TELLURIDE REGIONAL AIRPORT AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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TELLURIDE REGIONAL AIRPORT AUTHORITY

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FINANCIAL SECTION

Management’s Discussion and Analysis

(Required Supplementary Information)

TELLURIDE REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

December 31, 2017

As the management of the Telluride Regional Airport Authority (The Authority), we are providing this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2017. We invite our readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

During the year ending December 31, 2017, the Authority's net position increased by $3,091,565 to $77,334,198 from $74,242,633.

The operations of the Authority are funded by revenues generated by the operations of the Telluride Regional Airport. These revenues consist primarily of the sale of fuel, pilot supplies, landing fees and the rental of space in the terminal building. The capital improvements are financed primarily with grants from the Federal Aviation Administration and the State of Colorado and the sale of stone extracted from the Airport Property.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Statement of Net Position (Exhibit I)

The statement of net position provides information on all the Authority's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in the net position may be a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the 2017 fiscal year from 2016.

Exhibit I	2017	2016
Current and other assets	$ 2,574,788	$ 3,947,043
Capital assets	75,194,220	70,319,392
Total assets	77,769,008	74,266,435
Current liabilities	434,810	23,802
Total liabilities	434,810	23,802
Net position		
Net investment in capital assets	75,194,220	70,319,392
Inventories	115,250	93,806
Unrestricted	2,024,728	3,829,435
Total net position	$ 77,334,198	$ 74,242,633

Statement of Revenues, Expenses and Changes in Fund Net Position (Exhibit II)

A fund is a collection of accounts that is used to maintain control over resources that have been designated for specific purposes. Colorado State Statute requires certain funds. The Authority has established one fund (a proprietary fund, enterprise fund type) to account for the operations of the Authority.

Proprietary funds (enterprise fund type), are used to report the same functions presented as business-type activities in the government-wide financial statements.

Exhibit II	Years Ended December 31,	
	2017	**2016**
Revenues		
Operating Income	$ 4,320,587	$ 4,004,237
Investment earnings	35	26
Capital Income	5,408,647	1,505,792
Gain (loss) on disposition of assets	(182,535)	32,769
Total revenues	9,546,734	5,542,824
Expenses		
Operations	3,448,293	2,599,951
Depreciation	3,006,876	2,789,271
Total expenses	6,455,169	5,389,222
Change in Net Position	3,091,565	153,602
Net Position – Beginning of Year	74,242,633	74,089,031
Net Position – End of Year	$ 77,334,198	$ 74,242,633

Schedule of Revenues, Expenses and Changes in Net Position

The Authority adopted an appropriated budget for the year ended December 31, 2017. The budgetary comparison schedule on page 16 has been provided to demonstrate compliance with Local Government Budget Law.

Notes to Financial Statements

The notes are a required part of the financial statements, providing additional information that is essential to a full understanding of the data provided in the statements.

Budgetary Highlights

Actual revenues were less than budgeted amounts, and actual expenses were lower than budgeted, resulting in a net income (budget basis) that was $1,689,462 higher than budgeted.

The Authority's operations generated revenues of $4,320,587, which was an increase of $316,350 compared to 2016. The operating expenses for 2017 were $3,448,293, which is an increase of $848,342 compared to 2016. This resulted in an increase in net position from operations of $872,294 before depreciation, compared with an increase of $1,404,286 in 2016.

The total budget basis expenses of the Authority for 2017, which includes operating and capital, totaled $11,512,581. The Authority had budgeted $12,011,104.

Long-Term Debt

The Authority had acquired long-term debt during 2006 to construct a hanger building. The balance of the debt was paid off during year-ended December 31, 2016.

The Authority is in good financial position overall. Operating revenues are at levels necessary to fund the operations of the Airport. Capital improvements will continue to be made as grant funds are approved and made available.

Requests for Information

This report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided or requests for additional information should be addressed to the Airport Manager, 1500 Last Dollar Road, Telluride, CO 81435.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Telluride Regional Airport Authority
Telluride, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Telluride Regional Airport Authority as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions 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 audits 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Telluride Regional Airport Authority, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 the 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Telluride Regional Airport Authority's financial statements as a whole. The Enterprise Fund budgetary comparison information is presented for purposes of additional analysis and legal compliance, and is not a required part of the basic financial statements. The schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as required by the Federal Aviation Administration, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Enterprise Fund budgetary comparison information, schedule of passenger facility charges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 Enterprise Fund budgetary comparison information, schedule of passenger facility charges, and the schedule of expenditures of federal awards are 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 May 25, 2018, on our consideration of Telluride Regional Airport Authority'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Telluride Regional Airport Authority's internal control over financial reporting and compliance.

Hamblin and Associates

Golden, Colorado
May 25, 2018

Basic Financial Statements

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 1,946,291	$ 3,519,965
Grants receivable	282,795	124,825
Accounts receivable	205,107	184,781
Inventory - fuel and supplies	115,250	93,806
Prepaid expenses	25,345	23,666
TOTAL CURRENT ASSETS	2,574,788	3,947,043
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	75,194,220	70,319,392
TOTAL ASSETS	77,769,008	74,266,435
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	431,632	23,377
Accrued expenses	3,178	425
TOTAL CURRENT LIABILITIES	434,810	23,802
NET POSITION		
Net investment in capital assets	75,194,220	70,319,392
Restricted for inventories	115,250	93,806
Unrestricted	2,024,728	3,829,435
TOTAL NET POSITION	$ 77,334,198	$ 74,242,633

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT	
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS	BUSINESS - TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS					
Business-Type Activities					
Current:					
Airport Operations	$ 6,637,704	$ 4,320,587	$ 5,408,647	$ 3,091,530	$ 3,091,530
TOTAL BUSINESS-TYPE ACTIVITIES	6,637,704	4,320,587	5,408,647	3,091,530	3,091,530
TOTAL PRIMARY GOVERNMENT	$ 6,637,704	$ 4,320,587	$ 5,408,647	3,091,530	3,091,530
	GENERAL REVENUES				
	Interest Income			35	35
	CHANGE IN NET POSITION			3,091,565	3,091,565
	NET POSITION - Beginning of Year			74,242,633	74,242,633
	NET POSITION - End of Year			$ 77,334,198	$ 77,334,198

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT	
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS	BUSINESS - TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS					
Business-Type Activities					
Current:					
Airport Operations	$ 5,356,453	$ 4,004,237	$ 1,505,792	$ 153,576	$ 153,576
TOTAL BUSINESS-TYPE ACTIVITIES	5,356,453	4,004,237	1,505,792	153,576	153,576
TOTAL PRIMARY GOVERNMENT	$ 5,356,453	$ 4,004,237	$ 1,505,792	153,576	153,576
GENERAL REVENUES					
Interest Income				26	26
CHANGE IN NET POSITION				153,602	153,602
NET POSITION - Beginning of Year				74,089,031	74,089,031
NET POSITION - End of Year				$ 74,242,633	$ 74,242,633

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Aircraft and pilot income	$ 3,644,621	$ 3,441,301
Airside income	399,577	395,748
Terminal income	276,389	167,188
TOTAL OPERATING REVENUES	4,320,587	4,004,237
OPERATING EXPENSES		
Cost of goods sold	1,273,723	1,197,151
Administrative expenses	647,603	546,414
Aircraft and pilot expenses	1,044,585	932,838
Airside expenses	177,949	169,574
Terminal expenses	199,193	133,094
Depreciation	3,006,876	2,789,271
TOTAL OPERATING EXPENSES	6,349,929	5,768,342
NET INCOME (LOSS) FROM OPERATIONS	(2,029,342)	(1,764,105)
OTHER INCOME (EXPENSE)		
Capital income	5,408,647	1,505,792
Interest Income	35	26
Gain (loss) on disposition of assets	(182,535)	32,769
Capital expenses	(105,240)	379,120
OTHER INCOME (EXPENSE)	5,120,907	1,917,707
CHANGE IN NET POSITION	3,091,565	153,602
NET POSITION, Beginning	74,242,633	74,089,031
NET POSITION, Ending	$ 77,334,198	$ 74,242,633

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS -
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Cash Received from Customers	$ 4,300,261	$ 3,886,213
Cash Paid to Employees	(927,355)	(770,200)
Cash Paid to Suppliers for Goods or Services	(2,027,814)	(2,801,329)
Net Cash Provided (Used) by Operating Activities	1,345,092	314,684
Cash Flows From Capital and Related Financing Activities:		
Grants	4,962,952	2,201,074
Capital Additions	(8,064,288)	(2,068,489)
Net Disposals	182,535	88,043
Debt Principal Payments	-	(352,367)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,918,801)	(131,739)
Cash Flows From Investing Activities:		
Interest Received	35	26
Net Increase (Decrease) in Cash	(1,573,674)	182,971
Cash, Beginning of Year	3,519,965	3,336,994
Cash, End of Year	$ 1,946,291	$ 3,519,965
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (2,029,342)	$ (1,764,105)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,006,876	2,789,271
(Increase) Decrease in Accounts Receivable	(20,326)	(118,024)
(Increase) Decrease in Inventory	(21,445)	17,640
(Increase) Decrease in Prepaid Expenses	(1,679)	(10,007)
Increase (Decrease) in Accounts Payable	408,255	(595,439)
Increase (Decrease) in Accrued Expenses	2,753	(4,652)
Net Cash Provided (Used) by Operating Activities	$ 1,345,092	$ 314,684

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Telluride Regional Airport Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies which are described below.

A. Reporting Entity

The Telluride Regional Airport Authority was formed in July 1983 to construct and operate an airport in the Telluride, Colorado region. The Authority is governed by a nine member Board of Commissioners.

The financial statements of the Authority include all the accounts of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Sections 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name),
- The Authority holds the corporate powers of the organization,
- The Authority appoints a voting majority of the organization's board,
- The Authority is able to impose its will on the organization,
- The organization has the potential to impose a financial benefit/burden on the Authority,
- There is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria, the Telluride Regional Airport Authority has no component units.

B. Fund Accounting

The accounts of the Authority are organized on the basis of fund accounting. The operations of a fund are summarized using a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The Authority's financial statements are presented in one fund type as follows:

PROPRIETARY FUND (Business-type fund)

Enterprise Fund - to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority accounts for its operations as an enterprise fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A proprietary (enterprise) fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of this fund are included on its balance sheets. The proprietary fund type operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

D. Basis of Accounting

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to customers for services and sales. Operating expenses 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 nonoperating revenues and expenses.

Program revenues in the Statement of Activities consist of charges for services (fees, rents, sales) and capital grant funding for airport construction and equipment acquisitions. All capital grant revenue is recorded as non-operating revenue, whereas all other revenue (excluding interest) is recorded as operating revenue.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Airport Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain public input.
- Prior to December 31, the budget is legally adopted and appropriations authorized through passage of appropriate resolutions.
- The budget for the Authority is adopted on a modified accrual basis of accounting which is not consistent with generally accepted accounting principles (GAAP). The difference between the adopted budget and GAAP are the inclusion of capital outlay and debt retirement expenditures and the exclusion of depreciation expense.
- The Board may legally amend the budget and appropriations by resolution once it has been adopted. Budgeted amounts shown are based on the final legally adopted budget. All appropriations lapse at fiscal year end.

F. Inventories

Inventories are stated at cost, which approximates market, using the first-in/first-out (FIFO) method. A physical inventory is performed at year-end, and the inventory is adjusted accordingly.

G. Capital Assets

All purchased assets are recorded at historical cost. Depreciation of all exhaustible assets is charged as an expense in operations. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Runway and runway improvements	25 years
Other improvements	10 - 20 years
Equipment	5 - 10 years
Office furniture and equipment	3 - 10 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Restricted assets represent those resources required by grant restrictions or designated by the Board to be used for capital expenditures or special projects

I. Statements of Cash Flows

For purposes of the statements of cash flows, cash is defined as all cash on hand and in financial institutions.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH

A. Deposits and Cash On Hand

Cash amounts of the Authority at December 31, 2017 are:

			Carrying Value
Deposits:			
	Demand deposits		$ 1,945,214
Total deposits			1,945,214
	Cash on hand		1,077
		Total Cash	$ 1,946,291

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA.

NOTE 2: CASH AND CASH INVESTED (Continued)

A. Cash Invested (Continued)

The PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

B. Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

D. Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

The Authority invests excess funds under the prudent investor rule. The criteria for selection of investments and order of priority are: 1) safety; 2) liquidity; and 3) yield.

NOTE 3: RETIREMENT PLANS

The Authority's employees are covered by Social Security. Additionally, the Authority and its employees contribute to a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) established under Internal Revenue Code section 408 (p). Eligibility is limited to management, administrative, and full-time employees who have been employed for 24 consecutive months. An eligible employee may make a salary reduction to have their compensation reduced by a percentage or a specified amount. The total amount of the reduction of the employee's compensation is determined by the Internal Revenue Service annually. The Authority pays a matching contribution to each employee's plan, up to a limit of 3% of the employee's compensation for the calendar year. For the year ending December 31, 2017, employees contributed $30,516 and the Authority contributed $15,679.

NOTE 4: CAPITAL ASSETS

A summary of the changes to capital assets are:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Capital assets not being depreciated:				
Land	$ 7,337,699	$ -	$ -	$ 7,337,699
Capital assets being depreciated:				
Runways and runway improvements	76,448,197	5,780,597	-	82,228,794
Buildings and improvements	5,578,936	1,991,190	(394,291)	7,175,835
Equipment and vehicles	3,147,707	292,502	(163,666)	3,276,543
Total capital assets being depreciated	85,174,839	8,064,289	(557,957)	92,681,171
Less accumulated depreciation:				
Runways and runway improvements	(17,410,787)	(2,549,311)	-	(19,960,098)
Buildings and improvements	(2,666,152)	(243,473)	242,047	(2,667,578)
Equipment and vehicles	(2,116,207)	(214,092)	133,325	(2,196,974)
Total accumulated depreciation	(22,193,146)	(3,006,876)	375,372	(24,824,650)
Capital assets being depreciated, net	62,981,693	5,057,413	(182,585)	67,856,521
Total net capital assets	$ 70,319,392	$ 5,057,413	$ (182,585)	$ 75,194,220

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016
Capital assets not being depreciated:				
Land	$ 7,337,699	$ -	$ -	$ 7,337,699
Capital assets being depreciated:				
Runways and runway improvements	74,887,853	1,560,344	-	76,448,197
Buildings and improvements	5,501,627	77,309	-	5,578,936
Equipment and vehicles	2,779,843	430,834	(62,970)	3,147,707
Total capital assets being depreciated	83,169,322	2,068,487	(62,970)	85,174,839
Less accumulated depreciation:				
Runways and runway improvements	(15,052,257)	(2,358,530)	-	(17,410,787)
Buildings and improvements	(2,455,004)	(211,148)	-	(2,666,152)
Equipment and vehicles	(1,959,249)	(219,593)	62,635	(2,116,207)
Total accumulated depreciation	(19,466,510)	(2,789,271)	62,635	(22,193,146)
Capital assets being depreciated, net	63,702,812	(720,784)	(335)	62,981,693
Total net capital assets	$ 71,040,511	$ (720,784)	$ (335)	$ 70,319,392

NOTE 5: TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

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

TABOR excludes from its provisions government owned businesses defined as "enterprises". TABOR defines "enterprises" as being able to issue revenue bonds and receiving under 10% of annual revenues in grants from Colorado state and local governments combined. The Authority considers itself an "enterprise" as defined under TABOR, and as such, not subject to the provisions of TABOR; however, the definition of "enterprises" and "grants" and other provisions of the amendment may require judicial interpretation.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, and acts of God. The Authority maintains commercial insurance for significant insurable risks. Settled claims did not exceed this commercial coverage in any of the past two fiscal years.

NOTE 8: CONSTRUCTION COMMITMENTS

The Authority was involved in several construction projects at December 31, 2017. Construction commitments for these projects approximate $752,100 on that date.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were available to be issued. There are no items to report or disclose.

Supplementary Information

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Aircraft and pilot income	$ 3,105,572	$ 3,644,621	$ 539,049
Airside income	341,820	399,577	57,757
Terminal income	257,063	276,389	19,326
Capital income	6,793,200	5,408,647	(1,384,553)
Interest Income	100	35	(65)
Total Revenues	10,497,755	9,729,269	(768,486)
EXPENSES			
Cost of goods sold	998,107	1,273,723	(275,616)
Administrative expenses	630,948	647,603	(16,655)
Aircraft and pilot expenses	939,339	1,044,585	(105,246)
Airside expenses	210,580	177,949	32,631
Terminal expenses	151,800	199,193	(47,393)
Capital expenses	9,080,330	8,169,528	910,802
Total Expenses	12,011,104	11,512,581	498,523
Net Income - Budget Basis	$ (1,513,349)	(1,783,312)	$ (269,963)
To Adjust Income to GAAP Basis:			
Depreciation		(3,006,876)	
Gain (loss) on disposition of capital assets		(182,535)	
Capitalized assets		8,064,288	
Net Income - GAAP Basis		$ 3,091,565	

See the accompanying Independent Auditor's Report.

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Aircraft and pilot income	$ 3,002,000	$ 3,441,301	$ 439,301
Airside income	287,000	395,748	108,748
Terminal income	367,800	167,188	(200,612)
Capital income	1,504,000	1,505,792	1,792
Interest Income	100	26	(74)
Total Revenues	5,160,900	5,510,055	349,155
EXPENSES			
Cost of goods sold	1,286,570	1,197,151	89,419
Administrative expenses	540,506	898,781	(358,275)
Aircraft and pilot expenses	921,312	932,838	(11,526)
Airside expenses	149,320	169,574	(20,254)
Terminal expenses	133,500	133,094	406
Capital expenses	2,637,560	1,689,369	948,191
Total Expenses	5,668,768	5,020,807	647,961
Net Income - Budget Basis	$ (507,868)	489,248	$ 997,116

To Adjust Income to GAAP Basis:	
Depreciation	(2,789,271)
Principal payments on long-term debt	352,367
Gain on disposition of capital assets	32,769
Capitalized assets	2,068,489
Net Income - GAAP Basis	$ 153,602

See the accompanying Independent Auditor's Report.

COMPLIANCE SECTION

Federal Financial Assistance Reports

HAMBLIN AND ASSOCIATES, LLC
Certified Public Accountants
Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401
(303) 694-2727

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

Board of Directors
Telluride Regional Airport Authority
Telluride, Colorado

We have audited, in accordance with the 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 the business-type activities of the Telluride Regional Airport Authority (the Authority) as of and for the year ended December 31, 2017, which collectively comprise the Telluride Regional Airport Authority's basic financial statements, and have issued our report thereon dated May 25, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Telluride Regional Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Hamblin and Associates

Golden, Colorado
May 25, 2018

HAMBLIN AND ASSOCIATES, LLC
Certified Public Accountants
Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401 (303) 694-2727

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Telluride Regional Airport Authority
Telluride, Colorado

Report on Compliance for Each Major Federal Program

We have audited Telluride Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Telluride Regional Airport Authority's major federal programs for the year ended December 31, 2017. Telluride Regional Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Telluride Regional Airport Authority's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority'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 each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Telluride Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Telluride Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Telluride Regional Airport Authority'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 type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hamblin and Associates

Golden, Colorado
May 25, 2018

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Federal Aviation Administration:		
Airport Improvement Programs	20.106	$ 5,780,597

See the accompanying Independent Auditor's Report.

TELLURIDE REGIONAL AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2017, and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULES OF PASSENGER FACILITIES CHARGES COLLECTED AND EXPENDED
YEARS ENDED DECEMBER 31, 2017 and 2016

Federal Agency/ Pass Through Agency Name	Application Approved Number	Beginning Balance Unliquified PFC	PFCs and Interest Collected	Expenses	Ending Balance Unliquified PFC
		2017			
Land Acquisition	92-01-C-00-TEX	$ 257,370	$ 11,441	$ 930	$ 267,881
		2016			
Land Acquisition	92-01-C-00-TEX	$ 253,882	$ 3,424	$ (64)	$ 257,370

See the accompanying Independent Auditor's Report.

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2017

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? no
- Significant deficiencies identified? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? no
- Significant deficiencies identified? none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? no

Identification of programs tested as major programs:

CFDA 20.106 Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2017

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

A. Reportable Conditions in Internal Control

The audit of the financial statements of Telluride Regional Airport Authority as of and for the year ended December 31, 2017 did not disclose any reportable conditions in the internal control of Telluride Regional Airport Authority that would be considered a material weakness.

B. Compliance Findings

The audit of the financial statements of Telluride Regional Airport Authority as of and for the year ended December 31, 2017 did not disclose any instances of noncompliance with certain provisions of laws, regulations, and grants that were material to those financial statements.

III. Findings and Questioned Costs

A. Reportable Conditions in Internal Control

The audit of the federal awards of the Telluride Regional Airport Authority as of and for the year ended December 31, 2017, did not disclose any reportable conditions in the internal control of Telluride Regional Airport Authority that would be considered a material weakness.

B. Compliance Findings

The audit of the federal awards Telluride Regional Airport Authority as of and for the year ended December 31, 2017 did not disclose any instances of noncompliance with certain provisions of laws, regulations, and grants that were material to those financial statements.

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.