

COLUMBIA GORGE REGIONAL AIRPORT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

COLUMBIA GORGE REGIONAL AIRPORT

Annual Financial Report For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

OFFICIALS OF THE AIRPORT	i
INDEPENDENT AUDITOR'S REPORT	A - C
MANAGEMENT'S DISCUSSION AND ANALYSIS	a - c
BASIC FINANCIAL STATEMENTS:	
Proprietary Fund Financial Statements:	
Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	2
Statement of Cash Flows	3
Notes to the Basic Financial Statements	4 - 10
SUPPLEMENTARY INFORMATION:	
Schedules of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual)	
All Airport Funds Combined	11
Airport General Fund	12
Airport Debt Service Fund	13
INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATION:	
Independent Auditor's Report Required by Oregon State Regulation	14 - 15

THIS PAGE INTENTIONALLY LEFT BLANK

OFFICIALS OF THE AIRPORT

COLUMBIA GORGE REGIONAL AIRPORT

OFFICIALS OF THE AIRPORT

AS OF JUNE 30, 2016

BOARD OF DIRECTORS

Jim Wilcox
416 W. 7th Street
The Dalles OR 97058

David Sauter
205 S. Columbus Ms: CH-04
Goldendale WA 98620

Tim Urness
PO Box 326
Dallesport WA 98617

Terry Trapp
3111 Old Dufur Road
The Dalles OR 97058

David Griffith
PO Box 1787
The Dalles OR 97058

Norman Deo
PO Box 267
Bingen WA 98605

Tim McGlothlin
328 West 21st Place
The Dalles OR 97058

AIRPORT ADDRESS

Administrative Offices
313 Court Street
The Dalles OR 97058

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

City of The Dalles City Council and Columbia Gorge Regional Airport Board
Columbia Gorge Regional Airport

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, 2016, and the related notes to the financial statements, which collectively comprise the Columbia Gorge Regional Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 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.

Other Information

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

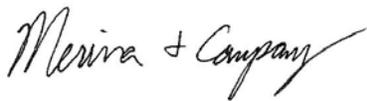
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 18, 2016, on our consideration of the 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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
November 18, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

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 (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 and Capital and Related Financing Activities.

ENTERPRISE FUND FINANCIAL STATEMENTS

Summary Statements of Net Position at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 1,775,090	\$ 2,000,362
Capital assets, net of depreciation	<u>12,070,002</u>	<u>12,208,715</u>
Total assets	<u>13,845,092</u>	<u>14,209,077</u>
Liabilities		
Long-term liabilities	2,615,912	2,754,231
Other liabilities	<u>168,787</u>	<u>188,959</u>
Total liabilities	<u>2,784,699</u>	<u>2,943,190</u>
Net position		
Net investment in Capital Assets	9,315,771	9,339,510
Restricted	88,868	155,737
Unrestricted (deficit)	<u>1,655,754</u>	<u>1,770,640</u>
Total net position	<u>\$ 11,060,393</u>	<u>\$ 11,265,887</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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Operating revenues	\$ 517,531	\$ 199,548
Capital grants and contributions	14,089	383,440
Other	<u>15,073</u>	<u>145,839</u>
Total revenues	<u>546,693</u>	<u>728,827</u>
Expenses		
Operating expenses	478,146	243,495
Other	99,584	17,164
Interest on long-term debt	<u>-</u>	<u>-</u>
Total expenses	<u>577,730</u>	<u>260,659</u>
Increase in net position	(31,037)	468,168
Net position - beginning	11,091,430	10,797,719
Prior period adjustment	<u>-</u>	<u>(174,457)</u>
Net position - ending	<u>\$ 11,060,393</u>	<u>\$ 11,091,430</u>

Net position decreased during the year by \$31,037 primarily due to North/South phase of the taxiway rehabilitation project.

BUDGETARY HIGHLIGHTS

The original legal appropriations for the Airport General Fund totaled \$2,898,688 with a contingency of \$26,617. No changes to the original budget were made to this fund. Expenditures were \$2,558,370 under budget.

The original legal appropriations for the Airport Debt Service Fund totaled \$276,186. No changes to the original budget were made to this fund. Expenditures were \$66,709 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 the Airport had investment in capital assets, net of accumulated depreciation, \$12,070,002, consisting primarily of land improvements, such as runways and hangers. Construction in Progress in the amount of \$2,754,726 includes, Taxiway Rehab Project, Flex Hanger Project, and other Airport improvements.

Debt Outstanding

As of June 30, 2016, the Airport has long-term debt outstanding totaling of \$2,754,231. 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 2016, 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.

THIS PAGE INTENTIONALLY LEFT BLANK

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 Fund

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, 2016**

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,564,325
Restricted cash and cash equivalents	137,604
Receivables:	
Accounts, net	66,271
Restricted intergovernmental	6,890
	<hr/>
Total current assets	1,775,090
	<hr/>

NONCURRENT ASSETS:

Capital assets:	
Land	1,498,200
Construction in progress	2,754,726
Depreciable assets, net of depreciation	7,817,076
	<hr/>
Total noncurrent assets	12,070,002
	<hr/>
Total assets	<u>\$ 13,845,092</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 22,979
Accrued interest payable	7,489
Current portion of long-term debt	138,319
	<hr/>
Total current liabilities	168,787
	<hr/>

NONCURRENT LIABILITIES:

Bonds and notes payable	2,615,912
	<hr/>
Total non current liabilities	2,615,912
	<hr/>
Total liabilities	2,784,699
	<hr/>

NET POSITION:

Net investment in capital assets	9,315,771
Restricted for:	
Debt service	88,868
Unrestricted	1,655,754
	<hr/>
Total net position	11,060,393
	<hr/>
Total liabilities and net position	<u>\$ 13,845,092</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, 2016**

OPERATING REVENUES:

Charges for services	\$ 14,542
Rental income	259,752
Miscellaneous	<u>113,237</u>
Total operating revenues	<u>387,531</u>

OPERATING EXPENSES:

Materials and services	186,822
Depreciation and amortization	<u>291,324</u>
Total operating expenses	<u>478,146</u>
Operating income (loss)	(90,615)

NON-OPERATING INCOME (EXPENSE):

Interest on investments	15,073
Interest expense	(99,584)
Intergovernmental	<u>130,000</u>
Total non-operating income (expenses)	<u>45,489</u>

Net income (loss) before transfers and capital contributions (45,126)

CAPITAL CONTRIBUTIONS:

Intergovernmental	<u>14,089</u>
Total capital contributions	<u>14,089</u>
Change in net position	(31,037)

NET POSITION, BEGINNING 11,265,887

PRIOR PERIOD ADJUSTMENT (174,457)

NET POSITION, BEGINNING AS RESTATED 11,091,430

NET POSITION, ENDING \$ 11,060,393

**COLUMBIA GORGE REGIONAL/THE DALLES AIRPORT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 681,322
Payments to suppliers	<u>(220,447)</u>
Net cash provided by operating activities	<u>460,875</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from intergovernmental revenue	<u>130,000</u>
Net cash provided by non-capital financing activities	<u>130,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(153,496)
Principal paid on long-term obligations	(114,089)
Interest paid on long-term obligations	<u>(109,476)</u>
Net cash provided by capital and related financing activities	<u>(362,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>15,073</u>
Net cash provided by investing activities	<u>15,073</u>
Net increase in cash and cash equivalents	242,976
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,458,953</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,701,929</u></u>
COMPRISED AS FOLLOWS:	
Cash and cash equivalents	\$ 1,564,325
Restricted cash and cash equivalents	<u>137,604</u>
Total cash and cash equivalents	<u><u>\$ 1,701,929</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ (90,615)
Adjustments	
Depreciation and amortization	291,324
Decrease (increase) in:	
Receivables	293,791
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>(33,625)</u>
Net cash provided by operating activities	<u><u>\$ 460,875</u></u>
NON-CASH CAPITAL FINANCING ACTIVITIES	
Transfer of long-term debt between related parties	<u>\$ (14,089)</u>
Total non-cash capital financing activities	<u><u>\$ (14,089)</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, 2016

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 Regional 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 in connection with ongoing operations. Operating expenses include the cost of services in connection with 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 \$2,500 is needed as of June 30, 2016 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, 2016, no funds had a deficit fund balance.

III. DETAILED NOTES

A. Deposits and Investments

Custodial credit risk - deposits. 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, 2016, the book value of the Airport's deposits was \$463,307 and the bank balance was \$456,519. \$382,271 of the Airport's

bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

B. Receivables

Receivables represent amounts due to the Airport at June 30, 2016 from service charges.

C. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, non-depreciable:					
Land	\$ 1,498,200	\$ -	\$ -	\$ -	\$ 1,498,200
Construction in progress	<u>2,601,230</u>	<u>153,496</u>	<u>-</u>	<u>-</u>	<u>2,754,726</u>
Total capital assets, non-depreciable	<u>4,099,430</u>	<u>153,496</u>	<u>-</u>	<u>-</u>	<u>4,252,926</u>
Capital assets, depreciable:					
Land improvements	10,389,187	-	-	-	10,389,187
Buildings	1,634,429	-	-	-	1,634,429
Equipment	<u>92,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,098</u>
Total capital assets, depreciable	<u>12,115,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,115,714</u>
Less accumulated depreciation for:					
Land improvements	(3,769,040)	(254,036)	-	-	(4,023,076)
Buildings	(198,471)	(32,782)	-	-	(231,253)
Equipment	<u>(38,918)</u>	<u>(5,391)</u>	<u>-</u>	<u>-</u>	<u>(44,309)</u>
Total accumulated depreciation	<u>(4,006,429)</u>	<u>(292,209)</u>	<u>-</u>	<u>-</u>	<u>(4,298,638)</u>
Net depreciable capital assets	<u>8,109,285</u>	<u>(292,209)</u>	<u>-</u>	<u>-</u>	<u>7,817,076</u>
Net capital assets	<u>\$ 12,208,715</u>	<u>\$ (138,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,070,002</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.

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

	Principal	Interest
2017	\$ 75,000	\$ 78,425
2018	75,000	76,925
2019	75,000	75,425
2020	80,000	73,550
2021	80,000	71,550
2022-2026	455,000	311,700
2027-2031	560,000	201,600
2032-2036	<u>550,000</u>	<u>63,000</u>
Total	<u>\$ 1,950,000</u>	<u>\$ 952,175</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 is due May 1, 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. If the second portion of the loan is not repaid by July 1, 2017, the balance of the unpaid principal shall convert to an interest bearing loan, with interest to accrue at the rate of 4% per annum. The Airport will be obligated to pay a minimum annual payment of not less than \$15,150 on July 1 each year thereafter, until the loan is paid in full. The loan is unsecured.

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 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.

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		
2017	\$ 12,434	\$ 497	2017	\$ 25,000	\$ -	2017	\$ 25,000	\$ 7,125
2018	-	-	2018	25,000	-	2018	25,000	6,750
2019	10,150	5,000	2019	25,000	-	2019	25,000	6,375
2020	10,556	4,594	2020	25,000	-	2020	25,000	6,000
2021	10,978	4,172	2021	25,000	-	2021	25,000	5,625
2022-2026	61,840	13,910	2022-2026	50,000	-	2022-2026	125,000	22,500
2027-2031	31,476	1,962	2027-2031	-	-	2027-2031	125,000	13,125
2032-2036	-	-	2032-2036	-	-	2032-2036	100,000	3,750
Total	<u>\$ 137,434</u>	<u>\$ 30,135</u>	Total	<u>\$ 175,000</u>	<u>\$ -</u>	Total	<u>\$475,000</u>	<u>\$ 71,250</u>

E. Change in Long-Term Obligation

Long-term obligation activity for the year ended June 30, 2016, is as follows:

	6/30/15			6/30/16	Due Within
	Balance	Additions	Reductions	Balance	One Year
Full Faith and Credit Bonds	\$ 2,000,000	\$ -	\$ 50,000	\$ 1,950,000	\$ 75,000
Premium on Debt	17,682	-	885	16,797	885
Loans	851,523	-	64,089	787,434	62,434
	<u>\$ 2,869,205</u>	<u>\$ -</u>	<u>\$ 114,974</u>	<u>\$ 2,754,231</u>	<u>\$ 138,319</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. A well project, with costs to date of \$254,782, is currently on hold, waiting for completion of an agreement with the Dallesport Water District. The Airport Taxiway Project, started in FY13/14 is 98% complete, with costs incurred to date of \$2,458,965. The City of The Dalles is also still

in the early design stages of a flex hangar at the airport, with costs incurred to date of \$32,077, and total estimated costs of \$1.25 million. The City of The Dalles is also 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.

I. Subsequent Events

Management has evaluated subsequent events through November 18, 2016, the date on which the financial statements were available to be issued and determined nothing should be recognized. A Request for Proposals (RFP) was issued for the final phase of the Taxiway project in July, and the contract was awarded in October in the amount of \$1.5 million dollars. Construction will begin in April or May of 2017, and is estimated to be completed by July 31, 2017.

J. Prior Period Adjustments

For the year ended June 30, 2016, the Airport is reporting a prior period adjustment of \$174,457 due to the airport grant reimbursements being record in a prior year as revenue.

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2016**

	<u>Airport General Fund</u>	<u>Airport Debt Service Fund</u>	<u>Total All Airport Funds</u>
REVENUES:			
Charges for services	\$ 14,542	\$ -	\$ 14,542
Intergovernmental	130,000	-	130,000
Rental income	117,867	141,885	259,752
Interest on investments	14,350	723	15,073
Miscellaneous	113,237	-	113,237
	<u>389,996</u>	<u>142,608</u>	<u>532,604</u>
EXPENDITURES:			
Materials and services	186,822	-	186,822
Capital outlay	153,496	-	153,496
Debt service:			
Principal	-	100,000	100,000
Interest	-	109,477	109,477
	<u>340,318</u>	<u>209,477</u>	<u>549,795</u>
Revenues over (under) expenditures	49,678	(66,869)	(17,191)
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,788,020	155,737	1,943,757
Prior period adjustment	<u>(174,457)</u>	<u>-</u>	<u>(174,457)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 1,663,241</u>	<u>\$ 88,868</u>	<u>\$ 1,752,109</u>

	<u>Revenues</u>	<u>Expenditures</u>
Total revenue and expenditures above	\$ 532,604	\$ 549,795
Expenditures capitalized	-	(153,496)
Debt service principal payments	-	(100,000)
Depreciation and amortization expense	-	291,324
Interest revenue/expense	-	(9,893)
Contributed capital	14,089	-
	<u>546,693</u>	<u>577,730</u>
Total revenues and expenses - generally accepted accounting principles	\$ 546,693	577,730
Change in net position		<u>\$ (31,037)</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, 2016**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 12,500	\$ 12,500	\$ 14,542	\$ 2,042
Intergovernmental	340,000	340,000	130,000	(210,000)
Rental income	120,000	120,000	117,867	(2,133)
Interest on investments	1,000	1,000	14,350	13,350
Miscellaneous	626,000	626,000	113,237	(512,763)
Total revenues	1,099,500	1,099,500	389,996	(709,504)
EXPENDITURES:				
Materials and services	240,000	240,000	186,822	53,178
Capital outlay	2,632,071	2,632,071	153,496	2,478,575
Contingency	26,617	26,617	-	26,617
Total expenditures	2,898,688	2,898,688	340,318	2,558,370
Net changes in fund balances	(1,799,188)	(1,799,188)	49,678	1,848,866
FUND BALANCE, BEGINNING BUDGETARY	1,799,188	1,799,188	1,788,020	(11,168)
Prior period adjustment	-	-	(174,457)	(174,457)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,663,241</u>	<u>\$ 1,663,241</u>

**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, 2016**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Rental income	\$ 159,150	\$ 159,150	\$ 141,885	\$ (17,265)
Interest on investments	300	300	723	423
Total revenues	<u>159,450</u>	<u>159,450</u>	<u>142,608</u>	<u>(16,842)</u>
EXPENDITURES:				
Debt service:				
Principal	103,000	103,000	100,000	3,000
Interest	106,026	106,026	109,477	(3,451)
Contingency	<u>67,160</u>	<u>67,160</u>	-	<u>67,160</u>
Total expenditures	<u>276,186</u>	<u>276,186</u>	<u>209,477</u>	<u>66,709</u>
Net changes in fund balances	(116,736)	(116,736)	(66,869)	49,867
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>116,736</u>	<u>116,736</u>	<u>155,737</u>	<u>39,001</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,868</u>	<u>\$ 88,868</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the Columbia Gorge Regional Airport, as of and for the year ended June 30, 2016 and have issued our report thereon dated November 18, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the 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 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*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- 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. The Airport does not receive highway revenues.
- 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 Airport does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the 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*.

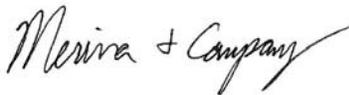
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 the Columbia Gorge Regional Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

This report is intended solely for the information and use of the City of The Dalles City Council and Columbia Gorge Regional Airport Board, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
November 18, 2016