TELLURIDE REGIONAL AIRPORT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2021

C O N T E N T S

Chadwick, Steinkirchner, Davis & Co., P.C. Consultants and Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, of the Telluride Regional Airport Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary comparison schedule and schedule of passenger facility charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and the schedule of passenger facility charges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

The financial statements of the prior period were audited by a predecessor auditor. The predecessor auditor expressed an unmodified opinion on the financial statements as of and for the year ended December 31, 2020 in their report dated June 6, 2021.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2022, on our consideration of the 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 solely 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 the effectiveness of the Authority's 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 7, 2022

As management of the Telluride Regional Airport Authority (the Authority), we are providing this narrative overview of the analysis of the financial activities of the Authority for the year ended December 31, 2021. 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, 2021, the Authority's net position increased by $93,551 to $73,565,908 from $73,472,357. The decrease was due to aircraft and pilot expenses.
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 statement 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
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 2021 fiscal year from 2020.

	2021	2020
Current and other assets	$ 6,960,325	$ 5,001,132
Capital assets	66,677,273	68,691,948
Total assets	73,637,598	73,693,080
Current liabilities	71,690	77,699
Loan payable	-	143,024
Total liabilities	71,690	220,723
Net position		
Net investment in capital assets	66,677,273	68,691,948
Inventories	145,211	104,852
Unrestricted	6,743,424	4,675,557
Total net position	$ 73,565,908	$ 73,472,357

Statement of Revenues, Expenses and Changes in Fund Net Position
A fund is a collection of accounts that is used to maintain control over resources that have been designated for a specific purpose. Colorado State Statutes 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.

	2021	2020
Revenues		
Operating income	$ 8,279,447	$ 5,977,513
Investment earnings	267	565
Capital income	440,736	435,399
Gain (loss) on disposal of assets	(1,661)	1,213
Total revenues	8,718,789	6,414,690
Expenses		
Operations	5,190,604	3,950,336
Depreciation	3,434,634	3,328,907
Total expenses	8,625,238	7,279,243
Change in Net Position	93,551	(864,553)
Net Position - Beginning of Year	73,472,357	74,336,910
Net Position - End of Year	$ 73,565,908	$ 73,472,357

Schedule of Revenues, Expenses, and Changes in Net Position
The Authority adopted an appropriated budget for the year ended December 31, 2021. The budgetary comparison schedule on page 17 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 higher than budgeted amounts, and actual expenses were more than budgeted, resulting in a net income (budget basis) that was $4,452,366 more than budgeted.

The Authority's operations generated revenues of $8,279,447, which was an increase of $2,301,934 compared to 2020. The operating expenses for 2021 were $8,614,673, which is an increase of $1,335,989 compared to 2020. This resulted in an increase in net position from operations of $3,099,408 before depreciation, compared with an increase of $2,000,911 in 2019.

Total revenues were over budgeted expectations by $3.8 million and cost of goods sold were over budget by $1.3 million. The Authority had record fuel sales during the year which corresponded with more fuel purchases during a year when fuel prices were high. Fuel sales drive the Authority's business, and as fuel sales go up, other costs associated with aircraft services go up proportionately.

The total budget basis expenses of the Authority for 2021, which includes operating and capital, totaled $6,795,436. The Authority had budgeted $5,827,928.

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 balance of this loan was paid off early during 2021.

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

Telluride Regional Airport Authority

STATEMENTS OF NET POSITION

December 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 6,650,144	$ 4,685,252
Accounts receivable	74,641	144,902
Inventory - fuel and supplies	145,211	104,852
Prepaid expenses	90,329	66,126
TOTAL CURRENT ASSETS	6,960,325	5,001,132
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	66,677,273	68,691,948
TOTAL ASSETS	73,637,598	73,693,080
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	45,790	44,550
Accrued expenses	25,900	4,089
Loan payable - current portion	-	29,060
TOTAL CURRENT LIABILITIES	71,690	77,699
LONG-TERM LIABILITIES		
Loan payable - long-term portion	-	143,024
TOTAL LIABILITIES	71,690	220,723
NET POSITION		
Net investment in capital assets	66,677,273	68,691,948
Resticted for inventories	145,211	104,852
Unrestricted	6,743,424	4,675,557
TOTAL NET POSITION	$ 73,565,908	$ 73,472,357

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

Telluride Regional Airport Authority

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended December 31,

	2021	2020
OPERATING REVENUES		
Aircraft and pilot income	$ 7,126,076	$ 5,093,892
Airside income	729,700	537,261
Terminal income	423,671	346,360
TOTAL OPERATING REVENUES	8,279,447	5,977,513
OPERATING EXPENSES		
Cost of goods sold	2,762,870	1,640,787
Administrative expenses	702,245	640,992
Aircraft and pilot expenses	1,221,083	1,197,214
Airside expenses	291,998	273,882
Terminal expenses	201,843	196,902
Depreciation	3,434,634	3,328,907
TOTAL OPERATING EXPENSES	8,614,673	7,278,684
NET INCOME (LOSS) FROM OPERATIONS	(335,226)	(1,301,171)
OTHER INCOME (EXPENSE)		
Capital income	440,736	435,399
Interest income	267	565
Gain (loss) on disposition of assets	(1,661)	1,213
Capital expenses	(10,565)	(559)
OTHER INCOME (EXPENSE)	428,777	436,618
CHANGE IN NET POSITION	93,551	(864,553)
NET POSITION, Beginning	73,472,357	74,336,910
NET POSITION, Ending	$ 73,565,908	$ 73,472,357

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

Telluride Regional Airport Authority

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2021	2020
Cash flows from operating activities		
Cash Received from Customers	$ 8,349,708	$ 6,061,906
Cash Paid to Employees	(981,745)	(901,497)
Cash paid to Suppliers for Goods or Services	(4,239,805)	(3,055,950)
Net cash provided by (used in) operating activities	3,128,158	2,104,459
Cash flows from capital and related financing activities		
Grants	440,736	435,399
Capital addidtions	(1,433,217)	(901,983)
Debt principal payments	(172,084)	(46,861)
Proceeds from sale of assets	1,032	27,390
Net cash provided by (used in) capital and related financing activities	(1,163,533)	(486,055)
Cash flows from investing activities		
Interest received on deposits and investments	267	315
Net cash provided by (used in) investing activities	267	315
Net increase (decrease) in cash	1,964,892	1,618,719
Cash and cash equivalents at the beginning of the year	4,685,252	3,066,533
Cash and cash equivalents at the end of the year	$ 6,650,144	$ 4,685,252
Reconciliation of operating income (loss to Net cash provided by operating activities:		
Operating income (loss)	$ (335,226)	$ (1,301,171)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciaiton	3,434,634	3,328,907
(Increase) decrease in accounts receivable	70,261	84,393
(Increase) decrease in inventory	(40,359)	39,721
(Increase) decrease in prepaid expense	(24,203)	(41,608)
Increase (decrease) in accounts payable	1,240	(6,917)
Increase (decrease) in accrued expenses	21,811	1,134
Net cash provided (used) by operating activities	$ 3,128,158	$ 2,104,459

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. Basis of Presentation – 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)

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds to be presented in the financial statements. Since the operations of the Authority are accounted for on a fund basis in a single enterprise fund, it is the only fund presented.

Enterprise funds may be used to account for operations (a) that are financed and operated in a manner similar to 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 change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. 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.

4. 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.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with maturities of three months or less to be cash equivalents.

6. Accounts Receivable

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts is maintained. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. 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.

8. Capital Assets

Capital assets (property, plant and equipment) are recorded at historical cost. The Authority's capitalization level is $5,000 for capital assets.

Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in income.

Depreciation is computed using the straight–line method over estimated useful lives, as follows:

	Estimated Lives
Runway and other land improvements	10 to 50 years
Buildings and improvements	20 to 40 years
Equipment	5 to 10 years

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that 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 amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

10. Restricted Assets

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

11. Statement of Cash Flows

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

NOTE B – DEPOSITS AND INVESTMENTS

Cash Deposits

Cash amounts of the Authority at December 31, 2021 are:

Cash on hand	$	1,082
Deposits		6,548,477
Cash held by third party		100,585
Total cash	$	6,650,144

The Airport Authority's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All deposits of the Airport Authority are insured or collateralized with securities held by or for the entity.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

Credit risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

Custodial credit risk
The custodial credit risk for deposits is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an

outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Authority's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk. At December 31, 2021, $500,000 of deposits were covered by FDIC and $6,051,123 was covered under PDPA.

Concentration of credit risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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 safety, liquidity, and yield.

Interest rate risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

NOTE C – CAPITAL ASSETS

At December 31, capital asset transactions and balances include the following:

	Balance 1/1/2021	Increases	Decreases	Balance 12/31/2021
Non–depreciable assets:				
Land	$ 7,337,699	$ –	$ –	$ 7,337,699
Construction in progress	–	327,800	–	327,800
Total capital assets, not being depreciated	7,337,699	327,800	–	7,665,499
Depreciable assets:				
Buildings and improvements	82,797,039	394,580	–	83,191,619
Land improvements	8,687,315	306,009	–	8,993,324
Equipment	4,235,444	404,360	(19,880)	4,619,924
Total capital assets, depreciated	95,719,798	1,104,949	(19,880)	96,804,867
Less accumulated depreciation for:				
Buildings and improvements	(28,126,929)	(2,759,236)	–	(30,886,165)
Land improvements	(3,611,420)	(378,891)	–	(3,990,311)
Equipment	(2,627,198)	(296,508)	6,623	(2,917,083)
Total accumulated depreciation	(34,365,547)	(3,434,635)	6,623	(37,793,559)
Total capital assets, depreciated	61,354,251	(2,329,686)	(13,257)	59,011,308
Total capital assets, net	$ 68,691,950	$ (2,001,886)	$ (13,257)	$ 66,676,807

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Non–depreciable assets:				
Land	$ 7,337,699	$ –	$ –	$ 7,337,699
Total capital assets, not being depreciated	7,337,699	–	–	7,337,699
Depreciable assets:				
Runways and runway improvements	82,611,345	185,694	–	82,797,039
Buildings and improvements	8,539,663	147,652	–	8,687,315
Equipment and vehicles	3,710,301	568,637	(43,494)	4,235,444
Total capital assets, depreciated	94,861,308	901,983	(43,494)	95,719,797
Less accumulated depreciation for:				
Runways and runway improvements	(25,400,575)	(2,726,354)	–	(28,126,929)
Buildings and improvements	(3,245,198)	(366,222)	–	(3,611,420)
Equipment and vehicles	(2,427,342)	(263,331)	36,475	(2,627,198)
Total accumulated depreciation	(31,073,115)	(3,328,907)	36,475	(34,365,547)
Total capital assets, depreciated	63,788,193	(2,426,924)	(7,019)	61,354,249
Total capital assets, net	$ 71,125,892	$ (2,426,924)	$ (7,019)	$ 68,691,948

NOTE D – LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Note Payable	$ 172,804	$ –	$ (172,804)	$ –	$ –
Totals	$ 172,804	$ –	$ (172,804)	$ –	$ –

Note Payable

The Authority's long-term debt consisted 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 Authority paid off the balance of the note during the year ended December 31, 2021.

NOTE E – 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 F – 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.

Telluride Regional Airport Authority

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
ENTERPRISE FUND

Year ended December 31, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual 2021	Variance Favorable (Unfavorable)
REVENUES				
Aircraft and pilot income	$ 4,015,000	$ 4,015,000	$ 7,126,076	$ 3,111,076
Airside income	437,000	437,000	729,700	292,700
Terminal income	312,670	312,670	423,671	111,001
Capital Income	806,500	806,500	440,736	(365,764)
Interest Income	350	350	267	(83)
Total Revenues	5,571,520	5,571,520	8,720,450	3,148,930
EXPENSES				
Costs of goods sold	1,449,200	1,449,200	2,762,870	(1,313,670)
Administrative expenses	708,374	708,374	702,244	6,130
Aircraft and pilot expenses	1,217,018	1,217,318	1,221,083	(3,765)
Airside expenses	312,915	312,915	291,998	20,917
Terminal expenses	188,795	188,795	201,843	(13,048)
Principal payments on debt	172,084	172,084	172,084	-
Capital expenses	1,779,242	1,779,242	1,443,314	335,928
Total Expenses	5,827,628	5,827,928	6,795,436	(1,303,436)
Net Income -Budget Basis	$ (256,108)	$ (256,408)	1,925,014	$ 4,452,366

To Adjust Income to GAAP Basis:	
Depreciation	(3,434,634)
Principal payments on long-term debt	172,084
Gain (loss) on disposition of capital assets	(1,661)
Capitalized assets	1,432,748
Net Income - GAAP Basis	$ 93,551

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
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 Telluride Regional Airport Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated September 7, 2022.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The 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 financial statements. 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 purpose.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 7, 2022

Report on Compliance with Requirements Applicable to the Passenger *Facility Charge Program* and on Internal Control over Compliance

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Telluride Regional Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), as of and for the year ended December 31, 2021. The passenger facility charge program is identified in the schedule of passenger facility charges.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's passenger facility charge program 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 in the Guide. Those standards 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 the passenger facility charge 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 the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2021.

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Report on Internal Control over Compliance

Management of the 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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program 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 the 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 function, to prevent, or detect and correct, noncompliance with a type of 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 type of 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 a combination of deficiencies, in internal control over compliance with a type of 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 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 *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 7, 2022

Telluride Regional Airport Authority

SCHEDULES OF PASSENGER FACILITIES CHARGES COLLECTED AND EXPENDED

Years ended December 31, 2021

Grantor/Program	Approved Application Number	Unliquified Passenger Facility Chargest at December 31, 2020	Passenger Facility Charge Revenue	Expenditures	Unliquified Passenger Facility Chargest at December 31, 2021
Passenger Facility Charges	92-01-C-00-TEX	$ 288,265	$ 23,739	$ -	$ 312,004