Telluride Regional Airport Authority
Telluride, Colorado

Financial Statements

December 31, 2023

Telluride Regional Airport Authority
Telluride, Colorado

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of Telluride Regional Airport Authority, which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of Telluride Regional Airport Authority as of December 31, 2023, and the changes in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") 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 Telluride Regional Airport 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

Telluride Regional Airport Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 Telluride Regional Airport Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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 U.S. GAAS 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 U.S. GAAS, 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 Telluride Regional Airport 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 Telluride Regional Airport 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

U.S. GAAP require that Management's Discussion and Analysis in section B 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 section B in accordance with U.S. GAAS, 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.

INDEPENDENT AUDITOR'S REPORT
To the Board of Commissioners
Telluride Regional Airport Authority
Telluride, Colorado

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Telluride Regional Airport Authority's financial statements taken as a whole. The budgetary comparison schedule on page E1 is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The Schedule of Passenger Facility Charges Collected and Expended on page E2 is presented for the purpose of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of Telluride Regional Airport Authority's basic financial statements. This 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.

These supplementary schedules have 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic 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 September 9, 2024 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 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 on compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
September 9, 2024

Telluride Regional Airport Authority
Management's Discussion and Analysis
December 31, 2023

We, the financial managers of Telluride Regional Airport Authority (the "Authority"), offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2023.

Financial Highlights

- The Authority's assets exceeded its liabilities and deferred inflows of resources by $72,462,607 at December 31, 2023.
- The Authority experienced a net decrease in net position of $892,091 in 2023
- The Authority's total revenues decreased by $1,300,035 and total expenditures decreased by $625,068 in 2023 when compared to 2022.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Authority's assets, liabilities (both short-term and long-term), and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position shows how the Authority's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave.)

The Statement of Cash Flows shows the Authority's sources of cash inflows and outflows for the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and, unlike items reported in the Statement of Revenues, Expenses and Changes in Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the Authority relates to the operations of Telluride Regional Airport (the "Airport"), located in Telluride, Colorado. There are currently no governmental-type activities occurring at the Authority.

The Authority's financial statements can be found in Section C of this report.

Proprietary Funds: The Authority maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The Authority uses an enterprise fund to account for its airport services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also conveys certain supplementary information. The Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP) and Actual with Reconciliation to GAAP Basis on page E1 provides a detailed comparison of the Authority's actual revenues and expenditures to budgeted amounts. As the Authority's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this statement is presented on a non-GAAP basis with reconciliation to GAAP basis. Supplementary information can be found in Section E of this report.

Financial Analysis of the Authority:

The following table shows the Authority's assets, liabilities, deferred inflows of resources, and net position at the end of 2023 and 2022:

	2023	2022
Assets:		
Current assets	$ 10,844,622	$ 9,152,467
Leases receivable (non-current)	488,752	666,143
Capital assets, net	61,893,739	64,503,821
Total Assets	73,227,113	74,322,431
Liabilities:		
Current liabilities	117,080	118,746
Total Liabilities	117,080	118,746
Deferred Inflows of Resources	647,426	848,987
Net Position:		
Net investment in capital assets	61,893,739	64,503,821
Unrestricted	10,568,868	8,850,877
Total Net Position	$ 72,462,607	$ 73,354,698

In 2023, the Authority's total net position decreased by $892,091. The Authority has a significant portion of its net position invested in capital assets. These capital assets are used to provide services to the Authority's customers at the Airport.

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Overview of the Financial Statements (continued)

Financial Analysis of the Authority (continued):

The following table summarizes information relating to the Authority's Statement of Revenues, Expenses and Changes in Net Position during 2023 and 2022:

	2023	2022
Revenues:		
Program revenues:		
Aircraft and pilot income	$ 7,357,020	$ 8,874,495
Airside income	833,728	976,981
Terminal income	522,380	511,003
Other revenues:		
Capital income	246,861	243,043
Interest income	301,151	14,952
Gain (loss) on disposal of assets	12,600	(46,699)
Total Revenues	9,273,740	10,573,775
Expenses:		
General and administrative:		
Administrative expenses	767,360	714,600
Operations:		
Cost of goods sold	3,468,013	4,330,803
Aircraft and pilot expenses	1,532,006	1,452,915
Airside expenses	390,909	329,687
Terminal expenses	308,971	341,790
Depreciation	3,555,829	3,536,455
Capital expenses	142,743	84,649
Total - Operations expenses	9,398,471	10,076,299
Total Expenses	10,165,831	10,790,899
Change in Net Position	(892,091)	(217,124)
Net Position - Beginning	73,354,698	73,571,822
Net Position - Ending	$ 72,462,607	$ 73,354,698

Overall, revenues decreased by $1,300,035 from 2022. This decrease is primarily attributed to lower fuel sales during 2023, which is partially offset by increased interest income from increased yields on savings accounts. Expenses decreased by $625,068 from 2022. This decrease is primarily due to a decrease in cost of goods sold due to lower fuel sales during 2023.

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Budget Variances in the Enterprise Fund

The Authority's budget was not amended for the 2023 fiscal year. Actual 2023 expenditures for the Authority were lower than budgeted amounts by $6,935,888.

Significant budget variances were as follows:

	Final Budget	Actual	Variance: Positive / (Negative)	Reason
Revenues:				
Aircraft and pilot income	$ 8,138,500	$ 7,357,020	(781,480)	Lower fuel sales as airport activity was lower than anticipated
Capital income	1,537,152	246,861	(1,290,291)	Grants budgeted for but not received in 2023
Interest income	350	301,151	300,801	Increased yields on savings accounts
Expenses:				
Cost of goods sold	4,185,400	3,468,013	717,387	Lower fuel sales as airport activity was lower than anticipated
Capital expenses	7,336,065	1,088,490	6,247,575	Anticipated projects not begun

Capital Asset and Debt Administration

Capital Assets: The Authority's net capital assets decreased by $2,610,082 in 2023. This decrease is chiefly due to depreciation expense of $3,555,829 exceeding capital asset additions of $945,747. A detailed classification of the Authority's capital assets can be found in the Notes to Financial Statements in Section D of this report.

Long-term Debt: The Authority had no long-term bonded debt outstanding as of December 31, 2023. As discussed in Note III.F. to the 2023 financial statements, the Authority issued $10,000,000 in debt in 2024 to fund significant construction projects.

Next Year's Budget and Rates

The Authority's net position at the end of 2023 was $72,462,607. The Authority's 2024 budget anticipates increasing this balance by $4,483,562.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Telluride Regional Airport Authority, 1500 Last Dollar Road, Suite 1, Telluride, Colorado, 81435.

Telluride Regional Airport Authority
Statement of Net Position
December 31, 2023

Assets:	
Current assets:	
Cash and cash equivalents - Unrestricted	9,982,117
Cash and cash equivalents - Restricted	407,768
Accounts receivable, net of allowance for doubtful accounts	115,107
Leases receivable - Current	177,227
Inventory	135,750
Prepaid expenses	26,653
Total - Current assets	10,844,622
Non-current assets:	
Leases receivable - Non-current	488,752
Capital assets not being depreciated	8,034,595
Capital assets, net of accumulated depreciation	53,859,144
Total - Non-current assets	62,382,491
Total Assets	73,227,113
Liabilities:	
Current Liabilities:	
Accounts payable	81,690
Accrued expenses	35,390
Total Liabilities	117,080
Deferred Inflows of Resources:	
Lease revenue	647,426
Net Position:	
Net investment in capital assets	61,893,739
Unrestricted	10,568,868
Total Net Position	72,462,607

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

Telluride Regional Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

Operating Revenues:	
Aircraft and pilot income	7,357,020
Airside income	833,728
Terminal income	522,380
Total Revenues	8,713,128
Operating Expenses:	
General and administrative:	
Administrative expenses	767,360
Operations:	
Cost of goods sold	3,468,013
Aircraft and pilot expenses	1,532,006
Airside expenses	390,909
Terminal expenses	308,971
Total - Operations expenses	5,699,899
Depreciation:	
Depreciation	3,555,829
Total Operating Expenses	10,023,088
Income (Loss) from Operations	(1,309,960)
Non-Operating Revenues (Expenses):	
Capital income	246,861
Interest income	301,151
Gain (loss) on disposal of assets	12,600
Capital expenses	(142,743)
Total Non-Operating Revenues (Expenses)	417,869
Change in Net Position	(892,091)
Net Position - Beginning	73,354,698
Net Position - Ending	72,462,607

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

Telluride Regional Airport Authority
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows From Operating Activities:	
Cash received from customers	8,569,044
Cash paid to employees	(1,646,636)
Cash paid for goods and services	(4,792,138)
Net Cash Provided (Used) by Operating Activities	2,130,270
Cash Flows From Capital and Related Financing Activities:	
Passenger Facility Charges received	41,243
Capital grants received	205,618
Interest received on leases receivable	24,979
Principal received on leases receivable	199,534
Cash paid to purchase capital assets	(945,747)
Cash received from the sale of capital assets	12,600
Capital maintenance and repairs	(142,743)
Net Cash Provided (Used) by Capital and Related Financing Activities	(604,516)
Cash Flows From Investing Activities:	
Interest received on cash and investments	276,172
Net Cash Provided (Used) By Investing Activities	276,172
Net Increase (Decrease) in Cash and Cash Equivalents	1,801,926
Cash and Cash Equivalents - Beginning	8,587,959
Cash and Cash Equivalents - Ending	10,389,885
Ending Cash and Cash Equivalents are comprised of	
Cash and cash equivalents - Unrestricted	9,982,117
Cash and cash equivalents - Restricted	407,768
Total Cash and Cash Equivalents	10,389,885
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:	
Income (loss) from operations	(1,309,960)
Adjustments to reconcile:	
Depreciation expense	3,555,829
(Increase) decrease in accounts receivable	57,477
(Increase) decrease in inventory	27,688
(Increase) decrease in prepaid expense	2,463
Increase (decrease) in accounts payable	18,423
Increase (decrease) in accrued expenses	(20,089)
Increase (decrease) in deferred lease inflows	(201,561)
Total Adjustments	3,440,230
Net Cash Provided (Used) by Operating Activities	2,130,270

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

I. Summary of Significant Accounting Policies

Telluride Regional Airport Authority (the "Authority") was formed in July 1983 pursuant to the *Colorado Public Airport Authority Law* (Colorado Revised Statutes Title 41, Article 3, et seq.) by the Town of Telluride, Colorado; the Town of Mountain Village, Colorado; and San Miguel County, Colorado, to acquire, construct, operate, and maintain certain airport facilities. The Authority owns and operates Telluride Regional Airport (the "Airport"), located in Telluride, Colorado.

The Authority is governed by a nine-member Board of Commissioners (the "Board"), with three Commissioners appointed by each of the founding entities.

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

A. Reporting Entity

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

Based on these criteria, the Authority is not financially accountable for any other entity; and has no component units.

B. Financial Reporting

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

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

I. Summary of Significant Accounting Policies (continued)

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

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

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

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

2. Allowance for Uncollectible Accounts

The Authority uses the allowance method to recognize the potential uncollectibility of receivables. An allowance in the amount of $0 was recorded at December 31, 2023 as the Authority believes all accounts receivable to be fully collectible.

3. Inventories

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

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Capital Assets

Tangible capital assets – which comprise property and equipment with an initial cost in excess of $5,000 and an estimated useful life exceeding one year – are recorded at historical cost. Donated or contributed capital assets are recorded at estimated fair value at the date of donation.

The Authority's tangible capital assets are depreciated, using the straight-line method, over the following estimated useful lives of the underlying assets.

	Years
Runway and other land improvements	10 - 50
Buildings and improvements	20 - 40
Equipment	5 - 10

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

Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element – deferred outflows of resources – that represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Authority has no items that qualify for reporting in this category at December 31, 2023.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element – deferred inflows of resources – that represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item – deferred lease revenue – that qualifies for reporting in this category of deferred inflows of resources at December 31, 2023.

6. Revenue and Expense Classification

Operating revenues and expenses primarily result from fuel sales, airside income, leasing space and providing concession rights within and outside the Airport. The Authority's principal operating revenues are charges to customers for services and sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Use of Estimates

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

8. Net Position

Where applicable, the Authority reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At December 31, 2023, the Authority reported $0 of restricted net position.

9. Restricted Assets

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

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

10. Leases

Authority as Lessor:

The Authority is lessor in non-cancellable leases of space within the Airport, as further described in Note III.B. In such arrangements, the Authority recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position.

At commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgments include how the Authority determines the following:

Discount Rate: The Authority uses an applicable market rate as the interest rate to discount the expected lease receipts to present value.

Lease Term: The lease term includes the non-cancellable period of the lease and extended term(s) that the Authority is reasonably certain the lessee will exercise.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Leases (continued)

Authority as Lessor (continued):

Lease Receipts: Lease receipts included in the measurement of the lease receivable are composed of fixed payments and minimum guaranteed payments from the lessee.

The Authority monitors changes in circumstances that would require a re-measurement of its leases, and will re-measure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

The budget for the Authority's sole proprietary fund is adopted on a non-GAAP basis. The supplementary budgetary comparison schedule for the funds includes a reconciliation between the budget-basis change in net position and the GAAP-basis change in net position.

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 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 GAAP. The differences between the adopted budget and GAAP are the inclusion of capital outlay and debt retirement expenditures, as well as the exclusion of depreciation expense.

- The Board may legally amend the budget and appropriations by resolution once it has been adopted. All appropriations lapse at fiscal year-end.

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents

The Authority's cash and cash equivalents at December 31, 2023 were as follows:

Cash and Cash Equivalents - Unrestricted:		
Cash on hand	$	1,077
Cash in bank - Checking		697,043
Cash in bank - Savings		9,133,587
Cash held by third party		150,410
Total - Cash and Cash Equivalents - Unrestricted	$	9,982,117
Cash and Cash Equivalents - Restricted:		
Restricted - Unliquidated Passenger Facility Charges	$	407,768
Total - Cash and Cash Equivalents - Restricted	$	407,768

The Authority's restricted cash relates to unliquidated passenger facility charges. Under FAA regulations, these funds are restricted for specific use. These funds, with FAA approval, can be utilized to fund airport-related projects that improve safety, security, and capacity; reduce noise; and increase competition between air carriers.

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

The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2023, all of the Authority's deposits are insured or collateralized with securities held by or for the entity.

Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment, and is measured by assignment of a rating by a nationally recognized rating organization. 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 and bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools. United States government securities or obligations explicitly guaranteed by the United States government are not considered to have credit risk exposure.

III. Detailed Notes on All Funds (continued)

A. Cash and Cash Equivalents (continued)

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. Custodial credit risk for investments is the risk that, in the event of 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 PDPA and are therefore not deemed to be exposed to custodial credit risk. At December 31, 2023, $500,000 of the Authority's deposits were covered by FDIC with the remainder covered by PDPA.

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 with the following criteria, in order of priority, of safety, liquidity, and yield.

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

B. Leases Receivable

The Authority leases space within the Airport to car rental agencies, telecommunications agencies, the Town of Mountain Village, and other concessionaires pursuant to leases with tenants. The non-cancelable terms of the lease agreements, including options to extend which the Authority believes will be exercised by the tenant / lessee, are between two and 15 years. The lease agreements have various fixed monthly payments and minimum guaranteed payments, as detailed in each such lease. Some of these leases require the lessee to pay the Authority a percentage of revenues as additional rent. These variable payments are recognized as revenue when the percentage of revenues is more than the guaranteed minimum payments which were initially used to measure the lease receivable.

During 2023, the Authority recognized $202,509 in lease revenue and $24,979 in interest revenue related to these leases.

At December 31, 2023, the Authority's receivable for lease payments was $665,979, and the deferred inflow of resources associated with these leases, which will be recognized as revenue over the lease term, was $647,426.

III. Detailed Notes on All Funds (continued)

B. Leases Receivable (continued)

The following is a schedule of future principal and interest lease payments due under the terms of these leases, without regard to future variable payments, at December 31, 2023:

	Principal	Interest	Total
2024	$ 177,227	18,902	196,129
2025	57,561	14,865	72,426
2026	44,239	13,361	57,600
2027	45,698	11,902	57,600
2028	47,206	10,394	57,600
2029 - 2033	201,026	29,374	230,400
2034 - 2037	93,022	5,386	98,408
Total	$ 665,979	$ 104,184	$ 770,163

C. Capital Assets

Capital asset activity for 2023 was as follows:

	Balance Jan. 1/23	Additions & Transfers	Disposals & Transfers	Balance - Dec. 31/23
Capital assets not being depreciated:				
Land	$ 7,337,699	-	-	7,337,699
Construction in progress	243,651	453,245	-	696,896
Total - Capital assets not being depreciated	7,581,350	453,245	-	8,034,595
Capital assets being depreciated:				
Land improvements	83,191,619	-	-	83,191,619
Buildings / improvements	9,556,231	43,052	-	9,599,283
Equipment	5,441,597	449,450	(32,815)	5,858,232
Total capital assets being depreciated	98,189,447	492,502	(32,815)	98,649,134
Less: Accumulated depreciation for:				
Land improvements	(33,691,435)	(2,804,328)	-	(36,495,763)
Buildings / improvements	(4,391,070)	(408,092)	-	(4,799,162)
Equipment	(3,184,471)	(343,409)	32,815	(3,495,065)
Total accumulated depreciation	(41,266,976)	(3,555,829)	32,815	(44,789,990)
Total capital assets being depreciated, net	56,922,471	(3,063,327)	-	53,859,144
Capital assets, net	$ 64,503,821	(2,610,082)	-	61,893,739

III. Detailed Notes on All Funds (continued)

D. 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.

E. Risk Management

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

During the normal course of business, the Authority may incur claims and other assertions against it from various agencies and individuals. Management and legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2023.

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

F. Subsequent Events

In July 2024, the Authority entered into a $10,000,000 loan agreement with the Colorado State Infrastructure Bank, bearing interest at 3.50% per annum. The note calls for 10 equal annual payments of principal and interest, beginning one year after issuance. Early redemption is allowed. Proceeds of the loan are to be used for new construction of an aircraft storage hangar with snow equipment storage bay, and a new water pump house facility.

Telluride Regional Airport Authority
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Final Budget Variance: Positive / (Negative)
Revenues:			
Aircraft and pilot income	8,138,500	7,357,020	(781,480)
Airside income	873,500	833,728	(39,772)
Terminal income	477,950	522,380	44,430
Capital income	1,537,152	246,861	(1,290,291)
Interest income	350	301,151	300,801
Total Revenues	11,027,452	9,261,140	(1,766,312)
Expenses:			
General and administrative:			
Administrative expenses	795,612	767,360	28,252
Operations:			
Cost of goods sold	4,185,400	3,468,013	717,387
Aircraft and pilot expenses	1,568,245	1,532,006	36,239
Airside expenses	384,415	390,909	(6,494)
Terminal expenses	221,900	308,971	(87,071)
Capital expenses	7,336,065	1,088,490	6,247,575
Total - Operations expenses	13,696,025	6,788,389	6,907,636
Total Expenses	14,491,637	7,555,749	6,935,888
Change in Net Position - Budget Basis	(3,464,185)	1,705,391	5,169,576
Reconciliation to GAAP Basis:			
Depreciation		(3,555,829)	
Gain (loss) on disposition of capital assets		12,600	
Capitalized assets		945,747	
Change in Net Position - GAAP Basis		(892,091)	

Telluride Regional Airport Authority
Schedule of Passenger Facility Charges Collected and Expended
For the Year Ended December 31, 2023

	Amounts for Current Year	Unliquidated Balance
Unliquidated Passenger Facility Charges - Beginning		359,116
Collections:		
Passenger Facility Charge receipts from air carriers	43,417	
Transfer from bond account for unexpended debt service	-	
Interest earned	5,235	
Total - Passenger Facility Charges collected		48,652
less:		
Total - Passenger Facility Charges expended		-
Unliquidated Passenger Facility Charges - Ending		407,768

Notes to Schedule of Passenger Facility Charges Collected and Expended:

Note 1. - Basis of Presentation:

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

PFC expenditures may consist of direct project costs, administrative costs, debt service costs and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against PFCs collected. The accompanying schedule of PFCs collected and expended includes eligible expenditures that have been applied against PFCs collected as of December 31, 2023.

M & A

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Telluride Regional Airport Authority, which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 9, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Telluride Regional Airport 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 opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of Telluride Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Telluride Regional Airport 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
September 9, 2024

M & A

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Certified Public Accountants and Consultants

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

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

Report on Compliance for the Passenger Facility Charge Program

Opinion on Compliance

We have audited the compliance of Telluride Regional Airport Authority with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide") issued by the Federal Aviation Administration, for its Passenger Facility Charge Program for the year ended December 31, 2023.

In our opinion, Telluride Regional Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Our responsibilities under those standards and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Telluride Regional Airport 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 opinion. Our audit does not provide a legal determination of Telluride Regional Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Telluride Regional Airport Authority's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Telluride Regional Airport Authority's compliance based on our audit. 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 U.S. GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Telluride Regional Airport Authority's compliance with the requirements of the government program as a whole

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards,* and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Telluride Regional Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Telluride Regional Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Telluride Regional Airport Authority's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of Telluride Regional Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
September 9, 2024

Telluride Regional Airport Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
For the Year Ended December 31, 2023

Current Year Findings

None noted

Schedule of Prior Findings

None noted