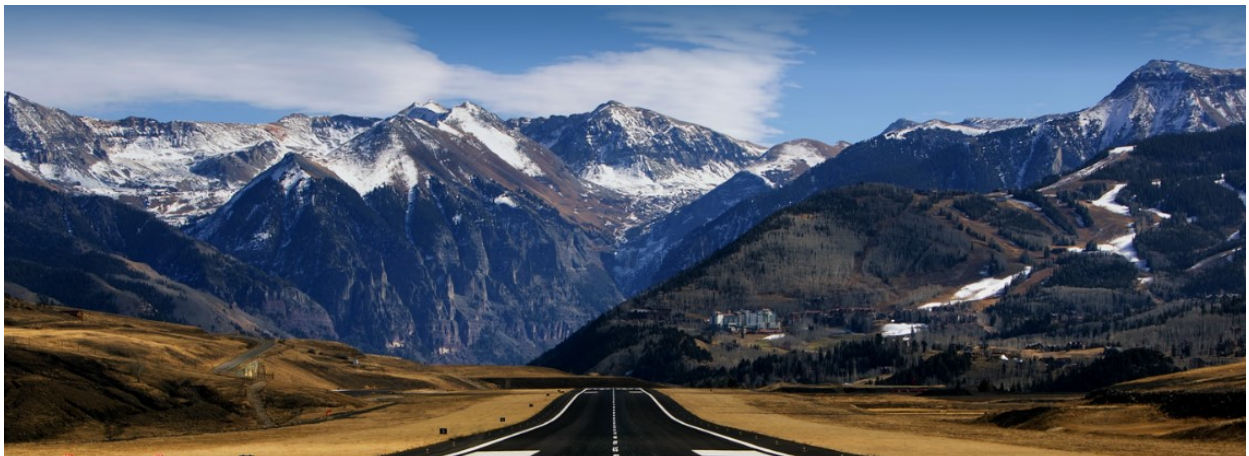


**Telluride Regional Airport Authority
Telluride, Colorado**

Financial Statements

December 31, 2024 and 2023

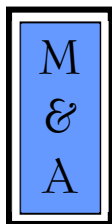


**Telluride Regional Airport Authority
Telluride, Colorado**

December 31, 2024 and 2023

TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B4
Financial Statements:	
Statement of Net Position	C1
Statement of Revenues, Expenses, and Changes in Net Position	C2
Statement of Cash Flows	C3
Notes to the Financial Statements	D1 – D12
Supplemental Schedules – 2024:	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP) and Actual with Reconciliation to GAAP Basis – 2024	E1
Schedule of Passenger Facility Charges Collected and Expended – 2024	E2
Single Audit Reports and Schedules – 2024:	
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 <i>Government Auditing Standards</i>	F1 – F2
Independent Auditor's Report on Compliance Requirements Applicable to the Passenger Facility Charge Program and Internal Control Over Compliance in Accordance with the <i>Passenger Facility Charge Audit Guide for Public Agencies</i>	F3 – F5
Schedule of Findings and Questioned Costs	F6



McMAHAN AND ASSOCIATES, L.L.C.

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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, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("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.

Member: American Institute of Certified Public Accountants

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

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 July 22, 2025 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
July 22, 2025

Telluride Regional Airport Authority Management's Discussion and Analysis December 31, 2024 and 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 years ended December 31, 2024 and 2023.

Financial Highlights

- The Authority's assets exceeded its liabilities and deferred inflows of resources by \$72,911,235 at December 31, 2024 and \$72,462,607 at December 31, 2023.
- The Authority experienced an increase in net position of \$448,628 in 2024 and a decrease in net position of \$892,091 for 2023.
- The Authority's total revenues increased by \$1,322,655 and total expenditures decreased by \$18,064 in 2024 when compared to 2023.

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 2024 and 2023:

	2024	2023
Assets:		
Current assets	\$ 13,827,414	\$ 10,844,622
Leases receivable (non-current)	431,191	488,752
Capital assets, net	70,604,002	61,893,739
Total Assets	84,862,607	73,227,113
Liabilities:		
Current liabilities	2,283,522	117,080
Long-term liabilities	9,199,866	-
Total Liabilities	11,483,388	117,080
Deferred Inflows of Resources	467,984	647,426
Net Position:		
Net investment in capital assets	60,039,898	61,893,739
Unrestricted	12,871,337	10,568,868
Total Net Position	\$ 72,911,235	\$ 72,462,607

The Authority’s total net position increased by \$448,628 in 2024 and saw a decrease of \$892,091 in 2023. The Authority has a significant portion of its net position invested in capital assets at December 31, 2024 and 2023. 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 2024 and 2023:

	2024	2023
Revenues:		
Program revenues:		
Aircraft and pilot income	\$ 7,608,338	\$ 7,357,020
Airside income	976,131	833,728
Terminal income	505,754	522,380
Other revenues:		
Capital income	924,053	246,861
Interest income	564,019	301,151
Gain (loss) on disposal of assets	18,100	12,600
Total Revenues	10,596,395	9,273,740
Expenses:		
General and administrative:		
Administrative expenses	847,210	767,360
Operations:		
Cost of goods sold	3,236,681	3,468,013
Aircraft and pilot expenses	1,459,395	1,532,006
Airside expenses	407,310	390,909
Terminal expenses	458,595	308,971
Depreciation	3,561,398	3,555,829
Interest expense	175,000	-
Capital expenses	2,178	142,743
Total - Operations expenses	9,300,557	9,398,471
Total Expenses	10,147,767	10,165,831
Change in Net Position	448,628	(892,091)
Net Position - Beginning	72,462,607	73,354,698
Net Position - Ending	\$ 72,911,235	\$ 72,462,607

Overall, 2024 revenues increased by \$1,322,655 from 2023. This increase is primarily attributed to higher fuel sale prices in 2024, hangar fees, tie-down fees, and landing fees, along with increased grant income in 2024. Expenses for 2024 decreased by \$18,064 from 2023. This decrease is primarily due to a decrease in cost of goods sold due to lower volume of fuel sales during 2024 and lower repair and maintenance expenses, offset by an increase in terminal expenses associated with a one-time cybersecurity study in 2024 and interest expense related to the Authority's SIB loan.

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Budget Variances in the Enterprise Fund for 2024

The Authority's budget was not amended for the 2024 fiscal year. Actual 2024 expenditures for the Authority were lower than budgeted amounts by \$3,976,506.

Significant budget variances were as follows:

	Final Budget	Actual	Variance: Positive / (Negative)	Reason
Revenues:				
Capital income	4,057,024	924,053	(3,132,971)	Grants budgeted but not received in 2024
Interest income	360,000	564,019	204,019	Increased yields on savings accounts
Expenses:				
Cost of goods sold	3,831,900	3,236,681	595,219	Lower fuel sales as airport activity was lower than anticipated
Aircraft and pilot expenses	1,585,647	1,459,395	126,252	Conservative budgeting
Terminal expenses	240,300	458,595	(218,295)	Unanticipated repair and maintenance expenditures and unbudgeted cybersecurity study
Interest expense	-	175,000	(175,000)	Interest accrual on SIB loan not budgeted
Capital expenses	15,927,500	12,259,115	3,668,385	Conservative budgeting

Capital Asset and Debt Administration

Capital Assets: The Authority's net capital assets increased by \$8,710,263 in 2024. This increase is chiefly due to depreciation expense of \$3,561,398 being less than capital asset additions of \$12,349,656. The Authority underwent major capital projects in 2024, most notably the construction of a new hangar which is expected to be completed in 2025. A detailed classification of the Authority's capital asset activity for 2024 and 2023 can be found in the Notes to Financial Statements in Section D of this report.

Long-term Debt: The Authority has \$10,000,000 of long-term bonded debt outstanding as of December 31, 2024 (no long-term debt outstanding as of December 31, 2023). The Authority issued \$10,000,000 in debt in 2024 to fund significant construction projects. A detailed repayment schedule and further information about the Authority's long-term debt can be found in Note III.E to the financial statements.

Next Year's Budget and Rates

The Authority's net position at the end of 2024 was \$72,911,235. The Authority's 2025 budget anticipates increasing this balance by \$7,252,887.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets:		
Cash and cash equivalents - Unrestricted	10,188,273	9,982,117
Cash and cash equivalents - Restricted	3,311,732	407,768
Accounts receivable, net of allowance for doubtful accounts	132,816	115,107
Leases receivable - Current	57,561	177,227
Inventory	106,461	135,750
Prepaid expenses	30,571	26,653
Total - Current assets	<u>13,827,414</u>	<u>10,844,622</u>
Non-current assets:		
Leases receivable - Non-current	431,191	488,752
Capital assets not being depreciated	19,391,436	8,034,595
Capital assets, net of accumulated depreciation	51,212,566	53,859,144
Total - Non-current assets	<u>71,035,193</u>	<u>62,382,491</u>
Total Assets	<u>84,862,607</u>	<u>73,227,113</u>
Liabilities:		
Current Liabilities:		
Accounts payable	826,895	81,690
Accrued expenses	40,109	35,390
Retainage payable	389,104	-
Accrued interest payable	175,000	-
Current portion of loans payable	852,414	-
Total Current Liabilities	<u>2,283,522</u>	<u>117,080</u>
Long-term Liabilities:		
Accrued compensated absences	52,280	-
Loans payable	9,147,586	-
Total Long-term Liabilities	<u>9,199,866</u>	<u>-</u>
Total Liabilities	<u>11,483,388</u>	<u>117,080</u>
Deferred Inflows of Resources:		
Lease revenue	467,984	647,426
Net Position:		
Net investment in capital assets	60,039,898	61,893,739
Unrestricted	12,871,337	10,568,868
Total Net Position	<u>72,911,235</u>	<u>72,462,607</u>

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 Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Aircraft and pilot income	7,608,338	7,357,020
Airside income	976,131	833,728
Terminal income	<u>505,754</u>	<u>522,380</u>
Total Revenues	<u>9,090,223</u>	<u>8,713,128</u>
Operating Expenses:		
General and administrative:		
Administrative expenses	<u>847,210</u>	<u>767,360</u>
Operations:		
Cost of goods sold	3,236,681	3,468,013
Aircraft and pilot expenses	1,459,395	1,532,006
Airside expenses	407,310	390,909
Terminal expenses	<u>458,595</u>	<u>308,971</u>
Total - Operations expenses	<u>5,561,981</u>	<u>5,699,899</u>
Depreciation:		
Depreciation	<u>3,561,398</u>	<u>3,555,829</u>
Total Operating Expenses	<u>9,970,589</u>	<u>10,023,088</u>
Income (Loss) from Operations	(880,366)	(1,309,960)
Non-Operating Revenues (Expenses):		
Capital income	924,053	246,861
Interest income	564,019	301,151
Interest expense	(175,000)	-
Gain (loss) on disposal of assets	18,100	12,600
Capital expenses	<u>(2,178)</u>	<u>(142,743)</u>
Total Non-Operating Revenues (Expenses)	<u>1,328,994</u>	<u>417,869</u>
Change in Net Position	448,628	(892,091)
Net Position - Beginning	<u>72,462,607</u>	<u>73,354,698</u>
Net Position - Ending	<u><u>72,911,235</u></u>	<u><u>72,462,607</u></u>

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

Telluride Regional Airport Authority
Statement of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Cash received from customers	8,893,072	8,569,044
Cash paid to employees	(1,678,486)	(1,646,636)
Cash paid for goods and services	(3,903,130)	(4,792,138)
Net Cash Provided (Used) by Operating Activities	<u>3,311,456</u>	<u>2,130,270</u>
Cash Flows From Capital and Related Financing Activities:		
Passenger Facility Charges received	43,375	41,243
Capital grants received	880,678	205,618
Interest received on leases receivable	18,902	24,979
Principal received on leases receivable	177,227	199,534
Cash paid to purchase capital assets	(11,882,557)	(945,747)
Cash received from the sale of capital assets	18,100	12,600
Proceeds from issuance of long-term debt	10,000,000	-
Capital maintenance and repairs	(2,178)	(142,743)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(746,453)</u>	<u>(604,516)</u>
Cash Flows From Investing Activities:		
Interest received on cash and investments	545,117	276,172
Net Cash Provided (Used) By Investing Activities	<u>545,117</u>	<u>276,172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,110,120	1,801,926
Cash and Cash Equivalents - Beginning	<u>10,389,885</u>	<u>8,587,959</u>
Cash and Cash Equivalents - Ending	<u><u>13,500,005</u></u>	<u><u>10,389,885</u></u>
Ending Cash and Cash Equivalents are comprised of		
Cash and cash equivalents - Unrestricted	10,188,273	9,982,117
Cash and cash equivalents - Restricted	3,311,732	407,768
Total Cash and Cash Equivalents	<u><u>13,500,005</u></u>	<u><u>10,389,885</u></u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	<u>(880,366)</u>	<u>(1,309,960)</u>
Adjustments to reconcile:		
Depreciation expense	3,561,398	3,555,829
(Increase) decrease in accounts receivable	(17,709)	57,477
(Increase) decrease in inventory	29,289	27,688
(Increase) decrease in prepaid expense	(3,918)	2,463
Increase (decrease) in accounts payable	745,205	18,423
Increase (decrease) in accrued expenses	4,719	(20,089)
Increase (decrease) in deferred lease inflows	(179,442)	(201,561)
Increase (decrease) in accrued compensated absences	52,280	-
Total Adjustments	<u>4,191,822</u>	<u>3,440,230</u>
Net Cash Provided (Used) by Operating Activities	<u><u>3,311,456</u></u>	<u><u>2,130,270</u></u>

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

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023

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 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; that is, 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.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

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, 2024 and 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.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

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.

	<u>Years</u>
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 expensed as incurred.

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. Compensated Absences

The Authority allows its employees to accumulate sick and vacation time, based on the employee's length and hours of service. Employees are allowed to accumulate up to 160 hours of vacation time annually, depending on their length of service, and may roll over up to 240 hours of unused vacation time to future years. Accrued vacation hours are paid out on termination of employment.

All employees accumulate sick time at the rate of 48 hours per year. Unused sick hours are carried over from year-to-year so they can be accumulated and used when needed. However, accrued sick time is not paid out on termination of employment.

At year-end, the Authority estimates how much of the accrued sick and vacation leave is more likely than not to be used as paid leave or paid out in future periods and recognizes that portion as a liability for compensated absences.

6. 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, 2024 or December 31, 2023.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Deferred Outflows and Inflows of Resources (continued)

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, 2024 and December 31, 2023.

7. 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

8. 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.

9. 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, 2024 and December 31, 2023, the Authority reported \$0 of restricted net position.

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.

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.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

11. 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.

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 fund 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.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- 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.

B. 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.

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents

The Authority's cash and cash equivalents at December 31, 2024 and 2023 were as follows:

	2024	2023
Cash and Cash Equivalents - Unrestricted:		
Cash on hand	\$ 1,077	\$ 1,077
Cash in bank - Checking	652,374	697,043
Cash in bank - Savings	9,485,371	9,133,587
Cash held by third party	49,451	150,410
Total - Cash and Cash Equivalents - Unrestricted	\$ 10,188,273	\$ 9,982,117
Cash and Cash Equivalents - Restricted:		
Restricted - Unliquidated Passenger Facility Charges	\$ 458,717	\$ 407,768
Restricted - Capital Projects	2,853,015	-
Total - Cash and Cash Equivalents - Restricted	\$ 3,311,732	\$ 407,768

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

III. Detailed Notes on All Funds (continued)

A. Cash and Cash Equivalents (continued)

The Authority's restricted cash comprises unliquidated passenger facility charges ("PFC") and unspent loan funds. Under FAA regulations, PFC 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, 2024 and 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.

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, 2024 and 2023, \$500,000 of the Authority's deposits were covered by FDIC and 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.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

III. Detailed Notes on All Funds (continued)

A. Cash and Cash Equivalents (continued)

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 2024, the Authority recognized \$179,442 in lease revenue and \$18,902 in interest revenue related to these leases (2023 – lease revenue of \$202,509 and interest revenue of \$24,979). At December 31, 2024, the Authority's receivable for lease payments was \$488,752, and the deferred inflow of resources associated with these leases, which will be recognized as revenue over the lease term, was \$467,984 (lease receivable of \$665,979 and deferred inflow of resources of \$647,426 at December 31, 2023).

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, 2024:

	Principal	Interest	Total
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	48,763	8,837	57,600
2030 - 2034	178,424	23,176	201,600
2035 - 2037	66,861	2,750	69,611
Total	\$ 488,752	\$ 85,285	\$ 574,037

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

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 2024 was as follows:

	Balance Jan. 1/24	Additions	Disposals	Balance Dec. 31/24
Capital assets not being depreciated:				
Land	\$ 7,337,699	-	-	7,337,699
Construction in progress	696,896	11,434,836	(77,995)	12,053,737
Total - Capital assets not being depreciated	8,034,595	11,434,836	(77,995)	19,391,436
Capital assets being depreciated:				
Land improvements	83,191,619	-	-	83,191,619
Buildings / improvements	9,599,283	712,102	-	10,311,385
Equipment	5,858,232	202,718	(92,118)	5,968,832
Total capital assets being depreciated	98,649,134	914,820	(92,118)	99,471,836
Less: Accumulated depreciation for:				
Land improvements	(36,495,763)	(2,804,329)	-	(39,300,092)
Buildings / improvements	(4,799,162)	(423,619)	-	(5,222,781)
Equipment	(3,495,065)	(333,450)	92,118	(3,736,397)
Total accumulated depreciation	(44,789,990)	(3,561,398)	92,118	(48,259,270)
Total capital assets being depreciated, net	53,859,144	(2,646,578)	-	51,212,566
Capital assets, net	\$ 61,893,739	8,788,258	(77,995)	70,604,002

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

Capital asset activity for 2023 was as follows:

	Balance Jan. 1/23	Additions	Disposals	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

D. Long-term Debt

1. State Infrastructure Bank Loan

In July 2024, the Authority entered into a \$10,000,000 loan agreement with the Colorado State Infrastructure Bank ("SIB") for the purpose of constructing an aircraft storage hangar and a new water pump house facility at the Airport. The loan bears interest at 3.5% per annum and calls for 10 equal annual payments of principal and interest, beginning one year after issuance. Early redemption is allowed.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

III. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

1. State Infrastructure Bank Loan (continued)

The Authority's debt service requirements for the SIB loan at December 31, 2024 are as follows:

Debt Service Requirements: SIB Loan			
	Principal	Interest	Total
2025	\$ 852,414	\$ 350,000	\$ 1,202,414
2026	882,248	320,166	1,202,414
2027	913,127	289,287	1,202,414
2028	945,086	257,327	1,202,414
2029	978,164	224,249	1,202,414
2030 - 2034	5,428,961	583,108	6,012,069
Total	\$ 10,000,000	2,024,137	12,024,137

2. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for 2024:

	Balance Jan. 1/24	2024 Additions	2024 Reductions	Balance Dec. 31/24	Due Within One Year
SIB loan payable	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ 852,414
Accrued compensated absences *	-	52,280	-	52,280	13,070
Totals	\$ -	10,052,280	-	10,052,280	865,484

* The change in accrued compensated absences is presented as a net change.

The Authority did not have any long-term liabilities at the beginning or end of 2023.

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, 2024 and 2023.

Telluride Regional Airport Authority
Notes to the Financial Statements
December 31, 2024 and 2023
(Continued)

III. Detailed Notes on All Funds (continued)

E. Risk Management (continued)

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. Implementation of New Accounting Standard

Effective January 1, 2024, the Authority implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* ("GASB 101"), which requires governments to recognize a liability for all forms of compensated absences, including those that are not paid upon an employee's separation from service, such as sick leave. Under GASB 101, compensated absence liability is based on historical data about the accumulation and forfeiture of leave balances, rather than solely on termination payouts. The implementation of GASB 101 was applied retroactively, but the adoption of this standard resulted in no change or restatement to the Authority's beginning net position for 2024 or 2023.

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, 2024
(With Comparative Actual Amounts for 2023)

	2024		2023
	Original and Final Budget	Actual	Final Budget Variance: Positive / (Negative) Actual
Revenues:			
Aircraft and pilot income	7,652,500	7,608,338	(44,162)
Airside income	909,500	976,131	66,631
Terminal income	491,400	505,754	14,354
Capital income	4,057,024	924,053	(3,132,971)
Interest income	360,000	564,019	204,019
Total Revenues	13,470,424	10,578,295	(2,892,129)
Expenses:			
General and administrative:			
Administrative expenses	796,165	847,210	(51,045)
Operations:			
Cost of goods sold	3,831,900	3,236,681	595,219
Aircraft and pilot expenses	1,585,647	1,459,395	126,252
Airside expenses	438,300	407,310	30,990
Terminal expenses	240,300	458,595	(218,295)
Capital expenses	15,927,500	12,259,115	3,668,385
Interest expense	-	175,000	(175,000)
Total - Operations expenses	22,023,647	17,996,096	4,027,551
Total Expenses	22,819,812	18,843,306	3,976,506
Change in Net Position - Budget Basis	(9,349,388)	(8,265,011)	1,084,377
Reconciliation to GAAP Basis:			
Depreciation		(3,561,398)	(3,555,829)
Gain (loss) on disposition of capital assets		18,100	12,600
Capitalized assets		12,256,937	945,747
Change in Net Position - GAAP Basis		448,628	(892,091)

Telluride Regional Airport Authority
Schedule of Passenger Facility Charges Collected and Expended
For the Year Ended December 31, 2024

	<u>Amounts for Current Year</u>	<u>Unliquidated Balance</u>
Unliquidated Passenger Facility Charges - Beginning		407,768
Collections:		
Passenger Facility Charge receipts from air carriers	43,375	
Interest earned	<u>7,574</u>	
Total - Passenger Facility Charges collected		50,949
<i>less:</i>		
Total - Passenger Facility Charges expended		<u>-</u>
Unliquidated Passenger Facility Charges - Ending		<u><u>458,717</u></u>

Notes to Schedule of Passenger Facility Charges Collected and Expended:

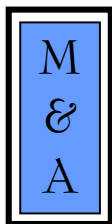
Note 1. - Basis of Presentation:

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, 2024.



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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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, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated July 22, 2025.

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.

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

Compliance and Other Matters

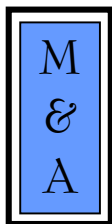
As part of obtaining reasonable assurance about whether Telluride Regional Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C.".

**McMahan and Associates, L.L.C.
Avon, Colorado
July 22, 2025**



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**To the Board of 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, 2024.

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, 2024.

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.

Member: American Institute of Certified Public Accountants

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

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.

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

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
July 22, 2025**

**Telluride Regional Airport Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
For the Year Ended December 31, 2024**

Current Year Findings

None noted

Schedule of Prior Findings

None noted