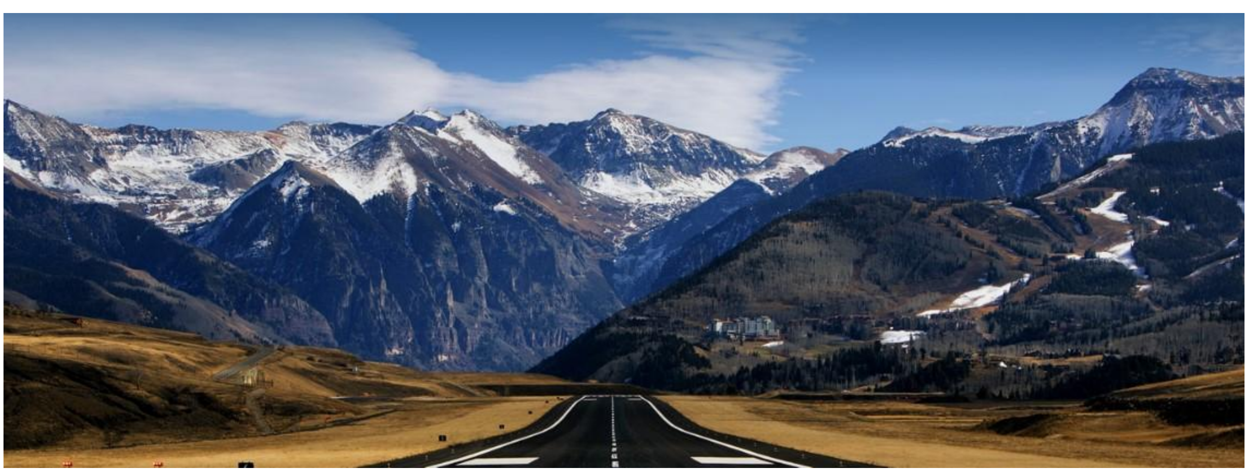
Telluride Regional Airport Authority
Telluride, Colorado

Financial Statements

December 31, 2025 and 2024



Telluride Regional Airport Authority
Telluride, Colorado

December 31, 2025 and 2024

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McMahan and Associates, L.L.C.

Certified Public Accountants and Consultants

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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.

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 27, 2026 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 27, 2026

Telluride Regional Airport Authority
Management's Discussion and Analysis
December 31, 2025 and 2024

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, 2025 and 2024.

Financial Highlights

- The Authority's assets exceeded its liabilities and deferred inflows of resources by $81,376,832 at December 31, 2025 and $72,911,235 at December 31, 2024.
- The Authority experienced an increase in net position of $8,465,597 in 2025 and an increase in net position of $448,628 for 2024.
- The Authority's total revenues increased by $8,557,613 and total expenses increased by $540,644 in 2025 when compared to 2024.

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 the three previous fiscal years:

	2025	2024	2023
Assets:			
Current assets	$ 8,184,498	$ 13,827,414	$ 10,844,622
Leases receivable (non-current)	563,542	431,191	488,752
Capital assets, net	85,552,672	70,604,002	61,893,739
Total Assets	94,300,712	84,862,607	73,227,113
Liabilities:			
Current liabilities	3,872,652	2,283,522	117,080
Long-term liabilities	8,343,005	9,199,866	-
Total Liabilities	12,215,657	11,483,388	117,080
Deferred Inflows of Resources	708,223	467,984	647,426
Net Position:			
Net investment in capital assets	75,500,222	60,039,898	61,893,739
Unrestricted	5,876,610	12,871,337	10,568,868
Total Net Position	$ 81,376,832	$ 72,911,235	$ 72,462,607

The Authority's total net position increased by $8,465,597 in 2025, saw an increase of $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, 2025, 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 the three previous fiscal years:

	2025	2024	2023
Revenues:			
Program revenues:			
Aircraft and pilot income	$ 8,361,366	$ 7,608,338	$ 7,357,020
Airside income	1,074,977	976,131	833,728
Terminal income	505,169	549,129	563,623
Other revenues:			
Grant income	8,728,559	689,812	-
Rock sales	165,550	190,866	205,618
Interest income	309,100	564,019	301,151
Insurance reimbursements	8,577	-	-
Gain (loss) on disposal of assets	710	18,100	12,600
Total Revenues	19,154,008	10,596,395	9,273,740
Expenses:			
General and administrative:			
Administrative expenses	892,170	847,210	767,360
Operations:			
Cost of goods sold	3,378,167	3,236,681	3,468,013
Aircraft and pilot expenses	1,669,359	1,459,395	1,532,006
Airside expenses	363,137	407,310	390,909
Terminal expenses	333,046	458,595	308,971
Depreciation	3,713,223	3,561,398	3,555,829
Interest expense	335,083	175,000	-
Capital expenses	4,226	2,178	142,743
Total - Operations expenses	9,796,241	9,300,557	9,398,471
Total Expenses	10,688,411	10,147,767	10,165,831
Change in Net Position	8,465,597	448,628	(892,091)
Net Position - Beginning	72,911,235	72,462,607	73,354,698
Net Position - Ending	$ 81,376,832	$ 72,911,235	$ 72,462,607

Overall, 2025 revenues increased by $8,557,613 from 2024. This increase is primarily attributed to grant income in 2025, as the Authority received major FAA grant funding for capital projects, as well as higher fuel sale prices, hangar fees, tie-down fees, and landing fees in 2025. Expenses for 2025 increased by $540,644 from 2024. This increase is primarily due to an increase in depreciation expense relating to hangar and runway projects, first full year of interest expense on the SIB loan, and increased cost of goods sold due to higher sales in 2025.

2024 revenues increased by $1,322,655 from 2023. This increase is primarily attributed to higher fuel sale prices in 2024, increased hangar fees, tie-down fees, and landing fees, along with increased capital income from FAA grants. Expenses in 2024 decreased by $18,065 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 & 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.

Budget Variances in the Enterprise Fund for 2025

The Authority's budget was not amended for the 2025 fiscal year. Actual 2025 expenditures for the Authority were greater than budgeted amounts by $1,859,647.

Significant budget variances were as follows:

	Final Budget	Actual	Variance: Positive / (Negative)	Reason
Revenues:				
Aircraft and pilot income	$ 7,791,500	$ 8,361,366	569,866	Higher fuel sales as airport activity was higher than anticipated
Interest income	140,000	309,100	169,100	Conservative budgeting of interest income
Expenses:				
Interest expense	-	335,083	(335,083)	Interest on SIB loan not budgeted
Capital expenses	17,125,355	18,670,410	(1,545,055)	Construction projects progressed quicker than expected

Capital Asset and Debt Administration

Capital Assets: The Authority's net capital assets increased by $14,948,670 in 2025. This increase is chiefly due to depreciation expense of $3,713,223 being less than capital asset additions of $18,666,183. The Authority continued its major capital projects in 2025, most notably the construction of a new hangar (which was completed in 2025) and grant-funded redevelopment projects, which are ongoing as of December 31, 2025. A detailed classification of the Authority's capital asset activity for 2025 and 2024 can be found in the Notes to Financial Statements in Section D of this report.

Long-term Debt: The Authority has $9,147,586 of long-term debt outstanding as of December 31, 2025. 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 the Notes to the Financial Statements in Section D of this report.

Next Year's Budget and Rates

The Authority's net position at the end of 2025 was $81,376,832. The Authority's 2026 budget anticipates total revenues of $12,721,389, operating & administrative expenses of $3,523,510, and capital outlays of $6,133,219.

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, 2025 and 2024

	2025	2024
Assets:		
Current assets:		
Cash and cash equivalents - Unrestricted	5,804,682	10,188,273
Cash and cash equivalents - Restricted	606,285	3,311,732
Accounts receivable, net of allowance for doubtful accounts	1,417,118	132,816
Leases receivable - Current	172,352	57,561
Inventory	152,357	106,461
Prepaid expenses	31,704	30,571
Total - Current assets	8,184,498	13,827,414
Non-current assets:		
Leases receivable - Non-current	563,542	431,191
Capital assets not being depreciated	16,793,190	19,391,436
Capital assets, net of accumulated depreciation	68,759,482	51,212,566
Total - Non-current assets	86,116,214	71,035,193
Total Assets	94,300,712	84,862,607
Liabilities:		
Current Liabilities:		
Accounts payable	2,055,188	826,895
Accrued expenses	30,352	40,109
Retainage payable	744,781	389,104
Accrued interest payable	160,083	175,000
Current portion of loans payable	882,248	852,414
Total Current Liabilities	3,872,652	2,283,522
Long-term Liabilities:		
Accrued compensated absences	77,667	52,280
Loans payable	8,265,338	9,147,586
Total Long-term Liabilities	8,343,005	9,199,866
Total Liabilities	12,215,657	11,483,388
Deferred Inflows of Resources:		
Lease revenue	708,223	467,984
Total - Deferred Inflows of Resources	708,223	467,984
Net Position:		
Net investment in capital assets	75,500,222	60,039,898
Unrestricted	5,876,610	12,871,337
Total Net Position	81,376,832	72,911,235

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, 2025 and 2024

	2025	2024
Operating Revenues:		
Aircraft and pilot income	8,361,366	7,608,338
Airside income	1,074,977	976,131
Terminal income	505,169	549,129
Total Revenues	9,941,512	9,133,598
Operating Expenses:		
General and administrative:		
Administrative expenses	892,170	847,210
Operations:		
Cost of goods sold	3,378,167	3,236,681
Aircraft and pilot expenses	1,669,359	1,459,395
Airside expenses	363,137	407,310
Terminal expenses	333,046	458,595
Total - Operations expenses	5,743,709	5,561,981
Depreciation:		
Depreciation	3,713,223	3,561,398
Total Operating Expenses	10,349,102	9,970,589
Income (Loss) from Operations	(407,590)	(836,991)
Non-Operating Revenues (Expenses):		
Grant income	8,728,559	689,812
Rock sales	165,550	190,866
Interest income	309,100	564,019
Insurance reimbursements	8,577	-
Interest expense	(335,083)	(175,000)
Gain (loss) on disposal of assets	710	18,100
Capital expenses	(4,226)	(2,178)
Total Non-Operating Revenues (Expenses)	8,873,187	1,285,619
Change in Net Position	8,465,597	448,628
Net Position - Beginning	72,911,235	72,462,607
Net Position - Ending	81,376,832	72,911,235

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, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Cash received from customers	9,864,286	9,083,938
Cash paid to employees	(1,751,014)	(1,678,486)
Cash paid for goods and services	(3,687,971)	(3,903,130)
Net Cash Provided (Used) by Operating Activities	4,425,301	3,502,322
Cash Flows From Capital and Related Financing Activities:		
Passenger Facility Charges received	45,040	43,375
Capital grants received	7,488,066	689,812
Interest paid on long-term debt	(350,000)	-
Principal paid on long-term debt	(852,414)	-
Cash paid to purchase capital assets	(18,310,506)	(11,882,557)
Cash received from the sale of capital assets	5,000	18,100
Insurance reimbursements received	8,577	-
Proceeds from issuance of long-term debt	-	10,000,000
Capital maintenance and repairs	(4,226)	(2,178)
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,970,463)	(1,133,448)
Cash Flows From Investing Activities:		
Interest received on leases receivable	22,722	18,902
Principal received on leases receivable	147,024	177,227
Interest received on cash and investments	286,378	545,117
Net Cash Provided (Used) By Investing Activities	456,124	741,246
Net Increase (Decrease) in Cash and Cash Equivalents	(7,089,038)	3,110,120
Cash and Cash Equivalents - Beginning	13,500,005	10,389,885
Cash and Cash Equivalents - Ending	6,410,967	13,500,005
Ending Cash and Cash Equivalents are comprised of		
Cash and cash equivalents - Unrestricted	5,804,682	10,188,273
Cash and cash equivalents - Restricted	606,285	3,311,732
Total Cash and Cash Equivalents	6,410,967	13,500,005
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	(407,590)	(836,991)
Adjustments to reconcile:		
Depreciation expense	3,713,223	3,561,398
Passenger Facility Charges received	(45,040)	(43,375)
Proceeds from rock sales	165,550	190,866
(Increase) decrease in accounts receivable	(43,809)	(17,709)
(Increase) decrease in inventory	(45,896)	29,289
(Increase) decrease in prepaid expense	(1,133)	(3,918)
Increase (decrease) in accounts payable	1,228,293	745,205
Increase (decrease) in accrued expenses	(9,757)	4,719
Increase (decrease) in deferred lease inflows	(153,927)	(179,442)
Increase (decrease) in accrued compensated absences	25,387	52,280
Total Adjustments	4,832,891	4,339,313
Net Cash Provided (Used) by Operating Activities	4,425,301	3,502,322

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 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.

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, 2025 and 2024 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 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, 2025 or December 31, 2024.

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, 2025 and December 31, 2024.

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, 2025 and December 31, 2024, 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.

11. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. 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.

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, 2025 and 2024 were as follows:

	2025	2024
Cash and Cash Equivalents - Unrestricted:		
Cash on hand	$ 800	$ 1,077
Cash in bank - Checking	580,918	652,374
Cash in bank - Savings	5,126,117	9,485,371
Cash held by third party	96,847	49,451
Total - Cash and Cash Equivalents - Unrestricted	$ 5,804,682	$ 10,188,273
Cash and Cash Equivalents - Restricted:		
Restricted - Unliquidated Passenger Facility Charges	$ 510,587	$ 458,717
Restricted - Capital Projects	95,698	2,853,015
Total - Cash and Cash Equivalents - Restricted	$ 606,285	$ 3,311,732

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, 2025 and 2024, 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, 2025 and 2024, $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.

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 2025, the Authority recognized $153,927 in lease revenue and $22,722 in interest revenue related to these leases (2024 – lease revenue of $179,442 and interest revenue of $18,902). At December 31, 2025, the Authority's receivable for lease payments was $735,894, and the deferred inflow of resources associated with these leases, which will be recognized as revenue over the lease term, was $708,223 (lease receivable of $488,752 and deferred inflow of resources of $467,984 at December 31, 2024).

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, 2025:

	Principal	Interest	Total
2026	$ 172,352	$ 21,367	$ 193,719
2027	180,375	15,647	196,022
2028	89,122	10,848	99,970
2029	48,757	8,843	57,600
2030	50,365	7,235	57,600
2031 - 2035	155,077	17,723	172,800
2036 - 2037	39,846	978	40,824
Total	$ 735,894	$ 82,641	$ 818,535

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for 2025 was as follows:

	Balance Jan. 1/25	Additions	Disposals	Balance Dec. 31/25
Capital assets not being depreciated:				
Land	$ 7,337,699	-	-	7,337,699
Construction in progress	12,053,737	8,653,406	(11,251,652)	9,455,491
Total - Capital assets not being depreciated	19,391,436	8,653,406	(11,251,652)	16,793,190
Capital assets being depreciated:				
Land improvements	83,191,619	509,332	-	83,700,951
Buildings / improvements	10,311,385	20,537,184	-	30,848,569
Equipment	5,968,832	217,913	(17,162)	6,169,583
Total capital assets being depreciated	99,471,836	21,264,429	(17,162)	120,719,103
Less: Accumulated depreciation for:				
Land improvements	(39,300,092)	(2,846,773)	-	(42,146,865)
Buildings / improvements	(5,222,781)	(512,065)	-	(5,734,846)
Equipment	(3,736,397)	(354,385)	12,872	(4,077,910)
Total accumulated depreciation	(48,259,270)	(3,713,223)	12,872	(51,959,621)
Total capital assets being depreciated, net	51,212,566	17,551,206	(4,290)	68,759,482
Capital assets, net	$ 70,604,002	26,204,612	(11,255,942)	85,552,672

III. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

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

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.

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, 2025 are as follows:

Years Ending	Debt Service Requirements: SIB Loan		
December 31,	Principal	Interest	Total
2026	$ 882,248	$ 320,166	$ 1,202,414
2027	913,126	289,288	1,202,414
2028	945,086	257,328	1,202,414
2029	978,164	224,250	1,202,414
2030	1,012,400	190,014	1,202,414
2031 - 2034	4,416,562	393,094	4,809,656
Total	$ 9,147,586	$ 1,674,140	$ 10,821,726

2. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for 2025:

	Balance Jan. 1/25	2025 Additions	2025 Reductions	Balance Dec. 31/25	Due Within One Year
SIB loan payable	$ 10,000,000	$ -	$ (852,414)	$ 9,147,586	$ 882,248
Compensated absences *	52,280	25,387	-	77,667	19,417
Totals	$ 10,052,280	25,387	(852,414)	9,225,253	901,665

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

	Balance Jan. 1/24	2024 Additions	2024 Reductions	Balances - Dec. 31/24	Due Within One Year
SIB loan payable	$ -	$ 10,000,000	$ -	$ 10,000,000	$ 852,414
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 in both tables above.

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.

III. Detailed Notes on All Funds (continued)

E. Risk Management (continued)

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, 2025 and 2024.

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. Contractual Commitments

At December 31, 2025, the Authority had the following outstanding significant contractual commitments related to ongoing construction projects:

Project	Vendor	Contract Commitment	Completed	Remaining
South Side Development	Telluride Gravel	8,682,834	(7,447,812)	1,235,022

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, 2025
(With Comparative Actual Amounts for 2024)

	2025			2024
	Original and Final Budget	**Actual**	**Final Budget Variance: Positive / (Negative)**	**Actual**
Revenues:				
Aircraft and pilot income	7,791,500	8,361,366	569,866	7,608,338
Airside income	1,010,000	1,074,977	64,977	976,131
Terminal income	533,350	505,169	(28,181)	549,129
Grant income	8,518,207	8,728,559	210,352	689,812
Rock sales	260,000	165,550	(94,450)	190,866
Interest income	140,000	309,100	169,100	564,019
Insurance reimbursements	-	8,577	8,577	-
Total Revenues	18,253,057	19,153,298	900,241	10,578,295
Expenses:				
General and administrative:				
Administrative expenses	811,100	892,170	(81,070)	847,210
Operations:				
Cost of goods sold	3,434,100	3,378,167	55,933	3,236,681
Aircraft and pilot expenses	1,655,670	1,669,359	(13,689)	1,459,395
Airside expenses	456,000	363,137	92,863	407,310
Terminal expenses	299,500	333,046	(33,546)	458,595
Capital expenses	17,125,355	18,670,410	(1,545,055)	12,259,115
Interest expense	-	335,083	(335,083)	175,000
Total - Operations expenses	22,970,625	24,749,202	(1,778,577)	17,996,096
Total Expenses	23,781,725	25,641,372	(1,859,647)	18,843,306
Change in Net Position - Budget Basis	(5,528,668)	(6,488,074)	(959,406)	(8,265,011)
Reconciliation to GAAP Basis:				
Depreciation		(3,713,223)		(3,561,398)
Gain (loss) on disposition of capital assets		710		18,100
Capitalized assets		18,666,184		12,256,937
Change in Net Position - GAAP Basis		8,465,597		448,628

Telluride Regional Airport Authority
Schedule of Passenger Facility Charges Collected and Expended
For the Year Ended December 31, 2025

	Amounts for Current Year	Unliquidated Balance
Unliquidated Passenger Facility Charges - Beginning		458,717
Collections:		
Passenger Facility Charge receipts from air carriers	45,040	
Interest earned	6,830	
Total - Passenger Facility Charges collected		51,870
less:		
Total - Passenger Facility Charges expended		-
Unliquidated Passenger Facility Charges - Ending		510,587

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, 2025.

M & A

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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, 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 the business-type activities of Telluride Regional Airport Authority, Colorado (the "Authority") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 27, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be a material weakness, as described in finding 2025-001 in the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the 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 the 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
July 27, 2026

M & A

McMahan and Associates, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON COMPLIANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE *PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*

To the Board of Commissioners
Telluride Regional Airport Authority, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of Telluride Regional Airport Authority, Colorado (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2025 and its compliance with the 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, 2025. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the "Uniform Guidance"), and the Guide. Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 on compliance for each major federal program. Our audit does not provide a legal determination of the 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 the 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 express an opinion on the 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*, the Uniform Guidance, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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 the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, the Uniform Guidance, 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 the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the 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 Uniform Guidance and the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. 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 type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT
To the Board of Commissioners
Telluride Regional Airport Authority, 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 internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and 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 27, 2026

Telluride Regional Airport Authority, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025

Part I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted
Major programs:	
Airport Improvement Program	ALN 20.106
Dollar threshold used to identify Type A from Type B programs:	$1,000,000
Identified as low-risk auditee	No

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by *Government Auditing Standards*	Yes
Auditor-assigned reference number	2025-001

Part III – Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Section II – Financial Statement Findings

2025-001 – Grant Revenue Recognition and Recording

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria or Specific Requirement:

To align with the Authority's policy of accounting for expenditure-driven grants, as well as to comply with generally accepted accounting principles, revenue should be recognized when the qualified expenditure has been incurred and all other grant requirements are met.

Conditions:

The Authority did not accrue revenue totaling $1,092,801 to match corresponding reimbursement grant expenditures incurred in 2025.

Causes:

The Authority received major capital grants from both the FAA and from state sources in 2025 for construction projects. Tracking the capital projects and related grant requests presented a significant challenge for the Authority's small finance team, who needed to manage and track all grant activity on top of managing daily operations. Because of this, the Authority was delayed in submitting reimbursement requests for FAA grants and did not accrue revenue for expenditures incurred in 2025 but not submitted for reimbursement until 2026.

Repeat Findings: Not applicable

Recommendations:

Auditor recommends that the Authority's finance staff closely review ongoing grant projects which include reimbursable funding to ensure grant expenditures are reviewed at year-end to determine if grant revenue should be accrued to match expenditures. Auditor additionally recommends that the Authority's finance staff implement procedures to submit grant reimbursement requests in a timely manner.

View of Responsible Officials: There is no disagreement with the audit finding.

Telluride Regional Airport Authority, Colorado
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025

There were no audit findings for the year ended December 31, 2024.

Telluride Regional Airport Authority

1500 Last Dollar Rd, Telluride, CO, 81435

CORRECTIVE ACTION PLAN

For the year ended December 31, 2025

Telluride Regional Airport Authority ("TRAA") respectfully submits the following corrective action plan for the year ended December 31, 2025.

Reference Number:	2025-001
Finding:	TRAA's 2025 Single Audit brought forth finding(s) which required a corrective action letter or Plan. The following item related to the Airport's federal grant reimbursements: - Program 20.106 revenues were underreported by $1,092,801 in 2025. This underreporting stems from expenditures being incurred in 2025 but the corresponding reimbursement request, and revenue recognition, was not recorded until 2026, partially attributed to delays in submitting reimbursement requests.
Corrective Action:	TRAA agrees that the finding is correct. Moving forward, management will review grant expenditures at year-end to verify that the related revenues have been accrued, and management will work to file reimbursement requests for outstanding grants on a more timely basis.
Personnel Responsible for Corrective Action:	Linda Soucie, Business Manager
Anticipated Completion Date:	December 31, 2026 for fiscal year 2026

Telluride Regional Airport Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Program Title	Pass-Through Entity Identifying Number	Federal ALN	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Transportation:				
Airport Improvement Program	3-08-0088-038-2023	20.106	59,730	
Airport Improvement Program	3-08-0088-039-2024	20.106	91,777	
Airport Improvement Program	3-08-0088-040-2025	20.106	2,553,001	
Airport Improvement Program	3-08-0088-041-2025	20.106	3,375,160	
Airport Improvement Program	3-08-0088-042-2025	20.106	1,092,801	
Total U.S. Department of Transportation			7,172,469	-
Total Federal Expenditures			$ 7,172,469	$ -

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2025

Note 1. Basis of Presentation:
The Schedule of Expenditures of Federal Awards includes the federal grant activity of Telluride Regional Airport Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the *requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and* Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.

Note 2. Indirect Facilities and Administration costs:
The Authority has elected to not use the 15% de minimis cost rate allowed in §200.414, Indirect (F&A) Costs, of the Uniform Guidance.