information, 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 management's discussion and analysis 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbia Gorge Regional Airport's basic financial statements. The officials of the airport and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The officials of the airport section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 25, 2019, on our consideration of Columbia Gorge Regional Airport's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
November 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the Columbia Gorge Regional Airport’s (the Airport) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

REPORT CONTENTS

The report consists of enterprise fund financial statements, notes to the financial statements and individual fund schedules. The enterprise fund financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

STATEMENT OF NET POSITION

The Statement of Net Position focuses on the unrestricted net position of the Airport’s proprietary activities. The Statement reflects all assets and liabilities for the Agency.

STATEMENT OF ACTIVITIES

The Statement of Revenues, Expenses and Changes in Net Position focuses on the revenues and program costs of providing airport services to the region.

STATEMENT OF CASH FLOW

The Statement of Cash Flows presents information on the transactions resulting in cash being provided or used. The statement presents this information for Operating Activities, Non-Capital Financing Activities, Capital and Related Financing Activities, and Investing Activities.

ENTERPRISE FUND FINANCIAL STATEMENTS

Summary Statements of Net Position at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 435,891	\$ 109,237
Capital assets, net of depreciation	<u>15,179,649</u>	<u>15,158,555</u>
Total assets	<u>15,615,540</u>	<u>15,267,792</u>
Liabilities		
Long-term liabilities	2,218,898	2,349,782
Other liabilities	<u>190,426</u>	<u>163,935</u>
Total liabilities	<u>2,409,324</u>	<u>2,513,717</u>
Net position		
Net investment in Capital Assets	12,829,867	12,672,739
Restricted	70,119	66,349
Unrestricted (deficit)	<u>306,230</u>	<u>14,987</u>
Total net position	<u>\$ 13,206,216</u>	<u>\$ 12,754,075</u>

The net position of the Airport is primarily invested in capital assets, net of related debt. New construction is primarily related to Taxiway improvements.

A summarized version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Operating revenues	\$ 825,652	\$ 608,762
Capital grants and contributions	133,480	130,000
Other	<u>25,391</u>	<u>10,449</u>
Total revenues	<u>984,523</u>	<u>749,211</u>
Expenses		
Operating expenses	449,203	526,060
Interest on long-term debt	<u>83,179</u>	<u>89,494</u>
Total expenses	<u>532,382</u>	<u>615,554</u>
Increase in net position	452,141	133,657
Net position - beginning	<u>12,754,075</u>	<u>12,620,418</u>
Net position - ending	<u>\$ 13,206,216</u>	<u>\$ 12,754,075</u>

Net position increased during the year by \$452,141, primarily due to the FFA Grant that we received for the Taxi Way Project.

BUDGETARY HIGHLIGHTS

The original legal appropriations for the Airport General Fund totaled \$946,766 with a contingency of \$411,823. Expenditures were \$476,469 under budget.

The original legal appropriations for the Airport Debt Service Fund totaled \$238,056. No changes to the original budget were made to this fund. Expenditures were \$29,327. under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the Airport had investment in capital assets, net of accumulated depreciation, \$15,179,649, consisting primarily of land improvements, such as runways and hangers. Construction in Progress in the amount of \$4,566,308 includes, Taxiway Rehab Project, Flex Hanger Project, and other Airport improvements.

Debt Outstanding

As of June 30, 2019, the Airport has long-term debt outstanding totaling of \$2,218,898. Details of the bond and loans that comprise this debt load can be found the Notes, Section III, items D and E.

ECONOMIC FACTORS

The Columbia Gorge Regional Airport will continue to be an important partner in economic development within the City of The Dalles and Klickitat County, providing a necessary gateway to air transportation for the Columbia Gorge Region. As the Airport expands their facilities, and develops of their business park, the economic viability of the region will increase. In addition, the airport houses Life Flight services, providing emergency medical services to the region.

FINANCIAL CONTACT

Beginning in fiscal year 2017, the City of The Dalles determined the Columbia Gorge Regional Airport should be treated as a joint venture, creating a separate financial statement for the Airport, separate from the City's.

The Airport's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability. If you have questions about the report or need additional financial information, please contact the Airport's Finance Director at 313 Court Street, The Dalles, Oregon 97058.

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

➤ Government-Wide Financial Statements

- Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2019**

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 355,253
Restricted cash and cash equivalents	74,377
Receivables:	
Accounts, net	<u>6,261</u>
 Total current assets	 <u>435,891</u>

NONCURRENT ASSETS:

Capital assets:	
Land	1,498,200
Construction in progress	4,566,308
Depreciable assets, net of depreciation	<u>9,115,141</u>
 Total noncurrent assets	 <u>15,179,649</u>
 Total assets	 <u><u>\$ 15,615,540</u></u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	47,079
Accrued interest payable	12,463
Current portion of long-term debt	<u>130,884</u>
 Total current liabilities	 <u>190,426</u>

NONCURRENT LIABILITIES:

Bonds and notes payable	<u>2,218,898</u>
 Total non current liabilities	 <u>2,218,898</u>
 Total liabilities	 <u>2,409,324</u>

NET POSITION:

Net investment in capital assets	12,829,867
Restricted for:	
Debt service	70,119
Unrestricted	<u>306,230</u>
 Total net position	 <u>13,206,216</u>
 Total liabilities and net position	 <u><u>\$ 15,615,540</u></u>

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

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 For the Fiscal Year Ended June 30, 2019**

OPERATING REVENUES:	
Charges for services	\$ 16,962
Rental income	357,125
Grant	426,000
Miscellaneous	<u>25,565</u>
Total operating revenues	<u>825,652</u>
OPERATING EXPENSES:	
Materials and services	220,176
Depreciation and amortization	<u>229,027</u>
Total operating expenses	<u>449,203</u>
Operating income (loss)	376,449
NON-OPERATING INCOME (EXPENSE):	
Interest on investments	15,241
Interest expense	(83,179)
Intergovernmental	<u>133,480</u>
Total non-operating income (expenses)	<u>65,542</u>
Net income (loss) before transfers and capital contributions	441,991
CAPITAL CONTRIBUTIONS:	
Intergovernmental	<u>10,150</u>
Total capital contributions	<u>10,150</u>
Change in net position	452,141
NET POSITION, BEGINNING	<u>12,754,075</u>
NET POSITION, ENDING	<u><u>\$ 13,206,216</u></u>

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

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 831,921
Payments to suppliers	<u>(189,753)</u>
Net cash provided by operating activities	<u>642,168</u>

**CASH FLOWS FROM
 NON-CAPITAL FINANCING ACTIVITIES**

Proceeds from intergovernmental revenue	<u>133,480</u>
Net cash provided by non-capital financing activities	<u>133,480</u>

**CASH FLOWS FROM CAPITAL AND
 RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(250,121)
Principal paid on long-term obligations	(135,150)
Interest paid on long-term obligations	<u>(82,845)</u>
Net cash provided by capital and related financing activities	<u>(457,966)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>15,241</u>
Net cash provided by investing activities	<u>15,241</u>
Net increase in cash and cash equivalents	332,923

CASH AND CASH EQUIVALENTS, BEGINNING

96,707

CASH AND CASH EQUIVALENTS, ENDING

\$ 429,630

COMPRISED AS FOLLOWS:

Cash and cash equivalents	\$ 355,253
Restricted cash and cash equivalents	<u>74,377</u>
Total cash and cash equivalents	<u>\$ 429,630</u>

**RECONCILIATION OF OPERATING INCOME TO
 NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 376,449
Adjustments	
Depreciation and amortization	228,143
Decrease (increase) in:	
Receivables	6,269
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>31,307</u>
Net cash provided by operating activities	<u>\$ 642,168</u>

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

COLUMBIA GORGE REGIONAL AIRPORT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Fund Structure

In June 1999, the City of The Dalles and Klickitat County entered into an Intergovernmental agreement establishing a Regional Management Authority for the Columbia Gorge Regional Airport (the Airport), which had previously been owned and operated by the City of The Dalles. The Airport Board consists of seven members; three positions appointed by the City, three positions appointed by the County, and one position appointed by the collective board members. In 2002, the City of The Dalles and Klickitat County entered into a joint operating agreement, establishing that the City and the County would each have a one-half undivided interest in the Columbia Gorge Regional Airport and that future costs and benefits would be split accordingly. The City of The Dalles remains fiscally responsible for the outstanding debt of the Columbia Gorge Regional Airport and the Columbia Gorge Regional Airport remains fiscally dependent on the grant revenues flowing through the City of The Dalles.

The accompanying financial statements present all funds for which the Airport is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the Airport is a primary government with no includable component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Airport is accounted for as a business-type activity for financial reporting purposes and its basic financial statements are prepared on the accrual basis of accounting. Under this method, revenues were recorded when earned and expenses are recorded at the time liabilities are incurred.

The Airport distinguishes operating revenues and expenses from non-operation items. Operating revenues generally result from providing services relating to ongoing operations. Operating expenses include the cost of services relating to ongoing operations and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expense.

When both restricted and unrestricted resources are available, it is the Airport's policy to use restricted resources first, then, unrestricted resources, as they are needed.

For financial reporting purposes, management considers the activities relating to the operation of the Airport as those of a unitary nature and those activities are reported as such. For operating and budgetary purposes, the accounts of the Airport are organized on the basis of funds, each of which is considered a separate accounting entity.

The funds of the Airport are as follows:

Fund Type - Enterprise	Principal Revenue Source	Primary Expenditure Purpose
General	Grants and Service Fees	General operating expenses
Debt Service	Interest and Property Rental Fees	Loan Payments

C. Cash and Cash Equivalents

The Airport’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

D. Customer Accounts Receivables

Customer accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management has determined that an allowance for doubtful accounts of \$1,562 is needed as of June 30, 2019 which represents the portion of receivables not expected to be collected.

E. Capital Assets

Capital assets are defined by the Airport as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. The estimated useful lives of capital assets are as follows:

Land Improvements	50 years
Buildings	50 years
Equipment	5-20 years

It is the Airport’s policy to record no depreciation on capital assets in the year of acquisition and a full year of depreciation in the year of disposition.

F. Long-Term Obligations

Long-term debt obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

G. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Restricted net position consists of net earnings for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, or enabling legislation, including self-imposed mandates. Unrestricted net position consists of all other net earnings not included in the above categories.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted as part of the City of The Dalles on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law.

B. Deficit Fund Balances

At June 30, 2019, no funds had a deficit fund balance.

III. DETAILED NOTES

A. Deposits and Investments

Deposits

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Airport's deposits may not be returned. The Airport does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Airport's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2019, the book value of the Airport's deposits was \$106,763 and the bank balance was \$134,920. \$124,920 of the Airport's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

Investments

The Airport has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the Airport's cash position.

Investments in the Oregon State Treasury LGIP are made under the provision of ORS 194.180. These funds are held in the Airport's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at cost, which approximates fair value.

Credit Risk. State statutes authorize the Airport to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The Airport has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Airport is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Airport has no such investments.

Interest Rate Risk. The Airport has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments held by the Airport at June 30, 2019 are as follows:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 322,864
Total cash equivalents	0.00	\$ 322,864

B. Receivables

Receivables represent amounts due to the Airport at June 30, 2019 from service charges.

C. Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, non-depreciable:				
Land	\$ 1,498,200	\$ -	\$ -	\$ 1,498,200
Construction in progress	4,316,187	250,121	-	4,566,308
Total capital assets, non-depreciable	<u>5,814,387</u>	<u>250,121</u>	<u>-</u>	<u>6,064,508</u>
Capital assets, depreciable:				
Land improvements	10,389,187	-	-	10,389,187
Buildings	3,585,236	-	-	3,585,236
Equipment	92,098	-	-	92,098
Total capital assets, depreciable	<u>14,066,521</u>	<u>-</u>	<u>-</u>	<u>14,066,521</u>
Less accumulated depreciation for:				
Land improvements	(4,370,441)	(152,486)	-	(4,522,927)
Buildings	(296,817)	(71,798)	-	(368,615)
Equipment	(55,095)	(4,743)	-	(59,838)
Total accumulated depreciation	<u>(4,722,353)</u>	<u>(229,027)</u>	<u>-</u>	<u>(4,951,380)</u>
Net depreciable capital assets	<u>9,344,168</u>	<u>(229,027)</u>	<u>-</u>	<u>9,115,141</u>
Net capital assets	<u>\$ 15,158,555</u>	<u>\$ 21,094</u>	<u>\$ -</u>	<u>\$ 15,179,649</u>

D. Long-Term Obligations

1. Full Faith and Credit Obligation Bond

The City issued full faith and credit obligation bonds for the Airport in February 2015 in the amount of \$2,017,682, with interest ranging from 2.0% to 4.55%. The funds were to be used for the purchase of Hanger D, the construction of Hanger F, and the design and construction of a new Flex Hanger. Payments will be repaid from Airport rental income. Principal payments will be made annually, while interest payments will be made semiannually, with the final payments due June 1, 2035. The bonds are direct obligations and pledge the full faith and credit of the City of The Dalles. If bond is defaulted, by failure to make required principal or interest payments or other covenants, action to enforce the covenant or agreement may take place.

**2015 Full Faith and Credit Taxable
Airport Bonds**

	Principal	Interest
2020	\$ 80,000	\$ 73,550
2021	80,000	71,550
2022	85,000	69,150
2023	85,000	66,600
2024	90,000	62,775
2025-2029	515,000	248,850
2030-2034	645,000	122,400
2035-2039	<u>145,000</u>	<u>6,525</u>
Total	<u>\$ 1,725,000</u>	<u>\$ 721,400</u>

2. Loans Payable

The Airport, through the City of The Dalles, has a loan from the Port of The Dalles for rehabilitation of a well at the Columbia Gorge Regional Airport. The loan proceeds were received in two separate disbursements. The first portion, received during the 2008 fiscal year, is payable annually with installments of at least \$15,150, including interest at 4%. The final payment was made during fiscal year ending June 30, 2017. The second portion, received during the fiscal year ended June 30, 2009, is payable first from connection fees for each customer connecting to the well water system and 10% of the applicable lease payment of each lease payment made by each third-party tenant of property at the airport that is benefitted by the project. Repayment on the second portion of the loan does not begin until the first customer connects to the well water system at the airport and begins making payments under their lease agreement. The second portion of the loan became payable July 1, 2017, the balance of the unpaid principal converted to an interest-bearing loan, with interest to accrue at the rate of 4% per annum. The Airport is obligated to pay a minimum annual payment of not less than \$15,150 on July 1 each year, until the loan is paid in full. The loan is unsecured. If loan is defaulted, by failure to make required principal or interest payments, the Port of The Dalles could declare all principal and interest and all other amounts due immediately.

The Airport, through the City of The Dalles, received a \$250,000 loan from Klickitat County, Washington in November 2012, for construction of new maintenance hangar at the Airport. The loan term is for ten years, with annual principal payments of \$25,000 to be paid by August 13 of each year. Klickitat County will calculate interest to be paid and notify the Airport at least 14 days prior to the due date each year. The interest will be calculated on the average rate of the Local Government Investment Pool (LGIP) over the period since the last payment, plus .05% as an administration fee. The loan is secured by the rental income pursuant to the hangar lease dated May 30, 2012. If loan is defaulted, can be placed in the hands of an attorney for collections for the principal or interest of the note and reasonable attorney fees and court costs.

The Airport, through the City of The Dalles, agreed to make payments for the CERB Loan received by Klickitat County in the amount of \$500,000 to make improvements to the Airport Industrial Park. While Klickitat County received the funds and administered the project, the Airport booked the loan proceeds, assumed the debt and

capitalized the portion of the project funded by the loan. Payments will be funded by Airport rent revenues. The final payment will be due in 2023. If loan is defaulted, by failure to make required principal or interest payments, CERB could declare all principal and interest and all other amounts due immediately.

Future maturities of the loans payable are as follows:

	Airport Port Loan		Airport Klickitat Loan		Airport/Klickitat CERB Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ 6,000
2021	10,556	4,594	25,000	-	25,000	5,625
2022	10,978	4,172	25,000	-	25,000	5,250
2023	11,417	3,733	25,000	-	25,000	4,875
2024	11,874	3,276	-	-	25,000	4,500
2025-2029	65,813	8,863	-	-	125,000	16,875
2030-2034	-	-	-	-	125,000	7,500
2035-2039	-	-	-	-	25,000	375
	<u>\$ 110,638</u>	<u>\$ 24,638</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 51,000</u>

E. Change in Long-Term Obligation

Long-term obligation activity for the year ended June 30, 2019, is as follows:

	6/30/18 Balance	Additions	Reductions	6/30/19 Balance	Due Within One Year
Full Faith and Credit Bonds	\$ 1,800,000	\$ -	\$ 75,000	\$ 1,725,000	\$ 80,000
Premium on Debt	15,028	-	884	14,144	884
Loans	670,788	-	60,150	610,638	50,000
	<u>\$ 2,485,816</u>	<u>\$ -</u>	<u>\$ 136,034</u>	<u>\$ 2,349,782</u>	<u>\$ 130,884</u>

F. Related Party Transactions

The City of The Dalles, Oregon and Klickitat County are considered related parties of The Columbia Gorge Regional Airport. Each party pays the airport \$65,000 per year per the intergovernmental agreement.

G. Risk Management

The Airport is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City of The Dalles carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past four years.

H. Construction in Progress

There are various projects in progress at the Airport.

The Airport Taxiway Project, started in FY 13/14 is 98% complete, with costs incurred to date of \$4,064,133.

The City of The Dalles is in the early design stages of a new Hangar F at the airport, with costs incurred to date of \$8,902, and total estimated costs of \$1,250,000.

The Airport Tarmac Design Project has incurred \$225,889 to date.

The Hangar Expansion Grading Plan costs incurred to date are \$12,602.

The Airport Improvements project costs incurred to date are \$254,782.

I. Subsequent Events

Management has evaluated subsequent events through November 25, 2019, the date on which the financial statements were available to be issued and determined nothing should be recognized.

J. GASB Pronouncement Implementation

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement 88 amends GASB Statement 34 and GASB Statement 38 and improves disclosure requirements for notes to the financial statements related to debt, including direct borrowings and direct placements. GASB Statement 88 requires additional essential information about resources required to liquidate debt and the risks associated with changes in terms associated with debt. The Airport implemented Statement 88 for the year ending June 30, 2019.

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- Airport General Fund
- Airport Debt Service Fund

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
ALL AIRPORT FUNDS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2019**

	<u>Airport General Fund</u>	<u>Airport Debt Service Fund</u>	<u>Total All Airport Funds</u>
REVENUES:			
Charges for services	\$ 16,962	\$ -	\$ 16,962
Intergovernmental	133,480	-	133,480
Rental income	144,630	212,495	357,125
Interest on investments	15,237	4	15,241
Grant	426,000	-	426,000
Miscellaneous	25,565	-	25,565
	<u>761,874</u>	<u>212,499</u>	<u>974,373</u>
EXPENDITURES:			
Materials and services	220,176	-	220,176
Capital outlay	250,121	-	250,121
Debt service:			
Principal	-	125,000	125,000
Interest	-	83,729	83,729
	<u>470,297</u>	<u>208,729</u>	<u>679,026</u>
Net changes in fund balances	291,577	3,770	295,347
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>27,113</u>	<u>66,349</u>	<u>93,462</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u><u>\$ 318,690</u></u>	<u><u>\$ 70,119</u></u>	<u><u>\$ 388,809</u></u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 974,373	\$ 679,026
Expenditures capitalized	-	(250,121)
Debt service principal payments	-	(125,000)
Depreciation and amortization expense	-	229,027
Interest revenue/expense	-	(550)
Contributed capital	10,150	-
	<u>984,523</u>	<u>532,382</u>
Total revenues and expenses - generally accepted accounting principles	\$ 984,523	532,382
Change in net position		<u><u>\$ 452,141</u></u>

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
AIRPORT GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 13,500	\$ 13,500	\$ 16,962	\$ 3,462
Intergovernmental	230,000	230,000	133,480	(96,520)
Rental income	63,441	63,441	144,630	81,189
Interest on investments	1,500	1,500	15,237	13,737
Grants	220,000	220,000	426,000	206,000
Miscellaneous	2,000	2,000	25,565	23,565
Total revenues	530,441	530,441	761,874	231,433
EXPENDITURES:				
Materials and services	214,943	214,943	220,176	(5,233)
Capital outlay	320,000	320,000	250,121	69,879
Contingency	411,823	411,823	-	411,823
Total expenditures	946,766	946,766	470,297	476,469
Net changes in fund balances	(416,325)	(416,325)	291,577	707,902
FUND BALANCE, BEGINNING BUDGETARY	416,325	416,325	27,113	(389,212)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 318,690	\$ 318,690

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
AIRPORT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Rental income	\$ 193,789	\$ 193,789	\$ 212,495	\$ 18,706
Interest on investments	3,835	3,835	4	(3,831)
Total revenues	197,624	197,624	212,499	14,875
EXPENDITURES:				
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	84,100	84,100	83,729	371
Contingency	28,956	28,956	-	28,956
Total expenditures	238,056	238,056	208,729	29,327
Net changes in fund balances	(40,432)	(40,432)	3,770	44,202
FUND BALANCE, BEGINNING BUDGETARY BASIS	40,432	40,432	66,349	25,917
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 70,119	\$ 70,119

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *OREGON STATE REGULATION***

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

Board of Directors
Columbia Gorge Regional Airport
The Dalles, Oregon

We have audited the basic financial statements of Columbia Gorge Regional Airport, as of and for the year ended June 30, 2019 and have issued our report thereon dated November 25, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether Columbia Gorge Regional Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. Columbia Gorge Regional Airport does not received highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. Columbia Gorge Regional Airport does not have any elected officials collecting or receiving money.

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. In connection with our testing, nothing came to our attention that caused us to believe Columbia Gorge Regional Airport was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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 *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
November 25, 2019