

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)**

**Financial Statements**

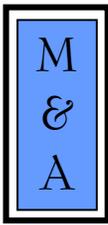
**December 31, 2012 and 2011**

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)**

**December 31, 2012 and 2011**

**TABLE OF CONTENTS**

	<b>Page(s)</b>
INDEPENDENT AUDITOR'S REPORT	1 – 2
Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Change in Net Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 17
Supplemental Schedules:	
Schedule of Revenues, Expenses and Change in Net Position – Budget and Actual – 2012	18
Schedule of Passenger Facility Charges Collected and Expended - 2012	19
Single Audit Reports and Schedules:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21
Independent Auditor's Report on Compliance for Each Major Federal Program; on Compliance with the Passenger Facility Charge Program; Report on Internal Control over Compliance Required by OMB Circular A-133 and the <i>Passenger Facility Charge Audit Guide for Public Agencies</i>	22 – 23
Schedule of Findings and Questioned Costs	24
Schedule of Prior Audit Findings and Questioned Costs	25
Schedule of Expenditures of Federal Awards	26



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Eagle County Air Terminal Corporation  
Eagle, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Eagle County Air Terminal Corporation, a Colorado non-profit corporation and a component unit of Eagle County Colorado, which comprise the statement of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Eagle County Air Terminal Corporation as of December 31, 2012 and 2011, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

*Member: American Institute of Certified Public Accountants*

D. JERRY MCMAHAN, C.P.A.  
PAUL J. BACKES, C.P.A.

DANIEL R. CUDAHY, C.P.A.  
MICHAEL N. JENKINS, C.A., C.P.A.

AVON  
(970) 845-8800

ASPEN  
(970) 544-3996

FRISCO  
(970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Eagle County Air Terminal Corporation**  
**Eagle, Colorado**

***Other Matters***

Eagle County Air Terminal Corporation has not presented Management's Discussion and Analysis that U.S. generally accepted accounting principles have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison schedule on page 18 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary comparison schedule 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 statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle County Air Terminal Corporation's financial statements taken as a whole. The Schedule of Passenger Facility Charges Collected and Expended on page 19, and the Schedule of Expenditures of Federal Awards included in the Single Audit section are presented for the purpose of additional analysis, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, respectively, and are not a required part of Eagle County Air Terminal Corporation's financial statements. Such 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 statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013 on our consideration of Eagle County Air Terminal Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle County Air Terminal Corporation's internal control over financial reporting and on compliance.

**McMahan and Associates, L.L.C.**  
**May 3, 2013**

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Statement of Net Position**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents - Unrestricted	1,598,521	575,855
Due from Eagle County	35,870	-
Accounts receivable	1,750,205	1,164,959
Prepaid items and deposits	9,482	8,857
<b>Total - Current Assets</b>	<u>3,394,078</u>	<u>1,749,671</u>
<b>Noncurrent Assets:</b>		
<b>Restricted assets:</b>		
Cash and cash equivalents - Restricted	5,301,945	7,070,330
Accounts receivable - Restricted	102,661	134,204
<b>Total - Restricted Assets</b>	<u>5,404,606</u>	<u>7,204,534</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>26,723,946</u>	<u>22,151,820</u>
<b>Total - Assets</b>	<u>35,522,630</u>	<u>31,106,025</u>
<b>Deferred Outflows of Resources:</b>		
Bond issue costs, net of accumulated amortization	504,871	548,752
Deferred charge on refunding	616,741	713,320
<b>Total - Deferred Outflows of Resources</b>	<u>1,121,612</u>	<u>1,262,072</u>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	113,126	601,222
Due to Eagle County	7,869	66,992
Construction retainage payable	289,265	50,913
Deferred revenue	996,200	-
Accrued interest payable on long-term debt	119,330	129,484
Note payable - Current portion	105,357	105,986
Bonds payable - Current portion	1,535,000	1,475,000
<b>Total Current Liabilities</b>	<u>3,166,147</u>	<u>2,429,597</u>
<b>Long-term Liabilities:</b>		
Note payable, net of current portion	-	105,358
Bonds payable, net of current portion	12,751,153	14,290,072
<b>Total Long-term Liabilities</b>	<u>12,751,153</u>	<u>14,395,430</u>
<b>Total Liabilities</b>	<u>15,917,300</u>	<u>16,825,027</u>
<b>Net Position:</b>		
Net investment in capital assets	12,332,436	6,175,404
Unrestricted	8,394,506	9,367,666
<b>Total Net Position</b>	<u>20,726,942</u>	<u>15,543,070</u>

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

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Rentals	4,311,704	4,117,837
Concessions	271,680	267,721
Advertising	120,000	135,000
Jet Center cost-share lease revenue	45,311	45,311
Miscellaneous	<u>145,443</u>	<u>9,979</u>
<b>Total Revenues</b>	<u>4,894,138</u>	<u>4,575,848</u>
<b>Expenses:</b>		
<b>General and Administrative:</b>		
Bank charges	12,345	8,206
Insurance	18,902	20,152
Professional services	38,106	53,206
Other	<u>207</u>	<u>138</u>
<b>Total - General and Administrative</b>	<u>69,560</u>	<u>81,702</u>
<b>Operations:</b>		
Janitorial	264,499	265,411
Maintenance - Building	120,800	77,043
Maintenance - Grounds	87,185	68,929
Management fees	366,995	360,000
Other purchased services	20,369	16,672
Rent	221,208	213,614
Customer service	23,523	14,270
Security	1,007	8,184
Utilities	<u>197,900</u>	<u>196,625</u>
<b>Total - Operations</b>	<u>1,303,486</u>	<u>1,220,748</u>
<b>Rebate</b>	<u>299,999</u>	<u>300,000</u>
<b>Depreciation and Amortization:</b>		
Depreciation	1,406,093	1,002,450
Capitalized interest amortization	<u>22,800</u>	<u>22,800</u>
<b>Total - Depreciation and Amortization</b>	<u>1,428,893</u>	<u>1,025,250</u>
<b>Total Operating Expenses</b>	<u>3,101,938</u>	<u>2,627,700</u>
<b>Income from Operations</b>	1,792,200	1,948,148
<b>Other Income (Expenses):</b>		
Passenger facility charges	501,400	552,757
Grant awards	3,650,638	980,392
Control tower space facility charge	110,213	110,213
Investment income	1,315	47,368
Loss on asset disposal	(7,505)	-
Interest expense	(820,508)	(1,062,301)
Amortization of bond issue costs	<u>(43,881)</u>	<u>(43,881)</u>
<b>Change in Net Position</b>	5,183,872	2,532,696
<b>Net Position - Beginning</b>	<u>15,543,070</u>	<u>13,010,374</u>
<b>Net Position - Ending</b>	<u><u>20,726,942</u></u>	<u><u>15,543,070</u></u>

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

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities:</b>		
Rents and concessions received	4,835,031	4,522,940
Interest received	1,315	47,368
Cash paid for goods and services	(2,256,759)	(1,721,725)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,579,587</b>	<b>2,848,583</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Facility charges received	643,156	680,472
Capital grants	4,120,699	201,745
Bond issue costs	-	(373,548)
Bond issue discount/premium	-	22,479
Bond refunding costs	-	(102,050)
Interest paid	(738,001)	(1,036,434)
Proceeds of long-term debt	-	10,070,000
Principal repaid on long-term debt	(1,580,987)	(11,423,909)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>2,444,867</b>	<b>(1,961,245)</b>
<b>Cash Flows From Investing Activities:</b>		
Cash paid to purchase capital assets	(5,780,123)	(1,130,588)
Proceeds on sale of capital assets	9,950	-
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>(5,770,173)</b>	<b>(1,130,588)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(745,719)	(243,250)
<b>Cash and Cash Equivalents - Beginning</b>	<b>7,646,185</b>	<b>7,889,435</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>6,900,466</b>	<b>7,646,185</b>
<b>Cash and Cash Equivalents - Ending is comprised of:</b>		
Cash and cash equivalents - Unrestricted	1,598,521	575,855
Cash and cash equivalents - Restricted	5,301,945	7,070,330
	<b>6,900,466</b>	<b>7,646,185</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:</b>		
Income from operations	1,792,200	1,948,148
<b>Adjustments to reconcile:</b>		
Depreciation and amortization expense	1,428,893	1,025,250
Investment income	1,315	47,368
(Increase) decrease in due from Eagle County	(35,870)	101
(Increase) decrease in unrestricted accounts receivable	(1,055,307)	1,385,681
(Increase) decrease in prepaid items and deposits	(625)	911
Increase (decrease) in accounts payable and accrued liabilities	(488,096)	257,196
Increase (decrease) in due to Eagle County	(59,123)	(377,483)
Increase (decrease) in deferred revenue	996,200	(1,438,589)
<b>Total Adjustments</b>	<b>787,387</b>	<b>900,435</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,579,587</b>	<b>2,848,583</b>

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

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)  
Notes to the Financial Statements  
December 31, 2012 and 2011**

**1. Organization**

Eagle County Air Terminal Corporation ("Corporation") was incorporated on April 23, 1996 as a Colorado non-profit corporation to acquire, construct, operate, and maintain certain airport facilities ("Project"). The Corporation owns and operates the airport terminal at the Eagle County Regional Airport for the benefit of and on behalf of Eagle County, Colorado ("County") and its inhabitants.

The formation of the Corporation was approved by the County, and its operations are governed by a Board of Directors ("Board") appointed by the County's Board of County Commissioners. The Corporation is considered to be a component unit of the County, and the Corporation's net position, changes in net position, and cash flow are included in the County's 2012 and 2011 Comprehensive Annual Financial Report.

The Corporation began operations in 1996. Acquisition and improvement of certain elements of the Project have been financed by the issuance of revenue bonds which are secured by a pledge of revenues from the Project and by a trust indenture ("Indenture") between the Corporation and Wells Fargo Bank, National Association, as successor trustee ("Trustee"). The County has no financial obligation for the debt or operations of the Corporation.

**2. Summary of Significant Accounting Policies**

**A. Operations**

The Corporation was formed under the laws of the State of Colorado and operates under the direction of the Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Corporation. No additional separate governmental units, agencies, or non-profit corporations are included in the financial statements of the Corporation since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The Corporation does not exercise oversight responsibility over any other entity. However, the Corporation is a component unit of the County.

**B. Basis of Accounting**

The accounting policies of the Corporation conform to U.S. generally accepted accounting principles applicable to state and local government agencies and, as such, the Corporation is accounted for as an enterprise fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in the Corporation's net position.

**C. Cash Equivalents**

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

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**D. Restricted Assets**

Certain of the Corporation's assets are classified as restricted because their use is restricted to specific purposes by bond indentures or other binding commitments. Cash held by the Trustee and Passenger Facility Charges receivable are restricted as a condition of issuing the Corporation's debt.

**E. Allowance for Uncollectible Accounts**

The Corporation uses the allowance method to recognize the potential uncollectibility of receivables. No such allowance was recorded at December 31, 2012 and 2011, since all such amounts were considered collectible.

**F. Capital Assets**

Capital assets, including acquisitions of property and equipment in excess of \$500, are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives of the underlying assets:

	<u>Years</u>
Land improvements	20
Buildings and improvements	7 - 40
Furniture and fixtures	10
Equipment	5 - 7

Certain interest costs incurred during construction of capital projects have been capitalized rather than reported as an expense of those periods. Capitalized interest related to Project expansions are amortized over 24 years and 30 years, respectively, using the straight-line method.

Land and Construction in Progress are reported at cost, and not subject to depreciation.

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

**G. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Corporation has two items – bond issuance costs, and deferred charge on refunding – that qualify for reporting in this category at December 31, 2012. Issuance costs for long-term debt are deferred and amortized over the term to maturity of the debt, using the straight-line method. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)  
Notes to the Financial Statements  
December 31, 2012 and 2011  
(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**G. Deferred Outflows and Inflows of Resources (continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation does not have any items that qualify for reporting in this category at December 31, 2012.

**H. Revenue and Expense Classification**

Operating revenues and expenses primarily result from leasing space and providing concession rights within and outside the Project. Operating revenues include rentals under agreements with airlines, car rental agencies and other concessionaires. Operating expenses include facilities upkeep, personnel, administrative and other expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**I. Federal and State Income Tax**

The Corporation was formed in accordance with Internal Revenue Service Revenue Ruling 63-20, which provides that a non-profit corporation may issue tax exempt bonds if it does so "*on behalf of a governmental entity*". The Corporation has complied with the provisions of Revenue Ruling 63-20 and is thus exempt from federal and state income taxes.

**J. Budgetary Information**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

Prior to December 15, 2011, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year. After adoption of the budget resolution, the Corporation may approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; approve emergency appropriations; and reduce appropriations for which originally estimated revenues are insufficient. A supplemental appropriation was made in 2012.

For the year ended December 31, 2012, the Corporation's expenses exceeded budgeted appropriations by \$308,789; which may be a violation of Colorado budget laws.

**K. Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation in the accompanying financial statements.

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**L. Subsequent Events**

Management has evaluated subsequent events through May 3, 2013; the date these financial statements were available to be issued.

**M. Use of Estimates**

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

**3. Cash and Cash Equivalents**

The Corporation's cash and cash equivalents at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
<b>Cash and Cash Equivalents - Unrestricted:</b>		
Cash in bank - Checking	\$ 1,598,521	575,855
<b>Cash and Cash Equivalents - Restricted:</b>		
Restricted - Held by Trustee		
Reserves for principal and interest	\$ 956,220	972,635
Debt service reserves	1,574,052	1,573,726
Operating and maintenance reserves	742,288	401,623
Capital and construction reserves	1,929,711	2,940,687
Remaining bond retirement funds	99,674	1,181,659
<b>Total - Cash and Cash Equivalents - Restricted</b>	<u>\$ 5,301,945</u>	<u>7,070,330</u>

The Corporation's deposits are entirely covered by federal depository insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC insures the first \$250,000 of the Corporation's interest-bearing deposits at each financial institution and fully insures all non-interest bearing deposits. Interest-bearing deposit balances over \$250,000 held by the Trustee are collateralized as required by the Trust Indenture and Colorado state statutes. This enables the Corporation to address custodial credit risk, which is the risk that deposits or collateral might not be recovered if a depository institution fails.

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

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**3. Cash and Cash Equivalents (continued)**

Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment, and is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Corporation's deposits, including money market accounts held by the Trustee pursuant to the Trust Indenture, are not rated by Standard & Poor's or other ratings agencies.

The fair value of the Corporation's money market accounts held with the Trustee equals its reported carrying values at December 31, 2012 and 2011.

**4. Fixed Assets**

Capital asset activity for 2012 was as follows:

	<b>Balance Jan. 1/12</b>	<b>2012 Additions</b>	<b>2012 Disposals</b>	<b>Balances - Dec. 31/12</b>
Land	\$ 809,652	-	-	809,652
Water rights	-	500,800	-	500,800
Construction in progress	1,279,089	5,457,149	(6,716,238)	20,000
Land improvements	168,931	-	-	168,931
Buildings and improvements	29,203,457	6,760,911	(296,435)	35,667,933
Furniture/equipment	979,492	15,852	-	995,344
Capitalized interest	644,246	-	-	644,246
<b>At cost</b>	<b>33,084,867</b>	<b>12,734,712</b>	<b>(7,012,673)</b>	<b>38,806,906</b>
Less: Accumulated depreciation for:				
Land improvements	25,341	8,446	-	33,787
Buildings and improvements	10,002,284	1,338,650	(278,980)	11,061,954
Furniture/equipment	626,730	58,997	-	685,727
Capitalized interest	278,692	22,800	-	301,492
<b>Total accumulated depreciation</b>	<b>10,933,047</b>	<b>1,428,893</b>	<b>(278,980)</b>	<b>12,082,960</b>
<b>Capital assets, net</b>	<b>\$ 22,151,820</b>	<b>11,305,819</b>	<b>(6,733,693)</b>	<b>26,723,946</b>

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**4. Fixed Assets (continued)**

Capital asset activity for 2011 was as follows:

	<b>Balance Jan. 1/11</b>	<b>2011 Additions</b>	<b>2011 Disposals</b>	<b>Balances - Dec. 31/11</b>
Land	\$ 809,652	-	-	809,652
Construction in progress	97,588	1,181,501	-	1,279,089
Land improvements	168,931	-	-	168,931
Buildings and improvements	29,203,457	-	-	29,203,457
Furniture/equipment	979,492	-	-	979,492
Capitalized interest	644,246	-	-	644,246
<b>At cost</b>	<b>31,903,366</b>	<b>1,181,501</b>	<b>-</b>	<b>33,084,867</b>
Less: Accumulated depreciation for:				
Land improvements	16,894	8,447	-	25,341
Buildings and improvements	9,069,589	932,695	-	10,002,284
Furniture/equipment	565,421	61,309	-	626,730
Capitalized interest	255,892	22,800	-	278,692
<b>Total accumulated depreciation</b>	<b>9,907,796</b>	<b>1,025,251</b>	<b>-</b>	<b>10,933,047</b>
<b>Capital assets, net</b>	<b>\$ 21,995,570</b>	<b>156,250</b>	<b>-</b>	<b>22,151,820</b>

**5. Long-term Debt**

**A. Revenue Bonds**

On June 1, 1996, the Corporation issued Air Terminal Project Revenue Bonds, Series 1996A and Series 1996B (collectively, the "Series 1996 Bonds"), in the amounts of \$3,825,000 and \$6,305,000 respectively, to finance the acquisition and construction of the Project. The Series 1996A bonds and Series 1996B bonds were scheduled to mature May 1, 2006, and May 1, 2018, respectively. Interest rates on the Series 1996A bonds and Series 1996B bonds were 6.75% and 7.5% per annum, respectively.

In order to finance improvements to the Project, the Corporation issued Air Terminal Project Revenue Bonds, Series 2001A and Series 2001B (collectively, the "Series 2001 Bonds"), pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a First Supplemental Trust Indenture dated June 1, 2001. The Series 2001A bonds, which were issued in an aggregate original principal amount of \$10,745,000; were to bear interest from 7% to 7.125% per annum, and mature through May 1, 2031. The Series 2001B bonds; which were issued in an aggregate original principal amount of \$5,305,000; were to bear interest from 7.875% to 9.5% per annum, and mature through May 1, 2016.

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)  
Notes to the Financial Statements  
December 31, 2012 and 2011  
(Continued)**

**5. Long-term Debt (continued)**

**A. Revenue Bonds (continued)**

On June 29, 2006, pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a Second Supplemental Trust Indenture dated June 29, 2006, the Corporation issued Air Terminal Project Revenue Bonds, Series 2006A and Series 2006B (collectively, the "Series 2006 Bonds") in aggregate principal amounts of \$4,150,000 and \$3,980,000, respectively. The Series 2006A bonds bear interest from 4.75% to 5.15% per annum, and mature through May 1, 2017. The Series 2006B bonds bear interest at 5.05% to 5.25% per annum, and mature through May 1, 2020. Proceeds of the Series 2006A bonds were used to refund all outstanding Series 1996 Bonds and proceeds of the Series 2006B bonds were deposited with the Trustee to fund Project improvements.

On June 22, 2011, pursuant to the provisions of the Trust Indenture for the Series 1996 Bonds and a Third Supplemental Trust Indenture dated June 1, 2011, the Corporation issued Airport Terminal Project Revenue Refunding Bonds, Series 2011A and Series 2011B (collectively, the "Series 2011 Bonds") in aggregate principal amounts of \$7,190,000 and \$2,880,000, respectively. The Series 2011A bonds bear interest from 3% to 6% per annum, and mature through May 1, 2027. The Series 2011B bonds bear interest from 2.05% to 4.4% per annum, and mature through May 1, 2016. Proceeds from the Series 2011 Bonds were used to refund all outstanding Series 2001 Bonds.

The Series 2006 Bonds and the Series 2011 Bonds are subject to early redemption at the Corporation's option as follows:

<u>Issue</u>	<u>Redemption Dates</u>	<u>Redemption Price</u>
Series 2006 Bonds	After May 1, 2016	100%
Series 2011 Bonds	After May 1, 2021	100%

The Series 2006 Bonds and Series 2011 Bonds are revenue bonds, which constitute special obligations of the Corporation secured solely by a Trust Estate.

The Trust Estate includes all right, title and interest of the Corporation in the Project Revenues, all funds held by the Trustee, the Ground Lease, the Project Agreement and the Terminal Agreements (as described in the Trust Indenture, as amended) and other tangible and intangible assets. The Indenture and related Bond Resolution require that the revenue of the Project is to be used first to pay operating and maintenance expenses of the Air Terminal Project, and then to establish and maintain revenue bond funds.

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**5. Long-term Debt (continued)**

**A. Revenue Bonds (continued)**

The following schedule summarizes the required aggregate future debt service payments at December 31, 2012 on the Series 2006 Bonds and Series 2011 Bonds to maturity:

<b>Total Debt Service - All Revenue Bonds</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,535,000	677,722	2,212,722
2014	1,595,000	615,530	2,210,530
2015	1,660,000	617,030	2,277,030
2016	1,740,000	468,554	2,208,554
2017	1,035,000	400,439	1,435,439
2018 - 2022	3,765,000	1,301,975	5,066,975
2023 - 2027	2,935,000	461,250	3,396,250
<b>Total</b>	<b>\$ 14,265,000</b>	<b>4,542,500</b>	<b>18,807,500</b>

The aggregate outstanding principal balance of the Series 2006 Bonds and the Series 2011 Bonds differs from the aggregate bonds payable balance disclosed on these financial statements due to deferred items related to bond financing as follows:

	<b>2012</b>	<b>2011</b>
Outstanding bond principal	\$ 14,265,000	15,740,000
Unamortized bond premium	21,153	25,072
<b>Bonds payable</b>	<b>\$ 14,286,153</b>	<b>15,765,072</b>

**B. Note Payable**

In 2003, the Corporation executed a \$990,000 promissory note with the Colorado Department of Transportation ("CDOT"). The note, which bears interest at 2% per annum, is payable in annual installments through 2013 as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 105,357	2,107	107,464
<b>Total</b>	<b>\$ 105,357</b>	<b>2,107</b>	<b>107,464</b>

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**5. Long-term Debt (continued)**

**C. Summary**

Changes in the Corporation's long-term debt for 2012 and 2011 were as follows:

	<b>Balance Jan. 1/12</b>	<b>2012 Additions</b>	<b>2012 Reductions</b>	<b>Balances - Dec. 31/12</b>
Series 2006A bonds	\$ 2,290,000	-	(465,000)	1,825,000
Series 2006B bonds	3,380,000	-	(160,000)	3,220,000
Series 2011A bonds	7,190,000	-	(315,000)	6,875,000
Series 2011B bonds	2,880,000	-	(535,000)	2,345,000
Total bonds	15,740,000	-	(1,475,000)	14,265,000
Note payable - CDOT	211,344	-	(105,987)	105,357
<b>Totals</b>	<b>\$ 15,951,344</b>	<b>-</b>	<b>(1,580,987)</b>	<b>14,370,357</b>

	<b>Balance Jan. 1/11</b>	<b>2011 Additions</b>	<b>2011 Reductions</b>	<b>Balances - Dec. 31/11</b>
Series 2001A bonds	\$ 7,550,000	-	(7,550,000)	-
Series 2001B bonds	3,180,000	-	(3,180,000)	-
Series 2006A bonds	2,760,000	-	(470,000)	2,290,000
Series 2006B bonds	3,500,000	-	(120,000)	3,380,000
Series 2011A bonds	-	7,190,000	-	7,190,000
Series 2011B bonds	-	2,880,000	-	2,880,000
Total bonds	16,990,000	10,070,000	(11,320,000)	15,740,000
Note payable - CDOT	315,253	-	(103,909)	211,344
<b>Totals</b>	<b>\$ 17,305,253</b>	<b>10,070,000</b>	<b>(11,423,909)</b>	<b>15,951,344</b>

Current portions of the Corporation's outstanding principal balances on bonds and notes payable at December 31, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
Series 2006A bonds	\$ 460,000	465,000
Series 2006B bonds	195,000	160,000
Series 2011A bonds	325,000	315,000
Series 2011B bonds	555,000	535,000
	1,535,000	1,475,000
Note payable - CDOT	105,357	105,986
<b>Totals</b>	<b>\$ 1,640,357</b>	<b>1,580,986</b>

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**6. Rental and Concession Revenues**

The Corporation leases space within the Project to airlines, car rental agencies, and other concessionaires, pursuant to operating leases with tenants. Future minimum rentals on non-cancelable leases for the years following December 31, 2012 are as follows:

2013	\$ 3,691,701
2014	301,758
2015	229,000
2016	129,000
2017	<u>107,500</u>
<b>Total</b>	<b><u>\$ 4,458,959</u></b>

The terms of the Corporation's lease agreements with the airlines require the Corporation to refund 50% of Net Concession Revenues, as defined, up to a maximum refund of \$300,000, to the airlines. The amount rebated for 2012 was \$299,999 (2011 – \$300,000).

During 2012, the Corporation received approximately 43% of its operating revenue from its two largest tenants (2011 – 37%).

**7. Related Party Transactions**

Effective June 1, 1996, the Corporation entered into an operating lease agreement (the "Ground Lease") pursuant to which the Corporation leases land from the County for use as terminal space and parking facilities. Subsequently, the parties have executed two supplemental agreements (the "Supplemental Ground Leases") with respect to the Corporation's use of additional terminal space and parking facilities. The Ground Lease expires on the earlier of May 31, 2026 or the defeasance of the Series 1996 Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. The Supplemental Ground Leases expire on the earlier of May 31, 2036 or the defeasance of the Series 2001 Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. Under the terms of the Ground Lease and the Supplemental Ground Leases, the Corporation is to monthly pay a base rental and license fee per square foot of leased space, subject to annual cost-of-living adjustments.

The Corporation has also entered into an operating lease agreement (the "De-icing Facility Ground Lease"), effective June 1, 2006, under which the Corporation leases land from the County for use as an airplane de-icing facility. The De-Icing Facility Ground Lease expires on the earlier of May 31, 2036 or the defeasance of the Series 2006B Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. Under the terms of the De-Icing Ground Leases, the Corporation is to pay a monthly base rental per square foot of leased space, subject to annual cost-of-living adjustments.

Total rental and licenses fees expense incurred by the Corporation in respect of the Ground Lease, the Supplemental Ground Leases, and the De-Icing Facility Ground Lease was \$221,208 for 2012 (2011 – \$213,614).

**Eagle County Air Terminal Corporation  
(A Colorado Non-Profit Corporation and  
A Component Unit of Eagle County, Colorado)  
Notes to the Financial Statements  
December 31, 2012 and 2011  
(Continued)**

**7. Related Party Transactions (continued)**

The following is a schedule of aggregate future minimum rental and license fees due under the terms of the Ground Lease, the Supplemental Ground Leases, and the De-Icing Facility Ground Lease, absent future adjustments for inflation, at December 31, 2012:

2013	\$	221,208
2014		221,208
2015		221,208
2016		221,208
2017		221,208
2018 - 2022		1,106,041
2023 - 2027		940,195
2028 - 2032		582,315
2033 - 2036		397,915
<b>Total</b>	<b>\$</b>	<b>4,132,506</b>

Effective June 1, 2001, the Corporation entered into a Parking Facilities Sublease, pursuant to which the Corporation leases certain parking lots to the County, in return for an annual lease payment of \$300,000. However, the County's lease payment otherwise due is reduced by \$300,000, less any amounts required to comply with the Corporation's obligations under the Trust Indenture for the 2001 Bonds. The initial term of the Parking Facilities Sublease expired December 31, 2001, but renews annually through May 31, 2036 upon the County's annual appropriation of any required payments, unless earlier terminated by the defeasance of the Series 2001 Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. During 2011, the parties executed the First Amendment to the Parking Facilities Sublease to incorporate reference to provisions of the supplemental bond indentures issued by the Corporation. The Corporation recognized no revenue from the Parking Facilities Sublease in 2012 and 2011.

The Corporation has also entered into a De-Icing Facility Sublease, effective June 1, 2001, under which the Corporation leases an airplane de-icing facility to the County, in return for annual lease payments equal to the Corporation's required debt service on the 2006B Bonds, less the amount of the Corporation's funds available for such debt service. The initial term of the De-Icing Facility Sublease expired December 31, 2006, but renews annually through May 31, 2020 upon the County's annual appropriation of any required payments, unless earlier terminated by the defeasance of the Series 2006B Bonds or other revenue bonds issued to finance the construction of the Project and related improvements. The Corporation recognized no revenue from the De-Icing Facility Sublease in 2012 and 2011.

The Corporation and the County executed a Project Construction and Management Agreement Amendment (effective January 1, 2006) and Second Amendment (effective January 1, 2011), under which the County provides management of the day-to-day operations of the Project, in return for a flat monthly fee, subject to annual cost-of-living adjustments. The County's management fee for 2012 was \$366,995 (2011 – \$360,000).

The Corporation has entered into an operating lease agreement (the "Air Traffic Control Tower Ground Lease"), effective May 13, 2003, under which the Corporation leases land from the County for use as an air traffic control tower. The Air Traffic Control Tower Ground Lease expires on the earlier of May 13, 2013 or the repayment of the note payable to CDOT by the Corporation. Under the terms of the Air Traffic Control Tower Ground Leases, the Corporation is to pay annual rent of \$1 for the term of the lease.

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2012 and 2011**  
**(Continued)**

**7. Related Party Transactions (continued)**

The Corporation has also entered into an Air Traffic Control Tower Facilities Sublease, effective May 13, 2003, under which the Corporation leases an air traffic control tower facility to the County, in return for annual lease payments of \$110,213. The initial term of the Air Traffic Control Tower Facilities Sublease expired December 31, 2003, but renews annually through May 13, 2013 upon the County's annual appropriation of any required payments, unless earlier terminated by the Corporation's repayment of the note payable to CDOT. The Corporation recognized revenue of \$110,213 from the Air Traffic Control Tower Facilities Sublease in 2012 (2011 – \$110,213).

Amounts payable to the County at December 31, 2012 with respect to the Ground Lease, the Supplemental Ground Leases, the De-Icing Facility Ground Lease, the Project Construction and Management Agreement, and fees collected by the Corporation on behalf of the County totaled \$7,869 (2011 – \$66,992). Amounts receivable from the County at the end of 2012 totaled \$35,870 (2011 – \$0) and represented amounts collected by the County on behalf of the Corporation from airlines, car rental agencies, and other customers.

**8. Risk Management**

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

During the normal course of business, the Corporation may incur claims and other assertions against it from various agencies and individuals. Management and legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2012 and 2011.

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

**9. Construction Project**

During 2010, the Corporation entered into a contract with BNP Associates, Inc. ("BNP") under which BNP is to provide design and construction management services to the Corporation in connection with implementation of a Checked Baggage Inspection System (the "CBIS Project"). In 2011, Shaw Construction was engaged by the Corporation to perform construction and related services for the CBIS Project.

Under the terms of an agreement executed in 2010 with the U.S. Department of Homeland Security, Transportation Security Administration ("TSA"), the Corporation is to be reimbursed by TSA for 95% of eligible costs of the CBIS Project, up to a maximum of \$4,631,030. The CBIS Project was completed in 2012 at a total gross cost of \$5,834,184.

During 2012, the Corporation capitalized costs totaling \$4,848,229 (2012 - \$985,955) invoiced in connection with the CBIS Project. The Corporation has submitted reimbursement requests to TSA totaling \$3,650,638 through December 31, 2012 (2011 - \$980,392).

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2012**

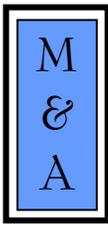
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive / (Negative)</b>
<b>Revenues:</b>				
Rentals	4,363,796	4,342,182	4,311,704	(30,478)
Concessions	304,065	267,708	271,680	3,972
Advertising	171,665	171,665	120,000	(51,665)
Jet Center cost-share lease revenue	45,311	45,311	45,311	-
Miscellaneous	-	-	145,443	145,443
	<u>4,884,837</u>	<u>4,826,866</u>	<u>4,894,138</u>	<u>67,272</u>
<b>Total Revenues</b>				
<b>Expenses:</b>				
<b>General and Administrative:</b>				
Advertising	1,000	1,000	-	-
Bank charges	11,000	11,000	12,345	(1,345)
Insurance	16,000	16,000	18,902	(2,902)
Professional services	33,000	33,000	38,106	(5,106)
Other	1,100	1,100	207	893
<b>Total - General and Administrative</b>	<u>62,100</u>	<u>62,100</u>	<u>69,560</u>	<u>(8,460)</u>
<b>Operations:</b>				
Janitorial	263,870	263,870	264,499	(629)
Maintenance - Building	151,500	156,500	120,800	35,700
Maintenance - Grounds	99,000	99,000	87,185	11,815
Management fees	393,600	380,400	366,995	13,405
Other purchased services	23,500	23,500	20,369	3,131
Rent	220,000	225,600	221,208	4,392
Customer service	15,000	15,000	23,523	(8,523)
Security	3,500	3,500	1,007	2,493
Utilities	231,000	231,000	197,900	33,100
<b>Total - Operations</b>	<u>1,400,970</u>	<u>1,398,370</u>	<u>1,303,486</u>	<u>94,884</u>
<b>Rebate</b>	<u>300,000</u>	<u>300,000</u>	<u>299,999</u>	<u>1</u>
<b>Depreciation and Amortization:</b>				
Depreciation	1,129,800	1,002,600	1,406,093	(403,493)
Capitalized interest amortization	22,800	22,800	22,800	-
<b>Total - Depreciation and Amortization</b>	<u>1,152,600</u>	<u>1,025,400</u>	<u>1,428,893</u>	<u>(403,493)</u>
<b>Total Operating Expenses</b>	<u>2,915,670</u>	<u>2,785,870</u>	<u>3,101,938</u>	<u>(317,068)</u>
<b>Income from Operations</b>	1,969,167	2,040,996	1,792,200	(248,796)
<b>Other Income (Expenses):</b>				
Passenger facility charges	650,000	650,000	501,400	(148,600)
Grant awards	-	-	3,650,638	3,650,638
Control tower space facility charge	110,213	110,213	110,213	-
Investment income	91,500	45,750	1,315	(44,435)
Loss on asset disposal	-	-	(7,505)	(7,505)
Interest expense	(432,122)	(832,561)	(820,508)	12,053
Amortization of bond issue costs	(40,107)	(40,107)	(43,881)	(3,774)
<b>Change in Net Position</b>	2,348,651	1,974,291	5,183,872	3,209,581
<b>Net Position - Beginning</b>	<u>14,850,847</u>	<u>14,850,847</u>	<u>15,543,070</u>	<u>692,223</u>
<b>Net Position - Ending</b>	<u>17,199,498</u>	<u>16,825,138</u>	<u>20,726,942</u>	<u>3,901,804</u>

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

**Eagle County Air Terminal Corporation**  
**(A Colorado Non-Profit Corporation and**  
**A Component Unit of Eagle County, Colorado)**  
**Schedule of Passenger Facility Charges Collected and Expended**  
**For the Year Ended December 31, 2012**

	<b>Amounts for Current Year</b>	<b>Unliquidated Balance</b>
<b>Unliquidated Passenger Facility Charge revenues - Beginning</b>		426,283
<i>add:</i>		
<b>Revenues:</b>		
Passenger Facility Charge revenues collected from air carriers	501,492	
Interest earned	32	
<b>Total - Passenger Facility Charge revenues</b>		501,524
<i>less:</i>		
<b>Expenditures:</b>		
Debt service	875,923	
<b>Total - Passenger Facility Charge expenditures</b>		875,923
<b>Unliquidated Passenger Facility Charge revenues - Ending</b>		51,884

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



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

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

**To the Board of Directors  
Eagle County Air Terminal Corporation  
Eagle, Colorado**

### ***Report on Internal Control Over Financial Reporting and Compliance***

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eagle County Air Terminal Corporation, a Colorado non-profit corporation and a component unit of Eagle County Colorado, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Eagle County Air Terminal Corporation's basic financial statements and have issued our report thereon dated May 3, 2013.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Member: American Institute of Certified Public Accountants*

D. JERRY MCMAHAN, C.P.A.  
PAUL J. BACKES, C.P.A.

DANIEL R. CUDAHY, C.P.A.  
MICHAEL N. JENKINS, C.A., C.P.A.

AVON  
(970) 845-8800

ASPEN  
(970) 544-3996

FRISCO  
(970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Eagle County Air Terminal Corporation**  
**Eagle, Colorado**

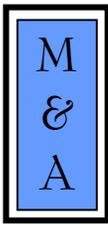
***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Eagle County Air Terminal Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

**McMahan and Associates, L.L.C.**  
**May 3, 2013**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON COMPLIANCE WITH THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

**To the Board of Directors  
Eagle County Air Terminal Corporation  
Eagle, Colorado**

### ***Report on Compliance for Each Major Program***

We have audited the compliance of Eagle County Air Terminal Corporation with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eagle County Air Terminal Corporation's major federal programs for the year ended December 31, 2012 and its compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2012. Eagle County Air Terminal Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and to the passenger facility charge program.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Eagle County Air Terminal Corporation's major federal programs and to the passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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, *Audits of States, Local Governments, and Non-Profit Organizations* and the Guide. 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 a major federal program and on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Eagle County Air Terminal Corporation'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 on compliance for each major federal program and on the passenger facility charge program. However, our audit does not provide a legal determination on Eagle County Air Terminal Corporation's compliance with those requirements.

*Member: American Institute of Certified Public Accountants*

D. JERRY MCMAHAN, C.P.A.  
PAUL J. BACKES, C.P.A.

DANIEL R. CUDAHY, C.P.A.  
MICHAEL N. JENKINS, C.A., C.P.A.

AVON  
(970) 845-8800

ASPEN  
(970) 544-3996

FRISCO  
(970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Eagle County Air Terminal Corporation**  
**Eagle, Colorado**

***Opinion on Each Major Federal Program and Passenger Facility Charge Program***

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and on the passenger facility charge program for the ended December 31, 2012.

***Report on Internal Control Over Compliance***

Management of Eagle County Air Terminal Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Eagle County Air Terminal Corporation's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program and on the passenger facility charge program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and passenger facility charge program 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 Eagle County Air Terminal Corporation'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 or passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charges with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the Guide. Accordingly, this report is not suitable for any other purpose.

**McMahan and Associates, L.L.C.**  
**May 3, 2013**

**Eagle County Air Terminal Corporation  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012**

**Part I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	None noted
Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None noted

*Federal Awards*

Internal control over major programs:	
Material weakness identified	None noted
Reportable conditions identified that are not considered to be material weaknesses	None reported
Type of auditor’s 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 Circular A-133	No
Major programs:	
Transportation Security Administration Checked Baggage Screening Project	CFDA #97.100
Dollar threshold used to identify Type A from Type B programs:	\$300,000
Identified as low-risk auditee	No

**Part II – Findings Related to Financial Statements**

Findings related to financial statements as required by <i>Government Auditing Standards</i>	None noted
Auditor-assigned reference number	Not applicable

**Part III – Findings Related to Federal Awards**

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

**Eagle County Air Terminal Corporation**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2012**

There were no findings for the year ended December 31, 2011.

**Eagle County Air Terminal Corporation  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Expenditures</u>
<b>Department of Homeland Security:</b>			
Transportation Security Administration Checked Baggage Screening Project HSTS04-10-H-CT1168	97.100	Yes	\$ 3,650,638
<b>Total - Department of Homeland Security</b>			<u>3,650,638</u>
<b>Total</b>			<u>\$ 3,650,638</u>

**Notes to the Schedule of Expenditures of Federal Awards for the year ended December 31, 2012**

**Note 1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eagle County Air Terminal Corporation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

**Note 2. Sub-recipients:**

Eagle County Air Terminal Corporation did not provide any federal funds listed in the Schedule of Expenditures of Federal Awards to sub-recipients.