

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)**

Financial Statements

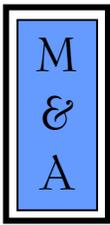
December 31, 2018 and 2017

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)**

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle County Air Terminal Corporation, a Colorado non-profit corporation and a component unit of Eagle County, Colorado, which comprise the statement of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. 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.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Eagle County Air Terminal Corporation as of December 31, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Eagle County Air Terminal Corporation has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison schedule on page 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle County Air Terminal Corporation's financial statements taken as a whole. The Schedule of Passenger Facility Charges Collected and Expended on page 22 is presented for the purpose of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of Eagle County Air Terminal Corporation's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019 on our consideration of Eagle County Air Terminal Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle County Air Terminal Corporation's internal control over financial reporting and on compliance.



McMahan and Associates, L.L.C.
April 30, 2019

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Net Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets:		
Cash and cash equivalents - Unrestricted	801,213	106,717
Accounts receivable, net of allowance for doubtful accounts	70,875	358,747
Prepaid items and deposits	10,845	20,968
Total - Current Assets	<u>882,933</u>	<u>486,432</u>
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents - Restricted	33,059,781	42,032,587
Accounts receivable - Restricted	158,390	142,618
Total - Restricted Assets	<u>33,218,171</u>	<u>42,175,205</u>
Investments:		
Investments, net of accumulated amortization	328,779	349,328
Capital assets:		
Non-depreciable capital assets	18,075,571	5,202,632
Depreciable capital assets, net of accumulated depreciation	17,282,471	18,172,797
Total - Capital Assets	<u>35,358,042</u>	<u>23,375,429</u>
Total - Noncurrent Assets	<u>68,904,992</u>	<u>65,899,962</u>
Total Assets	<u>69,787,925</u>	<u>66,386,394</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	207,854	267,884
Total - Deferred Outflows of Resources	<u>207,854</u>	<u>267,884</u>
Liabilities:		
Current Liabilities:		
Accounts payable	374,585	134,041
Construction contracts payable	2,490,707	595,064
Due to Eagle County	39,376	131,552
Construction retainage payable	560,494	-
Deferred revenue	49,649	34,675
Accrued interest payable on long-term debt	279,417	286,294
Bonds payable - Current portion	800,000	765,000
Total Current Liabilities	<u>4,594,228</u>	<u>1,946,626</u>
Long-term Liabilities:		
Bonds payable, net of current portion	36,261,380	37,216,725
Total Long-term Liabilities	<u>36,261,380</u>	<u>37,216,725</u>
Total Liabilities	<u>40,855,608</u>	<u>39,163,351</u>
Net Position:		
Net investment in capital assets	14,365,888	14,320,835
Restricted	14,305,598	12,920,894
Unrestricted	468,685	249,198
Total Net Position	<u>29,140,171</u>	<u>27,490,927</u>

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

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Rentals	4,964,754	4,807,471
Concessions	124,892	233,333
Advertising	152,083	127,083
Miscellaneous	9,575	-
	<u>5,251,304</u>	<u>5,167,887</u>
Total Revenues		
Expenses:		
General and Administrative:		
Bank charges	87,661	20,499
Insurance	41,075	40,033
Professional services	156,861	91,016
Other	942	-
	<u>286,539</u>	<u>151,548</u>
Total - General and Administrative		
Operations:		
Janitorial	290,342	283,721
Maintenance - Building	76,572	88,996
Maintenance - Grounds	9,851	18,601
Management fees	424,980	416,716
Other purchased services	53,074	55,998
Rent	256,866	247,744
Customer service	16,891	36,609
Security	169	-
Utilities	211,492	172,582
	<u>1,340,237</u>	<u>1,320,967</u>
Total - Operations		
Rebate	<u>300,000</u>	<u>300,000</u>
Depreciation and Amortization:		
Depreciation	1,383,686	1,393,733
Amortization	43,349	43,349
	<u>1,427,035</u>	<u>1,437,082</u>
Total - Depreciation and Amortization		
	<u>3,353,811</u>	<u>3,209,597</u>
Total Operating Expenses		
Income from Operations	1,897,493	1,958,290
Other Income (Expenses):		
Passenger facility charges	556,955	509,754
Investment income	809,225	188,732
Loss on asset disposal	(15,640)	-
Interest expense	(1,694,103)	(639,692)
Amortization of bond issue costs	95,314	-
Bond issue costs	-	(689,391)
	<u>-</u>	<u>(689,391)</u>
Change in Net Position	1,649,244	1,327,693
Net Position - Beginning	<u>27,490,927</u>	<u>26,163,234</u>
Net Position - Ending	<u>29,140,171</u>	<u>27,490,927</u>

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

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Rents and concessions received	5,544,575	5,007,197
Other cash receipts	9,575	-
Cash paid for goods and services	(1,768,284)	(1,954,530)
Net Cash Provided (Used) by Operating Activities	3,785,866	3,052,667
Cash Flows From Capital and Related Financing Activities:		
Facility charges received	541,183	516,214
Bond issue costs	-	(689,391)
Bond issue (discount)/premium	-	3,692,602
Interest paid	(1,700,981)	(528,950)
Proceeds of long-term debt	-	29,980,000
Principal repaid on long-term debt	(765,000)	(3,280,000)
Cash paid to purchase capital assets	(10,948,603)	(2,324,809)
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,873,401)	27,365,666
Cash Flows From Investing Activities:		
Interest received	809,225	188,732
Net Cash Provided (Used) By Investing Activities	809,225	188,732
Net Increase (Decrease) in Cash and Cash Equivalents	(8,278,310)	30,607,065
Cash and Cash Equivalents - Beginning	42,139,304	11,532,239
Cash and Cash Equivalents - Ending	33,860,994	42,139,304
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	801,213	106,717
Cash and cash equivalents - Restricted	33,059,781	42,032,587
	33,860,994	42,139,304
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income from operations	1,897,493	1,958,290
Adjustments to reconcile:		
Depreciation and amortization expense	1,427,035	1,437,082
(Increase) decrease in unrestricted accounts receivable	287,872	(150,022)
(Increase) decrease in prepaid items and deposits	10,123	(1,500)
Increase (decrease) in accounts payable and accrued liabilities	240,545	(211,404)
Increase (decrease) in due to Eagle County	(92,176)	30,889
Increase (decrease) in deferred revenue	14,974	(10,668)
Total Adjustments	1,888,373	1,094,377
Net Cash Provided (Used) by Operating Activities	3,785,866	3,052,667

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

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017**

I. Summary of Significant Accounting Policies

Eagle County Air Terminal Corporation ("Corporation") was incorporated on April 23, 1996 as a Colorado non-profit corporation to acquire, construct, operate, and maintain certain airport facilities ("Project"). The Corporation owns and operates the airport terminal at the Eagle County Regional Airport for the exclusive benefit of and on behalf of Eagle County, Colorado ("County") and its inhabitants.

The formation of the Corporation was approved by the County, and its operations are governed by a Board of Directors ("Board") appointed by the County's Board of County Commissioners ("County Commissioners"). The Corporation is considered to be a component unit of the County, and the Corporation's net position, changes in net position, and cash flows are included in the County's 2018 and 2017 Comprehensive Annual Financial Report.

The Corporation began operations in 1996. Acquisition and improvement of certain elements of the Project have been financed by the issuance of revenue bonds that are secured by a pledge of revenues from the Project and by a trust indenture between the Corporation and Wells Fargo Bank, National Association, as successor trustee. In September 2017, the trust indenture was restated and amended (collectively, the "Trust Indenture") between the Corporation and UMB Bank, National Association as successor to Wells Fargo Bank, National Association (collectively the "Trustee"). The County has no financial obligation for the debt or operations of the Corporation.

Because the Board is appointed by the County Commissioners, the Corporation is considered a governmental organization and its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Corporation are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Corporation, and (b) organizations for which the Corporation is financially accountable. The Corporation is considered to be financially accountable for a legally separate organization if it is able to appoint a voting majority of the organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Corporation. In addition, consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Corporation. Organizations for which the nature and significance of their relationship with the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on these criteria, the Corporation is not financially accountable for any other entity; however, the Corporation is a component unit of the County.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

B. Financial Reporting

The Corporation uses funds to report its net position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Corporation uses a proprietary fund-type, an enterprise fund, to account for its sole activity, operating the airport terminal at the Eagle County Regional Airport. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items, in that operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's enterprise fund are charges to lessees to tenants in the airport terminal. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Corporation defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

As previously mentioned in Note I, the Corporation follows GAAP; however, the Corporation is not required to comply with State Statutes which specify investment instruments.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Restricted Assets

Certain of the Corporation's assets are classified as restricted because their use is restricted to specific purposes by bond indentures or other binding commitments. Cash held by the Trustee and Passenger Facility Charges receivable are restricted as a condition of issuing the Corporation's debt.

3. Allowance for Uncollectible Accounts

The Corporation uses the allowance method to recognize the potential uncollectibility of receivables. An allowance in the amount of \$0 was recorded at December 31, 2018 (2017 - \$0).

4. Capital Assets

Capital assets; which comprise property and equipment with an initial cost in excess of \$5,000 and an estimated useful life exceeding two years; are recorded at historical cost. Donated or contributed capital assets are recorded at estimated fair value at the date of donation.

The Corporation's depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives of the underlying assets:

	<u>Years</u>
Land improvements	20
Buildings / improvements	7 - 40
Furniture and fixtures	10
Equipment	5 - 7

Certain interest costs incurred during construction of capital projects have been capitalized rather than reported as an expense of those periods. Capitalized interest related to Project expansions are amortized over 24 years and 30 years, respectively, using the straight-line method.

Land, water rights, and construction in progress are reported at cost, and not subject to depreciation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element – deferred outflows of resources – that represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Corporation has one item – deferred charge on refunding – that qualifies for reporting in this category at December 31, 2018 and 2017. A deferred charge on refunding represents the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the term of the refunded debt or the refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element – deferred inflows of resources – that represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation has no deferred inflows of resources at December 31, 2018 and 2017.

6. Revenue and Expense Classification

Operating revenues and expenses primarily result from leasing space and providing concession rights within and outside the Project. Operating revenues include rentals under agreements with airlines, car rental agencies and other concessionaires. Operating expenses include facilities upkeep, personnel, administrative and other expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

7. Federal and State Income Tax

The Corporation was formed in accordance with Internal Revenue Service Revenue Ruling 63-20, which provides that a non-profit corporation may issue tax-exempt bonds if it does so "*on behalf of a governmental entity*". The Corporation has complied with the provisions of Revenue Ruling 63-20 and is thus exempt from federal and state income taxes.

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Net Position

The Corporation reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At December 31, 2018, the Corporation reported \$14,305,598 (2017 – \$12,920,894) of restricted net position, which was comprised of reserves required by debt covenants (as discussed in Note III.A), less \$18,912,573 of construction reserves (2017 – \$29,254,311), plus restricted accounts receivable of \$158,390 (2017 – \$142,618) for Passenger Facility Charges.

10. Restricted and Unrestricted Resources

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with GAAP as applied to government units. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

In the fall of each year, the Board adopts a proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year. After adoption of the budget resolution, the Corporation may approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; approve emergency appropriations; and reduce appropriations for which originally estimated revenues are insufficient.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents

The Corporation's cash and cash equivalents at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents - Unrestricted:		
Cash in bank - Checking	\$ 801,213	106,717
Cash and Cash Equivalents - Restricted:		
Restricted - Held by Trustee		
Reserves for principal and interest	\$ 943,561	612,830
Debt service reserves	2,552,145	2,476,809
Operating and maintenance reserves	253,640	252,266
Capital and construction reserves	28,121,786	35,813,574
Remaining bond retirement funds	1,188,649	2,877,108
Total - Cash and Cash Equivalents - Restricted	<u>\$ 33,059,781</u>	<u>42,032,587</u>

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible depositories. The PDPA specifies eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance ("FDIC") on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value equal to at least 102 percent of the uninsured deposits

The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2018, the Corporation had bank deposits of \$775,614 (2017 - \$231,748); of which \$250,000 is covered by depositor's insurance; remaining amounts are collateralized with securities held by the pledging financial institution's trust department or agent in the Corporation's name, or in a pledged collateral pool.

Accounts held by the Trustee at December 31, 2018 and 2017 represent investments in COLOTRUST. The fair value of COLOTRUST is determined by the pool's share price and is measured at net asset value. The Corporation has no regulatory oversight for the pool.

Interest rate risk is the risk that market interest rate changes will adversely affect the fair value of an investment, where, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit such exposure, the Corporation limits its investment to those that provide for sufficient liquidity to meet operating requirements, annual debt service, and a reasonable rate of return, while complying with the Trust Indenture. The Corporation's deposits, including money market accounts held by the Trustee pursuant to the Trust Indenture, have maturities of less than one year.

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
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Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

A. Cash and Cash Equivalents (continued)

Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment, and is measured by assignment of a rating by a nationally recognized rating organization. United States government securities or obligations explicitly guaranteed by the United States government are not considered to have credit risk exposure. At December 31, 2018, the Corporation's COLOTRUST accounts held by the Trustee pursuant to the Trust Indenture were rated AAAM by Standard & Poor's.

B. Capital Assets

Capital asset activity for 2018 was as follows:

	Balance Jan. 1/18	Additions & Transfers	Disposals & Transfers	Balance - Dec. 31/18
Capital assets not being depreciated:				
Land	\$ 809,652	-	-	809,652
Water rights	458,550	-	-	458,550
Construction in progress	3,934,430	13,404,739	(531,800)	16,807,369
Total capital assets not being depreciated	5,202,632	13,404,739	(531,800)	18,075,571
Capital assets being depreciated:				
Land improvements	211,666	-	-	211,666
Buildings / improvements	35,195,028	531,800	(1,084,178)	34,642,650
Furniture / equipment	1,317,251	-	(365,933)	951,318
Capitalized interest	644,246	-	-	644,246
Total capital assets being depreciated	37,368,191	531,800	(1,450,111)	36,449,880
Less: Accumulated depreciation for:				
Land improvements	93,113	12,720	-	105,833
Buildings / improvements	17,600,802	1,299,553	(1,068,541)	17,831,814
Furniture / equipment	1,085,987	71,413	(365,930)	791,470
Capitalized interest	415,492	22,800	-	438,292
Total accumulated depreciation	19,195,394	1,406,486	(1,434,471)	19,167,409
Total capital assets being depreciated, net	18,172,797	(874,686)	(15,640)	17,282,471
Capital assets, net	\$ 23,375,429	12,530,053	(547,440)	35,358,042

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

Capital asset activity for 2017 was as follows:

	<u>Balance Jan. 1/17</u>	<u>Additions & Transfers</u>	<u>Disposals & Transfers</u>	<u>Balance - Dec. 31/17</u>
Capital assets not being depreciated:				
Land	\$ 809,652	-	-	809,652
Water rights	458,550	-	-	458,550
Construction in progress	1,720,334	2,214,096	-	3,934,430
Total capital assets not being depreciated	<u>2,988,536</u>	<u>2,214,096</u>	<u>-</u>	<u>5,202,632</u>
Capital assets being depreciated:				
Land improvements	211,666	-	-	211,666
Buildings / improvements	35,195,030	-	-	35,195,030
Furniture / equipment	1,317,249	-	-	1,317,249
Capitalized interest	644,246	-	-	644,246
Total capital assets being depreciated	<u>37,368,191</u>	<u>-</u>	<u>-</u>	<u>37,368,191</u>
Less: Accumulated depreciation for:				
Land improvements	80,395	12,718	-	93,113
Buildings / improvements	16,297,439	1,303,363	-	17,600,802
Furniture / equipment	1,008,335	77,652	-	1,085,987
Capitalized interest	392,692	22,800	-	415,492
Total accumulated depreciation	<u>17,778,861</u>	<u>1,416,533</u>	<u>-</u>	<u>19,195,394</u>
Total capital assets being depreciated, net	<u>19,589,330</u>	<u>(1,416,533)</u>	<u>-</u>	<u>18,172,797</u>
Capital assets, net	<u>\$ 22,577,866</u>	<u>797,563</u>	<u>-</u>	<u>23,375,429</u>

C. Investments

In 2015, the Corporation purchased an investment in the production capacity of solar panels located in a local solar array farm, which will generate credits over a twenty-year term, based on the output of the solar panels, to reduce the Corporation's utility expenses in future years. The Corporation's investment is carried at cost, net of amortization over the twenty-year contract period.

	<u>2018</u>	<u>2017</u>
Investment:		
Solar array	\$ 410,974	\$ 410,974
Less: Accumulated amortization	(82,195)	(61,646)
Investment - Solar array, net	<u>\$ 328,779</u>	<u>\$ 349,328</u>

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

D. Long-term Debt

1. Revenue Bonds

On June 1, 1996, the Corporation issued Air Terminal Project Revenue Bonds, Series 1996A and Series 1996B (collectively, the "Series 1996 Bonds"), in the amounts of \$3,825,000 and \$6,305,000 respectively, to finance the acquisition and construction of the Project. The Series 1996A bonds and Series 1996B bonds were scheduled to mature May 1, 2006, and May 1, 2018, respectively. Interest rates on the Series 1996A bonds and Series 1996B bonds were 6.75% and 7.5% per annum, respectively. During 2006, the Series 1996 Bonds were paid off in full.

In order to finance improvements to the Project, the Corporation issued Air Terminal Project Revenue Bonds, Series 2001A and Series 2001B (collectively, the "Series 2001 Bonds"), pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a First Supplemental Trust Indenture dated June 1, 2001.

The Series 2001A bonds, which were issued in an aggregate original principal amount of \$10,745,000; were to bear interest from 7% to 7.125% per annum, and mature through May 1, 2031. The Series 2001B bonds; which were issued in an aggregate original principal amount of \$5,305,000; were to bear interest from 7.875% to 9.5% per annum, and mature through May 1, 2016. During 2011, the Series 2001 Bonds were paid off in full.

On June 29, 2006, pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a Second Supplemental Trust Indenture dated June 29, 2006, the Corporation issued Air Terminal Project Revenue Bonds, Series 2006A and Series 2006B (collectively, the "Series 2006 Bonds") in aggregate principal amounts of \$4,150,000 and \$3,980,000, respectively. The Series 2006A bonds bear interest from 4.75% to 5.15% per annum, and mature through May 1, 2017. The Series 2006B bonds bear interest at 5.05% to 5.25% per annum, and mature through May 1, 2020. Proceeds of the Series 2006A bonds were used to refund all outstanding Series 1996 Bonds and proceeds of the Series 2006B bonds were deposited with the Trustee to fund Project improvements. During 2017, the Series 2006 Bonds were paid off in full.

On June 22, 2011, pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a Third Supplemental Trust Indenture dated June 1, 2011, the Corporation issued Airport Terminal Project Revenue Refunding Bonds, Series 2011A and Series 2011B (collectively, the "Series 2011 Bonds") in aggregate principal amounts of \$7,190,000 and \$2,880,000, respectively. The Series 2011A bonds bear interest from 3% to 6% per annum, and mature through May 1, 2027. The Series 2011B bonds bear interest from 2.05% to 4.4% per annum, and mature through May 1, 2016. Proceeds from the Series 2011 Bonds were used to refund all outstanding Series 2001 Bonds. During 2016, the Series 2011B Bonds were paid off in full.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

III. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

1. Revenue Bonds (continued)

On September 28, 2017, pursuant to the provisions of the Amended and Restated Trust Indenture dated June 1, 2017, the Corporation issued Airport Terminal Project Revenue Refunding Bonds, Series 2017A, and Airport Terminal Project Revenue Improvement Bonds, Series 2017B, (collectively, the "Series 2017 Bonds") in aggregate principal amounts of \$835,000 and \$29,145,000, respectively. The Series 2017A bonds bear interest from 2% to 4% per annum, and mature through May 1, 2019. The Series 2017B bonds bear interest from 2% to 5% per annum, and mature through May 1, 2041. Proceeds from the Series 2017A Bonds were used to refund all outstanding Series 2006B Bonds and proceeds of the Series 2017B bonds were deposited with the Trustee to fund Project improvements.

The Series 2011 Bonds and the Series 2017 Bonds are subject to early redemption at the Corporation's option as follows:

<u>Issue</u>	<u>Redemption Dates</u>	<u>Redemption Price</u>
Series 2011 Bonds	After May 1, 2021	100%
Series 2017 Bonds	After May 1, 2028	100%

The Series 2011 Bonds and Series 2017 Bonds are revenue bonds, which constitute special obligations of the Corporation secured solely by a Trust Estate.

The Trust Estate includes all right, title and interest of the Corporation in the Project Revenues, all funds held by the Trustee, the Ground Lease, the Project Agreement and the Terminal Agreements (as described in the Trust Indenture) and other tangible and intangible assets. The Indenture and related Bond Resolution require that the revenue of the Project is to be used first to pay operating and maintenance expenses of the Air Terminal Project, and then to establish and maintain revenue bond funds.

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

III. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

1. Revenue Bonds (continued)

The following schedule summarizes the required aggregate future debt service payments at December 31, 2018 on the Series 2011 Bonds and Series 2017 Bonds to maturity:

	Total Debt Service - All Revenue Bonds		
	Principal	Interest	Total
2019	\$ 800,000	1,666,125	2,466,125
2020	840,000	1,627,950	2,467,950
2021	880,000	1,586,800	2,466,800
2022	925,000	1,543,575	2,468,575
2023	970,000	1,496,800	2,466,800
2024 - 2028	5,670,000	6,661,925	12,331,925
2029 - 2033	7,320,000	5,018,000	12,338,000
2034 - 2038	9,395,000	2,938,625	12,333,625
2039 - 2041	6,870,000	526,750	7,396,750
Total	\$ 33,670,000	23,066,550	56,736,550

The aggregate outstanding principal balance of the Series 2011 Bonds and the Series 2017 Bonds differs from the aggregate bonds payable balance disclosed on these financial statements due to deferred items related to bond financing as follows:

	2018	2017
Outstanding bond principal	\$ 33,670,000	34,435,000
Unamortized bond premium	3,391,380	3,546,725
Bonds payable	\$ 37,061,380	37,981,725

2. Summary

Changes in the Corporation's long-term debt in 2018 were as follows:

	Balance Jan. 1/18	2018 Additions	2018 Reductions	Balances - Dec. 31/18
Series 2011A bonds	\$ 5,135,000	-	(395,000)	4,740,000
Series 2017A bonds	740,000	-	(365,000)	375,000
Series 2017B bonds	28,560,000	-	(5,000)	28,555,000
Totals	\$ 34,435,000	-	(765,000)	33,670,000

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

2. Summary (continued)

Changes in the Corporation's long-term debt during 2017 were as follows:

	Balance Jan. 1/17	2017 Additions	2017 Reductions	Balances - Dec. 31/17
Series 2006A bonds	\$ 35,000	-	(35,000)	-
Series 2006B bonds	2,190,000	-	(2,190,000)	-
Series 2011A bonds	5,510,000	-	(375,000)	5,135,000
Series 2017A bonds	-	835,000	(95,000)	740,000
Series 2017B bonds	-	29,145,000	(585,000)	28,560,000
Totals	\$ 7,735,000	29,980,000	(3,280,000)	34,435,000

Current portions of the Corporation's outstanding principal balances on bonds and notes payable at December 31, 2018 and 2017 are as follows:

	2018	2017
Series 2011A bonds	\$ 415,000	395,000
Series 2017A bonds	375,000	365,000
Series 2017B bonds	10,000	5,000
Totals	\$ 800,000	765,000

E. Rental and Concession Revenues

The Corporation leases space within the Project to airlines, car rental agencies, and other concessionaires, pursuant to operating leases with tenants. Future minimum rentals on non-cancelable leases for the years following December 31, 2018 are as follows:

2019	\$ 3,534,639
2020	666,198
2021	208,601
Total	\$ 4,409,438

The terms of the Corporation's lease agreements with the airlines require the Corporation to refund 50% of Net Concession Revenues, as defined, up to a maximum refund of \$300,000, to the airlines. The amount rebated for 2018 was \$300,000 (2017 – \$300,000).

During 2018, the Corporation received approximately 47% of its operating revenue from its two largest tenants (2017 – 45%).

**Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)**

III. Detailed Notes on All Funds (continued)

F. Related Party Transactions

Effective June 1, 1996, the Corporation entered into an operating lease agreement (the "Ground Lease") pursuant to which the Corporation leases land from the County for use as terminal space and parking facilities. Subsequently, the parties have executed three supplemental agreements (the "Supplemental Ground Leases") with respect to the Corporation's use of additional terminal space and parking facilities. The Ground Lease expires on the earlier of May 31, 2026 or the defeasance of the Series 1996 Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. The Supplemental Ground Leases expire on the earlier of December 31, 2045 or the defeasance of the Series 2017B Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. Under the terms of the Ground Lease and the Supplemental Ground Leases, the Corporation is to monthly pay a base rental and license fee per square foot of leased space, subject to annual cost-of-living adjustments.

The Corporation has also entered into an operating lease agreement (the "De-icing Facility Ground Lease"), effective June 1, 2006, under which the Corporation leases land from the County for use as an airplane de-icing facility. During 2017, the De-icing Facility Ground Lease period term was amended. The De-icing Facility Ground Lease expires on the earlier of December 31, 2031 or the defeasance of the Series 2017A Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. Under the terms of the De-Icing Ground Leases, the Corporation is to pay a monthly base rental per square foot of leased space, subject to annual cost-of-living adjustments.

Total rental and licenses fees expense incurred by the Corporation in respect of the Ground Lease, the Supplemental Ground Leases, and the De-Icing Facility Ground Lease was \$256,866 for 2018 (2017 – \$247,744).

The following is a schedule of aggregate future minimum rental and license fees due under the terms of the Ground Lease, the Supplemental Ground Leases, and the De-Icing Facility Ground Lease, absent future adjustments for inflation, at December 31, 2018:

2019	\$ 256,866
2020	256,866
2021	256,866
2022	256,866
2023	256,866
2024 - 2028	970,119
2029 - 2033	676,181
2034 - 2036	326,821
	<hr/>
Total	\$ 3,257,451

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

F. Related Party Transactions (continued)

Effective June 1, 2001, the Corporation entered into a Parking Facilities Sublease, pursuant to which the Corporation leases certain parking lots to the County, in return for an annual lease payment of \$300,000. However, the County's lease payment otherwise due is reduced by \$300,000, less any amounts required to comply with the Corporation's obligations under the Trust Indenture for the 2001 Bonds. The initial term of the Parking Facilities Sublease expired December 31, 2001, but renews annually through May 31, 2036 upon the County's annual appropriation of any required payments, unless earlier terminated by the defeasance of the Series 2001 Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. During 2011, the parties executed the First Amendment to the Parking Facilities Sublease to incorporate reference to provisions of the supplemental bond indentures issued by the Corporation. During 2017, the parties executed the Second Amendment to the Parking Facilities Sublease to incorporate reference to provisions of the Amended and Restated Trust Indenture issued by the Corporation; to set the annual lease payment to \$10, which increases annually in any year, up to \$411,000, subject to annual cost-of-living adjustments, and otherwise reduced by certain amounts to be in compliance with the Corporation's obligations under the Amended and Restated Trust Indenture; and extends the annual renewal term through December 31, 2045. The Corporation recognized no revenue from the Parking Facilities Sublease in 2018 and 2017.

The Corporation has also entered into a De-Icing Facility Sublease, effective June 1, 2001, under which the Corporation leases an airplane de-icing facility to the County, in return for annual lease payments equal to the Corporation's required debt service on the 2006B Bonds, less the amount of the Corporation's funds available for such debt service. The initial term of the De-Icing Facility Sublease expired December 31, 2006, but renews annually through May 31, 2020 upon the County's annual appropriation of any required payments, unless earlier terminated by the defeasance of the Series 2006B Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. During 2017, the parties executed the First Amendment to De-Icing Facility Sub-Lease to incorporate reference to provisions of the Amended and Restated Trust Indenture issued by the Corporation. The Corporation recognized no revenue from the De-Icing Facility Sublease in 2018 and 2017.

The Corporation and the County executed a Project Construction and Management Agreement Amendment (effective January 1, 2006) and Second Amendment (effective January 1, 2011), under which the County provides management of the day-to-day operations of the Project, in return for a flat monthly fee, subject to annual cost-of-living adjustments. In 2017, The Corporation and the County executed a Project Construction and Management Agreement (effective September 1, 2017), under which the County provides management of the day-to-day operations of the Project, in return for a flat annual fee, subject to annual cost-of-living adjustments. The County's management fee for 2018 was \$424,980 (2017 – \$416,716).

Amounts payable to the County at December 31, 2018 with respect to the Ground Lease, the Supplemental Ground Leases, the De-Icing Facility Ground Lease, the Project Construction and Management Agreement, and fees collected by the Corporation on behalf of the County totaled \$39,376 (2017 – \$131,552). Amounts receivable from the County at the end of 2018 totaled \$0 (2017 – \$0) and represents amounts collected by the County on behalf of the Corporation from airlines, car rental agencies, and other customers.

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2018 and 2017
(Continued)

III. Detailed Notes on All Funds (continued)

G. Risk Management

The Corporation is exposed to various risks of loss related to general liability; torts; theft of, damage to, and destruction of assets; and errors and omissions. The Corporation has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage.

During the normal course of business, the Corporation may incur claims and other assertions against it from various agencies and individuals. Management and legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2018 and 2017.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the Corporation. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial.

H. Construction Contracts

During 2017, the Corporation entered into a construction contract with Hensel Phelps Construction Company ("Hensel Phelps") for a terminal expansion project. After approved change orders, the total value of the contract at December 31, 2018 was \$29,974,261 (2017 – \$29,389,835). Of this amount, \$14,503,293 (2017 - \$2,384,479) had been completed and billed by Hensel Phelps through December 31, 2018 on the contract. As of December 31, 2018, the Corporation has recorded construction contracts payable of \$2,490,707 (2017 – \$595,064) and construction retainage payable of \$560,494 (2017 - \$0) with respect to the construction contract with Hensel Phelps.

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance: Positive / (Negative)
Revenues:				
Rentals	4,799,729	4,799,729	4,964,754	165,025
Concessions	142,152	142,152	124,892	(17,260)
Advertising	100,000	100,000	152,083	52,083
Miscellaneous	-	-	9,575	9,575
Total Revenues	<u>5,041,881</u>	<u>5,041,881</u>	<u>5,251,304</u>	<u>209,423</u>
Expenses:				
General and Administrative:				
Bank charges	15,600	15,600	87,661	(72,061)
Insurance	39,978	39,978	41,075	(1,097)
Professional services	91,700	91,700	156,861	(65,161)
Other	1,500	1,500	942	558
Total - General and Administrative	<u>148,778</u>	<u>148,778</u>	<u>286,539</u>	<u>(137,761)</u>
Operations:				
Janitorial	287,642	287,642	290,342	(2,700)
Maintenance - Building	181,123	181,123	76,572	104,551
Maintenance - Grounds	66,000	66,000	9,851	56,149
Management fees	424,800	424,800	424,980	(180)
Other purchased services	91,866	91,866	53,074	38,792
Rent	253,932	253,932	256,866	(2,934)
Customer service	40,544	40,544	16,891	23,653
Security	6,000	6,000	169	5,831
Utilities	206,576	206,576	211,492	(4,916)
Total - Operations	<u>1,558,483</u>	<u>1,558,483</u>	<u>1,340,237</u>	<u>218,246</u>
Rebate	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Depreciation and Amortization:				
Depreciation	1,513,200	1,513,200	1,383,686	129,514
Amortization	22,800	22,800	43,349	(20,549)
Total - Depreciation and Amortization	<u>1,536,000</u>	<u>1,536,000</u>	<u>1,427,035</u>	<u>108,965</u>
Total Operating Expenses	<u>3,543,261</u>	<u>3,543,261</u>	<u>3,353,811</u>	<u>189,450</u>
Income from Operations	1,498,620	1,498,620	1,897,493	398,873
Other Income (Expenses):				
Passenger facility charges	525,000	525,000	556,955	31,955
Investment income	24,000	24,000	809,225	785,225
Loss on asset disposal	-	-	(15,640)	(15,640)
Interest expense	(1,743,960)	(1,743,960)	(1,694,103)	49,857
Amortization of bond issue costs	-	-	95,314	95,314
Change in Net Position	303,660	303,660	1,649,244	1,345,584
Net Position - Beginning	<u>23,798,812</u>	<u>23,798,812</u>	<u>27,490,927</u>	<u>3,692,115</u>
Net Position - Ending	<u>24,102,472</u>	<u>24,102,472</u>	<u>29,140,171</u>	<u>5,037,699</u>

Eagle County Air Terminal Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Schedule of Passenger Facility Charges Collected and Expended
For the Year Ended December 31, 2018

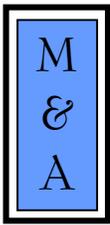
	Amounts for Current Year	Unliquidated Balance
Unliquidated Passenger Facility Charges - Beginning		429,101
<i>add:</i>		
Collections:		
Passenger Facility Charge receipts from air carriers	536,447	
Interest earned	1,979	
 Total - Passenger Facility Charges collected		538,426
<i>less:</i>		
Expenditures:		
Debt service	966,870	
Investment fee	253	
 Total - Passenger Facility Charges expended		967,123
 Unliquidated Passenger Facility Charges - Ending		404

Notes to Schedule of Passenger Facility Charges Collected and Expended:

Note 1. - Basis of Presentation:

The accompanying schedule of Passenger Facility Charges ("PFCs") collected and expended includes the PFC activity of Eagle County Air Terminal Corporation, and is presented on the cash basis of accounting. The information in this schedule is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service costs and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against PFCs collected. The accompanying schedule of PFCs collected and expended includes eligible expenditures that have been applied against PFCs collected as of December 31, 2018.



MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado**

Report on Internal Control Over Financial Reporting and Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eagle County Air Terminal Corporation, a Colorado non-profit corporation and a component unit of Eagle County Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Eagle County Air Terminal Corporation's basic financial statements and have issued our report thereon dated April 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eagle County Air Terminal Corporation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eagle County Air Terminal Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Eagle County Air Terminal Corporation'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.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado

Compliance and Other Matters

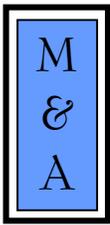
As part of obtaining reasonable assurance about whether Eagle County Air Terminal Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eagle County Air Terminal Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle County Air Terminal Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
April 30, 2019



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

**To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado**

Report on Compliance

We have audited the compliance of Eagle County Air Terminal Corporation with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its Passenger Facility Charge program for the year ended December 31, 2018.

Management's Responsibility

Management of Eagle County Air Terminal Corporation is responsible for compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Eagle County Air Terminal Corporation's Passenger Facility Charge program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program occurred. An audit includes examining, on a test basis, evidence about Eagle County Air Terminal Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Passenger Facility Charge program. However, our audit does not provide a legal determination of Eagle County Air Terminal Corporation's compliance with those requirements.

Opinion on Compliance

In our opinion, Eagle County Air Terminal Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2018.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Eagle County Air Terminal Corporation
Eagle, Colorado

Report on Internal Control Over Compliance

Management of Eagle County Air Terminal Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the Passenger Facility Charge program. In planning and performing our audit, we considered Eagle County Air Terminal Corporation's internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle County Air Terminal Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of the Passenger Facility Charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of the Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a compliance requirement of the Passenger Facility Charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
April 30, 2019

Eagle County Air Terminal Corporation
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
For the Year Ended December 31, 2018

Current Year Findings

None noted

Schedule of Prior Findings

None noted