

COLUMBIA GORGE REGIONAL AIRPORT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

COLUMBIA GORGE REGIONAL AIRPORT

Annual Financial Report For the Fiscal Year Ended June 30, 2020

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OFFICIALS OF THE AIRPORT

COLUMBIA GORGE REGIONAL AIRPORT

OFFICIALS OF THE AIRPORT

AS OF JUNE 30, 2020

BOARD OF DIRECTORS

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The Dalles OR 97058

David Sauter
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The Dalles OR 97058

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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, 2020, 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, 2020, 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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.

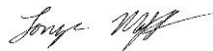
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 sections 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 18, 2020, 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 18, 2020

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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 717,916	\$ 435,891
Capital assets, net of depreciation	<u>15,003,781</u>	<u>15,179,649</u>
 Total assets	 <u>15,721,697</u>	 <u>15,615,540</u>
 Liabilities		
Long-term liabilities	2,077,456	2,218,898
Other liabilities	<u>155,599</u>	<u>190,426</u>
 Total liabilities	 <u>2,233,055</u>	 <u>2,409,324</u>
 Net position		
Net investment in capital assets	12,795,441	12,829,867
Restricted	63,934	70,119
Unrestricted (deficit)	<u>629,267</u>	<u>306,230</u>
 Total net position	 <u>\$ 13,488,642</u>	 <u>\$ 13,206,216</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Operating revenues	\$ 530,830	\$ 825,652
Capital grants and contributions	225,284	133,480
Other	<u>18,605</u>	<u>25,391</u>
Total revenues	<u>774,719</u>	<u>984,523</u>
Expenses		
Operating expenses	411,747	449,203
Interest on long-term debt	<u>80,546</u>	<u>83,179</u>
Total expenses	<u>492,293</u>	<u>532,382</u>
Increase in net position	282,426	452,141
Net position - beginning	<u>\$ 13,206,216</u>	<u>12,754,075</u>
Total net position	<u>\$ 13,488,642</u>	<u>\$ 13,206,216</u>

Net position increased during the year by \$282,426, 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 \$2,729,149 with a contingency of \$435,970. Expenditures were \$2,493,270 under budget.

The original legal appropriations for the Airport Debt Service Fund totaled \$241,250. No changes to the original budget were made to this fund. Expenditures were \$29,241. under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the Airport had investment in capital assets, net of accumulated depreciation, \$15,003,781, consisting primarily of land improvements, such as runways and hangers. Construction in Progress in the amount of \$4,579,004 includes, Taxiway Rehab Project, Flex Hanger Project, and other Airport improvements.

Debt Outstanding

As of June 30, 2020, the Airport has long-term debt outstanding totaling of \$2,077,456. 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.

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 AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2020**

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 619,621
Restricted cash and cash equivalents	57,850
Receivables:	
Accounts, net	<u>40,445</u>
 Total current assets	 <u>717,916</u>

NONCURRENT ASSETS:

Capital assets:	
Land	1,498,200
Construction in progress	4,579,004
Depreciable assets, net of depreciation	<u>8,926,577</u>
 Total noncurrent assets	 <u>15,003,781</u>
 Total assets	 <u><u>\$ 15,721,697</u></u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 12,831
Accrued interest payable	11,884
Current portion of long-term debt	<u>130,884</u>
 Total current liabilities	 <u>155,599</u>

NONCURRENT LIABILITIES:

Bonds and notes payable	<u>2,077,456</u>
 Total noncurrent liabilities	 <u>2,077,456</u>
 Total liabilities	 <u>2,233,055</u>

NET POSITION:

Net investment in capital assets	12,795,441
Restricted for:	
Debt service	63,934
Unrestricted	<u>629,267</u>
 Total net position	 <u>13,488,642</u>
 Total liabilities and net position	 <u><u>\$ 15,721,697</u></u>

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

**COLUMBIA GORGE REGIONAL AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 For the Fiscal Year Ended June 30, 2020**

OPERATING REVENUES:	
Charges for services	\$ 10,892
Rental income	378,794
Grant	214,726
Miscellaneous	11,479
	<hr/>
Total operating revenues	615,891
	<hr/>
OPERATING EXPENSES:	
Materials and services	207,443
Depreciation and amortization	204,304
	<hr/>
Total operating expenses	411,747
	<hr/>
Operating income (loss)	204,144
NON-OPERATING INCOME (EXPENSE):	
Interest on investments	7,126
Interest expense	(80,546)
Intergovernmental	141,144
	<hr/>
Total non-operating income (expenses)	67,724
	<hr/>
Net income (loss) before transfers and capital contributions	271,868
CAPITAL CONTRIBUTIONS:	
Intergovernmental	10,558
	<hr/>
Total capital contributions	10,558
	<hr/>
Change in net position	282,426
NET POSITION, BEGINNING	<hr/> 13,206,216
NET POSITION, ENDING	<hr/> <hr/> \$ 13,488,642

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

**COLUMBIA GORGE REGIONAL AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 581,707
Payments to suppliers	<u>(242,575)</u>
Net cash provided by operating activities	<u>339,132</u>

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

Proceeds from intergovernmental revenue	<u>141,144</u>
Net cash provided by non-capital financing activities	<u>141,144</u>

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

Proceeds from intergovernmental revenue	10,558
Acquisition of capital assets	(28,436)
Principal paid on long-term obligations	(140,558)
Interest paid on long-term obligations	<u>(81,125)</u>
Net cash provided by capital and related financing activities	<u>(239,561)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>7,126</u>
Net cash provided by investing activities	<u>7,126</u>
Net increase in cash and cash equivalents	247,841

CASH AND CASH EQUIVALENTS, BEGINNING

429,630

CASH AND CASH EQUIVALENTS, ENDING

\$ 677,471

COMPRISED AS FOLLOWS:

Cash and cash equivalents	\$ 619,621
Restricted cash and cash equivalents	<u>57,850</u>
Total cash and cash equivalents	<u><u>\$ 677,471</u></u>

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

Operating Income	\$ 204,144
Adjustments	
Depreciation and amortization	203,420
Decrease (increase) in:	
Receivables	(34,184)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>(34,248)</u>
Net cash provided by operating activities	<u><u>\$ 339,132</u></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, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Fund Structure

In June 1999, the City of The Dalles and Klickitat County (the 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, 2020 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, 2020, 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 combined Airport and City's deposits up to \$250,000. 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, 2020, the book value of the Airport's deposits was \$347,491 and the bank balance was \$538,957. \$486,457 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 five 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, 2020 are as follows:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$ 329,980
Total cash equivalents	0.00	\$ 329,980

B. Receivables

Receivables represent amounts due to the Airport at June 30, 2020 from service charges.

C. Capital Assets

Capital assets activity for the year ended June 30, 2020 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	4,566,308	12,696	-	4,579,004
Total capital assets, non-depreciable	<u>6,064,508</u>	<u>12,696</u>	<u>-</u>	<u>6,077,204</u>
Capital assets, depreciable:				
Land improvements	10,389,187	15,740	-	10,404,927
Buildings	3,585,236	-	-	3,585,236
Equipment	92,098	-	-	92,098
Total capital assets, depreciable	<u>14,066,521</u>	<u>15,740</u>	<u>-</u>	<u>14,082,261</u>
Less accumulated depreciation for:				
Land improvements	(4,522,927)	(127,763)	-	(4,650,690)
Buildings	(368,615)	(71,798)	-	(440,413)
Equipment	(59,838)	(4,743)	-	(64,581)
Total accumulated depreciation	<u>(4,951,380)</u>	<u>(204,304)</u>	<u>-</u>	<u>(5,155,684)</u>
Net depreciable capital assets	<u>9,115,141</u>	<u>(188,564)</u>	<u>-</u>	<u>8,926,577</u>
Net capital assets	<u>\$ 15,179,649</u>	<u>\$ (175,868)</u>	<u>\$ -</u>	<u>\$ 15,003,781</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 are repaid from Airport rental income. Principal payments are made annually, while interest payments are 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.

Estimated future maturities of the bond is as follows:

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

Fiscal Year End June 30,	Principal	Interest
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>\$1,645,000</u>	<u>\$ 647,850</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, was 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 did 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 Port loan payment is currently being budgeted for and paid by the City of the Dalles debt service fund, and therefore is not reflected in the Airport's budget statements. The principal payment made by the City is reported as contributed capital in the government-wide statements.

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 hanger lease dated May 30, 2012. If loan is defaulted, it 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:

Fiscal Year End June 30,	Airport Port Loan		Airport Klickitat Loan		Airport/Klickitat CERB Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 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	12,349	2,801	-	-	25,000	4,125
2026-2030	53,462	6,062	-	-	125,000	15,000
2031-2035	-	-	-	-	125,000	5,625
	<u>\$ 100,080</u>	<u>\$ 20,044</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 45,000</u>

E. Change in Long-Term Obligation

Long-term obligation activity for the year ended June 30, 2020, is as follows:

	6/30/19			6/30/20		Due Within One Year
	Balance	Additions	Reductions	Balance		
Full Faith and Credit Bonds	\$ 1,725,000	\$ -	\$ 80,000	\$ 1,645,000	\$ 80,000	
Premium on Debt	14,144	-	884	13,260	884	
Loans	610,638	-	60,558	550,080	50,000	
	<u>\$ 2,349,782</u>	<u>\$ -</u>	<u>\$ 141,442</u>	<u>\$ 2,208,340</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 \$238,585 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

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The situation is rapidly changing and additional impacts may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

J. GASB Pronouncement Implementation

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The guidance postpones by one year the effective dates of certain provisions in the following pronouncements: Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91 *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Implementation Guide No. 2018-1, *Implementation Guidance Update–2018*, Implementation Guide No. 2019-1, *Implementation Guidance Update–2019*, and Implementation Guide No. 2019-2, *Fiduciary Activities*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The Airport implemented Statement 95 for the year ending June 30, 2020.

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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 AIRPORT
 ALL AIRPORT FUNDS COMBINED
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2020**

	<u>Airport General Fund</u>	<u>Airport Debt Service Fund</u>	<u>Total All Airport Funds</u>
REVENUES:			
Charges for services	\$ 10,892	\$ -	\$ 10,892
Intergovernmental	141,144	-	141,144
Rental income	174,699	204,095	378,794
Interest on investments	5,397	1,729	7,126
Grant	214,726	-	214,726
Miscellaneous	11,479	-	11,479
	<u>558,337</u>	<u>205,824</u>	<u>764,161</u>
EXPENDITURES:			
Materials and services	207,316	-	207,316
Capital outlay	28,563	-	28,563
Debt service:			
Principal	-	130,000	130,000
Interest	-	82,009	82,009
	<u>235,879</u>	<u>212,009</u>	<u>447,888</u>
Total expenditures	<u>235,879</u>	<u>212,009</u>	<u>447,888</u>
Net changes in fund balances	322,458	(6,185)	316,273
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>318,690</u>	<u>70,119</u>	<u>388,809</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 641,148</u>	<u>\$ 63,934</u>	<u>\$ 705,082</u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 764,161	\$ 447,888
Expenditures capitalized	-	(28,436)
Debt service principal payments	-	(130,000)
Depreciation and amortization expense	-	204,304
Interest revenue/expense	-	(1,463)
Contributed capital	10,558	-
	<u>774,719</u>	<u>492,293</u>
Total revenues and expenses - generally accepted accounting principles	<u>\$ 774,719</u>	<u>492,293</u>
Change in net position		<u>\$ 282,426</u>

**COLUMBIA GORGE REGIONAL AIRPORT
AIRPORT GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 14,000	\$ 14,000	\$ 10,892	\$ (3,108)
Intergovernmental	230,000	230,000	141,144	(88,856)
Rental income	177,338	177,338	174,699	(2,639)
Interest on investments	8,345	8,345	5,397	(2,948)
Grants	1,950,000	1,950,000	214,726	(1,735,274)
Miscellaneous	5,800	5,800	11,479	5,679
Total revenues	<u>2,385,483</u>	<u>2,385,483</u>	<u>558,337</u>	<u>(1,827,146)</u>
EXPENDITURES:				
Materials and services	234,434	234,434	207,316	27,118
Capital outlay	2,058,745	2,058,745	28,563	2,030,182
Contingency	435,970	435,970	-	435,970
Total expenditures	<u>2,729,149</u>	<u>2,729,149</u>	<u>235,879</u>	<u>2,493,270</u>
Net changes in fund balances	(343,666)	(343,666)	322,458	666,124
FUND BALANCE, BEGINNING BUDGETARY	<u>343,666</u>	<u>343,666</u>	<u>318,690</u>	<u>(24,976)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,148</u>	<u>\$ 641,148</u>

**COLUMBIA GORGE REGIONAL AIRPORT
AIRPORT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Rental income	\$ 168,253	\$ 168,253	\$ 204,095	\$ 35,842
Interest on investments	9,800	9,800	1,729	(8,071)
Total revenues	178,053	178,053	205,824	27,771
EXPENDITURES:				
Debt service:				
Principal	107,200	107,200	130,000	(22,800) ¹
Interest	104,550	104,550	82,009	22,541 ¹
Contingency	29,500	29,500	-	29,500 ¹
Total expenditures	241,250	241,250	212,009	29,241
Net changes in fund balances	(63,197)	(63,197)	(6,185)	57,012
FUND BALANCE, BEGINNING BUDGETARY BASIS	63,197	63,197	70,119	6,922
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 63,934	\$ 63,934

¹ Appropriation level

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY 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, 2020 and have issued our report thereon dated November 18, 2020. 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 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 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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 receive 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. The 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered Columbia Gorge Regional 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control and have communicated it in a separate letter to management dated November 18, 2020 as item 2020-01 that we consider to be a significant deficiency.

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 18, 2020