

**FRONT RANGE AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS**

**December 31, 2010**

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Board of Commissioners  
Front Range Airport Authority  
Watkins, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of the Front Range Airport Authority, component unit of Adams County, Colorado, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the Front Range Airport Authority, as listed in the table of contents. These financial statements are the responsibility of the Front Range Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Front Range Airport Authority's 2009 financial statements and, in our report dated April 20, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 respective financial position of the business-type activities and each major fund of the Front Range Airport Authority as of December 31, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Front Range Airport Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Swanhorst & Company LLC*

May 20, 2011

## **FRONT RANGE AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion is designed to provide an analysis of the Authority's financial condition and operating results, and to inform the reader on the Authority's financial issues and activities.

The Airport's Discussion and Analysis (MD&A) should be read in conjunction with the Authority's financial statements.

### **Financial Highlights**

- In 2010, net assets in total decreased to \$26,117,298 (or -2.7%).
- Total operating revenues increased to \$2,138,768 during 2010, a \$100,469 (or 4.9%) increase over 2009.
- Total operating expenses, excluding depreciation, increased by \$234,516 (or 8.3%) in 2010 when compared to 2009.

### **Overview of the Financial Statements**

The financial statements of the Authority are presented as a political sub-division of the State of Colorado engaged in the operation of a public use airport.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities. Over time, increases or decreases in the net assets 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 Assets* presents information that reflects how the Authority's net assets changed during the past year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the Authority's cash flows from operating, capital and investing activities. The financial statement distinguishes functions of the Authority that will be principally supported by operating revenues and non-operating revenues. The functions of the Authority include effective and economical operation of the airport and the operation of the FBO (Fixed Base Operations) services including the sale of aviation fuel, pilot's supplies and food.

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

### **Government – Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's total net assets exceeded liabilities by \$26,117,298.

The largest portion of the Authority's assets reflects its investment in capital, net of any related debt. The Authority uses these capital assets to provide services to the aviation community. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>REVIEW OF NET ASSETS</b>			
<b>Years ending December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>
Current and Other Assets	923,515	1,137,706	-18.8%
Capital Assets, Net of Accumulated Depreciation	27,769,087	28,787,351	-3.5%
<b>TOTAL ASSETS</b>	<b>28,692,602</b>	<b>29,925,057</b>	<b>-4.1%</b>
<b>LIABILITIES</b>			
Total Current Liabilities	1,138,013	1,321,212	-13.9%
Notes and Capital Lease Payable	1,370,667	1,743,581	-21.4%
Compensated Absences	66,624	8,978	642.1%
Total Non-current Liabilities	1,437,291	1,752,559	-18.0%
<b>TOTAL LIABILITIES</b>	<b>2,575,304</b>	<b>3,073,771</b>	<b>-16.2%</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	26,025,506	26,681,757	-2.5%
Unrestricted	91,792	169,529	45.9%
<b>TOTAL NET ASSETS</b>	<b>26,117,298</b>	<b>26,851,286</b>	<b>-2.7%</b>
<b>TOTAL LIABILITES &amp; NET ASSETS</b>	<b>28,692,602</b>	<b>29,925,057</b>	<b>-4.1%</b>

<b>REVIEW OF REVENUE</b>			
<b>Years ending December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>
<b>OPERATING REVENUE</b>			
Fuel Sales	1,226,190	1,148,253	6.8%
Rental Income	674,066	647,768	4.1%
Farm Income	33,450	71,456	-53.2%
Pilot Services & Supplies Other Income	33,809	38,946	-13.2%
Snack Bar & Vending	56,567	53,450	5.8%
Excise Tax Jet-A	27,178	16,928	60.6%
Water/Sewer Fees	19,009	22,508	-15.5%
Miscellaneous	68,499	38,990	75.7%
<b>Total Operating Revenue</b>	<b>2,138,768</b>	<b>2,038,299</b>	<b>4.9%</b>

### **Change in Revenues**

The national trend for 2010 continued to show significant general aviation declines in operations and fuel gallons sold. Additionally Tac Air the FBO at Centennial Airport began undercutting Jet-A fuel prices at that airport, in August of 2010, which resulted in a loss of transient fueling for Front Range Airport. The trend of t-hangar vacancies that began in 2009, improved in 2010 along with stronger transient storage helping the rental increase of 4.1%. Farm income decreased

significantly in 2010 because of fewer acres in production, lower yields and higher insurance premiums as a result of the record claims the Airport made in 2009 because of hail damage.

<b>REVIEW OF EXPENSES</b>			
<b>Years ending December 31,</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>
<b>OPERATING EXPENSES</b>			
Salaries & Benefits	1,175,547	1,084,294	8.4%
Operating Supplies & Services	149,687	161,590	-7.4%
Fuel Purchases	1,009,329	870,301	16.0%
Snack Bar & Vending	35,727	29,916	19.4%
Pilot Services & Supplies	12,460	11,248	10.8%
Repairs & Maintenance	91,149	102,432	-11.0%
Utilities	198,304	168,036	18.0%
Insurance	98,448	128,936	-23.6%
Professional Services	168,106	137,323	22.4%
Sales & Marketing	33,102	42,401	-21.9%
Other Charges & Fees	92,934	93,800	-0.9%
Total Operating Expense	3,064,793	2,830,277	8.3%
Depreciation Expense	1,441,174	1,409,801	2.2%
Total Operating Expense with Depreciation	4,505,967	4,240,078	6.3%
<b>OPERATING INCOME (LOSS)</b>			
Operating Income adjusted for depreciation	-2,367,199	-2,201,779	7.5%
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
County Grants	1,144,815	500,000	129.0%
Rebates	53,535	0	100.0%
Gain on Sale of Capital Assets	0	592,000	-100.0%
Investment Income	57	3,420	-98.3%
Interest Expense	-60,086	-68,101	-11.8%
Total Non-Operating Revenue (Expenses)	1,138,321	1,027,319	10.8%
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>			
	-1,228,878	-1,174,460	4.6%
Capital Contributions	494,890	3,705,256	-86.6%
<b>CHANGE IN NET ASSETS</b>			
	-733,988	2,530,796	-129.0%
<b>NET ASSETS, Beginning</b>			
	26,851,286	24,320,490	10.4%
<b>NET ASSETS, Ending</b>			
	26,117,298	26,851,286	-2.7%

## **Change in Expenses**

Total operating expenses increased \$234,516, of which \$138,028 was fuel. Fuel gallons purchased in 2010 decreased from 2009 by 20,036 Avgas gallons and Jet-A increased by 7,670 gallons. The Airport lost money on its FBO operation for the first time in its history because margins were squeezed in an effort to keep operations up. The average price/gallon the Airport paid in 2010 increased over 2009: 100LL from \$3.09 to \$3.59 a 16.2% increase and Jet-A increased from \$2.15 to \$2.65 or 23.3%. The average per/gallon price that the Airport sold fuel for increased 11.4% for 100LL and 8.9% for Jet-A.

Salaries increased \$91,253 due to a \$14,000 increase in group health premiums, \$6,000 increase in workman's compensation and \$79,000 accrued liability for partial payout of sick leave on employee separation.

Utilities increased \$30,268 because of increased rates.

## **Change in Net Assets**

Beginning 1998 the Authority made a decision to spend-down cash reserves and borrow funds to pay for capital improvements that would jump-start the Airport's growth, namely the west side water system, Air Traffic Control Tower, self-serve fuel system, 100LL and Jet-A refueler trucks and an on-airport Waste Water Treatment Plant (WWTP).

Cash reserves decreased from \$214,846 at the end of 2009, to \$132,559 at the end of 2010.

## **Budgetary Highlights**

The Authority prepares its budget on a non-GAAP budgetary basis of accounting to recognize the fiscal impact of debt issuance, and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Actual expenditures were under budget by \$208,697.

## **Capital Assets**

The Front Range Airport, like all airports is an "Essential Public Facility." As a general rule airports do not "break-even" as they are public infrastructure like roads and bridges. The key to an airport's success lies in its ability to provide jobs, tax base and economic development. Infrastructure is the key element in the development of an airport.

The first dollar of private investment began in 1994 when the first nested t-hangar was constructed, resulting in a continuous succession of hangar construction. Private developers have invested over \$34 million in hangar projects, which house the Airports 400+ based aircraft. One of the most recent projects known as H2 is a hangar capable of accommodating aircraft as large as a Gulfstream G550.

Hangar construction was spurred by the completion of 56<sup>th</sup> Avenue, water system, Air Traffic Control Tower, and upgraded FBO. Xcel Energy recently constructed a 50 Megawatt electric sub-station on the edge of Airport property.

Opportunities for a large scope projects were lost because the Airport did not have an adequate sewage system. Adjacent development has not kept pace with the Airport and Aurora would not build a planned "regional" sewage system. Therefore, the Authority approved the construction of

an on-airport “regional” sewage system to insure development would continue as opportunities arose.

Readers interested in detailed capital asset information should see Note 5 of the Financial Statements.

### **Long-term debt**

At year-end, the Authority had a loan payable to the Colorado Department of Transportation of \$205,340 for a Colorado State Infrastructure Bank Loan, which was used for the construction of the Air Traffic Control Tower (ATCT), and a remaining balance of \$83,260 for a Wells Fargo Bank loan that was used for the construction of the Airport’s west side water system, which was refinanced to include a self-serve fuel system. During 2006, the Authority entered into a capital lease agreement for \$295,517 with Wells Fargo Bank, which was used to purchase new 100LL and Jet-A refueler trucks. Colorado State Infrastructure Bank funds were also used to construct the Airport’s Waste Water Treatment Plant, with a year-end balance of \$1,314,837. The remaining changes in debt in the current year are representative of principal payments on existing debt.

Additional detail on debt is in Note 6 in the Notes to Financial Statements.

### **Economic Factors and Next Year's Budget**

For the last two years operations and Avgas (100LL) have declined at double digits across the United States. 2011 looks no better for operations and the piston portion of the fleet, but forecast and early signs show a continuing improvement for the turbine (Jet-A) fleet.

Front Range Airport (FTG) is trending better than its counterparts with a 4.6% increase in Jet-A gallons sold in 2010 and only suffered a decrease of 11.6% for Avgas gallons during 2010 compared to a national decrease of more than 25%.

The Airport is commercial ready with three full-precision approach systems, state-of-art snow removal and fueling equipment. Non-reversionary land leases provisions and a business friendly climate attracted over \$34 million in private hangar investment, which resulted in a decision by aircraft owners to base over 400 airplanes at the airport. Today it is estimated that less than 20% of the based fleet is active and annual take-offs and landings have fallen from over 100,000 to 61,000.

Because of its massive size and runways that were planned for large cargo aircraft, the Airport methodically constructed infrastructure necessary to accommodate large aircraft and capitalize on its location next to DIA, including the completion of 56<sup>th</sup> Avenue, water and wastewater system, the tallest general aviation Air Traffic Control Tower in the U.S., large hangar development and adequate natural gas and electricity. The ‘driver’ for infrastructure was companies like Atlas Air, TransPort, Frontier Airlines and Aviation Technology Group. Unfortunately the large scope projects have not yet materialized, but the cost to operate and maintain the infrastructure continues to increase.

In spite of the difficult economic climate the Airport is moving forward using the recommendations outlined in the SH&E “Development of Compatible Business Development Strategies at Front Range Airport” completed August 2010, which determined FTG is positioned for three growth areas:

1. Alternative for business aircraft presently using DIA for transient fuel stops and ski traffic;

2. Military; and
3. Aircraft storage, including maintenance repair & overhaul (MRO), aircraft painting, aircraft scrapping, and aircraft assembly.

The “Business Plan” pointed out the inadequacy of the existing terminal if the business aircraft market were to be aggressively pursued. The terminal and perhaps future capital needs was met with a windfall opportunity. February 2011 the Authority entered into an Oil & Gas Lease with Anadarko E&P Company. The lease provided a one-time bonus payment of \$985,117, of which \$500,000 will be used for a terminal renovation. The Airport has 492.5 acres of land with mineral rights, which will be subject to a 20% royalty should oil be found.

Additionally the pursuit of large corporate and military aircraft will become easier as the Airport will have a fully operational ARRF truck on line early summer of 2011.

At a minimum a successful outcome for the coming budget will be maintaining the Airport/ FBO at its current physical and service levels in order to keep it in play until the economy turns around and opportunities for large scope projects begin to emerge.

### **Requests for Information**

This report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Dennis R. Heap, Executive Director, Front Range Airport, 5200 Front Range Parkway, Watkins, Colorado 80137, [dheap@ftg-airport.com](mailto:dheap@ftg-airport.com).

## **BASIC FINANCIAL STATEMENTS**

## FRONT RANGE AIRPORT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2010

	AIRPORT	WATER AND WASTEWATER	TOTALS	
			2010	2009
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 131,854	\$ 705	\$ 132,559	\$ 214,846
Accounts Receivable	39,672	2,791	42,463	60,930
Grants Receivable	73,824	-	73,824	271,073
Interfund Receivable	440,812	-	440,812	411,423
Prepaid Expenses	66,703	-	66,703	66,917
Inventory	167,154	-	167,154	112,517
Total Current Assets	920,019	3,496	923,515	1,137,706
<b>Noncurrent Assets</b>				
Capital Assets, Not Being Depreciated	8,397,984	-	8,397,984	11,208,648
Capital Assets, Net of Accumulated Depreciation	17,330,507	2,040,596	19,371,103	17,578,703
Total Noncurrent Assets	25,728,491	2,040,596	27,769,087	28,787,351
<b>TOTAL ASSETS</b>	<b>\$ 26,648,510</b>	<b>\$ 2,044,092</b>	<b>\$ 28,692,602</b>	<b>\$ 29,925,057</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 181,672	\$ -	\$ 181,672	\$ 357,846
Accrued Liabilities	31,566	878	32,444	17,577
Retainage Payable	-	-	-	77,864
Accrued Interest Payable	7,833	18,627	26,460	29,145
Interfund Payable	-	440,812	440,812	411,423
Customer Deposits	23,716	-	23,716	21,512
Notes Payable, Current Portion	156,643	171,574	328,217	319,221
Capital Lease Payable, Current Portion	44,697	-	44,697	42,792
Compensated Absences Payable, Current Portion	59,995	-	59,995	43,832
Total Current Liabilities	506,122	631,891	1,138,013	1,321,212
<b>Noncurrent Liabilities</b>				
Notes Payable	131,957	1,143,263	1,275,220	1,603,437
Capital Lease Payable	95,447	-	95,447	140,144
Compensated Absences Payable	66,624	-	66,624	8,978
Total Noncurrent Liabilities	294,028	1,143,263	1,437,291	1,752,559
<b>TOTAL LIABILITIES</b>	<b>800,150</b>	<b>1,775,154</b>	<b>2,575,304</b>	<b>3,073,771</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	25,299,747	725,759	26,025,506	26,681,757
Unrestricted	548,613	(456,821)	91,792	169,529
<b>TOTAL NET ASSETS</b>	<b>25,848,360</b>	<b>268,938</b>	<b>26,117,298</b>	<b>26,851,286</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,648,510</b>	<b>\$ 2,044,092</b>	<b>\$ 28,692,602</b>	<b>\$ 29,925,057</b>

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

FRONT RANGE AIRPORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2010

	AIRPORT	WATER AND WASTEWATER	TOTALS	
			2010	2009
<b>OPERATING REVENUES</b>				
Rental Income	\$ 674,066	\$ -	\$ 674,066	\$ 647,768
Fuel Sales	1,226,190	-	1,226,190	1,148,253
Snack Bar and Vending	56,567	-	56,567	53,450
Pilot Services and Supplies	33,809	-	33,809	38,946
Excise Tax Jet-A Fuel	27,178	-	27,178	16,928
Farm Income	33,450	-	33,450	71,456
Promotion	20,858	-	20,858	31,029
Water Fees	-	8,045	8,045	8,959
Wastewater Fees	-	10,964	10,964	13,549
Miscellaneous	47,641	-	47,641	7,961
	<u>2,119,759</u>	<u>19,009</u>	<u>2,138,768</u>	<u>2,038,299</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	1,121,524	54,023	1,175,547	1,084,294
Operating Services and Supplies	126,536	23,151	149,687	161,590
Fuel Purchases	1,009,329	-	1,009,329	870,301
Snack Bar and Vending	35,727	-	35,727	29,916
Pilot Services and Supplies	12,460	-	12,460	11,248
Repairs and Maintenance	91,149	-	91,149	102,432
Utilities	164,379	33,925	198,304	168,036
Insurance	98,448	-	98,448	128,936
Professional Services	168,106	-	168,106	137,323
Sales and Marketing	33,102	-	33,102	42,401
Other Charges and Fees	92,934	-	92,934	93,798
Depreciation	1,388,007	53,167	1,441,174	1,409,801
	<u>4,341,701</u>	<u>164,266</u>	<u>4,505,967</u>	<u>4,240,078</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,221,942)</u>	<u>(145,257)</u>	<u>(2,367,199)</u>	<u>(2,201,779)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
County Contribution	933,800	211,015	1,144,815	500,000
Rebates	-	53,535	53,535	-
Gain on Sale of Capital Assets	-	-	-	592,000
Investment Income	57	-	57	3,420
Interest Expense	(15,648)	(44,438)	(60,086)	(68,101)
	<u>918,209</u>	<u>220,112</u>	<u>1,138,321</u>	<u>1,027,319</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(1,303,733)</u>	<u>74,855</u>	<u>(1,228,878)</u>	<u>(1,174,460)</u>
Capital Contributions	494,890	-	494,890	3,705,256
<b>CHANGE IN NET ASSETS</b>	<u>(808,843)</u>	<u>74,855</u>	<u>(733,988)</u>	<u>2,530,796</u>
<b>NET ASSETS, Beginning</b>	<u>26,657,203</u>	<u>194,083</u>	<u>26,851,286</u>	<u>24,320,490</u>
<b>NET ASSETS, Ending</b>	<u>\$ 25,848,360</u>	<u>\$ 268,938</u>	<u>\$ 26,117,298</u>	<u>\$ 26,851,286</u>

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

FRONT RANGE AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

Increase (Decrease) in Cash and Cash Equivalents

	AIRPORT	WATER AND WASTEWATER	TOTALS	
			2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 2,050,357	\$ 27,991	\$ 2,078,348	\$ 1,924,875
Cash Received from Other Sources	81,091	-	81,091	79,417
Cash Payments for Goods and Services	(2,048,778)	(57,076)	(2,105,854)	(1,853,175)
Cash Payments to Employees	(1,047,715)	(53,145)	(1,100,860)	(1,080,825)
Net Cash Provided (Used) by Operating Activities	(965,045)	(82,230)	(1,047,275)	(929,708)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received from County	933,800	211,015	1,144,815	500,000
Rebates Received	-	53,535	53,535	-
Cash Received from Other Funds	-	29,389	29,389	437,659
Cash Paid to Other Funds	(29,389)	-	(29,389)	(437,659)
Net Cash Provided by Noncapital Financing Activities	904,411	293,939	1,198,350	500,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Cash Received from Federal and State Grants	692,139	-	692,139	3,413,007
Cash Received from Tap Fees	-	-	-	21,176
Cash Received from Sale of Capital Assets	-	-	-	1,360,000
Capital Assets Acquired or Constructed	(500,774)	-	(500,774)	(4,090,080)
Principal Paid	(195,436)	(166,577)	(362,013)	(351,301)
Interest Paid	(18,333)	(44,438)	(62,771)	(73,472)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,404)	(211,015)	(233,419)	279,330
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	57	-	57	3,420
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(82,981)	694	(82,287)	(146,958)
<b>CASH AND CASH EQUIVALENTS, Beginning</b>				
	214,835	11	214,846	361,804
<b>CASH AND CASH EQUIVALENTS, Ending</b>				
	\$ 131,854	\$ 705	\$ 132,559	\$ 214,846
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (2,221,942)	\$ (145,257)	\$ (2,367,199)	\$ (2,201,779)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	1,388,007	53,167	1,441,174	1,409,801
Changes in Assets and Liabilities				
Accounts Receivable	9,485	8,982	18,467	(35,400)
Prepaid Expenses	214	-	214	(13,540)
Inventory	(54,637)	-	(54,637)	(28,020)
Accounts Payable	(176,174)	-	(176,174)	(62,973)
Accrued Liabilities	13,989	878	14,867	(2,659)
Customer Deposits	2,204	-	2,204	1,393
Compensated Absences Payable	73,809	-	73,809	3,469
Net Cash Provided (Used) by Operating Activities	\$ (965,045)	\$ (82,230)	\$ (1,047,275)	\$ (929,708)

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

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Front Range Airport Authority (the “Authority”) conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The Authority is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Authority 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 the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Authority. The Authority may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Authority does not include additional organizations in its reporting entity. However, the Authority is a component unit of Adams County, Colorado.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority uses funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority’s funds are classified as enterprise fund types. 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 the 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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’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 nonoperating revenues and expenses.

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

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Major funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *Airport Fund* is the general operating fund of the Authority and accounts for all activities associated with the airport operations.

The *Water and Wastewater Fund* accounts for the operation of a wastewater treatment plant, and for the provision of water and wastewater services to airport tenants.

**Assets, Liabilities and Net Assets**

*Cash and Investments* - Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

*Accounts Receivable* - All receivables are recorded at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Prepaid Expenses* - Payments to vendors for services that will benefit subsequent years are reported as prepaid expenses.

*Inventory* - Inventory is valued using the average cost method. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed.

*Capital Assets* - Capital assets include land, improvements, buildings and equipment. Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 or more 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives.

Runways and Taxiways	3 - 25 years
Buildings and Improvements	5 - 30 years
Wastewater System	5 - 30 years
Equipment and Furniture	3 - 30 years

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets (Continued)**

*Compensated Absences* - Employees of the Authority are allowed to accumulate unused vacation time up to 240 hours. Upon termination of employment from the Authority, an employee will be compensated for all accrued vacation time at their current pay rate. In addition, effective January 1, 2010, employees will be compensated for one-half of the unused sick leave up to 360 hours. These compensated absences are recognized as current salary costs when earned. A long-term liability has been reported in the financial statements for the accrued compensated absences.

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

**Comparative Information**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The Authority adopts a budget for each fund on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures and depreciation is not budgeted. All appropriations lapse at year end. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, management submits to the Board of Commissioners a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Commissioners.

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 3: CASH AND INVESTMENTS**

A summary of deposits and investments at December 31, 2010, follows:

Petty Cash	\$	800
Cash Deposits		<u>131,759</u>
Total	\$	<u><u>132,559</u></u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

**Investments**

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. State statutes generally limit investments to an original maturity of five years, unless the governing board authorizes the investment for a period in excess five years.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

**NOTE 4: INTERFUND BALANCES**

At December 31, 2010, the Airport Fund had loaned \$440,812 to the Water and Wastewater Fund to assist with operating costs, debt service, and capital projects.

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 5: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2010, is summarized below.

	<u>Balances</u> 12/31/09	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/10
Capital Assets, Not Being Depreciated				
Land	\$ 7,162,023	\$ -	\$ -	\$ 7,162,023
Construction in Progress	<u>4,046,625</u>	<u>370,465</u>	<u>3,181,129</u>	<u>1,235,961</u>
Total Capital Assets, Not Being Depreciated	<u>11,208,648</u>	<u>370,465</u>	<u>3,181,129</u>	<u>8,397,984</u>
Capital Assets, Being Depreciated				
Runways, Taxiways and Roads	30,903,413	3,181,129	-	34,084,542
Buildings and Improvements	11,141,018	-	-	11,141,018
Water and Wastewater Systems	2,116,049	-	-	2,116,049
Equipment and Furniture	<u>4,348,843</u>	<u>52,445</u>	<u>6,697</u>	<u>4,394,591</u>
Total Capital Assets, Being Depreciated	<u>48,509,323</u>	<u>3,233,574</u>	<u>6,697</u>	<u>51,736,200</u>
Less Accumulated Depreciation				
Runways, Taxiways and Roads	(22,188,788)	(820,454)	-	(23,009,242)
Buildings and Improvements	(5,664,237)	(303,528)	-	(5,967,765)
Water and Wastewater Systems	(22,286)	(53,167)	-	(75,453)
Equipment and Furniture	<u>(3,055,309)</u>	<u>(264,025)</u>	<u>(6,697)</u>	<u>(3,312,637)</u>
Total Accumulated Depreciation	<u>(30,930,620)</u>	<u>(1,441,174)</u>	<u>(6,697)</u>	<u>(32,365,097)</u>
Total Capital Assets, Being Depreciated, Net	<u>17,578,703</u>	<u>1,792,400</u>	<u>-</u>	<u>19,371,103</u>
Total Capital Assets, Net	<u><b>\$ 28,787,351</b></u>	<u><b>\$ 2,162,865</b></u>	<u><b>\$ 3,181,129</b></u>	<u><b>\$ 27,769,087</b></u>

**NOTE 6: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2010.

	<u>Balance</u> 12/31/09	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/10	<u>Due Within</u> <u>One Year</u>
2007 Note Payable	\$ 1,481,414	\$ -	\$ 166,577	\$ 1,314,837	\$ 171,574
2002 Note Payable	305,000	-	99,660	205,340	101,653
2000 Note Payable	<u>136,244</u>	<u>-</u>	<u>52,984</u>	<u>83,260</u>	<u>54,990</u>
Total Notes Payable	1,922,658	-	319,221	1,603,437	328,217
Capital Lease Payable	182,936	-	42,792	140,144	44,697
Compensated Absences	<u>52,810</u>	<u>117,750</u>	<u>43,941</u>	<u>126,619</u>	<u>59,995</u>
Total	<u><b>\$ 2,158,404</b></u>	<u><b>\$ 117,750</b></u>	<u><b>\$ 405,954</b></u>	<u><b>\$ 1,870,200</b></u>	<u><b>\$ 378,909</b></u>

**Notes Payable**

During 2007, the Authority obtained a loan for \$1,800,000 from the Colorado Department of Transportation's State Infrastructure Bank to finance the construction of a wastewater treatment plant. Principal and interest payments of \$211,015 are due annually in July, through 2017. Interest accrues at the rate of 3% per annum.

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 6: LONG-TERM DEBT (Continued)**

**Notes Payable (Continued)**

During 2002, the Authority obtained a loan for \$950,000 from the Colorado Department of Transportation's State Infrastructure Bank to finance the construction of an air traffic control tower. Principal and interest payments of \$105,760 are due annually in March, through 2012. Interest accrues at the rate of 2% per annum.

During 2000, the Authority secured a loan from a financial institution to finance improvements to the west side water system. During 2005, the Authority refinanced this loan and borrowed additional amounts to construct a fuel storage system. Principal and interest payments of \$28,801 are due semi-annually on March 10 and September 10, through March 10, 2012. Interest accrues at 3.75% per annum.

Annual debt service requirements for the outstanding loans at December 31, 2010, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 328,217	\$ 46,158	\$ 374,375
2012	308,680	36,895	345,575
2013	182,023	28,992	211,015
2014	187,484	23,531	211,015
2015	193,109	17,906	211,015
2016 - 2017	<u>403,924</u>	<u>18,259</u>	<u>422,183</u>
Total	<u><b>\$ 1,603,437</b></u>	<u><b>\$ 171,741</b></u>	<u><b>\$ 1,775,178</b></u>

**Capital Lease Payable**

The Authority has entered into a capital lease agreement for two refueling trucks. Payments of \$25,188 are due semi-annually, including interest accruing at 4.4% per annum, with the final payment due in July, 2013. Capital assets of \$295,517 have been capitalized under this lease agreement.

Minimum lease payments, to maturity, are as follows:

<u>Year Ended December 31,</u>	
2011	\$ 50,377
2012	50,377
2013	<u>50,377</u>
Total Minimum Lease Payments	151,131
Less: Interest	<u>(10,987)</u>
Present Value of Future Minimum Lease Payments	<u><b>\$ 140,144</b></u>

FRONT RANGE AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 7: RISK MANAGEMENT**

The Authority 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 Authority purchases commercial insurance for these risks of loss.

**NOTE 8: RETIREMENT COMMITMENTS**

**Defined Contribution Plan**

The Authority contributes to a single-employer defined contribution money purchase pension plan on behalf of its employees. The Authority is required to contribute 7.5% of each participating employee's compensation, and each employee must contribute a matching amount. The contribution requirements of the Authority and eligible employees are established and may be amended by the Board of Commissioners.

All employees are eligible to participate in the Plan upon employment. Participants become fully vested after four years of service.

For the year ended December 31, 2010, the Authority contributed \$68,005 to the Plan, equal to the required contributions. All of the Plan investments are managed by ICMA Retirement Corporation, an outside administrator.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

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

**Claims and Judgements**

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. 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 Authority may be required to reimburse the grantor government. At December 31, 2010, 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 Authority.

**SUPPLEMENTARY INFORMATION**

FRONT RANGE AIRPORT AUTHORITY

BUDGETARY COMPARISON SCHEDULE

AIRPORT FUND

Year Ended December 31, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Rental Income	\$ 674,674	\$ 641,435	\$ 674,066	\$ 32,631
Fuel Sales	1,235,121	1,182,333	1,226,190	43,857
Snack Bar and Vending	63,366	62,314	56,567	(5,747)
Pilot Services and Supplies	40,327	34,157	33,809	(348)
Excise Tax Jet-A Fuel	13,991	26,119	27,178	1,059
Farm Income	58,254	33,450	33,450	-
Promotion	2,238	1,502	20,858	19,356
Miscellaneous	11,894	111,406	47,641	(63,765)
County Contribution	827,738	836,691	933,800	97,109
Oil and Gas Lease	-	250,000	-	(250,000)
Investment Income	-	57	57	-
State Grants	-	-	69,076	69,076
Federal Grants	-	643,846	425,814	(218,032)
<b>TOTAL REVENUES</b>	<b>2,927,603</b>	<b>3,823,310</b>	<b>3,548,506</b>	<b>(274,804)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	1,018,800	1,097,450	1,121,524	(24,074)
Operating Services and Supplies	134,699	121,542	126,536	(4,994)
Fuel Purchases	976,803	979,536	1,009,329	(29,793)
Snack Bar and Vending	33,671	35,979	35,727	252
Pilot Services and Supplies	14,380	15,277	12,460	2,817
Repairs and Maintenance	120,644	99,759	91,149	8,610
Utilities	145,649	164,280	164,379	(99)
Insurance	100,365	96,418	98,448	(2,030)
Professional Services	135,441	165,569	168,106	(2,537)
Sales and Marketing	50,735	40,642	33,102	7,540
Other Charges and Fees	83,421	97,593	92,934	4,659
Debt Principal	213,738	213,738	195,436	18,302
Debt Interest	-	-	15,648	(15,648)
Capital Outlay	42,388	668,602	422,910	245,692
<b>TOTAL EXPENDITURES</b>	<b>3,070,734</b>	<b>3,796,385</b>	<b>3,587,688</b>	<b>208,697</b>
<b>CHANGE IN NET ASSETS, Budgetary Basis</b>	<b>\$ (143,131)</b>	<b>\$ 26,925</b>	<b>(39,182)</b>	<b>\$ (66,107)</b>
<b>RECONCILIATION TO GAAP BASIS</b>				
Debt Principal			195,436	
Capital Outlay			422,910	
Depreciation			(1,388,007)	
<b>CHANGE IN NET ASSETS, GAAP Basis</b>			<b>\$ (808,843)</b>	

See the accompanying Independent Auditors' Report.

FRONT RANGE AIRPORT AUTHORITY

BUDGETARY COMPARISON SCHEDULE

WATER AND WASTEWATER FUND

Year Ended December 31, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Water and Wastewater Fees	\$ 12,696	\$ 19,009	\$ 6,313
County Contribution	317,079	211,015	(106,064)
Rebates	-	53,535	53,535
	<u>329,775</u>	<u>283,559</u>	<u>(46,216)</u>
<b>EXPENDITURES</b>			
Salaries and Benefits	51,089	54,023	(2,934)
Operating Services and Supplies	37,984	23,151	14,833
Utilities	29,687	33,925	(4,238)
Debt Principal	166,577	166,577	-
Debt Interest	44,438	44,438	-
	<u>329,775</u>	<u>322,114</u>	<u>7,661</u>
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>-</u>	(38,555)	\$ <u>(38,555)</u>
<b>RECONCILIATION TO GAAP BASIS</b>			
Debt Principal		166,577	
Depreciation		<u>(53,167)</u>	
CHANGE IN NET ASSETS, GAAP Basis		\$ <u>74,855</u>	

See the accompanying Independent Auditors' Report.