



*Fort Collins ~ Loveland
Municipal Airport*

Year Ended December 31, 2011



TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	2
Independent Auditors' Report.....	4
Management's Discussion and Analysis.....	6
Basic Financial Statements	
Statement of Net Position.....	8
Statement of Revenues, Expenses and Changes in Net Position.....	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Supplementary Information	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)	15
Passenger Facility Charge (PFC)	
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	16
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	18
Schedule of Findings and Questioned Costs	20
Schedule of Passenger Facility Charge	22
Notes to Schedule of Passenger Facility Charge	23

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

May 8, 2012

The Fort Collins–Loveland Municipal Airport (Airport) annual financial statements for the year ended December 31, 2011 are respectfully submitted. This report was prepared by the City of Loveland, Colorado’s Finance Department. The responsibility for both the accuracy of the presented data and fairness of the presentation, including all the disclosures rests with the City of Loveland. The City believes that the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the airport as measured by the financial activity of the airport; and that all disclosures necessary to enable the reader to gain an understanding of the Airport’s financial affairs have been included.

Generally Accepted Accounting Principles (GAAP) requires management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Airport’s MD&A can be found immediately following the external auditor letter.

Overview of the Airport

The Fort Collins-Loveland Airport (FNL) has served as a regional airport since 1963. It is a general aviation and commercial service airport. FNL, which is administered and operated jointly by the Cities of Fort Collins and Loveland, underwent significant improvement in 2011. This momentum continues into 2012. The airport’s primary runway was rebuilt including connecting taxiways and runway safety area enhancements. In total the airport received nearly \$7 million in federal funding for the runway project with the State of Colorado and the

Cities of Loveland and Fort Collins contributing a match of \$175,000 each. Another highlight was the \$165,000 addition to the terminal complex allowing for the accommodation of additional passengers utilizing the airport’s air carrier and charter flights. The terminal addition was funded entirely by passenger facility charges, or fees that are charged only to those utilizing the facilities.



Size	1,100 Acres
Runway (Primary)	8,500’ X 100’
Runway (Crosswind)	2,179’ X 40’
Based Aircraft	243
Hangars	210
Enplanements	45,655

In 2011 FNL accommodated approximately 100,000 aircraft flight operations ranging from air carrier, private charter, corporate flight activity, air ambulance transport, aerial fire suppression, flight school training, and other general aviation usage. In addition to this, approximately 88,000 people traveled to and departed from FNL to between the two destination markets that are served by Allegiant

Airlines. A total estimated 3,800 passengers traveled from and returned to the airport via charter services supported by Allegiant Travel, Frontier Airlines, and Sun Country Airlines.

The airport experienced a record number of commercial airline passengers for both scheduled service as well as charter activities. A total of 310 Allegiant Airlines flights originated from the airport, carrying a total of 43,759 passengers from the airport. The average load factor was a staggering 95.7% for the year, which is a 4% increase over last year (91.7%), and an 8% increase from 2009. Air charter activities accounted for approximately 1,900 enplanements, which include support for Colorado State University athletics and other activities. The statistical growth clearly indicates that there is significant demand for commercial air transportation services within the Northern Colorado region.

General aviation airport activities remain steady. The main indicator of this is related to the total amount of fuel sold on the airport. Fuel sales volume at the airport has declined slightly from 2010 numbers with a total number of gallons pumped of 873,304 gallons in 2011 down from 932,372 gallons in 2010. This is still a steady number compared to the decrease of total gallons sold in 2009 of 687,721. The economic state of the nation is the contributing factor that is responsible for these fluctuations, as is fuel pricing, and improved fuel efficiencies. It is

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

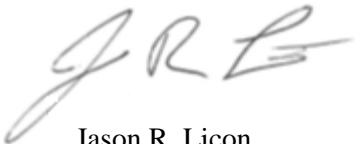
anticipated that this number will remain steady until the economy improves at a more rapid pace, and also assuming that the fuel prices will remain stable.

For 2012 the airport will continue to support the growth in Northern Colorado. In order to support the area effectively there are many improvements that are still necessary. The following are some of the projects that are planned for 2012:

- A two year \$1.5 million program to replace the general aviation ramp will begin this summer which will focus on replacing the pavement surfaces that make up the South side of the airport's aircraft parking apron.
- A runway weather information system will be installed in the summer of 2012, and will give pilots and airport operations personnel an edge when dealing with inclement weather conditions.
- New high speed snow plowing equipment will be added to the snow removal fleet.
- The airport will also be conducting planning efforts by developing a utility development plan which will aide in the growth of the airport as depicted in the FNL airport master plan.
- A new parking system will be installed for the commercial aviation terminal. This new system will allow the airport to move away from an honor based cash payment method to a more user friendly parking meter system. It will also allow the airport to allow airport users the flexibility to pay for parking with credit and debit cards.
- Through a renegotiated lease agreement the Cities are helping to support improvements made to the fixed base operator facilities which will improve the aesthetics of the general aviation terminal lobby, and the office space adjacent to it.

The Airport Steering Committee is composed of the Mayors and City Managers of both Fort Collins and Loveland and their function is to facilitate communication between the Cities and advising the Councils of each City concerning Airport issues. With their help, as well as the decision makers from both City Councils, we continue to make progress at the airport with the mission statement of the airport in mind. The airport's mission is to develop and operate the airport and aviation facilities to serve the needs of the traveling public, and the aviation related business in the area. The aviation facilities will continue to be operated to the highest standards of safety and service.

Respectfully,



Jason R. Licon
Airport Director



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Airport Steering Committee
Fort Collins-Loveland Municipal Airport
Loveland, Colorado

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Fort Collins-Loveland Municipal Airport (the Airport) as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Airport's financial statements as of December 31, 2010, which were audited by BONDI & Co. LLC, who merged with RubinBrown, LLP as of June 1, 2011 and whose report dated May 16, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012 on our consideration of the Airport'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

Steering Committee
Fort Collins-Loveland Municipal Airport

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Letter of Transmittal, the Budgetary Comparison Schedule and the Schedule of Passenger Facility Charges Collected and Expended are presented for purposes of additional analysis and are not a required part of the financial statements. The Budgetary Comparison Schedule and the Schedule of Passenger Facility Charges Collected and Expended as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

RubinBrown LLP

May 8, 2012

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

MANAGEMENT’S DISCUSSION & ANALYSIS

Our discussion and analysis of the Fort Collins–Loveland Municipal Airport’s financial performance provides an overview of the Airport’s financial activities for the year ended December 31, 2011. Please read it in conjunction with the financial statements, which begin on page 9.

Financial Highlights

- In 2011, net position increased by \$5,924,856 (35.89%) primarily due to construction of capital assets.
- Total operating revenues increased to \$800,463, an increase of \$2,514 (.32%) compared to 2010.
- Total operating expenses increased to \$1,906,964, an increase of \$96,566 (5.33%) compared to 2010.

Overview of the Financial Statements

The Statement of Net Position presents information on all the Airport’s assets and liabilities. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information that reflects how the Airport’s net position changed during the year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows reports the Airport’s cash flows from operating, capital and non-capital financing and investing activities. The financial statement demonstrates how the various activities of the Airport impact its cash balances.

The Notes to Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Airport’s financial position. As of December 31, 2011, assets exceeded liabilities by \$22,433,163.

Net Position		
	2011	2010
Current Assets	\$ 2,034,555	\$ 1,313,627
Capital Assets	21,581,997	15,509,860
Total Assets	23,616,552	16,823,487
Current Liabilities	1,183,389	315,180
Net Position:		
Invested in Capital Assets	21,581,997	15,509,860
Restricted for Capital	115,866	173,091
Unrestricted	735,300	825,356
Total Net Position	\$ 22,433,163	\$ 16,508,307

Net Position

Net position of the Airport at December 31, 2011 are shown below.

The largest portion of the Airport’s net position (96%) is the investment in capital assets (land, buildings, improvements, runways, leasehold improvements and equipment). The Airport uses these capital assets to provide aviation services to the surrounding communities. Consequently, these assets are not available for future spending. Unrestricted net position may be used to meet the Airport’s ongoing obligations.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

Changes in Net Position		
	2011	2010
Program Revenues	\$ 800,463	\$ 797,949
Program Expenses	1,906,964	1,810,398
Operating Loss	(1,106,501)	(1,012,449)
Non-operating Revenues		
City Contributions	170,000	170,000
Passenger Facility Charge	202,473	174,647
Interest Income	29,454	10,931
Gain (Loss) on Disposal of Capital Assets	-	-
Total Non-operating Revenues	401,927	355,578
Net Loss before Capital Contributions	(704,574)	(656,871)
Capital Contributions	6,629,430	1,155,417
Change in Net Position	5,924,856	498,546
Net Position - Beginning	16,508,307	16,009,761
Net Position - Ending	\$ 22,433,163	\$ 16,508,307

Change In Net Position

The Airport's total revenues of \$7,831,820 exceeded total operating expenses of \$1,906,964 for an increase in net position of \$5,924,856 for 2011. A summary of revenues and expenses is shown to the right.

Debt Administration And Capital Assets

Debt Administration

The Airport currently has no long-term debt.

Capital Assets

At the end of December 31, 2011, the Airport had \$21,581,997 invested in capital assets. This represents a net increase of \$6,072,137, or 39.15%, from 2010. This increase is due primarily to infrastructure improvements. More detailed information about the Airport's capital assets is presented in the Notes to Financial Statements.

Budgetary Highlights

The airport had numerous capital projects in 2011 funded by FAA Entitlement and Discretionary grants, Passenger Facility Charge Funds and State Grant funds. Work accomplished includes Runway 15/33 paving, grading, electrical upgrades, segmented circle, and additional perimeter fencing.

Economic Factors And Next Year's Budget

The success of Allegiant Airlines continues to give the Airport more opportunities for improvements. In 2012, the Airport expects to be eligible to receive the million dollars of entitlement money given annually when passenger counts are above 10,000 per year. The 2011 enplaned passengers were approximately 45,655.

Requests For Information

This financial report is designed to provide a general overview of the Airport's finances. If you have questions about this report or need additional financial information, contact the City of Loveland Finance Department at 500 East Third Street, Loveland, Colorado, 80537.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF NET POSITION

December 31, 2011

(With Summarized Comparative Totals at December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 895,539	\$ 803,064
Restricted Cash - PFC	97,920	137,962
Accounts Receivable - PFC	17,946	35,129
Accounts Receivable	65,812	124,685
Grants Receivable	<u>957,338</u>	<u>212,787</u>
Total Current Assets	2,034,555	1,313,627
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	<u>21,581,997</u>	<u>15,509,860</u>
TOTAL ASSETS	<u>23,616,552</u>	<u>16,823,487</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,139,242	288,946
Accrued Liabilities	<u>44,147</u>	<u>26,234</u>
Total Current Liabilities	<u>1,183,389</u>	<u>315,180</u>
NET ASSETS		
Invested in Capital Assets	21,581,997	15,509,860
Restricted for Capital	115,866	173,091
Unrestricted	<u>735,300</u>	<u>825,356</u>
TOTAL NET POSITION	<u>\$ 22,433,163</u>	<u>\$ 16,508,307</u>

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2011

(With Summarized Comparative Totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Hangar Rental	\$ 91,325	\$ 96,747
FBO Rent	61,628	74,934
Gas and Oil Commissions	178,371	158,432
State Aircraft Fuel Tax	77,683	89,204
Land Lease	114,547	117,467
Terminal Lease and Landing Fees	52,375	49,776
Concessions	857	1,100
Parking	187,044	153,078
Private Contributions	-	49,725
Miscellaneous	36,633	7,486
	<u>800,463</u>	<u>797,949</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personal Services	401,136	313,343
Purchased Services	279,007	492,049
Supplies	29,539	27,716
Depreciation	1,197,282	977,290
	<u>1,906,964</u>	<u>1,810,398</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(1,106,501)</u>	<u>(1,012,449)</u>
NONOPERATING REVENUES		
City Contributions	170,000	170,000
Passenger Facility Charge	202,473	174,647
Interest Income	29,454	10,931
	<u>401,927</u>	<u>355,578</u>
TOTAL NONOPERATING REVENUES		
NET (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(704,574)	(656,871)
Capital Contributions	6,629,430	1,155,417
	<u>5,924,856</u>	<u>498,546</u>
CHANGE IN NET POSITION		
NET POSITION, Beginning	16,508,307	16,009,761
NET POSITION, Ending	\$ <u>22,433,163</u>	\$ <u>16,508,307</u>

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

(With Summarized Comparative Totals for the year ended December 31, 2010)

	2011	2010
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 859,336	\$ 721,243
Cash Payments for Goods and Services	541,750	(456,031)
Cash Payments to Employees	(383,224)	(347,741)
Net Cash Provided (Used) by Operating Activities	1,017,862	(82,529)
Cash Flows from Noncapital Financing Activities		
Contributions from Cities	170,000	170,000
Net Cash Provided by Noncapital Financing Activities	170,000	170,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from State and Federal Grants	5,884,880	1,427,308
Passenger Facility Charge Revenue	219,655	139,519
Payments for Capital Acquisition	(7,269,418)	(1,321,971)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,164,884)	244,856
Cash Flows from Investing Activities		
Interest Received	29,454	10,931
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,433	343,258
CASH AND CASH EQUIVALENTS, Beginning	941,026	597,768
CASH AND CASH EQUIVALENTS, Ending	\$ 993,459	\$ 941,026
CASH AND CASH EQUIVALENTS:		
Cash	895,539	803,064
Cash - Restricted PFC	97,920	137,962
Total Cash and Cash Equivalents	993,459	941,026
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,106,501)	\$ (1,012,449)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	1,197,282	977,290
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	58,873	(76,704)
Increase in Accounts Payable	850,296	63,732
Increase/(Decrease) in Accrued Liabilities	17,912	(34,398)
Total Adjustments	2,124,363	929,920
Net Cash Provided (Used) by Operating Activities	\$ 1,017,862	\$ (82,529)

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fort Collins–Loveland Municipal Airport (the Airport) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The more significant accounting policies of the Airport are described below.

Reporting Entity

In accordance with governmental accounting standards, the Airport has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Airport is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Airport officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Airport. The Airport may also be financially accountable for other organizations that are fiscally dependent upon it.

Based upon the application of these criteria, no additional organizations are includable within the Airport’s reporting entity.

The Airport is jointly operated under an Intergovernmental Agreement between the Cities of Fort Collins and Loveland, Colorado. Only the financial transactions of this joint venture are included in this report and the Airport is not included as a component unit of any other government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Airport uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Airport has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport’s principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Investments

The Airport's cash and investments are pooled with those of the City of Loveland. The City of Loveland's Investment Policy authorizes investments in accordance with State statutes for investing of public funds. Current investment holdings include Money Market Funds, Certificates of Deposit, a local Government Investment Pool, U.S. Treasury Notes, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bureau and Corporate Bonds that mature within five years. Investments are stated at fair value. Because the investments are part of a pool, the underlying securities cannot be determined. For the purposes of the statement of cash flows, management considers all investments to be cash equivalents.

Capital Assets

Capital assets include land, improvements, buildings, runways, leasehold improvements and equipment. Capital assets are defined by the Airport as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the 6-month convention method over the estimated useful lives of the assets. Buildings are depreciated over a period of 50 years, improvements from 5–40 years, runways from 20–40 years, leasehold improvements from 5–50 years and equipment from 5–10 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Compensated Absences

Airport employees are allowed to accumulate vacation and sick time as stipulated in the administrative regulations of the City of Loveland. A liability is recorded on the Airport financial statements for these accrued compensated absences.

Net Assets

Net assets are restricted when constraints placed on the net assets are externally imposed.

Comparative Data

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of changes in financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Accordingly, such information should be read in conjunction with the Airport's financial statements for the year ended December 31, 2010.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The budget is developed by the City of Loveland's staff on a non-GAAP budgetary basis, which includes budgeting for capital outlay and excludes depreciation. The budget is then submitted to the

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

Airport Steering Committee. Upon approval by the Steering Committee, the City of Loveland legally adopts the budget before commencement of the following fiscal year as part of the support role for the City in the Airport Management IGA between the City of Loveland and City of Fort

Collins. The budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed budgeted appropriations at the fund level. Revisions that alter total expenditures of the fund must be approved by the City Councils. Appropriations lapse at year end.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011 is summarized below:

	Balances 12/31/10	Additions	Deletions	Adjustments	Balances 12/31/11
Capital Assets, Not Being Depreciated					
Land	\$ 563,614	\$ -	\$ -	\$ -	\$ 563,614
Construction in Progress	725,681	-	725,681	-	-
Total Capital Assets, Not Being Depreciated	1,289,295	-	725,681	-	563,614
Capital Assets, Being Depreciated					
Runways	16,068,395	5,493,816	-	-	21,562,211
Improvements	5,100,490	2,228,747	-	-	7,329,237
Equipment	1,275,007	12,185	-	-	1,287,192
Buildings	198,087	260,351	-	-	458,438
Leasehold Improvements	2,528,477	-	-	-	2,528,477
Total Capital Assets, Being Depreciated	25,170,456	7,995,099	-	-	33,165,555
Less Accumulated Depreciation For					
Runways	(8,055,125)	(714,493)	-	-	(8,769,618)
Improvements	(862,530)	(295,445)	-	413,792	(744,183)
Equipment	(622,672)	(83,847)	-	-	(706,519)
Buildings	(58,406)	(20,746)	-	-	(79,152)
Leasehold Improvements	(1,351,158)	(82,750)	-	(413,792)	(1,847,700)
Total Accumulated Depreciation	(10,949,891)	(1,197,281)	-	-	(12,147,172)
Total Capital Assets, Being Depreciated, Net	14,220,565	6,797,818	-	-	21,018,383
Total Capital Assets, Net	\$ 15,509,860	\$ 6,797,818	\$ 725,681	\$ -	\$ 21,581,997

NOTE 4: RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Cities of Fort Collins and Loveland carry commercial insurance for these risks of loss. During the last three years, there have not been any claims that exceeded coverage.

NOTE 5: CONTRACTUAL AGREEMENTS

Facilities Leased to Fixed Base Operator

The Airport leases certain facilities to the Fixed Base Operator (FBO). The 24-year lease agreement, effective May 1, 2011, includes monthly rent of land and improvements for the first four years of \$4,766. Monthly rent payments for the next 20 years will be \$6,824. Annual base rent shall be increased on January 1, 2015 and on each third anniversary of January 1, 2015 in an amount equal to the increase, if any, in the "Consumer Price Index" The Lessee shall have the option to extend the term of the agreement for two additional periods of five years each. The new annual rental rate for the first four year term is \$57,192 per year.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

The agreement also provides for a fuel flowage fee of 6% of delivered fuel cost or \$.05 per gallon, whichever is higher.

Intergovernmental Agreement

The Airport is jointly operated under an Intergovernmental Agreement between the City of Fort Collins, Colorado and the City of Loveland, Colorado.

Pursuant to the agreement, any needed contributions for annual operating budgets or capital improvements are shared equally by both cities. Also, either city may invest additional funds in the Airport as it sees fit.

Since July 3, 1979, ownership of assets vests equally with each city. Assets acquired prior to July 3, 1979 vested one-third with the City of Loveland and two-thirds with the City of Fort Collins.

The agreement provides that if either city does not pay its one-half of agreed expenses in a given year, it will convey to the other city 10% of its total Airport ownership. Each city contributed \$85,000 in 2011.

Certain administrative services are provided by the City of Loveland. These include legal services, accounting and purchasing, audit costs, personnel and benefits administration, engineering, facilities maintenance, general administration, environment services and risk and insurance management. In 2011, the City of Loveland was paid \$23,450 for these services.

As part of personnel administration, the employees of the Airport also participate in the City of Loveland's 401(a) money purchase plan that was established (and may be amended) by City Council of the City of Loveland. This Plan requires contributions of 5% from the employer and 3% from the employee. The Airport contributed \$11,048 to the Plan in 2011, representing the required contributions.

NOTE 6: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including raising revenue, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Airport believes it is in compliance with the requirements of the Amendment.

The Airport is operated as a unit of each City through the Intergovernmental Agreement; therefore both the City of Loveland and the City of Fort Collins included the Airport's emergency reserves in its city-wide financial statements.

Claims and Judgments

The City of Loveland receives Federal and State grants for use by the Airport. These grants are reported as grant revenues in the Airport's financial statements. However, certain Federal compliance and reporting requirements remain the responsibility of the City of Loveland. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Airport may be required to reimburse the grantor government. As of December 31, 2011, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Airport.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

BUDGETARY COMPARISON SCHEDULE

(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2011

	2011				
	BUDGET		ACTUAL	DIFFERENCE	2010 ACTUAL
	ORIGINAL	FINAL		WITH FINAL BUDGET	
REVENUES					
Hangar Rental	\$ 96,000	\$ 96,000	\$ 91,325	\$ (4,675)	\$ 96,747
FBO Rent	75,000	216,000	61,628	(154,372)	74,934
Gas and Oil Commissions	122,500	122,500	178,371	55,871	158,432
Passenger Facility Charge	159,500	159,500	202,473	42,973	174,647
State Aircraft Fuel Tax	40,000	40,000	77,683	37,683	89,204
Land Lease	89,900	89,900	114,547	24,647	117,467
Terminal Lease and Landing Fees	46,500	46,500	52,375	5,875	49,776
Concessions	500	500	857	357	1,100
Parking	185,000	185,000	187,044	2,044	153,078
Miscellaneous	96,000	96,000	36,633	(59,367)	7,486
Interest Income	21,340	21,340	29,454	8,114	10,931
Private Contributions	-	-	-	-	49,725
Federal and State Grants	1,250,000	8,264,570	6,629,430	(1,635,140)	1,155,417
City Contributions	170,000	170,000	170,000	-	170,000
TOTAL REVENUES	2,352,240	9,507,810	7,831,820	(1,675,990)	2,308,944
EXPENDITURES					
Personal Services	372,250	395,360	401,136	(5,776)	313,343
Purchased Services	327,040	691,850	279,007	412,843	492,049
Supplies	27,100	35,600	29,539	6,061	27,716
Capital Outlay	1,217,000	8,559,520	7,269,418	1,290,102	1,401,583
TOTAL EXPENDITURES	1,943,390	9,682,330	7,979,100	1,703,230	2,234,691
CHANGE IN NET POSITION, Budgetary Basis	\$ 408,850	\$ (174,520)	(147,280)	\$ 27,240	74,253
RECONCILIATION TO GAAP BASIS					
Capital Outlay			7,269,418		1,401,583
Depreciation			(1,197,282)		(977,290)
CHANGE IN NET POSITION, GAAP Basis			\$ 5,924,856		\$ 498,546

See the accompanying Independent Auditors' Report.



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Airport Steering Committee
Fort Collins-Loveland Municipal Airport
Loveland, Colorado

**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**

We have audited the financial statements of the Fort Collins-Loveland Municipal Airport (the Airport) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Airport Steering Committee
Fort Collins-Loveland Municipal Airport

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport'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*.

We noted certain matters that we reported to management of the Airport in a separate letter dated May 8, 2012.

This report is intended solely for the information and use of the Airport Steering Committee, City Councils, management and the Federal Aviation Administration, and is not intended to be, and should not be, used by anyone other than these specified parties.

RubinBrown LLP

May 8, 2012



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Airport Steering Committee
Fort Collins-Loveland Municipal Airport
Loveland, Colorado

**Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Independent Auditors' Report

Compliance

We have audited the Fort Collins-Loveland Municipal Airport's (the Airport) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended December 31, 2011. The Airport's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Airport Steering Committee, City Councils, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

RubinBrown LLP

May 8, 2012

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**
Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified yes none reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes no

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

20.unknown

Passenger Facility Charges

Dollar threshold used to distinguish between Type A and Type B Programs: **\$300,000**

Auditee qualified as low-risk auditee? yes no

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

Section II - Financial Statement Findings

There were no findings relating to the audit of the Airport's basic financial statements that are required to be reported under generally accepted government auditing standards.

Section III - Findings and Questioned Costs

There were no findings or questioned costs relating to the Airport's major federal program.

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

For Each of the Quarters

In the Year Ended December 31, 2011

2011	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Receipts	\$ 20,677	\$ 49,199	\$ 51,308	\$ 81,289	\$ 202,472
Interest	726	875	793	583	2,977
Total PFC Revenue Received	21,403	50,074	52,101	81,871	205,449
Expenditures:	<u>Approved Commitment</u>				
Application #5:					
(9) Rehabilitate and Strengthen Runway 15/33	159,607	-	-	92,898	40,109
(10) Replace Runway 15/33 HIRL	3,417	-	-	2,734	683
Total Application #5	163,024	-	-	95,632	40,793
Application #6:					
(11) Purchase ARFF Truck	26,316	-	-	-	-
(13) Install Airfield Electrical Vault Backup	80,000	-	-	-	-
(14) Security Enhancements 4	223,217	-	-	-	126,250
Total Application #6	329,533	-	-	-	126,250
Application #7:					
(1) Terminal Modular Building Utility Upgrades	13,000	-	-	-	-
(2) Terminal Modular Building Electrical Upgrades	3,000	-	-	-	-
(3) Purchase & Install Terminal Modular #2	165,000	-	-	-	-
(4) Survey, Geotechnical & Design of General	7,894	-	-	-	-
(5) Geographic Information System Plan and S	5,263	-	-	-	-
(6) T-Hangar Pavement Rehab-Taxilanes 1 and	17,122	-	-	-	-
(7) Perimeter Security Fencing	170,000	-	-	-	-
(8) General Aviation Ramp Rehab	39,473	-	-	-	-
(9) Purchase Snow Removal Equipment	4,210	-	-	-	-
(10) Acquire ARFF Vehicle	18,421	-	-	-	-
(11) Construct Commercial Apron Expansion	62,105	-	-	-	-
(12) Airport Terminal Expansion Concept Desig	80,000	-	-	-	-
(13) Airport Terminal Expansion Site Work	162,245	-	-	-	-
(14) Airport Terminal Expansion Phase I	26,315	-	-	-	-
(15) Construct Taxiway F	30,000	-	-	-	-
Total Application #7	-	-	-	-	-
Total PFC Expenditures	-	-	95,632	167,043	262,674
Net Change in Passenger Facility Charges	\$ 21,403	\$ 50,074	\$ (43,531)	\$ (85,171)	\$ (57,225)
Passenger Facility Charges, Beginning of year					173,091
Passenger Facility Charges, End of year					\$ 115,866

The accompanying notes to Schedule of Passenger Facility Charges Collected and Expended are an integral part of this statement.

**NOTES TO SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED**

December 31, 2011

NOTE 1: GENERAL

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFCs) and use of resulting PFC revenue for Federal Aviation Administration (FAA) approved projects meeting at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers.

NOTE 2: SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

The accompanying Schedule of Passenger Facility Charges Collected and Expended (Schedule) presents the PFC collected and interest earned thereon, and expenditures incurred on approved projects. PFC's received and expenditures spent on approved projects in the accompanying Schedule represent amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports.

PFC charges collected represent cash collected for the year ended December 31, 2011 as reported to the FAA. The interest earned represents the actual interest collected on the unexpended PFCs during the year. Expenditures represent FAA-approved projects expended in prior and current years and are reported when projects are complete.

The Schedule is not intended to be a complete presentation of the Airport's assets, liabilities, revenue and expenses in conformity with generally accepted accounting principles.

**Prepared by:
Finance Department
Accounting Division**



City of Loveland