

TELLURIDE REGIONAL AIRPORT AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

TELLURIDE REGIONAL AIRPORT AUTHORITY

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Management Discussion and Analysis	M1 - M3
Independent Auditor's Report	1 - 2
Basic Financial Statements	
<u>Basic Financial Statements</u>	
Statement of Net Position	3
Statements of Activities	4 - 5
<u>Fund Financial Statements</u>	
Statement of Revenues, Expenses and Changes in Fund Net Position - Enterprise Fund	6
Statement of Cash Flows - Enterprise Fund	7
<u>Notes to Basic Financial Statements</u>	8 - 15
Supplementary Information	
Schedules of Revenue and Expenditures – Budget and Actual – Non-GAAP Basis	16 - 17
<u>COMPLIANCE SECTION</u>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	18 - 19
Schedules of Passenger Facility Charges	20

FINANCIAL SECTION

Management's Discussion and Analysis
(Required Supplementary Information)

TELLURIDE REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

December 31, 2019

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, 2019. 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, 2019, the Authority's net position decreased by (\$1,515,577) to \$74,336,910 from \$75,852,487. The decrease was due to capital purchases and improvements.

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 2019 fiscal year from 2018.

Exhibit I	2019	2018
Current and other assets	\$ 3,464,915	\$ 2,753,855
Capital assets	71,125,891	73,398,546
Total assets	74,590,806	76,152,401
Current liabilities	81,812	100,441
Total liabilities	253,896	299,915
Net position		
Net investment in capital assets	70,926,417	73,173,256
Inventories	144,572	92,081
Unrestricted	3,265,921	2,587,149
Total net position	\$ 74,336,910	\$ 75,852,486

TELLURIDE REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

December 31, 2019

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,	
	2019	2018
Revenues		
Operating Income	\$ 5,224,918	\$ 4,895,120
Investment earnings	-	3
Capital Income	487,953	1,029,145
Gain (loss) on disposition of assets	3,608	(30,044)
Total revenues	5,716,479	5,894,224
Expenses		
Operations	3,963,091	4,208,671
Depreciation	3,268,965	3,167,265
Total expenses	7,232,056	7,375,936
Change in Net Position	(1,515,577)	(1,481,712)
Net Position – Beginning of Year	75,852,487	77,334,199
Net Position – End of Year	\$ 74,336,910	\$ 75,852,487

Schedule of Revenues, Expenses and Changes in Net Position

The Authority adopted an appropriated budget for the year ended December 31, 2019. 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 lower than budgeted amounts, and actual expenses were lower than budgeted, resulting in a net income (budget basis) that was \$520,422 lower than budgeted.

TELLURIDE REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

December 31, 2019

The Authority's operations generated revenues of \$5,224,918, which was an increase of \$329,798 compared to 2018. The operating expenses for 2019 were \$3,963,091, which is a decrease of \$245,580 compared to 2018. This resulted in an increase in net position from operations of \$1,261,827 before depreciation, compared with an increase of \$686,494 in 2018.

The total budget basis expenses of the Authority for 2019, which includes operating and capital, totaled \$4,933,587. The Authority had budgeted \$5,059,720.

Long-Term Debt

In 2018, The Authority acquired long-term debt to replace a fuel truck, using a \$235,604 loan from Wells Fargo Bank. The debt service requires payments of \$3,207 per month, including interest, with the balance of the note due on July 28, 2025. The Authority's previous debt was for hangar construction in 2006 – that debt was paid off in 2016.

The Authority is in good financial position overall. Operating revenues are at levels necessary to fund the operations of the Airport.

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.

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 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, 2019 and 2018, 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, 2019 and 2018, 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 Enterprise Fund budgetary comparison information, and the schedule of passenger facility charges 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, and the schedule of passenger facility charges 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 June 3, 2020, 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
June 3, 2020

Basic Financial Statements

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF NET POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,066,533	\$ 2,432,601
Accounts receivable	229,292	205,790
Inventory - fuel and supplies	144,572	92,081
Prepaid expenses	<u>24,518</u>	<u>23,383</u>
TOTAL CURRENT ASSETS	3,464,915	2,753,855
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>71,125,891</u>	<u>73,398,546</u>
TOTAL ASSETS	<u>74,590,806</u>	<u>76,152,401</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	51,467	71,601
Accrued expenses	2,955	3,024
Loan payable - current portion	<u>27,390</u>	<u>25,816</u>
TOTAL CURRENT LIABILITIES	81,812	100,441
LONG-TERM LIABILITIES		
Loan payable - long-term portion	<u>172,084</u>	<u>199,474</u>
TOTAL LIABILITIES	<u>253,896</u>	<u>299,915</u>
NET POSITION		
Net investment in capital assets	70,926,417	73,173,256
Restricted for inventories	144,572	92,081
Unrestricted	<u>3,265,921</u>	<u>2,587,149</u>
TOTAL NET POSITION	<u>\$ 74,336,910</u>	<u>\$ 75,852,486</u>

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	PROGRAM REVENUES		PRIMARY GOVERNMENT	
		CHARGES FOR SERVICES	CAPITAL GRANTS	BUSINESS - TYPE ACTIVITIES	TOTAL
Business-Type Activities					
Current:					
Airport Operations	\$ 7,228,448	\$ 5,224,918	\$ 487,953	\$ (1,515,577)	\$ (1,515,577)
TOTAL BUSINESS-TYPE ACTIVITIES	7,228,448	5,224,918	487,953	(1,515,577)	(1,515,577)
TOTAL PRIMARY GOVERNMENT	<u>\$ 7,228,448</u>	<u>\$ 5,224,918</u>	<u>\$ 487,953</u>	<u>(1,515,577)</u>	<u>(1,515,577)</u>
GENERAL REVENUES					
Interest Income				-	-
CHANGE IN NET POSITION				(1,515,577)	(1,515,577)
NET POSITION - Beginning of Year				75,852,487	75,852,487
NET POSITION - End of Year				<u>\$ 74,336,910</u>	<u>\$ 74,336,910</u>

-

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS	PRIMARY GOVERNMENT	
				BUSINESS - TYPE ACTIVITIES	TOTAL
Business-Type Activities					
Current:					
Airport Operations	\$ 7,405,980	\$ 4,895,120	\$ 1,029,145	\$ (1,481,715)	\$ (1,481,715)
TOTAL BUSINESS-TYPE ACTIVITIES	7,405,980	4,895,120	1,029,145	(1,481,715)	(1,481,715)
TOTAL PRIMARY GOVERNMENT	\$ 7,405,980	\$ 4,895,120	\$ 1,029,145	(1,481,715)	(1,481,715)
GENERAL REVENUES					
Interest Income				3	3
CHANGE IN NET POSITION				(1,481,712)	(1,481,712)
NET POSITION - Beginning of Year				77,334,199	77,334,199
NET POSITION - End of Year				\$ 75,852,487	\$ 75,852,487

-

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Aircraft and pilot income	\$ 4,428,958	\$ 4,218,991
Airside income	473,232	447,179
Terminal income	<u>322,728</u>	<u>228,950</u>
 TOTAL OPERATING REVENUES	 <u>5,224,918</u>	 <u>4,895,120</u>
 OPERATING EXPENSES		
Cost of goods sold	1,709,006	1,735,498
Administrative expenses	742,141	741,419
Aircraft and pilot expenses	1,084,988	1,125,801
Airside expenses	253,777	182,987
Terminal expenses	173,179	171,837
Depreciation	<u>3,268,965</u>	<u>3,167,265</u>
 TOTAL OPERATING EXPENSES	 <u>7,232,056</u>	 <u>7,124,807</u>
 NET INCOME (LOSS) FROM OPERATIONS	 <u>(2,007,138)</u>	 <u>(2,229,687)</u>
 OTHER INCOME (EXPENSE)		
Capital income	487,953	1,029,145
Interest Income	-	3
Gain (loss) on disposition of assets	3,608	(30,044)
Capital expenses	<u>-</u>	<u>(251,129)</u>
 OTHER INCOME (EXPENSE)	 <u>491,561</u>	 <u>747,975</u>
 CHANGE IN NET POSITION	 <u>(1,515,577)</u>	 <u>(1,481,712)</u>
 NET POSITION, Beginning	 <u>75,852,487</u>	 <u>77,334,199</u>
 NET POSITION, Ending	 <u><u>\$ 74,336,910</u></u>	 <u><u>\$ 75,852,487</u></u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 5,201,419	\$ 5,111,036
Cash Paid to Employees	(890,552)	(973,874)
Cash Paid to Suppliers for Goods or Services	<u>(3,146,368)</u>	<u>(3,318,723)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,164,499</u>	<u>818,439</u>
Cash Flows From Capital and Related Financing Activities:		
Grants	487,953	1,029,145
Capital Additions	(996,312)	(1,401,635)
Net Disposals	3,608	30,044
Debt Principal Payments	<u>(25,816)</u>	<u>10,314</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(530,567)</u>	<u>(332,132)</u>
Cash Flows From Investing Activities:		
Interest Received	<u>-</u>	<u>3</u>
Net Increase (Decrease) in Cash	633,932	486,310
Cash, Beginning of Year	<u>2,432,601</u>	<u>1,946,291</u>
Cash, End of Year	<u><u>\$ 3,066,533</u></u>	<u><u>\$ 2,432,601</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (2,007,138)	\$ (2,229,687)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,268,965	3,167,265
(Increase) Decrease in Accounts Receivable	(23,499)	215,916
(Increase) Decrease in Inventory	(52,491)	23,169
(Increase) Decrease in Prepaid Expenses	(1,135)	1,961
Increase (Decrease) in Accounts Payable	(20,134)	(360,031)
Increase (Decrease) in Accrued Expenses	<u>(69)</u>	<u>(154)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,164,499</u></u>	<u><u>\$ 818,439</u></u>

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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.

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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.

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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, 2019 are:

		<u>Carrying Value</u>
Deposits:		
	Demand deposits	<u>\$ 2,979,426</u>
Total deposits		<u>2,979,426</u>
	Cash on hand	<u>1,077</u>
	Total Cash	<u><u>\$ 2,980,503</u></u>

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.

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

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, 2019, employees contributed \$24,904 and the Authority contributed \$14,381.

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 4: CAPITAL ASSETS

A summary of the changes to capital assets are:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ 7,337,699	\$ -	\$ -	\$ 7,337,699
Capital assets being depreciated:				
Runways and runway improvements	82,542,820	68,525	-	82,611,345
Buildings and improvements	7,798,800	740,863	-	8,539,663
Equipment and vehicles	3,537,647	186,924	(14,270)	3,710,301
Total capital assets being depreciated	93,879,267	996,312	(14,270)	94,861,309
Less accumulated depreciation:				
Runways and runway improvements	(22,685,337)	(2,715,238)	-	(25,400,575)
Buildings and improvements	(2,920,183)	(325,015)	-	(3,245,198)
Equipment and vehicles	(2,212,900)	(228,712)	14,270	(2,427,342)
Total accumulated depreciation	(27,818,420)	(3,268,965)	14,270	(31,073,115)
Capital assets being depreciated, net	66,060,847	(2,272,654)	-	63,788,193
Total net capital assets	\$ 73,398,546	\$ (2,272,654)	\$ -	\$ 71,125,892

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 7,337,699	\$ -	\$ -	\$ 7,337,699
Capital assets being depreciated:				
Runways and runway improvements	82,228,794	314,026	-	82,542,820
Buildings and improvements	7,175,834	622,966	-	7,798,800
Equipment and vehicles	3,276,543	464,643	(203,539)	3,537,647
Total capital assets being depreciated	92,681,171	1,401,635	(203,539)	93,879,267
Less accumulated depreciation:				
Runways and runway improvements	(19,960,098)	(2,725,239)	-	(22,685,337)
Buildings and improvements	(2,667,578)	(252,604)	-	(2,920,183)
Equipment and vehicles	(2,196,974)	(189,422)	173,496	(2,212,900)
Total accumulated depreciation	(24,824,650)	(3,167,265)	173,496	(27,818,420)
Capital assets being depreciated, net	67,856,521	(1,765,630)	(30,043)	66,060,847
Total net capital assets	\$ 75,194,220	\$ (1,765,630)	\$ (30,043)	\$ 73,398,546

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 5: LONG-TERM DEBT

The following is schedule of changes of long-term debt of the Authority in 2018:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019	Portion Due within One Year
Note payable	\$ 225,290	\$ -	\$ 25,816	\$ 199,474	\$ 27,390
Totals	\$ 225,290	\$ -	\$ 25,816	\$ 199,474	\$ 27,390

The Authority's long-term debt consists of a \$235,603 loan from Wells Fargo Bank for a fuel truck purchase. The note has monthly payments of \$3,207 at an interest rate of 5.93%, with the note payable balance due July 28, 2025. The annual debt service requirements to maturity are as follows:

Year ending December 31,	Principal	Interest	Total
2020	\$ 27,390	\$ 11,098	\$ 38,488
2021	29,060	9,428	38,488
2022	30,831	7,657	38,488
2023	32,712	5,776	38,488
2024	34,706	3,782	38,488
2025	44,775	1,237	46,012
	<u>\$ 199,474</u>	<u>\$ 38,980</u>	<u>\$ 238,454</u>

NOTE 6: 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.

TELLURIDE REGIONAL AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE 7: 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: 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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Aircraft and pilot income	3,126,500	4,581,704	\$ 4,428,958	\$ (152,746)
Airside income	374,000	442,996	473,232	30,236
Terminal income	775,900	846,793	322,728	(524,065)
Capital income	889,250	487,953	487,953	-
Interest Income	30	-	-	-
Total Revenues	5,165,680	6,359,446	5,712,871	(646,575)
EXPENSES				
Cost of goods sold	1,242,700	1,739,872	1,709,006	30,866
Administrative expenses	987,687	1,035,736	716,325	319,411
Aircraft and pilot expenses	828,785	865,934	1,084,988	(219,054)
Airside expenses	179,825	220,133	253,777	(33,644)
Terminal expenses	157,680	166,853	173,179	(6,326)
Capital expenses	1,006,460	1,031,191	996,312	34,879
Total Expenses	4,403,137	5,059,720	4,933,587	126,133
Net Income - Budget Basis	\$ 762,543	\$ 1,299,726	\$ 779,284	\$ (520,442)
To Adjust Income to GAAP Basis:				
Depreciation			(3,268,965)	
Principal payments on long-term debt			(25,816)	
Gain (loss) on disposition of capital assets			3,608	
Capitalized assets			996,312	
Net Income - GAAP Basis			\$ (1,515,577)	

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Aircraft and pilot income	\$ 2,955,500	\$ 2,955,500	\$ 4,218,991	\$ 1,263,491
Airside income	378,000	378,000	447,179	69,179
Terminal income	772,313	772,313	228,950	(543,363)
Capital income	2,006,956	1,619,843	1,029,145	(590,698)
Interest Income	30	30	3	(27)
Total Revenues	6,112,799	5,725,686	5,924,268	198,582
EXPENSES				
Cost of goods sold	1,186,500	1,186,500	1,735,498	(548,998)
Administrative expenses	969,949	969,949	731,105	238,844
Aircraft and pilot expenses	989,289	989,289	1,125,801	(136,512)
Airside expenses	171,825	171,825	182,987	(11,162)
Terminal expenses	155,980	155,980	171,837	(15,857)
Capital expenses	1,916,580	2,167,709	1,652,764	514,945
Total Expenses	5,390,123	5,641,252	5,599,992	41,260
Net Income - Budget Basis	\$ 722,676	\$ 84,434	\$ 324,276	\$ 239,842
 To Adjust Income to GAAP Basis:				
Depreciation			\$ (3,167,265)	
Principal payments on long-term debt			(10,314)	
Gain (loss) on disposition of capital assets			(30,044)	
Capitalized assets			1,401,635	
Net Income - GAAP Basis			\$ (1,481,712)	

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, 2019, which collectively comprise the Telluride Regional Airport Authority's basic financial statements, and have issued our report thereon dated June 3, 2020.

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
June 3, 2020

TELLURIDE REGIONAL AIRPORT AUTHORITY

SCHEDULES OF PASSENGER FACILITIES CHARGES COLLECTED AND EXPENDED
YEARS ENDED DECEMBER 31, 2019 and 2018

<u>Federal Agency/ Pass Through Agency Name</u>	<u>Application Approved Number</u>	<u>Beginning Balance Unliquified PFC</u>	<u>PFCs and Interest Collected</u>	<u>Expenses</u>	<u>Ending Balance Unliquified PFC</u>
2019					
Land Acquisition	92-01-C-00-TEX	<u>\$ 273,724</u>	<u>\$ 4,080</u>	<u>\$ -</u>	<u>\$ 277,804</u>
2018					
Land Acquisition	92-01-C-00-TEX	<u>\$ 267,881</u>	<u>\$ 5,843</u>	<u>\$ -</u>	<u>\$ 273,724</u>

See the accompanying Independent Auditor's Report.