

**LOVELAND CITY COUNCIL
 STUDY SESSION & SPECIAL MEETING
 TUESDAY, JUNE 26, 2012
 CITY COUNCIL CHAMBERS
 500 EAST THIRD STREET
 LOVELAND, COLORADO**

THE CITY OF LOVELAND DOES NOT DISCRIMINATE ON THE BASIS OF DISABILITY, RACE, CREED, COLOR, SEX, SEXUAL ORIENTATION, RELIGION, AGE, NATIONAL ORIGIN, OR ANCESTRY IN THE PROVISION OF SERVICES. FOR DISABLED PERSONS NEEDING REASONABLE ACCOMMODATION TO ATTEND OR PARTICIPATE IN A CITY SERVICE OR PROGRAM, CALL 962-2343 OR TDD # 962-2620 AS FAR IN ADVANCE AS POSSIBLE.

6:30 P.M. STUDY SESSION - City Council Chambers

- 1. Finance (45 minutes)**
2011 Comprehensive Annual Financial Report and Audit Report
 This is an information item only. The Comprehensive Annual Financial Report for the year ended December 31, 2011 received an unqualified opinion from the external auditors indicating, in all material respects, the report fairly presents the financial position of the City and is in conformity with generally accepted accounting principles.

- 2. Economic Development (60 minutes)**
Artspace Inc. Project Update
 Artspace Inc., the non-profit developer that was hired by the City of Loveland to complete an artist’s based affordable housing project in Downtown Loveland, will be briefing Loveland City Council on their progress to date.

- 3. City Manager (15 minutes)**
Highway 287 Corridor Briefing
 This item is for information only, concerning recent discussions of the development of a voluntary association to promote transportation-related issues for communities along the Highway 287 corridor. The Council will have an opportunity to be briefed and give direction for future actions.

ADJOURN THE STUDY SESSION AND CONVENE THE SPECIAL MEETING

SPECIAL MEETING AGENDA

CALL TO ORDER

ROLL CALL

- 1. CITY MANAGER**
PUBLIC HEARING
SALE AND USE OF FIREWORKS
Consideration on one reading of an emergency ordinance of the Council of the City of Loveland temporarily prohibiting the sale and use of permissible fireworks in the City of Loveland
 This is a legislative action to consider an emergency ordinance immediately enacting a temporary prohibition of the sale and use of fireworks within the corporate limits of the

The password to the public access wireless network (colguest) is accesswifi

City. An alternative emergency ordinance is also included for Councils benefit that only temporarily suspends the use of fireworks. There must be at least six positive Council votes to pass this Ordinance as an emergency.

ADJOURN



CITY OF LOVELAND
FINANCE DEPARTMENT

Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2695 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: 1
MEETING DATE: 6/26/2011
TO: City Council
FROM: Bonnie Steele, Acting Finance Director
PRESENTER: Bonnie Steele

TITLE:
2011 Comprehensive Annual Financial Report and Audit Report

RECOMMENDED CITY COUNCIL ACTION:
No action required

DESCRIPTION:
This is an information item only. The Comprehensive Annual Financial Report for the year ended December 31, 2011 received an unqualified opinion from the external auditors indicating, in all material respects, the report fairly presents the financial position of the City and is in conformity with generally accepted accounting principles.

SUMMARY:
The City's Comprehensive Annual Financial Report for the year ended December 31, 2011 has been prepared and audited.

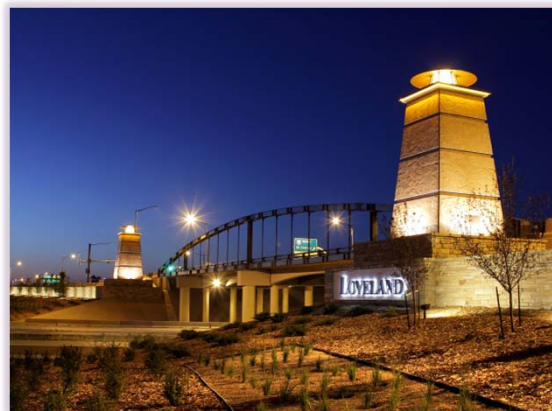
This report is submitted to you for your review. Representatives of Rubin Brown, LLC will present the report at the City Council meeting. They have issued an unqualified opinion on the City's financial statements indicating that the report fairly presents the financial position of the City and that it is in conformity with generally accepted accounting principles.

LIST OF ATTACHMENTS:
Presentation Slides
Comprehensive Annual Financial Report
Management Letter from Rubin Brown, LLC
City Response to Management Letter
Airport Financial Report
Management Letter from Rubin Brown, LLC
Airport Response to Management Letter

REVIEWED BY CITY MANAGER: *William D. Cabell*

2011 Audit

City Comprehensive Annual Financial Report (CAFR) & Fort Collins-Loveland Municipal Airport



City Council Study Session

June 26, 2012

Bonnie Steele, Acting Finance Director

2011 Audit & CAFR

- * Independent Auditors' Report
- * CAFR Overview
- * Single Audit (Federal Awards)
- * Report to Governance
- * Fort Collins / Loveland Airport

2011 Audit & CAFR

- * Independent Auditors' Report
- * Cheryl Wallace, Partner
- * Rubin Brown LLC

2011 Audit & CAFR

- * CAFR Overview
 - * Management Discussion and Analysis
 - * Basic Financial Statements
 - * Notes to the Financial Statements
 - * Budgetary Comparison Schedules
 - * Statistical Section
 - * Compliance Section

2011 Audit & CAFR

- * **Management Discussion & Analysis**
 - * Analytical Overview of the City's financial condition

 - * Key Points:
 - * City As a Whole
 - * Net Position
 - * Change in Net Position

 - * Analysis for Governmental Activities
 - * Analysis for Business-Type Activities

2011 Audit & CAFR

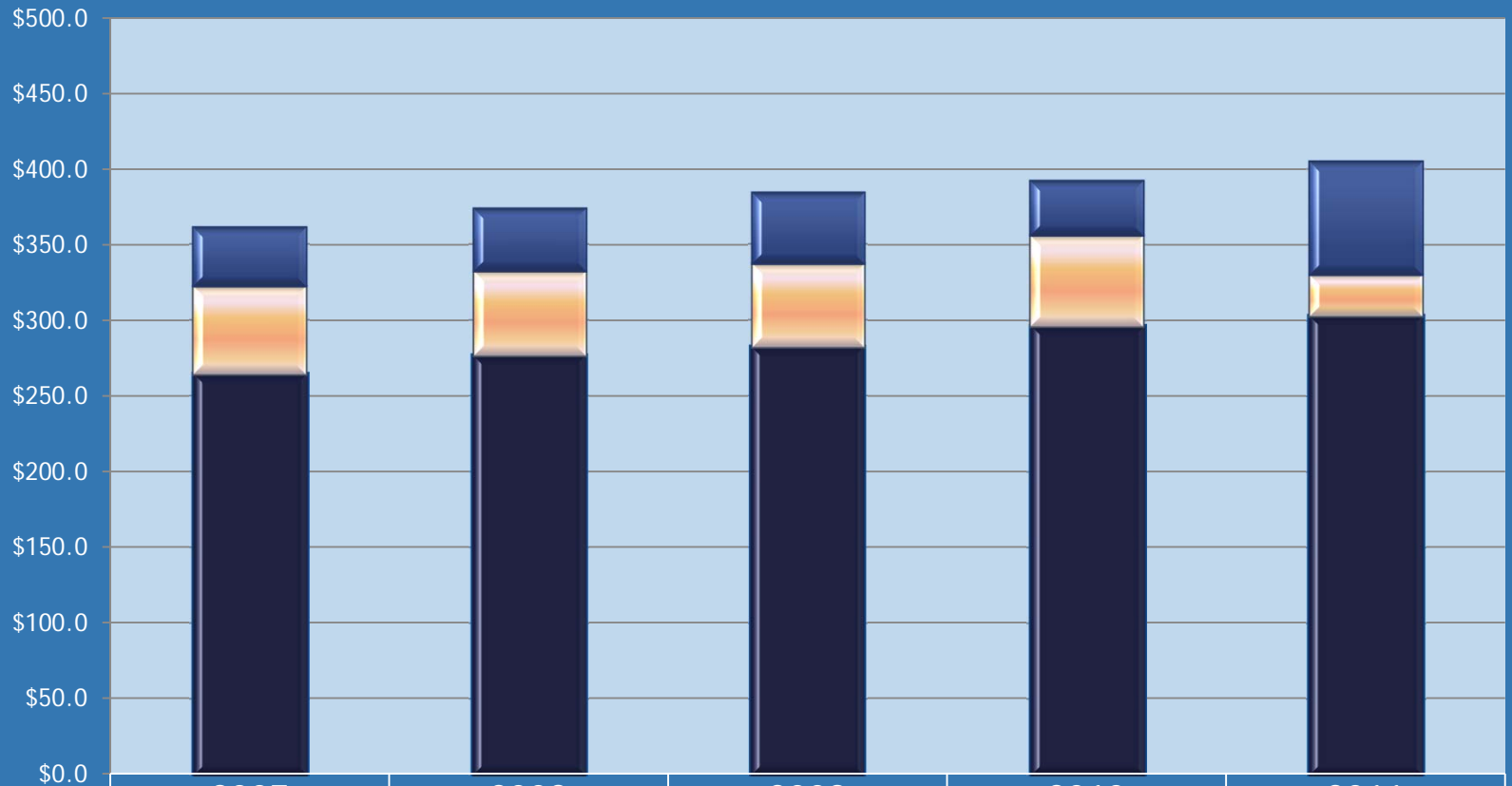
Statement of Net Position

	2010	2011	Total % of Change
Total Assets	888,127,088	909,787,685	2.4%
Total Liabilities	52,584,240	52,010,158	-1.1%
Invested in Capital Assets, net of related debt	655,021,904	669,774,142	2.3%
Restricted - Nonspendable	5,828,642	5,996,192	2.9%
Restricted - Nonspendable	99,598,749	64,203,078	-35.5%
Unrestricted	75,093,554	117,804,116	56.9%
Total Net Position	\$ 835,542,849	\$ 857,777,528	2.7%

2011 Audit & CAFR

Change in Net Position - Governmental Funds

Displayed in Millions \$

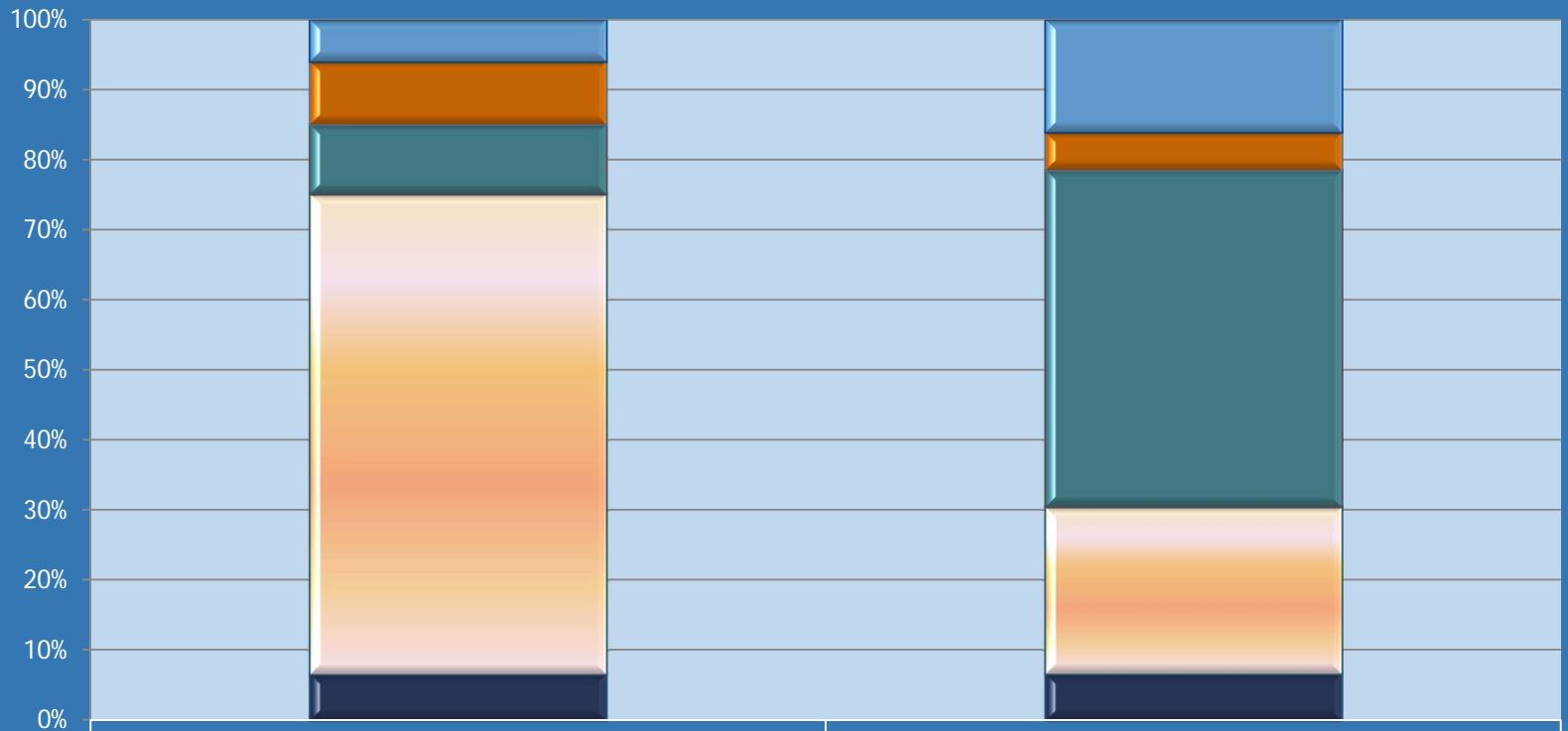


	2007	2008	2009	2010	2011
Unrestricted	\$38.6	\$41.1	\$46.7	\$35.8	\$74.6
Restricted	\$58.3	\$56.0	\$55.2	\$60.3	\$27.6
Capital Assets, Net of Debt	\$264.2	\$276.5	\$282.1	\$296.2	\$303.0

2011 Audit & CAFR

Governmental Funds - Fund Balances

Chart Below is Displayed in Millions \$

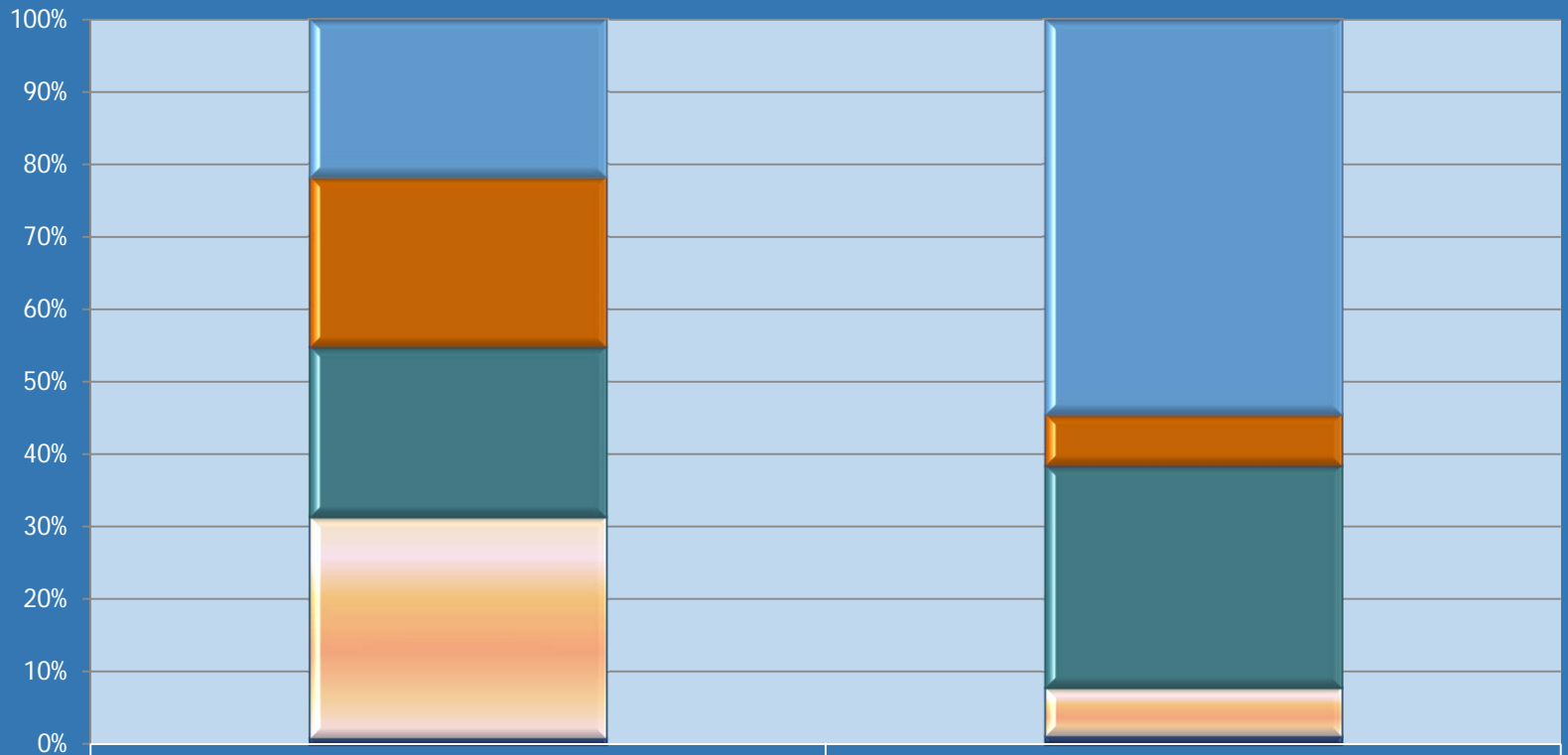


	2010	2011
Unassigned	\$5.2	\$14.5
Assigned	\$7.9	\$4.9
Committed	\$8.7	\$43.5
Restricted	\$60.1	\$21.6
Nonspendable	\$5.8	\$6.0

2011 Audit & CAFR

General Fund - Fund Balances

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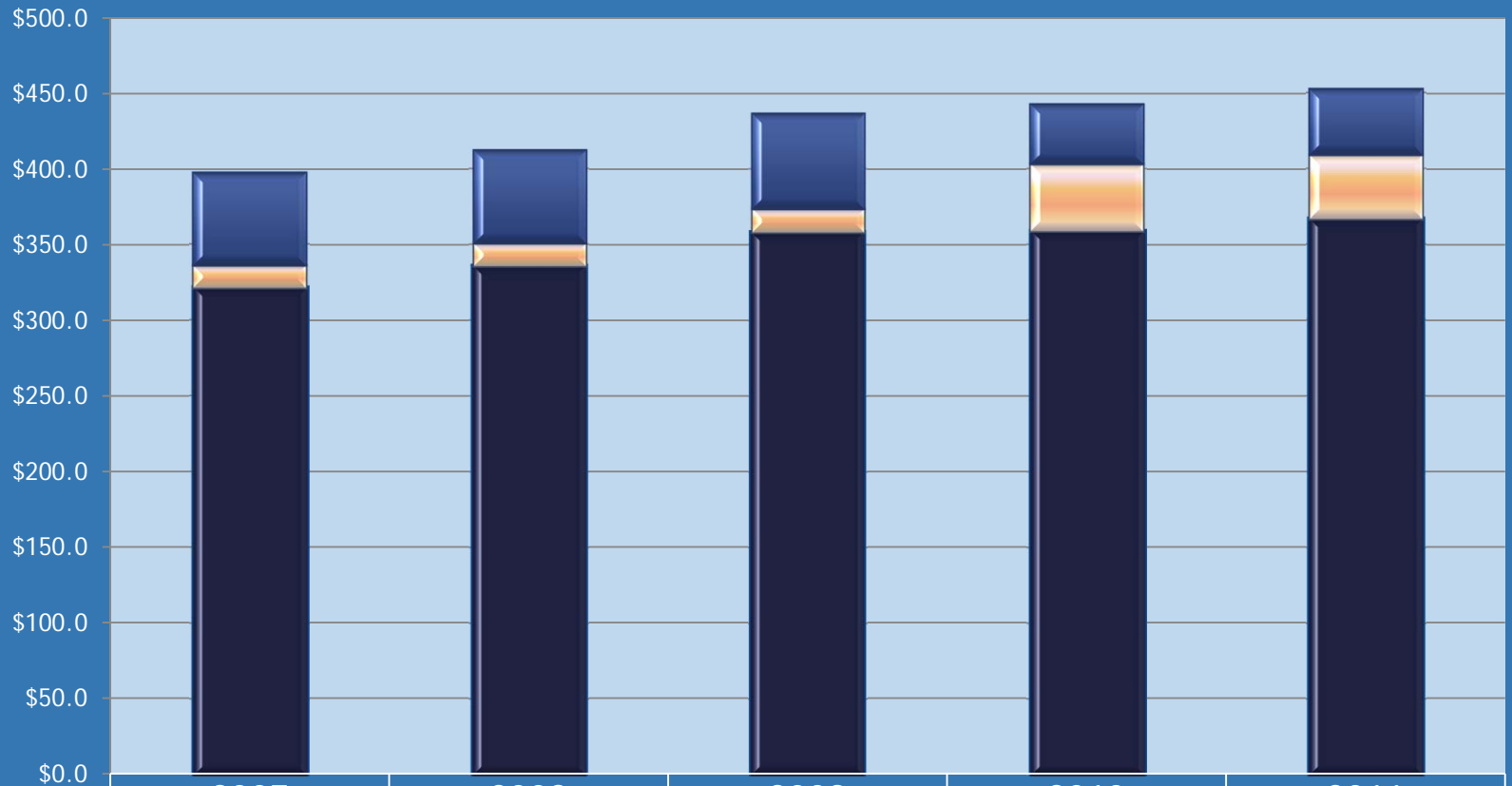


	2010	2011
Unassigned	\$5.2	\$14.6
Assigned	\$5.6	\$1.9
Committed	\$5.6	\$8.2
Restricted	\$7.3	\$1.8
Nonspendable	\$0.2	\$0.3

2011 Audit & CAFR

Change in Net Position - Business Type

Displayed in Millions \$



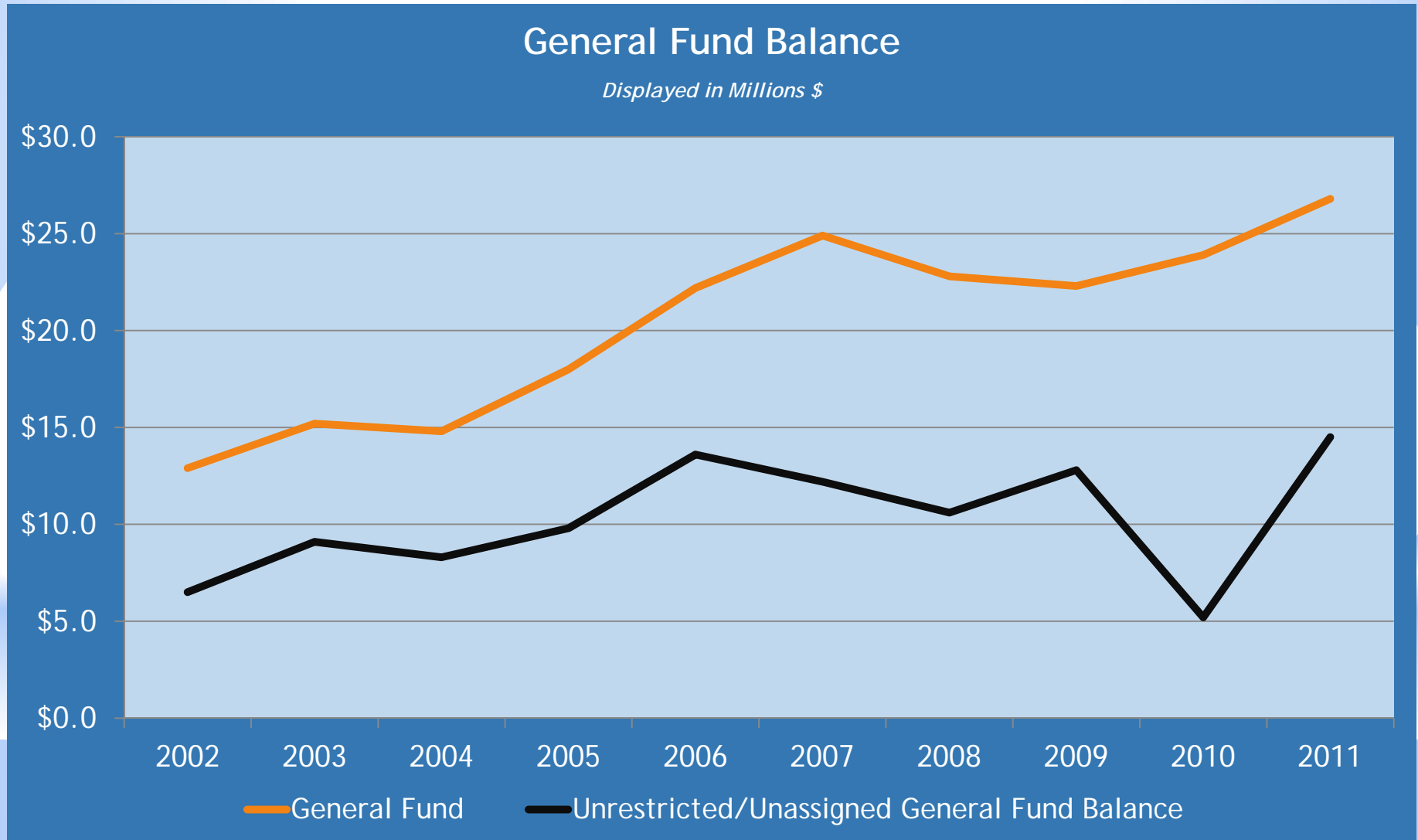
	2007	2008	2009	2010	2011
Unrestricted	\$61.0	\$61.3	\$62.8	\$39.3	\$43.2
Restricted	\$15.0	\$15.2	\$15.7	\$44.6	\$42.6
Capital Assets, Net of Debt	\$321.2	\$335.8	\$358.2	\$358.8	\$366.8

2011 Audit & CAFR

- * Notes to the Financial Statements
 - * Footnotes include policy decisions and current activity in accordance with GAAP standards.
- * 2011 Footnote Added
 - * Note 4: Pollution Remediation

2011 Audit & CAFR

Budgetary Comparison Schedules



2011 Audit & CAFR

Budgetary Comparison Schedules

Loveland Urban Renewal Authority Statement of Revenues, Expenditures and Changes in Fund Balance

	PROJECT AREAS					
	Centerra		Downtown		Lincoln Place	Total
	Centerra	School	Downtown	Façade		
REVENUES						
Taxes	\$10,813,315	\$ -	\$ 29,363	\$ -	\$ 163,447	\$11,006,125
Interest on Investments	1,814	71,494	1,766	1,432	70	76,575
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	10,815,129	71,494	31,129	1,432	163,516	11,082,700
EXPENDITURES						
Services	50,000	-	-	39,357	163,447	252,804
School District Fund	899,764	-	-	-	-	899,764
Distribution on Tax						
Increment Financing	9,863,551	-	-	-	-	9,863,551
Capital	-	-	-	-	-	-
TOTAL EXPENDITURES	10,813,315	-	-	39,357	163,447	11,016,119
Excess of Revenues over Expenditures	1,814	71,494	31,129	(37,926)	70	66,581
Fund Balance--Beginning	20,800	51,114	48,123	62,577	2,453	185,066
Fund Balance--Ending	\$ 22,614	\$ 122,608	\$ 79,252	\$24,651	\$ 2,523	\$ 251,647

2011 Audit & CAFR

Budgetary Comparison Schedules

Loveland Urban Renewal Authority Balance Sheet

PROJECT AREAS

	<u>Centerra</u>		<u>Downtown</u>		<u>Lincoln Place</u>	<u>Total</u>
	<u>Centerra</u>	<u>School</u>	<u>Downtown</u>	<u>Facade</u>		
ASSETS						
Equity in Pooled Cash and Investments	\$ 22,527	\$ 3,026,267	\$ 78,947	\$ 37,007	\$ 2,513	\$ 3,167,260
Accrued Interest	87	11,722	306	144	10	12,268
Taxes Receivable	16,184,563	-	53,825	-	205,524	16,443,912
TOTAL ASSETS	<u>16,207,176</u>	<u>3,037,988</u>	<u>133,078</u>	<u>37,151</u>	<u>208,046</u>	<u>19,623,439</u>
LIABILITIES						
Accounts Payable		2,915,381	-	12,500	-	2,927,881
Deferred Revenue	16,184,563	-	53,825	-	205,524	16,443,912
TOTAL LIABILITIES	<u>16,184,563</u>	<u>2,915,381</u>	<u>53,825</u>	<u>12,500</u>	<u>205,524</u>	<u>19,371,793</u>
FUND BALANCE						
Unreserved	22,614	122,608	79,252	24,651	2,523	251,647
TOTAL LIABILITIES AND FUND BALANCE	<u>\$16,207,177</u>	<u>\$3,037,989</u>	<u>\$ 133,077</u>	<u>\$37,151</u>	<u>\$ 208,046</u>	<u>\$19,623,440</u>

2011 Audit & CAFR

- * Statistical Section

- * Financial Trends

- * *Page 90 - 99*

- * Information on Revenue & Debt Capacity

- * *Page 100 - 106*

- * Demographic & Economic Information

- * *Page 106 - 107*

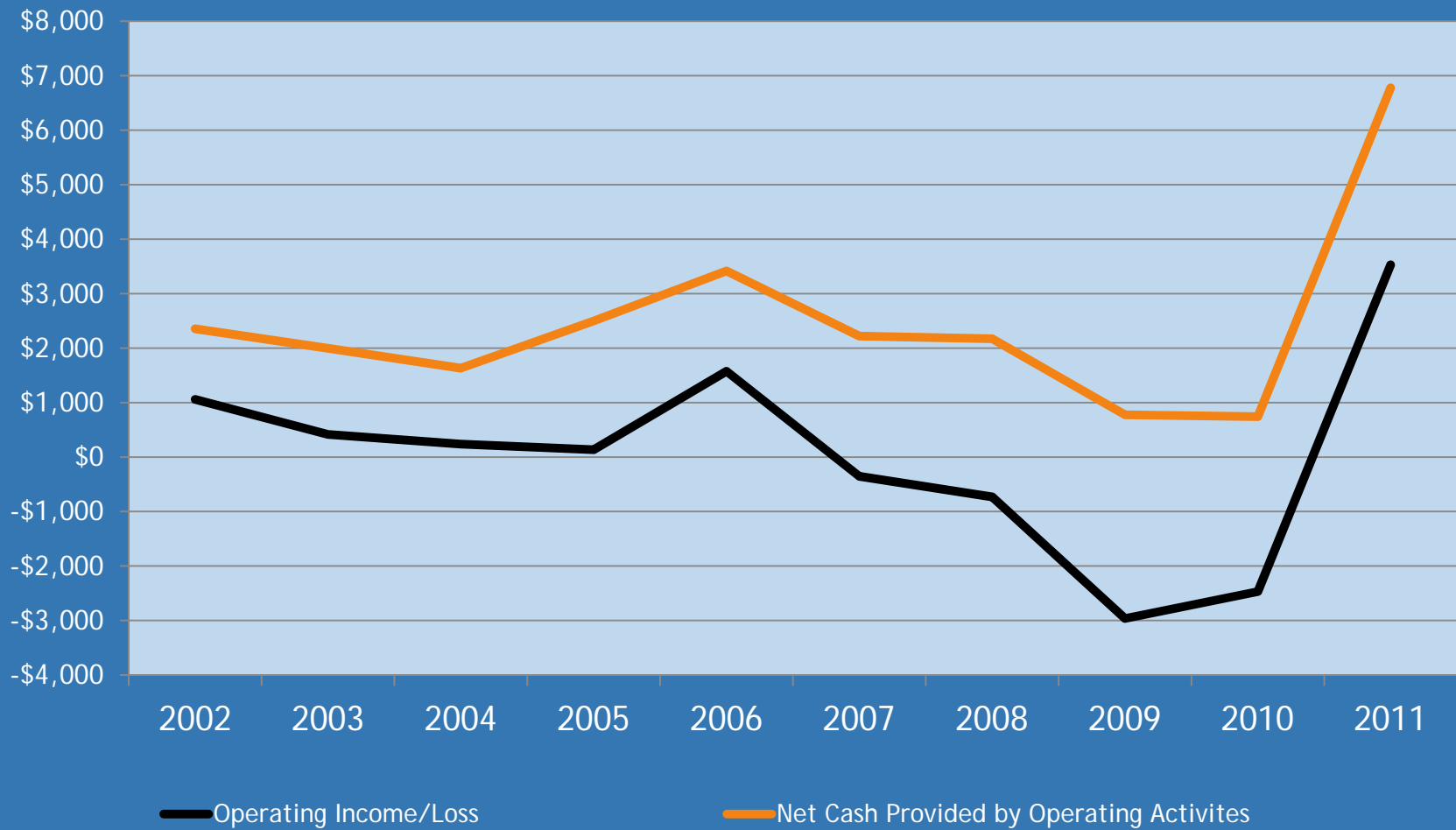
- * Operating Information

- * *Page 107*

2011 Audit & CAFR

Water

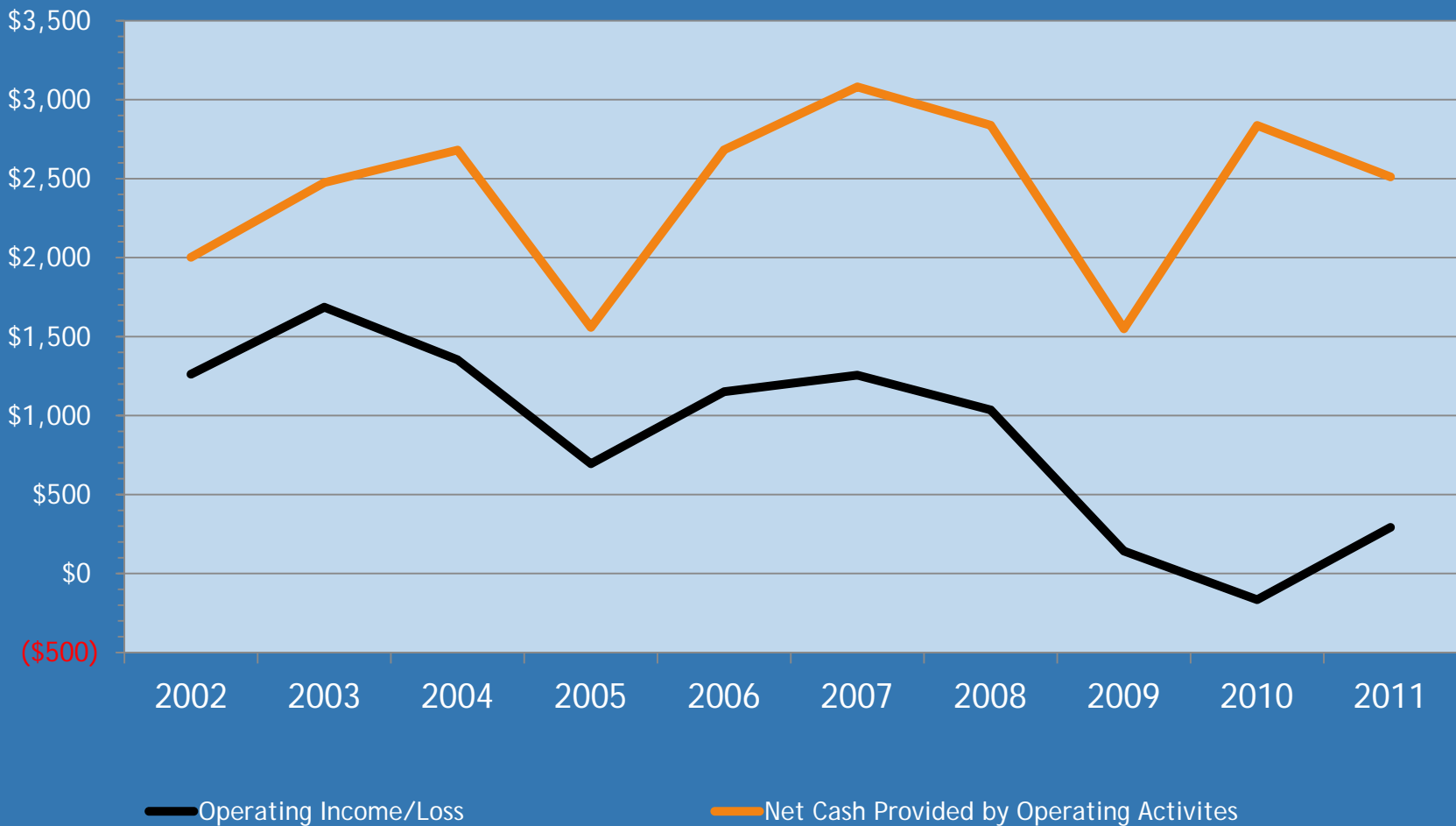
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2011 Audit & CAFR

Wastewater

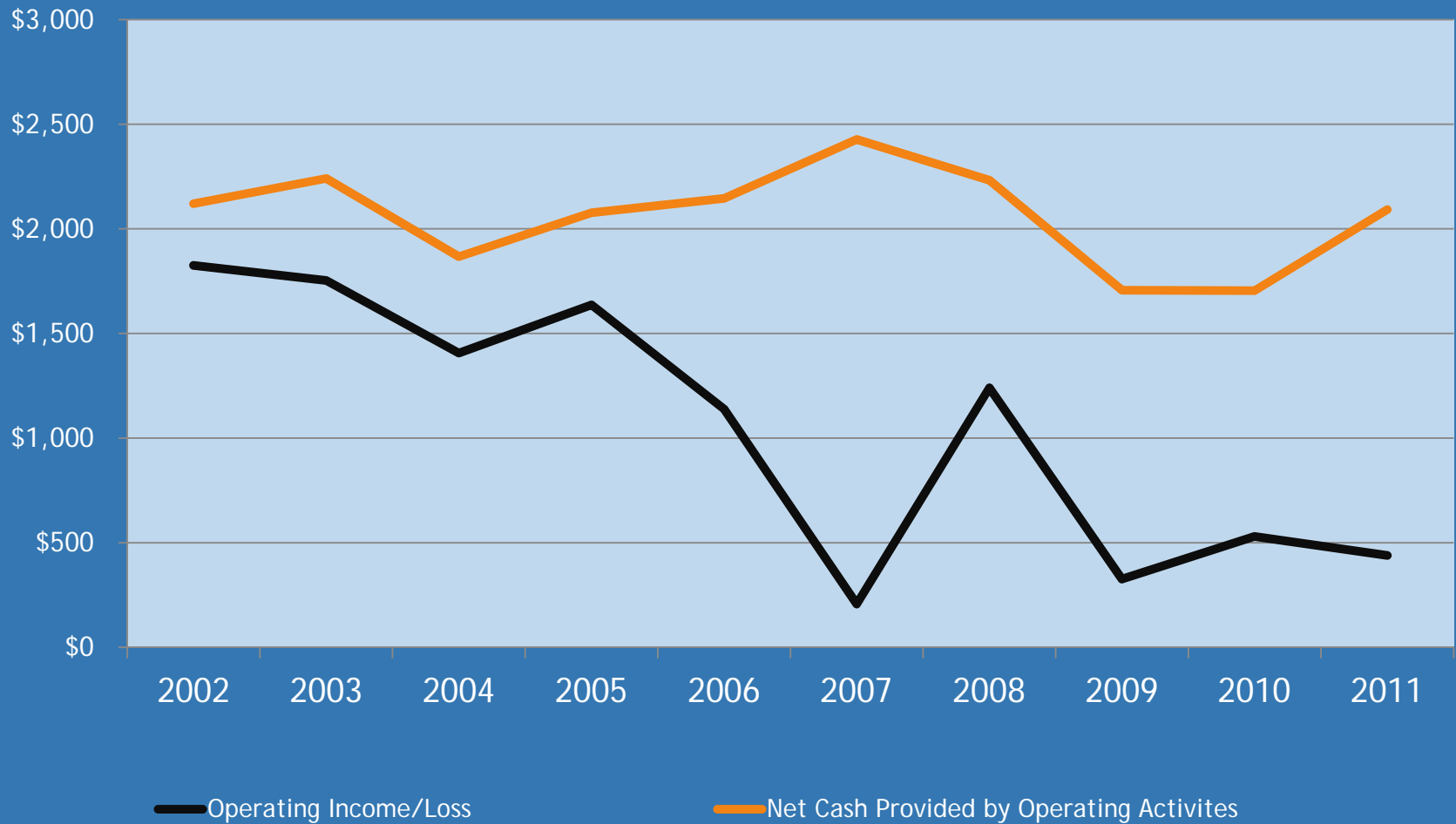
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2011 Audit & CAFR

Storm Water

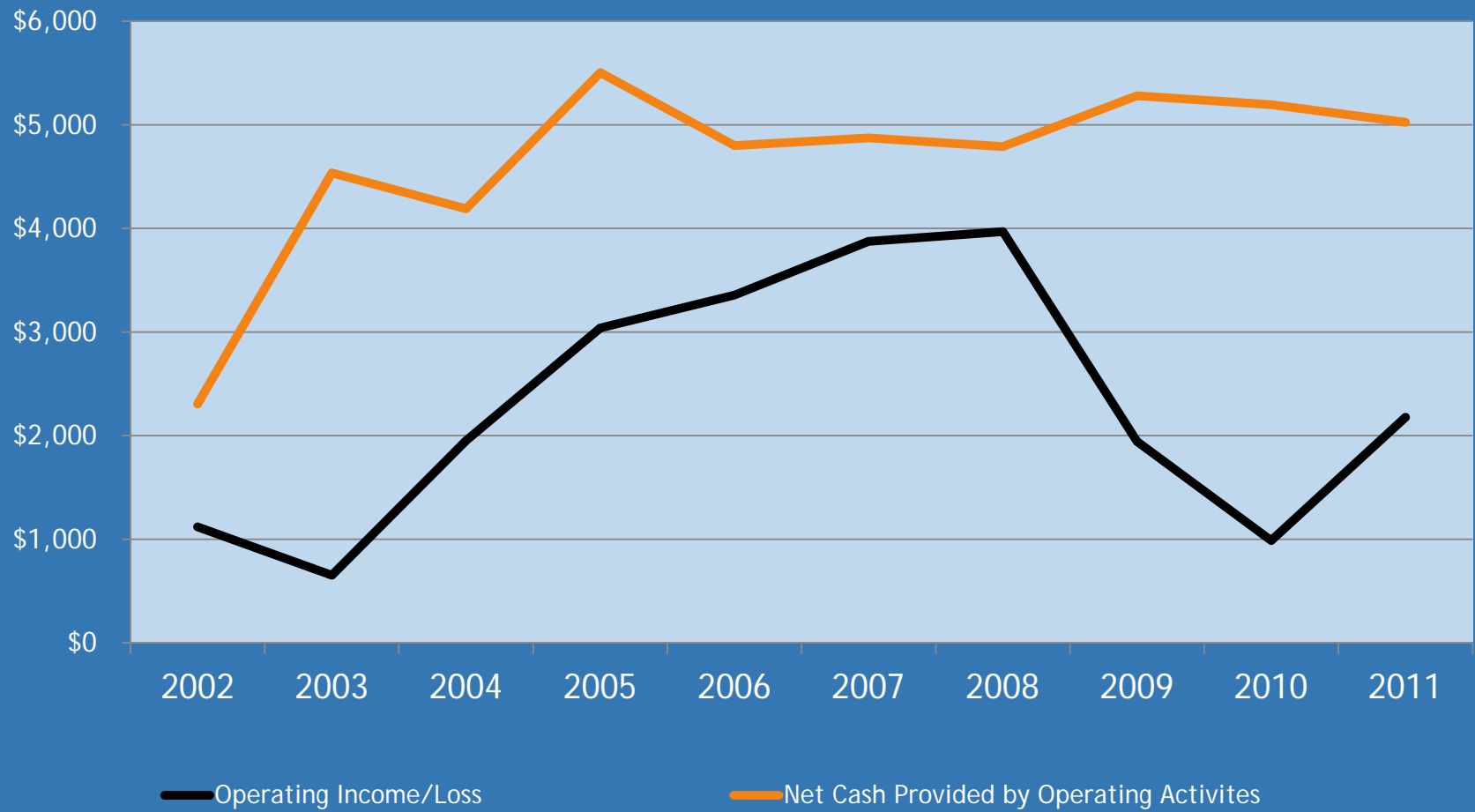
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2011 Audit & CAFR

Power

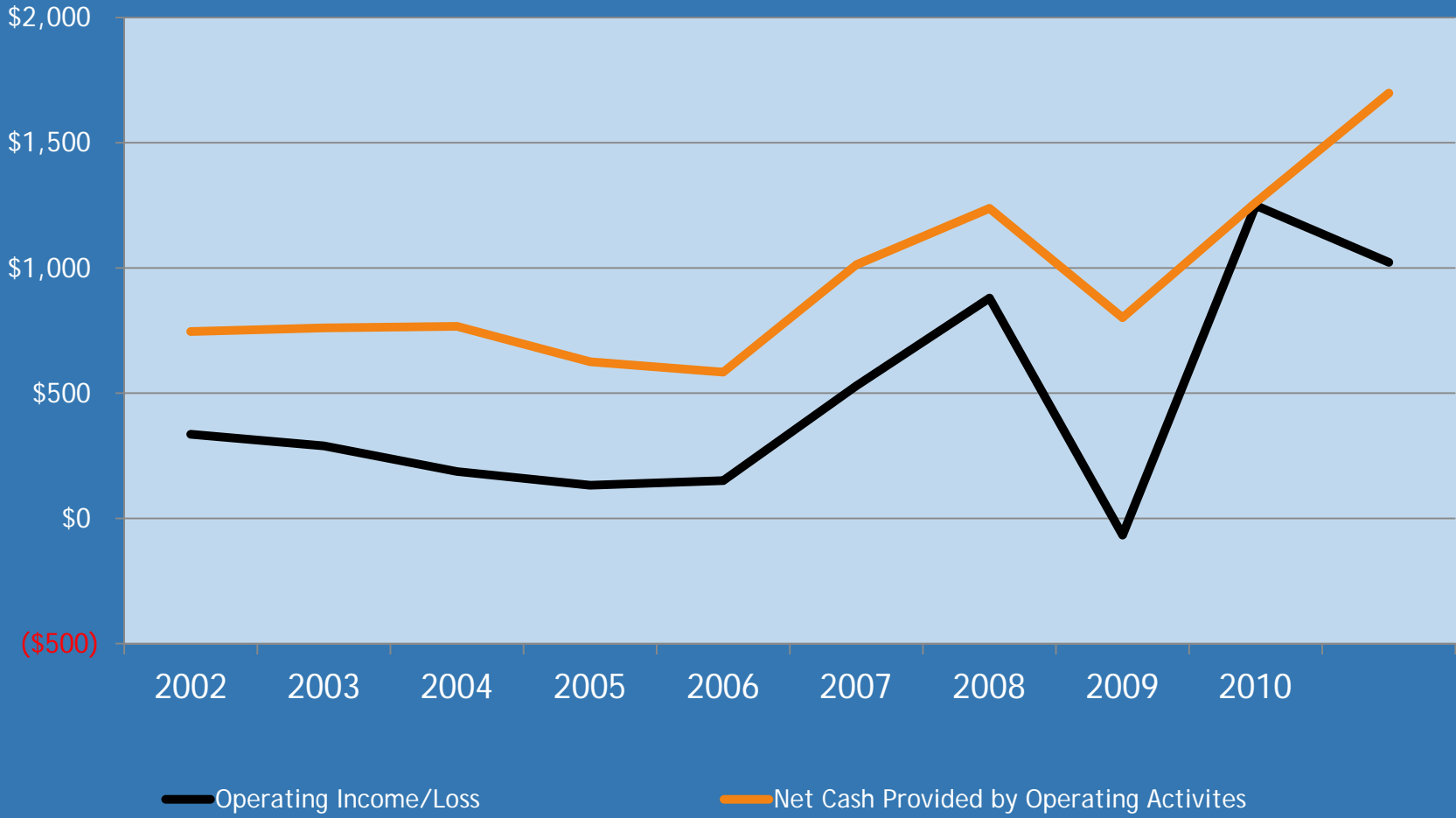
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2011 Audit & CAFR

Solid Waste

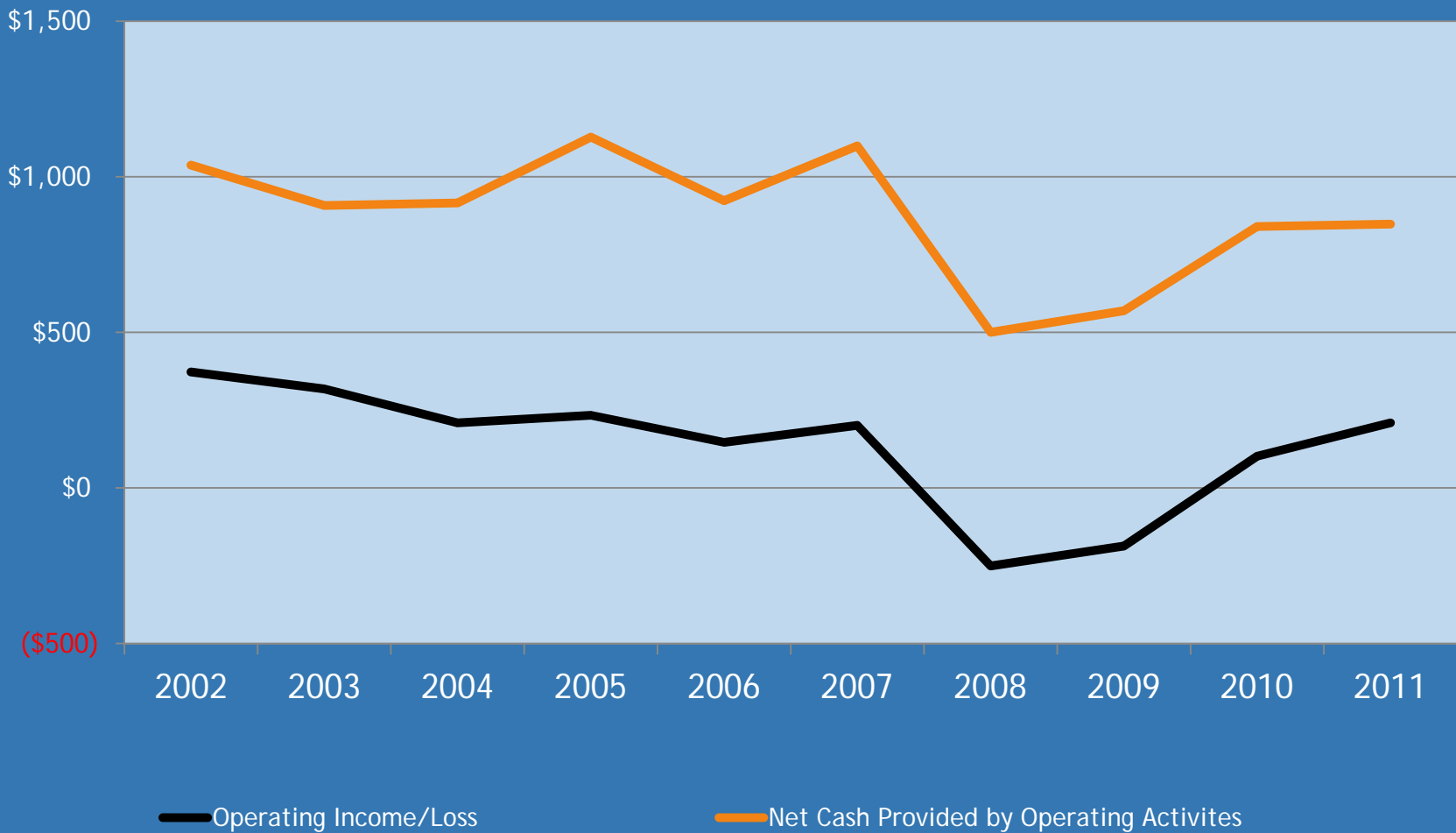
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2011 Audit & CAFR

Golf

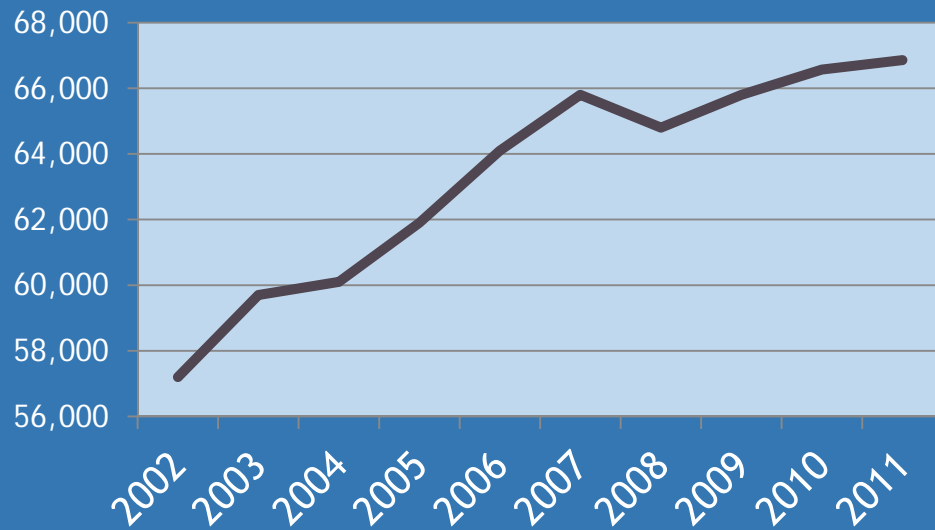
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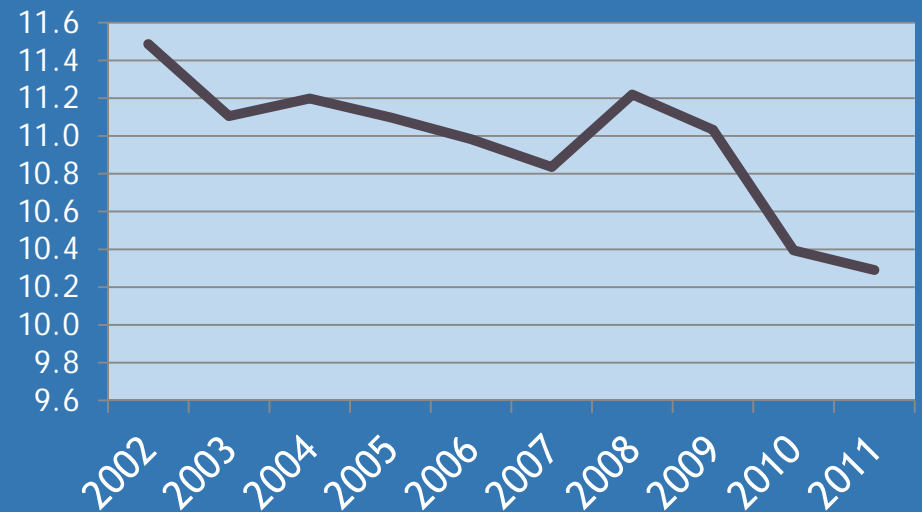
2011 Audit & CAFR

Additional Statistical Data

City Population



FTE's Per 1,000 Population



2011 Audit & CAFR Compliance Section

- * Schedule of Expenditures & Federal Awards (SEFA)
- * Highway Users Tax Report

2011 Audit & CAFR

Compliance Section

Schedule of Expenditures of Federal Awards 3-Year History of Expenditures

Program	2009	2010	2011	Total Expenditures By Program
US Department of:				
Energy	\$ 850	\$ 130,492	\$ 448,464	\$ 579,806
Homeland Security	37,650	204,982	241,304	483,936
Housing & Urban Development - CDBG	455,794	224,222	394,020	1,074,036
Interior	9,594	14,477	11,470	35,541
Justice	2,880	-	2,600	5,480
Transportation - Airport Programs	1,621,905	901,432	6,516,647	9,039,984
Transportation - CDOT & Other	2,854,071	5,167,885	1,767,467	9,789,423
Institute of Museum & Library Services	12,454	-	-	12,454
Total Expenditures	4,995,198	6,643,490	9,381,972	\$ 21,020,660

2011 Audit

Fort Collins-Loveland Municipal Airport



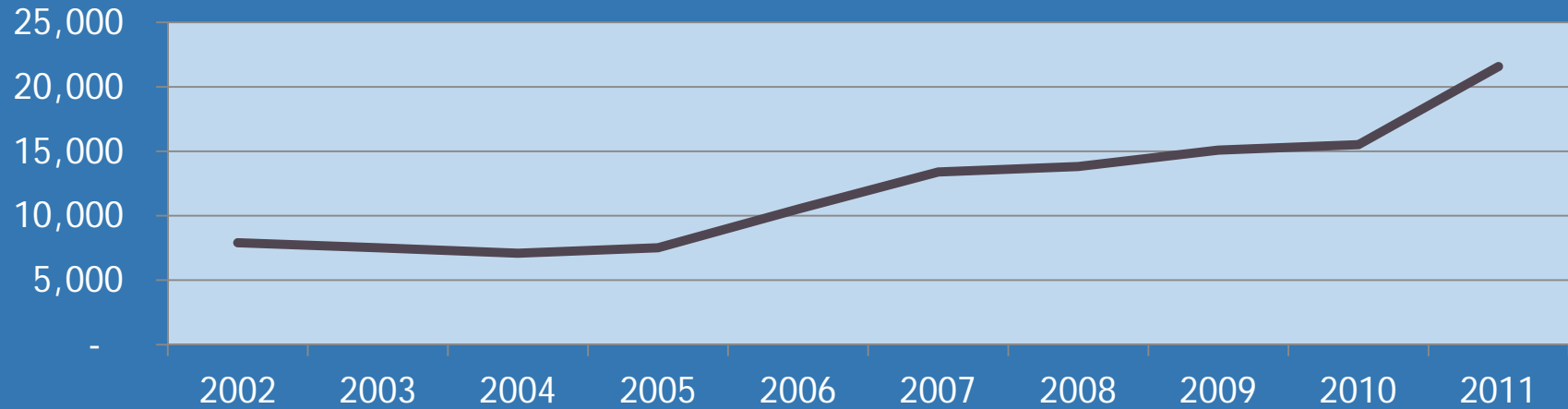
2011 Audit & Airport

- * Independent Auditors' Report
 - * Cheryl Wallace, Partner
- * Highlights:
 - * Management Discussion & Analysis
 - * Basic Financial Statements
 - * Notes to the Financial Statements
 - * Passenger Facility Charges

2011 Audit & Airport

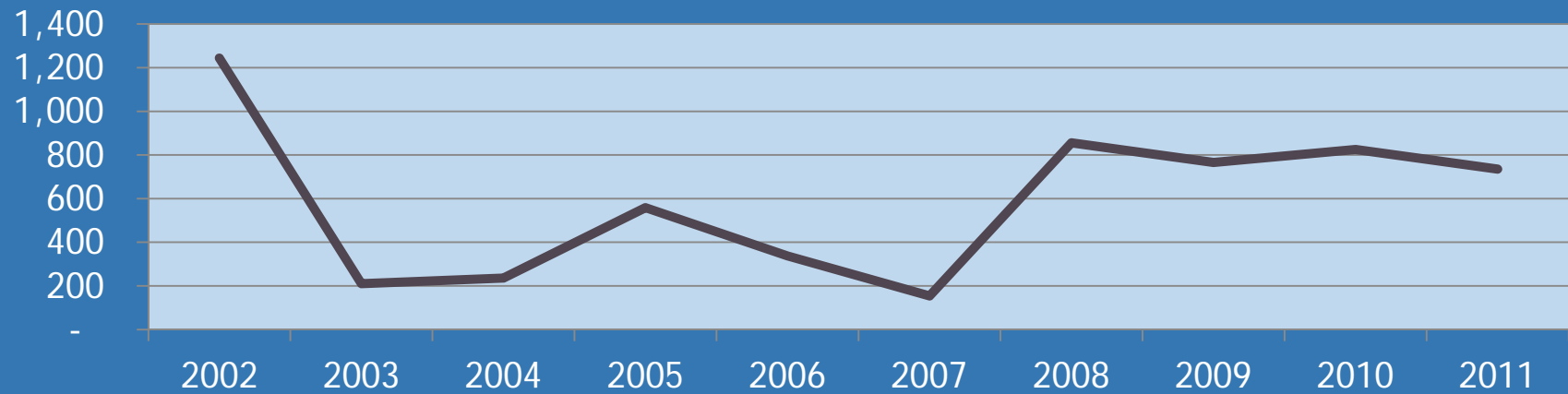
Net Capital Position

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Unrestricted Net Position

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2011 Audit *Questions*



2011 COMPREHENSIVE ANNUAL *Financial Report*



**CITY OF LOVELAND
COLORADO**

*For the Fiscal Year Ended
December 31, 2011*

Cover photo courtesy of:
Danny Dodge, Producer/Director
Roadrunner Productions
www.roadrunnerproductions.com

City of Loveland, Colorado

Comprehensive Annual Financial Report

For the fiscal year ended
December 31, 2011

Submitted by
City Manager – **William D. Cahill**
Acting Finance Director - **Bonnie J. Steele**

Prepared by the
Finance Department

DeeAnn Hanson, Senior Accountant
Rebecca Masters, Senior Accountant
Sarah Knapp, Accountant II
Mona Brooks, Accountant II
Pat Lamfers, Accountant Tech
Chloe Romero, Business Services Coordinator



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Introduction



This section contains the Letter of Transmittal, City organizational chart, list of City officials, and the Certificate of Achievement.





June 1, 2012

Honorable Mayor, Members of City Council and City Manager
Citizens of the City of Loveland, Colorado

The Comprehensive Annual Financial Report for the year ended December 31, 2011, is hereby respectfully submitted. State law requires that every general purpose local government publish within six months of the fiscal year end (fiscal year is the calendar year by Charter) a complete set of audited financial statements. The City's Charter requires an annual audit performed by a certified public accountant firm selected by the City Council. This report is published to fulfill these requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rubin Brown, LLP, Certified Public Accountants, have issued an unqualified opinion ("clean opinion") on the City of Loveland's financial statements for the year ended December 31, 2011. The Independent Auditors' Report is located behind the Section 2: Financial tab of this report.

Management Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Loveland, incorporated in 1881, is located approximately 50 miles north of Denver, directly east of the Big Thompson River's emergence from the Front Range of the Rocky Mountains. Situated in southeastern Larimer County, the City limits encompass 35.43 square miles and an estimated current population of 66,859 representing approximately 28,703 households.

The City operates as a home rule city and as a council-manager form of government under the provisions of a City Charter and local ordinances. Council is comprised of nine members. The City is divided into four representation wards. There are two council members from each of those wards that serve staggered four-year terms and a Mayor elected at large that serves a two-year term. The Mayor serves as a leader and has an equal vote.

The City of Loveland is a full service organization including electric power services and solid waste/recycling services. Services also include water, wastewater, golf courses, storm water, police, fire, library, culture (museum, theater, Arts in Public Places, programming), parks and recreation, cemetery, maintenance and construction of transportation, transit (COLT), development services, and a variety of support services. The City jointly operates and maintains the Fort Collins/Loveland Municipal Airport with the City of Fort Collins, Colorado. A separate report is issued for that operation which includes federal grant requirement compliance and passenger facility charge reporting. All governing and reporting relationships are disclosed in the footnotes to the financial statements.

The budget is required to be submitted to City Council by the first Tuesday of October each year. It is required to include the capital improvements for the budget year plus an additional four years. It must provide a complete financial plan for the City in a format acceptable to City Council. Except as otherwise provided by the Charter, the proposed budget must be prepared in accordance with the State statutes establishing the local government

budget laws and the local government uniform accounting laws. A public hearing is required and two readings of an ordinance adopts the budget, setting the appropriation for the year at the fund level. Any supplemental appropriations must be approved using the same procedures outlined above for the original adoption of the budget. Departments have the flexibility, with the appropriate approvals, to move money between divisions within the same accounting fund. However, any funding moved between accounting funds requires a supplemental appropriation, public hearing and two readings of the ordinance.

Local Economy

Major employers in the City include the school district, several technology companies, a phone book publishing company, discount store distribution center, and the healthcare industry (see the listing of the top ten employers in the Statistical Section). There are three hospital facilities and several substantial medical office facilities. Most of the economic models indicate that the healthcare sectors of the economy are growing more rapidly than the rest of the economy.

The local economy has stabilized, although it has not returned to pre-recession levels in many sectors. Job growth continues to be a concern. Employment has been trending upward, with the number of employed shown in the February and March employment reports exceeding the 2007 peaks for the first time. The unemployment rate continues to be at a higher level than before the recession at 7.8%, but is significantly lower than at the same time in the previous year of 9.3%. For comparison purposes we have concerns using the Colorado Bureau of Labor reports. They are in the middle of a re-benchmarking process aligning their data sets and the 2010 Census information. This has caused a significant upward spike in the numbers from before the process began. The process should result in better information when complete, but at this time the historical data has not been adjusted to match the new numbers.

The continuation of the economic recovery will depend upon job growth. We suspect that there are many people under-employed, where they are overqualified for the jobs they currently hold. Anecdotally, we have heard that many people stay in the area even after their employment status changes due to the extraordinary quality of life and natural resources in the area. Council has continued to give economic and business development policies and programs to retain and expand jobs their highest priority.

Sales tax performance is currently above the 2007 levels in nominal amounts, but with inflation adjusted numbers still lags the 2007 levels, reinforcing the need to continue the implementation of the Sustainability Plan approved by Council in 2011 to insure operating revenue continues to meet or exceed operating expenses for the foreseeable future. The Plan includes in the first year employee generated savings through operational efficiencies; reductions in employee benefits, compensation and administration costs; a change in fleet management policy to move towards a pooled fleet concept, reducing the size of the fleet; a voluntary severance program and strategic attrition to reduce the number of full time equivalent positions; increased revenue through fee increases for services; and an increase to Payment-in-Lieu-of-Taxes charged to Enterprise Funds.

While the local economy has been relatively resilient, single family residential and commercial construction has continued to be very slow although moving slightly upward. Building permit revenue was down about 8% from 2010, due primarily to large multi-family projects that were permitted in 2010. The upward growth is demonstrated by the 29% increase in revenue over the 2009 collections. In addition the number of new residential meter sets increased from 311 in 2010 to 335 in 2011.

A strong October storm and continued cool and windy weather hampered revenues in the Golf funds once again. Through the spring and summer it appeared the amount of play and revenue generation was returning to more normal levels. The late fall weather ended fall play for all practical purposes. The Water Fund sold 3,519,549,558 in 2011 compared to 3,574,213,686 gallons of water in 2010, a slight reduction due to the early snow in October.

2011 was a challenging year but determined action during the development of the budget, very little debt, and strong reserves led to a stronger overall performance than many of the neighboring communities. This position allows for strategic analysis for the financial sustainability for the City of Loveland 2012-2020.

Long-Term Financial Planning

The City of Loveland prepares a 10-Year Financial Master Plan and Capital Improvement Plan with the operational impact of the capital projects linking the two plans together. They are dynamic documents, updated at least annually. The City's target is to meet all anticipated expenditure obligations and reserve targets leaving resources that flow through to the next year within the first five years. Going into 2011 the plan indicated there was a structural imbalance developing, where operating revenues were not meeting the projected operating expenses. The City, with the help of the Citizen's Finance Advisory Commission, began a process to develop a Sustainability Plan to correct the imbalance. The process included several community forums to prioritize services as well as meetings with management and City Council. From this exercise operating reductions and revenue opportunities were developed that put the plan back into stability.

As we moved through 2011, several indicators suggest cautious optimism:

- Sales tax collections over the same months last year were higher in every month but one, and finished with total collections a surprising 6% above 2010.
- Economists at the State of Colorado believe there will be continued growth in 2012 of retail sales over the 2011 levels. The City budgeted for 1.5% growth in 2011 over the 2010 revised forecast and, as mentioned above, the sales tax significantly outperformed that projection. The 2012 sales tax budget includes an increase of 3.0% from the 2011 forecast.
- Economic conditions in mid-2011 included property values stabilizing at a slightly higher rate than initially projected. The unemployment rate was beginning to drop, but building activity in both the residential and commercial/industrial sectors continued at very low levels at the time the projections for 2012 were developed.

Conservatism has always been our mantra at the City of Loveland. The financial plan revenue projections for future years are purposely developed in a conservative manner which sets the parameters for resources available to deliver services. The basic revenue assumptions in the Plan are continued slow growth in sales collections, property tax growth slowly returning to historic growth rates; and flat to low growth levels in the building sector over the near term.

The City has weathered the recession without having the significant impact to most services other areas in the region and the State have experienced and without relying on reserves to fund on-going services. The state constitutional amendments and the heavy reliance on sales tax with an aging population are cause for concern for every governmental entity in this state, the City of Loveland included. We do not imply that the City should not be concerned. We simply believe that due to leadership exhibited over the last ten years and the collective contributions by businesses and citizens through the Sustainability Process, the City has resilience to respond to changing conditions. We also believe that during these unprecedented times, policies and service delivery strategies of the past cannot remain the same to retain the financial stability we have enjoyed.

Major Initiatives

The City Council has traditionally been interested in generating community investment and partnerships, with the objective of maximizing the benefit to the community. This commitment was certainly reinforced in 2011 to encourage recovery in these challenging economic times.

Two major projects were the expansion of the Loveland Public Library and the expanded operations of the renovated Hatfield Chilson Recreation Center. The Library Expansion adding 27,000 square feet of space was first budgeted in 2010, but the construction phase carried through 2011.

The Recreation Center expanded adding 16,000 square feet and was originally budgeted to begin in 2009, but was put on hold due to the recession to mitigate the operating impacts. Another major building project was the public/private partnership for the renovation of two buildings downtown, known as the Rialto Bridge Project. Two buildings next the Rialto Theater were razed and replaced by a building with additional "green room" space for the Theater, a community room, a new restaurant, and office space. The projects used City reserved funds, funding from a private developer, and \$700,000 from the Community Foundation. The building opened in early April of 2012.

The City continued to invest capital dollars committed to transportation projects with over \$2 million of impact

fees and General Fund revenues included in the 2011 adopted Budget, and another \$3.1 million reappropriated from prior years for a variety of street widening and traffic signal projects. Two major initiatives that were begun are the improvement to Taft Avenue and two intersections on Interstate 25. The Taft project will improve the roadway to a four lane arterial that includes a center turn lane. The City worked with the Centerra Metro-District to complete interim solutions for both the Interstate 25-US Highway 34 interchange and the Interstate 25-Crossroad Boulevard interchanges, improving traffic flow and in the case of the I-25/U.S. 34 interchange improving the visual aspects of the interchange that is the major gateway into the City. The Wastewater Utility Fund began work on a \$6.3 million project at the treatment plant for handling sludge. The project will reduce odors, reduce the amount of sludge hauled offsite, and provide additional capacity postponing costs for expanding the digester facility. The City continues to use a cash basis approach to build and improve facilities necessary to deliver quality services to the citizens of Loveland.

Plans for the communities in Weld and Larimer Counties to partner with the Colorado Bureau of Investigation on building and operating a regional crime lab continued. Weld County intends to build a facility, and several communities, including Loveland, will contribute to the operations costs. Negotiation on what is to be concluded in the operating costs and who the final members of the partnership will be continue. The current estimate for this commitment is \$55,000 annually. This is an extraordinary regional initiative that will expedite the analysis of criminal evidence of property crimes in our area.

The City purchased a large part of the property at the Agilent facility, which was then resold to a developer. This project, known as the Rocky Mountain Center for Innovation and Technology, will put over 800,000 square feet of manufacturing space that has been vacant for several years back into production.

Another major initiative was the creation of the new Loveland Fire Rescue Authority. The Authority is a partnership between the City of Loveland and the Loveland Rural Fire District to place fire and rescue services under one governing board with each taxing entity providing equipment and funding for operations.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Loveland, Colorado for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. This was the thirty-first consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish as easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2011 and was recently notified that the 2012 document also received the award. It is the twenty-seventh consecutive year that the City will have received the budget presentation award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of a CAFR is a complex task and one that requires considerable expertise and experience. More importantly, the ongoing maintenance and reporting of the City's financial condition at the level to which Loveland has been accustomed to requires professionalism and dedication. The City is fortunate to have a very talented accounting staff willing to undertake these efforts year after year. We express sincere thanks to the entire accounting staff of the City, while Senior Accountants DeeAnn Hanson and Becky Masters deserve particular recognition for their efforts in preparing representative financial statements. We would also like to express appreciation to the independent certified public accounting firm, Rubin Brown, LLP for not only their professionalism extended to our staff as they conducted their audit engagement but also for their guidance and technical assistance.

Finally, we would like to express our gratitude and appreciation to the members of the Loveland City Council, the Citizens Finance Advisory Commission, the City Manager's Office and City departments for their policy guidance which is contained in this document. As the governing body, your commitment to ensure accurate and

reliable financial accounting and reporting systems, establishes an environment influencing all other decisions that are made. We are very proud to convey the City Council's commitment to excellence to our citizens and all readers of the Fiscal Year Ending 2011 CAFR.

Respectfully Submitted,

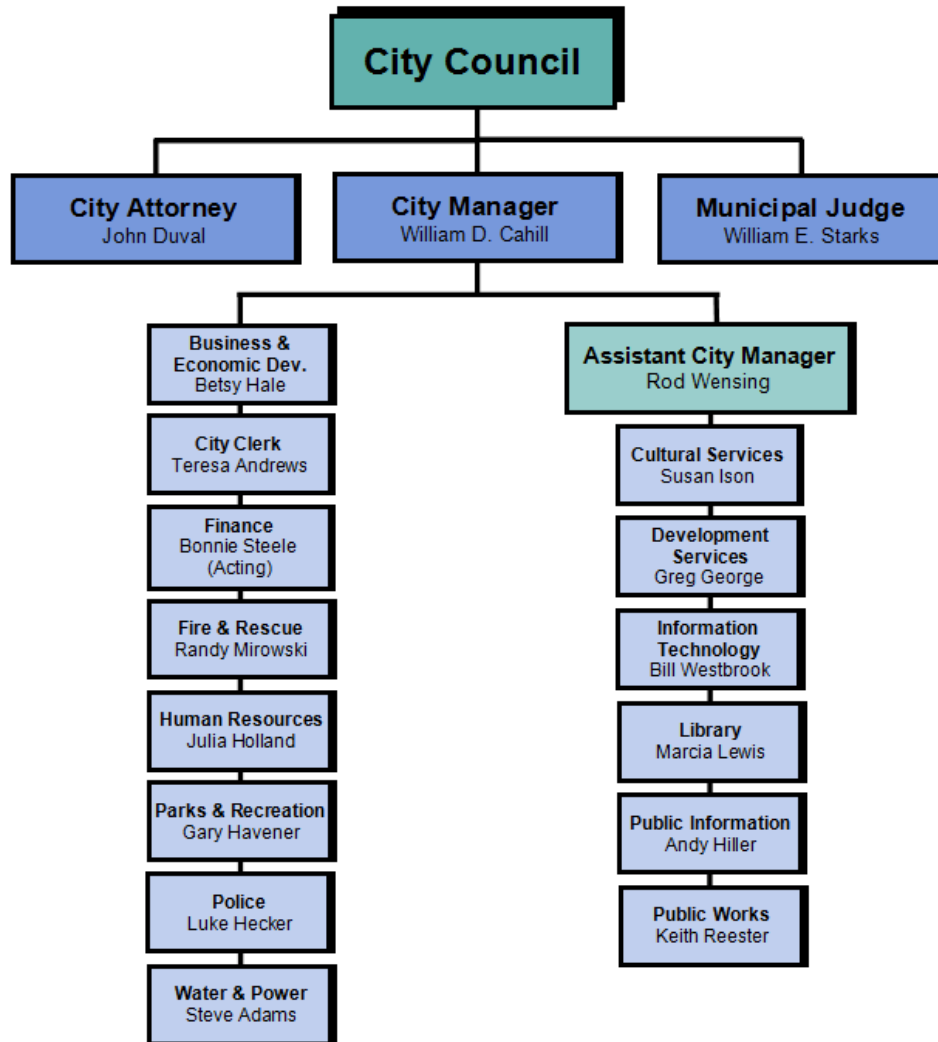


William D. Cahill
City Manager



Bonnie J. Steele
Acting Finance Director

City Organizational Chart & Officials



City Council

From left to right:
 Back row: Ralph Trenary; John H. Fogle;
 Mayor Cecil Gutierrez; Hugh McKean,
 Front Row: Chauncey Taylor, Joan Shaffer,
 Daryle Klassen; Mayor Pro Tem
 Cathleen McEwen, and Phil Farley.

GFOA Certificate of Achievement Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Loveland
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

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Financial



This section contains the auditors' report, the basic financial statements with related footnote disclosures, required supplementary information and other supplemental information.



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& Business Consultants

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Honorable Mayor and
Members of City Council
City of Loveland
Loveland, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Loveland, Colorado (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of December 31, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2012 on our consideration of the City'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of City Council
City of Loveland

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 24, General Fund Budgetary Comparison on pages 63 through 64 and Schedule of Funding Progress on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; combining and individual major and nonmajor fund financial statements and schedules; the statistical tables; and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, combining and individual major and nonmajor fund financial statements and schedules, and the Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RubinBrown LLP

June 1, 2012

Management Discussion & Analysis

Our discussion and analysis of the City of Loveland's financial performance provides an overview of the City's financial activities for the year ended December 31, 2011.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. This information should be read in conjunction with the Letter of Transmittal and the City's financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities**—Most of the City's basic services are reported here, including general administration, police, fire, parks & recreation, community services, public works, library and cultural services. Sales taxes, property taxes, franchise taxes, user fees, fines, and intergovernmental revenue including state and federal grants finance most of these activities.
- **Business-Type Activities**—The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's power, water, wastewater, stormwater, solid waste collection and golf operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like Capital Expansion Fees). The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental Funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic

services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds in a reconciliation at the bottom of the fund financial statements.

- **Proprietary Funds**—When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds are the same as the Business-Type Activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as a Trustee

Reporting the City's Fiduciary Responsibilities

All of the City's fiduciary activities are reported separately from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City As A Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City of Loveland's case, assets exceeded liabilities by \$857,777,528 as of December 31, 2011.

Net Position

Combined net position of the City of Loveland at December 31, 2011 were as follows:

CITY OF LOVELAND, COLORADO							
STATEMENT OF NET POSITION							
	Governmental		Business-Type		Total		Total % of
	Activities		Activities				Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 145,336,626	\$ 141,427,449	\$ 95,466,857	\$ 91,584,373	\$ 240,803,482	\$ 233,011,821	3.3%
Capital assets	302,978,097	296,245,854	366,826,282	358,869,413	669,804,379	655,115,267	2.2%
Total Assets	448,314,723	437,673,303	462,293,139	450,453,786	910,607,862	888,127,088	2.5%
Long-term liabilities	9,136,996	9,943,577	1,544,298	1,706,650	10,681,294	11,650,227	-8.3%
Other liabilities	34,024,277	34,862,682	8,124,762	6,071,331	42,149,039	40,934,013	3.0%
Total Liabilities	43,161,273	44,806,259	9,669,061	7,777,981	52,830,334	52,584,240	0.5%
Net Position:							
Invested in capital assets, net of related debt	302,978,097	296,245,854	366,796,045	358,776,050	669,774,142	655,021,904	2.3%
Restricted - Nonspendable	5,996,192	5,828,642	-	-	5,996,192	5,828,642	2.9%
Restricted	21,596,883	55,040,155	42,606,195	44,558,594	64,203,078	99,598,749	-35.5%
Unrestricted	74,582,278	35,752,393	43,221,838	39,341,161	117,804,116	75,093,554	56.9%
Total Net Position	\$ 405,153,450	\$ 392,867,044	\$ 452,624,078	\$ 442,675,805	\$ 857,777,528	\$ 835,542,849	2.7%

As of December 31, 2011, the City is able to report positive balances in all three categories of net position, both for the City as a whole and the separate Governmental and Business-Type Activities. The same situation held true for the prior fiscal year.

The \$239,983,306 current and other assets include \$195,229,846 in cash and investments. The restricted balance of cash and investments is \$43,513,234 for acquisition or construction of future capital assets.

The largest portion of the City's total net position (78%) is the investment in capital assets (land, buildings, improvements, equipment, etc.); less related outstanding debt used to acquire those assets. The City of Loveland uses these capital assets to provide services to citizens. Consequently, these assets are not available for future

spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, primarily future revenue.

The City does not have a significant level of long-term debt. Long-term debt reported in the Governmental Activities is compensated absences of \$4,145,387 as well as oversizing agreements of \$4,991,609. Long-term debt in the Business-Type Activities is the balance remaining of the Golf capital lease of \$30,237 as well as compensated absences of \$1,514,061.

Changes In Net Position

The City's total revenues were fairly consistent with prior year. Revenues and transfers in 2011 of \$182,726,913 exceeded program expenses of \$160,492,234 for an increase in net position of \$22,234,679. The increase in net position is 49.6% as compared to 2010. This increase included \$7,806,431 from contributed assets and revenue restricted for capital spending. The remaining \$14,428,248 represents the amount of on-going revenues and additional revenues from rate increases exceeding operating expenses. Descriptions of significant activities for Governmental and Business-Type follow the table below.

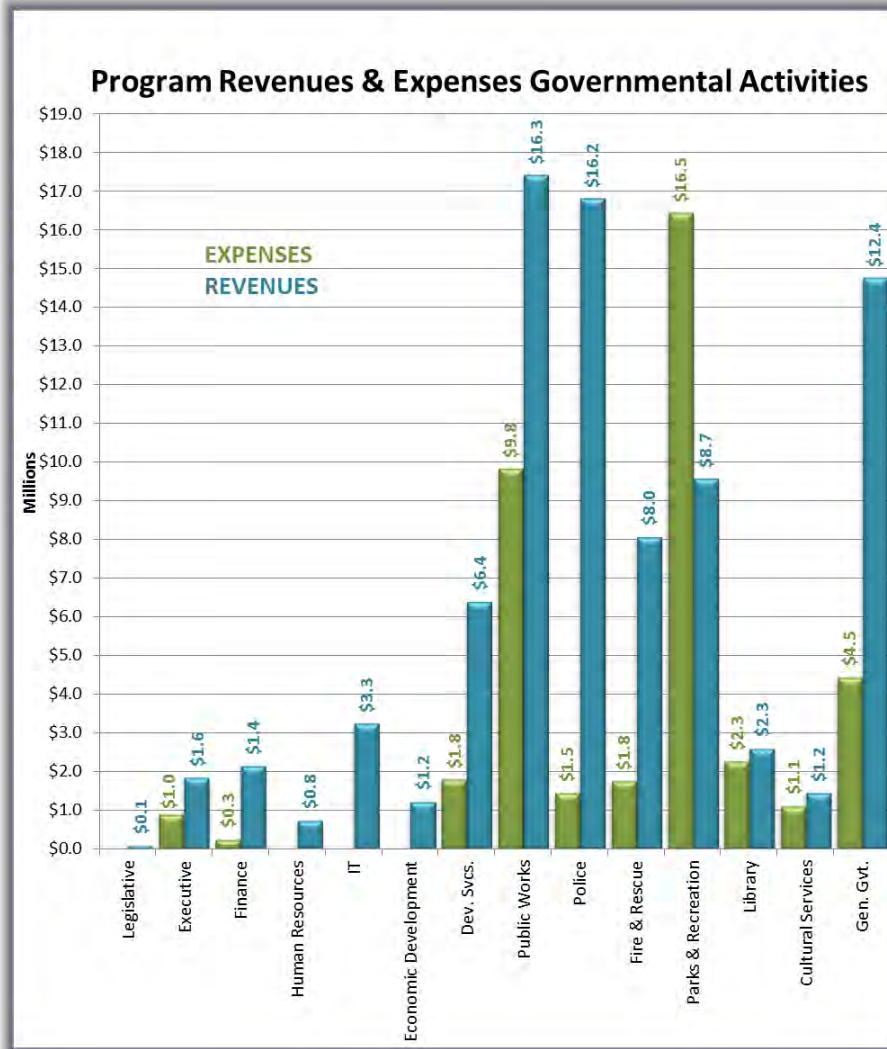
CITY OF LOVELAND, COLORADO							
CHANGES IN NET POSITION							
	Governmental		Business-Type		Total		Total % of
	Activities		Activities		Total		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Program Revenues:							
Charges for Services	\$ 15,386,116	\$ 14,118,842	\$ 80,688,052	\$ 71,832,213	\$ 96,074,168	\$ 85,951,055	11.8%
Operating grants/contributions	5,487,692	5,179,313	-	-	5,487,692	5,179,313	6.0%
Capital grants/contributions	10,272,856	9,341,231	7,050,956	8,017,959	17,323,812	17,359,190	-0.2%
General Revenues:							
Property Taxes	18,829,989	18,873,614	-	-	18,829,989	18,873,614	-0.2%
Sales and Use Taxes	36,535,125	35,404,740	-	-	36,535,125	35,404,740	3.2%
Franchise and Other Taxes	2,617,772	2,554,935	-	-	2,617,772	2,554,935	2.5%
Investment Earnings	2,561,535	967,636	2,238,345	727,834	4,799,880	1,695,470	183.1%
Other	691,883	15,113	366,592	-	1,058,475	15,113	6903.7%
Total Revenues	92,382,968	86,455,424	90,343,945	80,578,006	182,726,913	167,033,430	9.4%
Program Expenses:							
Legislative	101,073	106,423	-	-	101,073	106,423	-5.0%
Executive	1,839,314	1,623,339	-	-	1,839,314	1,623,339	13.3%
Finance	2,156,020	1,693,044	-	-	2,156,020	1,693,044	27.3%
Human Resources	750,448	865,084	-	-	750,448	865,084	-13.3%
Information Technology	3,251,193	3,028,545	-	-	3,251,193	3,028,545	7.4%
Economic Development	1,235,598	742,248	-	-	1,235,598	742,248	66.5%
Development Services	6,397,469	6,451,593	-	-	6,397,469	6,451,593	-0.8%
Public Works	17,425,656	16,253,368	-	-	17,425,656	16,253,368	7.2%
Police	16,817,499	16,233,097	-	-	16,817,499	16,233,097	3.6%
Fire & Rescue	8,075,617	8,070,024	-	-	8,075,617	8,070,024	0.1%
Parks & Recreation	9,572,290	8,698,322	-	-	9,572,290	8,698,322	10.0%
Library	2,625,349	2,316,785	-	-	2,625,349	2,316,785	13.3%
Cultural Services	1,464,118	1,264,556	-	-	1,464,118	1,264,556	15.8%
General Government	14,777,308	12,366,477	-	-	14,777,308	12,366,477	19.5%
Interest on Long-Term Debt	-	718	-	-	-	718	-100%
Water	-	-	10,194,425	10,977,567	10,194,425	10,977,567	-7.1%
Wastewater	-	-	6,931,011	7,178,264	6,931,011	7,178,264	-3.4%
Stormwater	-	-	3,550,937	3,437,189	3,550,937	3,437,189	3.3%
Power	-	-	45,197,485	42,895,642	45,197,485	42,895,642	5.4%
Solid Waste	-	-	4,881,326	4,520,127	4,881,326	4,520,127	8.0%
Golf	-	-	3,248,098	3,451,922	3,248,098	3,451,922	-5.9%
Total Expenses	86,488,952	79,713,623	74,003,282	72,460,711	160,492,234	152,174,334	5.5%
Increase in net position before transfers	5,894,015	6,741,801	16,340,663	8,117,295	22,234,679	14,859,096	49.6%
Transfers	6,392,390	2,124,740	(6,392,390)	(2,124,740)	-	-	-
Increase in net position	12,286,406	8,866,541	9,948,273	5,992,555	22,234,679	14,859,096	49.6%
Net Position - Beginning	392,867,044	384,000,503	442,675,805	436,683,250	835,542,849	820,683,753	1.8%
Net Position - Ending	\$ 405,153,450	\$ 392,867,044	\$ 452,624,078	\$ 442,675,805	\$ 857,777,528	\$ 835,542,849	2.7%

Governmental Activities

Governmental Activities increased the City’s net position by \$12,286,406. Of which 6% (\$755,474) of this increase is from developer donated streets and other revenue sources that are restricted to capital projects. Of the remaining increase, \$11,530,932 relates to general revenues as well as an increase with investment earnings. Earnings on investments higher in 2011 versus 2010 as part of a managed portfolio and accounting adjustments for the reversal of unrealized gains from the previous year. Property tax revenue decreased in 2011 by \$43,625 related to a decline in buildings being included to the County tax roll.

The graph compares program revenues and expenses of Governmental Activities in terms of dollars received and spent in 2011. The City’s expenses cover a range of services of which this graph illustrates that the majority of those expenses are related to public services and safety.

When comparing 2011 to 2010, significant revenues and expenditures by activity are explained further. Governmental Activity revenues include revenues from building permits. Building Permit transactions decreased in 2011 by 47% with the number of permits issued of 1,854 and corresponding valuation of \$78,717,041. As compared with 2010 the number of permits was 1,980 with a valuation of \$148,784,159. The reduction is due to the previous fee waiver incentive programs ending in 2010 and not being reinstated for 2011.



Program expenses for the majority of the Governmental Activities decreased in 2011 as a result of budget constraint strategies (also described in the section, Next Year’s Budgets and Rates of this discussion). As in 2010, the City had several reductions in the governmental activities. A decrease in the Human Resource programs by 13% relates to a reduction in a full time employee and a vacancy positions early 2011.

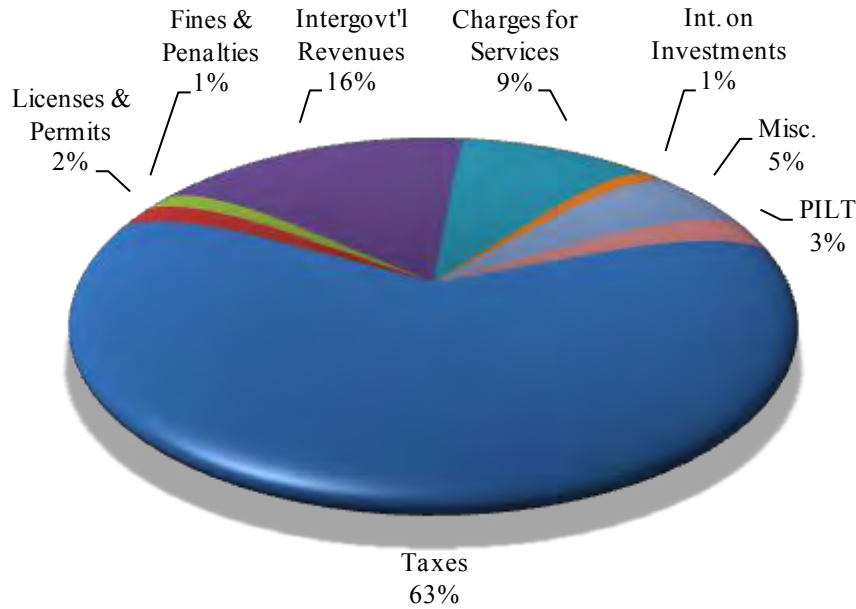
Expenses increases within Governmental Activities include an increase in Executive, Finance and Economic Development due to reorganization in 2011. Increased expenditures with Parks and Recreation, Library, and Cultural Services were related to construction improvement costs. Parks and Recreation renovated the Chilson Recreation Center between 2010 and 2011 which had new operating expenditures that were offset by additional revenues. During 2011, the City also purchased the Agilent

Property that included the building, open space, certain right of way, and certain water rights. The City sold only the building to a developer in late 2011 retaining the open space, water rights and right of way.

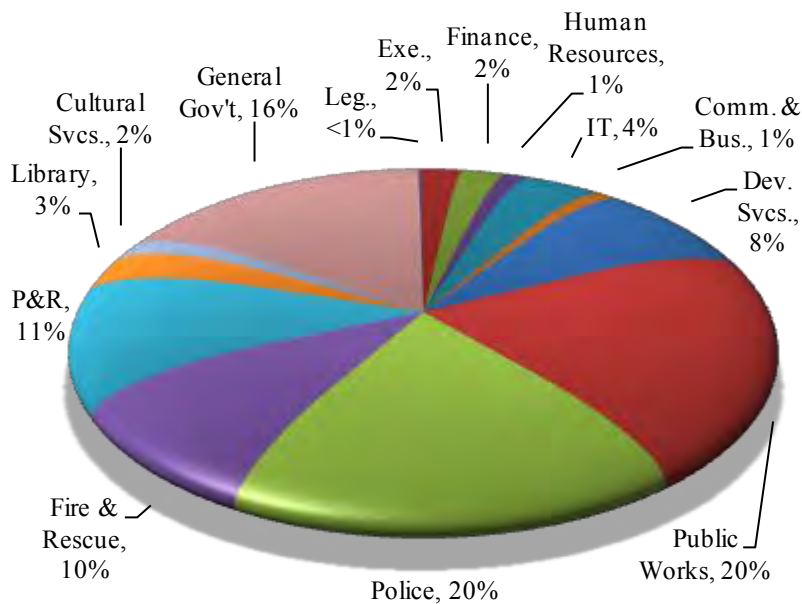
The Library renovation started in August 2010 and completed in 2011 which included an expansion of 27,000 square feet of additional space to meet the needs of the community. Cultural Services worked in partnership with a private developer to renovate the Rialto Theater Center which began in June 2011.

General Revenues received in the City are primarily taxes by 63% as the chart below outlines. Taxes include property, sales and use, franchise and other miscellaneous taxes. Secondary to taxes includes 16% of general revenues from intergovernmental agreements and 9% from charges for services. Expenditures by Public Works were 20% while Police are 20% and Parks & Recreation account for 11%. General Government accounted for 16% of total governmental expenditures.

Revenue By Source Governmental Activities



Expense By Source Governmental Activities



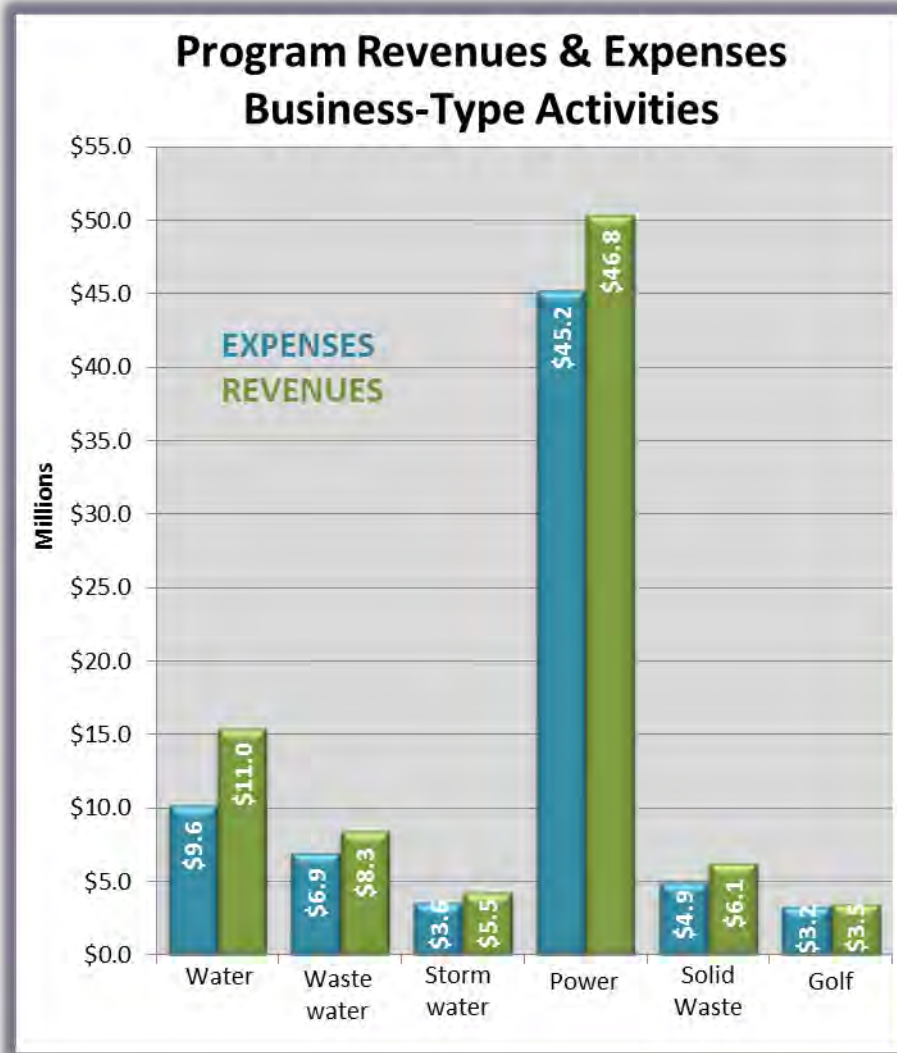
Business-Type Activities

Business-Type Activities include the city-owned utilities (Water, Power, Wastewater and Stormwater), Solid Waste collection and recycling services and three municipal golf courses. All of these activities have user charges designed to fully cover operating expenses. In addition, system impact and water acquisition fees are charged to provide funds for expansion as needed. In developing areas, system improvements such as water and wastewater lines are built by the developer and contributed to the City.

The graph below illustrates the 2011 Program Revenues and Expenditures for the Business-Type Activities. From this graph, all activities except Water had higher program revenues received in comparison to the expenses. The Water fund had a decrease in revenue due to lower than anticipated sales than budgeted in 2011 in addition to the increase in expenditures related to the physical inventory adjustments which increased expenses in Purchased Services as well as additional depreciation expense in 2011. Further explanation of the physical inventory adjustments is described below in the Capital Assets section of this discussion and in the notes to the financial statements.

For year-ended 2011, net position for the Business-Type Activities increased by \$9,948,273. This increase in the net position is related to contributed assets of \$7,050,957. Similar to the Governmental Activities, earnings on investments increased in 2011 by 208% from \$727,834 in 2010 to \$2,238,345 in 2011.

Expenses in the Business-Type Activities decreased from the prior year in the majority of the Business-Type Activities. Expenses in the Solid Waste fund decreased in 2011 due to ongoing financial sustainability efforts.



The City's Funds

Information on the City's major governmental funds begins on page 28. These funds are accounted for using the modified accrual basis of accounting. Overall, the fund balances of these funds increased by \$2,912,698 and ended the year with a combined fund balance of \$90,557,956.

The City's Governmental Funds have collected revenue less than the statutory maximums (TABOR) in 2011 of \$904,633 that can only be used for voter-approved purposes.

The Total Government Funds are reported in accordance with the New Fund Balance requirements of the Governmental Accounting Standards Board (GASB) statement No. 54 of which the City early implemented in 2010. Further details of GASB No. 54 and definitions of each type can be found in the notes to the financial statements. The total Government Funds include nonspendable balances of \$5,996,192. Nonspendable includes the Interfund Loan Receivable of \$4,850,000 in the CEF fund. The Restricted balance of \$21,596,883 includes \$1,809,815 reserved for emergencies, and \$13,297,582 for Open Space Acquisitions. Restricted also includes funds for Parks & Recreation, Urban Revitalization, Convention & Tourism, and Law Enforcement. Committed balances include \$3,955,444 for excess TABOR, \$33,533,090 for future capital improvements as well as the Council Capital Reserve, Art in Public Places, Parks Capital Improvements and the Library Expansion with the remaining total of \$6,029,623. Assigned balances of \$4,914,496 are for encumbrances such as the Library Reserve, Police Communication Console, Telephone Switch Reserve and several other items as well as other governmental funds. The final category is unassigned which can only be in the General Fund for \$14,532,228 which includes the reserve policy adopted in 2011 stating that 15% of expenditures are in reserve as a guard against economic uncertainties.

The City set a policy to have a reserve in the Risk & Insurance Fund, as well as a reserve in the Employee Benefits Fund which is a self-funded plan. For the Risk & Insurance Fund, Risk Management used an actuarial analysis to estimate future claims and help ensure that the Risk reserve is adequately funded to claims from prior years. In accordance with the study completed in 2009, the total estimated funding required for the Risk & Insurance Fund is \$3,637,322; the balance in the fund is \$4,675,099. The reserve will cover uninsured claims and litigations, as well as open claims from prior years to account for Incurred But Not Reported (IBNR) losses. The City's claims administration firm has developed a similar estimate of the potential future claims. The City targets a reserve sufficient to cover 20% of existing claims plus the estimated for future claims. The current target reserve is \$3,500,000; the current balance is \$5,660,118. The financial statement reports all Internal Service Funds combined. The Internal Service Fund which includes the Risk & Insurance Fund and Employee Benefits Fund has \$10,335,217 as the reserve.

Financial Analysis Of The Governmental Funds

The General Fund accounts for all of the general governmental services provided by the City. These include public safety (police and fire), public works, parks & recreation, community services, culture, library and general administration. Funding for these services comes from a variety of sources but is heavily funded by sales and use taxes. The General Fund balance increased by \$2,880,072 (12%) with the total General Fund revenue of \$65,634,144 increased by 5.6% for the year. Tax revenue of \$46,190,996 or 70% of the total General Fund revenue increased by 2.4% in 2011. This increase is an indicator of the increase in retail sales activity in 2011 versus 2010. There were no changes made to the City's mill levy or sales tax rate in 2011.

The Loveland Urban Renewal Authority (LURA) Fund total revenues decreased in 2011 by less than 1% to \$11,082,701. Tax revenues of 11,006,125 (99% of total revenues) decreased by less than 1% by \$93,654 compared to 2010. Total 2011 expenditures of \$11,016,120 include the distribution of tax increment financing (\$9,863,551), school district fund (\$899,764), and other services (\$252,805).

The Capital Expansion Fees (CEF) fund total revenues increased by \$1,343,893 (36%) from the prior year. The fund balance in the CEF Fund, however, decreased in 2011 by \$2,377,707 (6%). Transfers out of the CEF Fund to the Capital Projects Fund of \$2,150,651 relate to street projects.

The Capital Projects Fund had \$4,998,226 in total revenues excluding transfers. Including transfers, the total revenue for the Capital Projects Fund was \$20,132,848. Expenditures were for major capital projects (including Chilson Recreation Center Expansion and Street Rehabilitation). Total expenditures and transfers were

\$20,409,082 leaving a fund balance of \$833,073 which is a decrease from 2010 by 25%.

Financial Analysis Of The Proprietary Funds

The City’s Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Proprietary Funds at year-end amounted to \$452,624,078. Each of the Proprietary Funds had net asset increase totaling \$9,948,273 from 2010. The significant increase was in the Power Fund of \$5,423,895.

General Fund Budgetary Highlights

The majority of the General Fund departments ended the year within budget. The budget for transfers to other funds was increased from \$4,533,070 to \$6,572,690 with the majority to fund capital projects. Overall, during the year there was an increase of \$9,298,094 from the 2011 original budget appropriation.

Capital Assets And Debt Administration

Capital Assets

At the end of December 31, 2011, the City had \$669,774,142 invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, wastewater, and power lines. (See table below.)

Overall in 2011, buildings increased by 18% and construction in process increased by 17% related to both Governmental and Business-Type Activities. This increase includes the following project in 2011:

Library Expansion	\$ 7,277,394
Interstate 25 & Crossroads Interchange	\$ 5,408,400
Washington Avenue Outfall Phase 4	\$ 3,387,452
Rialto Theater Center	\$ 2,036,015

More detailed information about the City’s capital assets is presented in the Note 5 to Financial Statements.

**CITY OF LOVELAND, COLORADO
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total		Total % of Change 2010 - 2011
	2011	2010	2011	2010	2011	2010	
Land	\$ 35,315,113	\$ 34,370,806	\$ 3,075,664	\$ 3,075,664	\$ 38,390,777	\$ 37,446,470	2.5%
Art Collection	4,875,898	4,608,184	-	-	4,875,898	4,608,184	5.8%
Buildings	34,109,401	27,588,704	7,735,065	7,962,129	41,844,467	35,550,833	17.7%
Improvements	20,046,808	19,479,968	199,359,086	204,514,256	219,405,894	223,994,224	-2.0%
Equipment	7,805,254	8,132,106	6,663,472	6,780,525	14,468,725	14,912,631	-3.0%
Water rights	1,632,720	1,652,345	60,256,651	55,377,251	61,889,371	57,029,596	8.5%
Infrastructure	177,809,666	175,896,882	66,770,659	67,647,708	244,580,325	243,544,590	0.4%
Easements	31,700	12,612	2,080,199	1,992,876	2,111,899	2,005,488	5.3%
Construction in Process	21,351,537	24,504,247	20,885,486	11,519,004	42,237,023	36,023,251	17.2%
Total	\$ 302,978,097	\$ 296,245,854	\$ 366,826,282	\$ 358,869,413	\$ 669,804,379	\$ 655,115,267	2.2%

This year’s major additions included the following assets:

Contributed Streets	\$ 755,474	Street Improvement Projects	\$ 5,892,539
Contributed Utility Lines	\$ 367,438	Building Improvement	\$ 7,511,131
Power Distribution Improvements	\$ 841,819		

Debt

At year-end, the City had \$30,237 in capital leases compared to \$93,363 in 2010. Additionally, the City has a number of oversizing agreements related to Street, Stormwater and Water projects. The City approved in 2009 a buyout deal on the street oversizing agreements where the City would pay a reduced amount to the developer in order to relieve the liability. There were no contract amendments in 2011.

Overall, the City is in a strong position as there is no bond indebtedness and minimal capital leases. The details of the City’s debt are summarized in Note 6 to the financial statements. Outstanding debt at year end was as follows:

Governmental Activities:	
Developer Oversizing Agreements	\$4,991,609
Business-Type Activities:	
Capital Leases	<u>30,237</u>
Total	<u>\$5,021,846</u>

Next Year’s Budgets and Rates

The City of Loveland continues to be in a strong financial position moving into 2012 and beyond. The 2012 Adopted Budget continues the City’s practice of conservative financial planning as well as budget reduction strategies. Although there may be signs of improvement in the economy, the ongoing impacts will extend through 2012 and likely into 2013.

The Adopted Budget complies with the financial management policies approved by the City Council and is structured to meet the Council’s priorities. For 2012, those priorities include economic vitality, public safety, infrastructure quality, and financial responsibility.

The Super Wal-Mart on the City’s north side was open for its fourth full year in 2011. The Promenade Shops at Centerra which is modeled after the Lifestyle Center concept was open for its sixth full year in 2011.

Rates for the utility funds are set to cover operating costs and capital needs. Water rates continue to increase by 1% in 2012 as part of an annual increase to fund a future reservoir in addition to a 7.2% increase in 2012 for the treatment plant and distribution system capital improvements. Power rates increased to 5.5% entirely driven by increased wholesale power costs and also to fund new residential energy conservation programs. Wastewater rates did not have a rate increase for 2012.

Capital items for 2012 include the completion of the Rialto Theater Center, recreation trail expansion, park land and water acquisitions, and the purchase of Colorado Big Thompson water shares.

Contacting The City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to illustrate the City’s accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 500 East Third Street, Loveland, Colorado, 80537.

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Basic Financial Statements



Basic financial statements are accounting reports compiled in conformity with the provisions of GAAP. These statements are necessary for the fair evaluation of operations of an entity that include the balance sheet, income statement (profit and loss account), and the cash-flow statement.

Basic Financial Statements

CITY OF LOVELAND, COLORADO
Statement of Net Position
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 7,119	\$ -	\$ 7,119
Equity in Pooled Cash	9,267,888	3,506,306	12,774,194
Equity in Pooled Investments	101,239,420	37,695,879	138,935,299
Receivables (Net):			
Taxes	28,680,198	-	28,680,198
Accounts	2,024,670	7,984,540	10,009,210
Grants	354,171	-	354,171
Accrued Interest	432,605	324,704	757,309
Inventory of Supplies	591,352	2,529,056	3,120,407
Net Pension Asset	1,832,164	-	1,832,164
Restricted Assets:			
Equity in Pooled Restricted Investments	907,039	42,606,195	43,513,234
Capital Assets:			
Land, Water Rights and Other Assets not Being Depreciated	41,855,431	65,412,514	107,267,945
Building, Improvements and Equipment, Net of Depreciation	239,771,129	280,528,282	520,299,411
Construction in Process	21,351,537	20,885,486	42,237,023
Total Assets	448,314,723	461,472,963	909,787,685
LIABILITIES			
Accounts Payable	7,205,688	5,548,550	12,754,238
Accrued Liabilities	2,224,802	626,743	2,851,545
Deposits	646,100	890,181	1,536,281
Unearned Revenue	23,947,687	239,112	24,186,799
Noncurrent Liabilities:			
Due Within One Year	2,677,963	862,971	3,540,934
Due in More Than One Year	6,459,033	681,327	7,140,360
Total Liabilities	43,161,273	8,848,885	52,010,158
NET POSITION			
Invested in Capital Assets, Net of Related Debt	302,978,097	366,796,045	669,774,142
Restricted - Nonexpendable	5,996,192	-	5,996,192
Restricted:			
Future Capital Improvements	-	42,606,195	42,606,195
Labor 3% Emergency Reserve	1,809,815	-	1,809,815
Conservation Trust Fund	5,032,550	-	5,032,550
Open Space Acquisitions	13,297,582	-	13,297,582
Other	1,456,936	-	1,456,936
Unrestricted	74,582,278	43,221,838	117,804,116
Total Net Position	\$ 405,153,450	\$ 452,624,078	\$ 857,777,528

The notes to the financial statements are an integral part of this statement.

CITY OF LOVELAND, COLORADO
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants & Contributions
Governmental Activities:			
Legislative	\$ 101,073	\$ -	\$ -
Executive	1,839,314	897,804	-
Finance	2,156,020	256,669	-
Human Resources	750,448	-	-
Information Technology	3,251,193	-	-
Economic Development	1,235,598	-	25,186
Development Services	6,397,469	1,247,933	565,955
Public Works	17,425,656	2,223,493	4,706,223
Police	16,817,499	1,114,811	74,273
Fire and Rescue	8,075,617	1,316,110	-
Parks & Recreation	9,572,290	3,615,168	2,800
Library	2,625,349	95,470	46,696
Cultural Services	1,464,118	166,584	66,559
General Government	14,777,308	4,452,074	-
Total Governmental Activities	86,488,952	15,386,116	5,487,692
Business-Type Activities:			
Water	10,194,425	12,899,042	-
Wastewater	6,931,011	7,066,252	-
Stormwater	3,550,937	3,989,549	-
Power	45,197,485	47,374,719	-
Solid Waste	4,881,326	5,903,328	-
Golf	3,248,098	3,455,162	-
Total Business-Type Activities	74,003,282	80,688,052	-
City Total	\$ 160,492,234	\$ 96,074,168	\$ 5,487,692

General Revenues:

- Property Taxes
- Sales and Use Taxes
- Franchise Taxes
- Other Taxes
- Investment Earnings
- Gain on Sale of Assets

Transfers

Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position		Total
	Governmental Activities	Business- Type Activities	
\$ -	\$ (101,073)	\$ -	\$ (101,073)
-	(941,510)	-	(941,510)
-	(1,899,351)	-	(1,899,351)
-	(750,448)	-	(750,448)
-	(3,251,193)	-	(3,251,193)
-	(1,210,412)	-	(1,210,412)
-	(4,583,581)	-	(4,583,581)
2,898,896	(7,597,044)	-	(7,597,044)
264,150	(15,364,265)	-	(15,364,265)
528,067	(6,231,440)	-	(6,231,440)
3,262,423	(2,691,899)	-	(2,691,899)
2,135,301	(347,882)	-	(347,882)
889,661	(341,314)	-	(341,314)
294,358	(10,030,876)	-	(10,030,876)
10,272,856	(55,342,288)	-	(55,342,288)
2,522,257	-	5,226,874	5,226,874
1,311,597	-	1,446,838	1,446,838
254,990	-	693,602	693,602
2,962,112	-	5,139,345	5,139,345
-	-	1,022,002	1,022,002
-	-	207,064	207,064
7,050,956	-	13,735,726	13,735,726
\$ 17,323,811	(55,342,288)	13,735,726	(41,606,562)
	18,829,989	-	18,829,989
	36,535,125	-	36,535,125
	1,626,216	-	1,626,216
	991,556	-	991,556
	2,561,535	2,238,345	4,799,880
	691,883	366,592	1,058,475
	6,392,390	(6,392,390)	-
	67,628,694	(3,787,453)	63,841,241
	12,286,406	9,948,273	22,234,679
	392,867,044	442,675,805	835,542,849
	\$ 405,153,450	\$ 452,624,078	\$ 857,777,528

The notes to the financial statements are an integral part of this statement.

CITY OF LOVELAND, COLORADO

Balance Sheet
Governmental Funds
December 31, 2011

	General	Loveland Urban Renewal Authority	Capital Expansion Fees	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 7,119	\$ -	\$ -	\$ -	\$ -	\$ 7,119
Equity in Pooled Cash	2,297,069	269,534	2,856,811	252,703	2,053,352	7,729,469
Equity in Pooled Investments	26,990,533	2,897,726	30,713,232	2,716,779	21,381,789	84,700,059
Receivables (Net):						
Taxes	12,042,685	16,443,912	-	-	193,601	28,680,198
Accounts	1,225,599	-	378,453	393,880	25,399	2,023,331
Grants	-	-	-	292,254	61,917	354,171
Due from Other Funds	1,663	-	-	-	-	1,663
Accrued Interest	115,500	12,268	133,826	5,162	93,452	360,208
Interfund Loan Receivable	-	-	4,850,000	-	-	4,850,000
Inventory	329,125	-	-	-	-	329,125
Restricted Assets:						
Equity in Pooled Restricted Investments	213,472	-	-	-	693,567	907,039
Total Assets	43,222,765	19,623,440	38,932,322	3,660,778	24,503,077	129,942,382
LIABILITIES						
Accounts Payable	1,546,591	2,927,881	170,779	1,891,226	125,010	6,661,487
Accrued Liabilities	1,696,969	-	-	11,712	16,301	1,724,982
Due to Other Funds	-	-	-	-	1,663	1,663
Deposits	-	-	-	646,100	-	646,100
Deferred Revenue	8,366,293	16,443,912	378,453	278,667	32,869	25,500,194
Interfund Loan Payable	4,850,000	-	-	-	-	4,850,000
Total Liabilities	16,459,853	19,371,793	549,232	2,827,705	175,843	39,384,426
Fund Balances:						
Nonspendable	329,125	-	4,850,000	-	817,067	5,996,192
Restricted	1,809,815	251,647	-	484,050	19,051,371	21,596,883
Committed	8,197,419	-	33,533,090	-	1,787,648	43,518,157
Assigned	1,894,325	-	-	349,023	2,671,148	4,914,496
Unassigned	14,532,228	-	-	-	-	14,532,228
Total Fund Balances	26,762,912	251,647	38,383,090	833,073	24,327,234	90,557,956
Total Liabilities and Fund Balances	\$ 43,222,765	\$ 19,623,440	\$ 38,932,322	\$ 3,660,778	\$ 24,503,077	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

298,666,887

Inclusion of the City's Net Pension Asset not reported in the funds

1,832,164

Other long term assets are not available to pay for current year expenditures and therefore are deferred in the funds.

1,552,507

An internal service fund is used by management to charge the costs of employee benefits, risk and insurance, and vehicle maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

21,567,156

Long-term liabilities are not due and payable in the current period and are not reported in the funds. (Accrued Leave \$4,031,611 and developer oversizing agreements \$4,991,609)

(9,023,220)

Net Position of Governmental Activities

\$ 405,153,450

The notes to the financial statements are an integral part of this statement.

CITY OF LOVELAND, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Loveland Urban Renewal Authority	Capital Expansion Fees	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 46,190,996	\$ 11,006,125	\$ -	\$ -	\$ 617,618	\$ 57,814,739
Licenses and Permits	1,655,825	-	-	-	-	1,655,825
Fines and Penalties	936,370	-	-	-	-	936,370
Intergovernmental	6,748,549	-	-	1,328,450	3,101,477	11,178,476
Charges for Services	3,607,176	-	4,079,746	1,660,827	108,399	9,456,148
Interest on Investments	810,486	76,576	1,012,022	32,412	630,040	2,561,536
Miscellaneous	5,684,742	-	19,500	1,976,537	11,681	7,692,460
Total Revenues	65,634,144	11,082,701	5,111,268	4,998,226	4,469,215	91,295,554
Expenditures:						
Current:						
Legislative	101,073	-	-	-	-	101,073
Executive	1,824,254	-	-	-	-	1,824,253
Finance	2,125,071	-	-	-	-	2,125,071
Human Resources	743,473	-	-	-	-	743,473
Information Technology	3,054,809	-	-	35,585	-	3,090,394
Economic Development	968,120	-	-	-	274,273	1,242,393
Development Services	3,112,188	-	-	-	391,873	3,504,061
Public Works	11,345,898	-	403	563,922	459,839	12,370,062
Police	16,364,486	-	100	-	50,154	16,414,740
Fire	7,906,704	-	-	-	-	7,906,704
Parks & Recreation	7,273,931	-	58,689	-	379,091	7,711,711
Library	2,308,921	-	-	15,967	-	2,324,888
Cultural Services	1,359,067	-	-	-	-	1,359,067
General Government	733,654	11,016,120	-	-	15,300	11,765,074
Capital Outlay	1,169,005	-	995,903	19,701,167	275,699	22,141,774
Total Expenditures	60,390,654	11,016,120	1,055,095	20,316,641	1,846,229	94,624,739
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,243,490	66,581	4,056,173	(15,318,415)	2,622,986	(3,329,185)
Other Financing Sources (Uses):						
Transfers In	2,327,559	-	97,485	15,134,622	-	17,559,666
Transfers (Out)	(4,690,977)	-	(6,531,365)	(92,441)	(3,000)	(11,317,783)
Total Other Financing Sources (Uses)	(2,363,418)	-	(6,433,880)	15,042,181	(3,000)	6,241,883
Net Change in Fund Balance	2,880,072	66,581	(2,377,707)	(276,234)	2,619,986	2,912,698
Fund Balances—Beginning	23,882,840	185,066	40,760,797	1,109,307	21,707,248	87,645,258
Fund Balances—Ending	\$ 26,762,912	\$ 251,647	\$ 38,383,090	\$ 833,073	\$ 24,327,234	\$ 90,557,956

The notes to the financial statements are an integral part of this statement.

CITY OF LOVELAND, COLORADO
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 2,912,698
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$18,104,370 exceeded depreciation (\$11,881,336) in the current period.	6,223,034
The net effect of various miscellaneous transactions involving capital assets (i.e. deletions, sales, trade-ins, and donations) is to increase net position. This includes contributions of streets and easements by developers and loss on disposal of capital assets.	540,984
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This includes Capital Expansion Fees deferred due to developer agreements and accounts receivable not collected in 60 days.	209,122
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes a decrease in accrued leave \$189,571, a decrease for developer oversizing agreements, net of accrued interest \$618,293, and a decrease in pension costs due to the change in the Net Pension Asset \$168,813	976,677
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental funds.	1,423,891
Change in net position of governmental activities	\$ 12,286,406

The notes to the financial statements are an integral part of this statement.

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CITY OF LOVELAND, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2011

Business-Type Activities - Enterprise Funds

	Water	Wastewater	Stormwater	Power
ASSETS				
Current Assets:				
Equity in Pooled Cash	\$ 376,488	\$ 691,205	\$ 184,963	\$ 1,724,218
Equity in Pooled Investments	4,047,582	7,431,061	1,988,519	18,536,860
Receivables, Net	590,238	807,716	469,905	5,526,022
Accrued Interest	133,018	47,934	13,727	104,961
Inventory, at Cost	166,031	3,896	8,532	2,140,786
Total Current Assets	5,313,357	8,981,812	2,665,646	28,032,847
Non-Current Assets:				
Interfund Loan Receivable	844,059	-	-	-
Restricted Assets:				
Bond Reserves	-	-	-	-
Future Raw Water Projects	18,031,003	-	-	-
Future Easement Improvements	-	-	-	-
Reservoir Improvements	-	-	-	-
System Impact Fees	7,337,512	4,501,418	1,344,721	6,853,706
Windy Gap Commitment	4,289,590	-	-	-
Total Restricted Assets	29,658,105	4,501,418	1,344,721	6,853,706
Property, Plant & Equipment:				
Land	508,866	342,933	85,631	1,082,732
Intangible Assets/Easements	516,669	529,932	516,669	516,929
Buildings	3,223,885	618,741	94,184	3,654,047
Equipment	1,857,247	2,031,881	2,565,804	3,587,912
Improvements Other Than				
Buildings	124,027,782	72,845,721	45,442,831	118,966,289
Water Rights	60,162,151	-	-	-
Construction in Progress	5,613,646	3,842,221	4,448,219	6,937,343
Total Property, Plant & Equipment	195,910,246	80,211,429	53,153,338	134,745,252
Accumulated Depreciation	(33,742,215)	(19,759,471)	(10,929,947)	(42,069,494)
Net Property, Plant & Equipment	162,168,031	60,451,958	42,223,391	92,675,758
Total Non-Current Assets	191,826,136	64,953,376	43,568,112	99,529,464
Total Assets	\$ 197,983,552	\$ 73,935,188	\$ 46,233,758	\$ 127,562,311

The notes to the financial statements are an integral part of this statement.

			Governmental Activities
Solid Waste Collection	Golf	Totals	Internal Service Fund
\$ 399,704	\$ 129,728	\$ 3,506,306	\$ 1,538,419
4,297,165	1,394,692	37,695,879	16,539,361
590,659	-	7,984,540	1,339
18,202	6,862	324,704	72,397
182,476	27,335	2,529,056	262,227
5,488,206	1,558,617	52,040,485	18,413,743
-	-	844,059	-
-	-	-	-
-	-	18,031,003	-
-	84,649	84,649	-
-	163,596	163,596	-
-	-	20,037,357	-
-	-	4,289,590	-
-	248,245	42,606,195	-
-	1,055,502	3,075,664	209,516
-	-	2,080,199	-
-	4,233,789	11,824,646	637,551
5,113,392	2,540,174	17,696,410	11,910,794
58,588	7,971,926	369,313,137	-
-	94,500	60,256,651	-
44,057	-	20,885,486	-
5,216,037	15,895,891	485,132,193	12,757,861
(2,599,205)	(9,205,579)	(118,305,911)	(8,446,651)
2,616,832	6,690,312	366,826,282	4,311,210
2,616,832	6,938,557	409,432,477	4,311,210
\$ 8,105,038	\$ 8,497,174	\$ 462,317,021	\$ 22,724,953

CITY OF LOVELAND, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2011
(Continued)

Business-Type Activities - Enterprise Funds

	Water	Wastewater	Stormwater	Power
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 889,292	\$ 627,407	\$ 471,642	\$ 3,375,880
Accrued Liabilities	140,663	98,556	49,060	206,446
Deposits	-	-	-	890,181
Current Portion of Long-Term Debt	206,671	149,852	67,452	251,000
Deferred Revenue	20,870	19,502	33,048	-
Total Current Liabilities	1,257,496	895,317	621,202	4,723,507
Long-Term Liabilities:				
Compensated absences	169,094	122,607	55,188	205,364
Interfund Loan Payable	-	844,059	-	-
Total Long-Term Liabilities	169,094	966,666	55,188	205,364
Total Liabilities	1,426,590	1,861,983	676,390	4,928,871
NET POSITION				
Invested in Capital Assets, net of Related Debt				
	162,168,031	60,451,958	42,223,391	92,675,758
Restricted for Future Capital Improvements	29,658,105	4,501,418	1,344,721	6,853,706
Unrestricted	4,730,826	7,119,829	1,989,256	23,103,976
Total Net Position	\$ 196,556,962	\$ 72,073,205	\$ 45,557,368	\$ 122,633,440

The notes to the financial statements are an integral part of this statement.

			Governmental Activities	
Solid Waste Collection	Golf	Totals	Internal Service Fund	
\$ 148,354	\$ 35,975	\$ 5,548,550	\$ 544,201	
83,858	48,160	626,743	499,820	
-	-	890,181	-	
52,379	135,617	862,971	62,577	
-	165,692	239,112	-	
284,591	385,444	8,167,557	1,106,598	
42,855	86,220	681,328	51,199	
-	-	844,059	-	
42,855	86,220	1,525,387	51,199	
327,446	471,664	9,692,944	1,157,797	
2,616,832	6,660,075	366,796,045	4,311,210	
-	248,245	42,606,195	-	
5,160,761	1,117,190	43,221,838	17,255,946	
\$ 7,777,593	\$ 8,025,510	\$ 452,624,078	\$ 21,567,156	

CITY OF LOVELAND, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Stormwater	Power
Operating Revenues:				
Charges for Services	\$ 7,445,159	\$ 7,060,162	\$ 3,967,973	\$ 45,963,553
Miscellaneous	5,453,883	6,090	21,576	1,411,165
Total Operating Revenue	12,899,042	7,066,252	3,989,549	47,374,718
Operating Expenses:				
Personal Services	3,231,107	2,310,268	1,175,900	3,472,040
Supplies	786,437	313,954	78,156	378,254
Purchased Services	1,149,810	1,829,138	723,108	1,502,014
Purchased Power	-	-	-	33,892,427
Payment for Services	446,252	424,530	238,410	2,708,490
Depreciation	3,754,550	1,896,422	1,335,363	3,244,260
Total Operating Expenses	9,368,156	6,774,312	3,550,937	45,197,485
Net Operating Income	3,530,886	291,940	438,612	2,177,233
Nonoperating Revenues (Expenses):				
Interest Income	929,334	348,825	117,378	702,814
Interest Expense	-	(156,699)	-	-
Intergovernmental	-	-	-	-
Gain (Loss) on Sale of Capital Assets	(1,063)	-	14,260	18,363
Windy Gap	(826,269)	-	-	-
Total Nonoperating Revenue (Expense)	102,002	192,126	131,638	721,177
Net Income Before Contributions and Transfers	3,632,888	484,066	570,250	2,898,410
Capital Contributions:				
System Impact/Development fees	1,823,989	1,229,148	173,577	2,101,583
Contributed Assets	184,866	82,449	81,413	18,710
Aid to Construction	-	-	-	841,819
Raw Water Development Fees	311,320	-	-	-
Cash in Lieu of Water Rights	202,082	-	-	-
Transfers In	44,196	18,777	3,786	150,064
Transfers (Out)	(4,830,866)	(415,712)	(366,794)	(586,691)
Change in Net Position	1,368,475	1,398,728	462,232	5,423,895
Total Net Position - Beginning	195,188,487	70,674,477	45,095,136	117,209,545
Total Net Position - Ending	\$ 196,556,962	\$ 72,073,205	\$ 45,557,368	\$ 122,633,440

The notes to the financial statements are an integral part of this statement.

			Governmental Activities
Solid Waste Collection	Golf	Totals	Internal Service Fund
\$ 5,870,642	\$ 3,454,809	\$ 73,762,298	\$ 15,941,785
32,687	353	6,925,754	198,119
5,903,329	3,455,162	80,688,052	16,139,904
1,826,568	1,660,190	13,676,073	1,407,205
143,219	417,978	2,117,998	2,055,939
1,916,603	392,095	7,512,768	10,998,721
-	-	33,892,427	-
337,677	103,586	4,258,945	-
657,259	671,870	11,559,724	1,067,567
4,881,326	3,245,719	73,017,935	15,529,432
1,022,003	209,443	7,670,117	610,471
100,287	39,707	2,238,345	501,996
-	(2,379)	(159,078)	-
-	-	-	92,207
320,160	14,872	366,592	68,709
-	-	(826,269)	-
420,447	52,200	1,619,590	662,912
1,442,450	261,643	9,289,707	1,273,384
-	-	5,328,297	-
-	-	367,438	-
-	-	841,819	-
-	-	311,320	-
-	-	202,082	-
-	-	216,823	287,813
(212,488)	(196,662)	(6,609,213)	(137,306)
1,229,962	64,981	9,948,273	1,423,891
6,547,631	7,960,529	442,675,805	20,143,265
\$ 7,777,593	\$ 8,025,510	\$ 452,624,078	\$ 21,567,156

CITY OF LOVELAND, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Stormwater	Power
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 7,408,841	\$ 7,070,740	\$ 3,968,888	\$ 45,704,576
Cash Received from Interfund Services	-	-	-	-
Cash Payments for Goods and Services	(2,801,524)	(2,226,421)	(716,636)	(38,614,417)
Cash Payments to Employees	(3,283,824)	(2,339,757)	(1,181,968)	(3,477,017)
Miscellaneous Income	5,453,883	6,090	21,576	1,411,166
Net Cash Provided by Operating Activities	6,777,376	2,510,652	2,091,860	5,024,308
Cash Flows from Noncapital Financing Activities:				
Transfers In	44,196	18,777	3,786	150,064
Transfers Out	(4,830,866)	(415,712)	(366,794)	(586,691)
Net Cash Provided (Used) by Noncapital Financing Activities	(4,786,670)	(396,935)	(363,008)	(436,627)
Cash Flows from Capital and Related Financing Activities:				
Contributions	2,337,391	1,229,148	173,577	2,943,402
Proceeds on Sale of Capital Assets	-	-	14,260	18,363
Payments for Capital Acquisition	(7,520,293)	(3,220,648)	(2,959,481)	(4,454,736)
Intergovernmental Revenue	-	-	-	-
Principal Repayments	(24,059)	24,059	-	-
Interest Paid	-	(156,699)	-	-
Windy Gap Payment	(826,269)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,033,230)	(2,124,140)	(2,771,644)	(1,492,971)
Cash Flows from Investing Activities:				
Purchase of Investments	(26,435,385)	(9,530,063)	(2,465,042)	(20,828,263)
Proceeds from Sale of Investments	27,350,180	9,037,660	3,266,077	17,162,951
Receipts of Interest	950,340	350,121	121,744	692,195
Net Cash Flows Provided (Used) by Investing Activities	1,865,134	(142,282)	922,778	(2,973,117)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,177,390)	(152,705)	(120,013)	121,593
Cash and Cash Equivalents--Jan. 1	2,553,878	843,910	304,976	1,602,625
Cash and Cash Equivalents--Dec. 31	\$ 376,488	\$ 691,205	\$ 184,963	\$ 1,724,218
Reconciliation of Operating Income to Net Operating Income				
Operating Income	\$ 3,530,886	\$ 291,940	\$ 438,612	\$ 2,177,234
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	3,754,550	1,896,422	1,335,363	3,244,260
(Increase) Decrease in Accounts Receivable	(36,318)	10,579	915	(258,977)
(Increase) Decrease in Inventory	(3,836)	(833)	(2,344)	(193,131)
Increase (Decrease) in Current Liabilities	(467,905)	312,544	319,314	54,922
Total Adjustments	3,246,490	2,218,712	1,653,248	2,847,074
Net Cash Provided by Operating Activities	\$ 6,777,376	\$ 2,510,652	\$ 2,091,860	\$ 5,024,308
Noncash Investing, Capital and Financing Activities:				
Contributed Assets from Subdividers	\$ 184,866	\$ 82,449	\$ 81,413	\$ -

The notes to the financial statements are an integral part of this statement.

			Governmental Activities	
Solid Waste Collection	Golf	Totals	Internal Service Fund	
\$ 5,989,003	\$ 3,436,839	\$ 73,578,887	\$ -	
-	-	-	16,613,043	
(2,501,055)	(927,455)	(47,787,508)	(14,292,714)	
(1,822,203)	(1,661,368)	(13,766,137)	(1,402,571)	
32,687	353	6,925,754	198,119	
1,698,432	848,369	18,950,996	1,115,877	
-	-	216,823	287,813	
(212,488)	(196,662)	(6,609,213)	(137,306)	
(212,488)	(196,662)	(6,392,390)	150,507	
-	-	6,683,518	-	
320,160	14,872	367,655	68,709	
(44,057)	-	(18,199,215)	(983,453)	
-	-	-	92,207	
-	(63,126)	(63,126)	-	
-	(2,379)	(159,078)	-	
-	-	(826,269)	-	
276,103	(50,633)	(12,196,515)	(822,537)	
(3,741,471)	(1,421,133)	(64,421,358)	(13,188,844)	
2,090,470	834,407	59,741,745	12,604,326	
93,457	37,466	2,245,323	502,135	
(1,557,544)	(549,260)	(2,434,291)	(82,383)	
204,503	51,814	(2,072,199)	361,464	
195,202	77,914	5,578,505	1,176,955	
\$ 399,705	\$ 129,728	\$ 3,506,306	\$ 1,538,419	
\$ 1,022,003	\$ 209,443	\$ 7,670,117	\$ 610,471	
657,259	671,870	11,559,724	1,067,567	
118,362	(17,970)	(183,411)	671,259	
35,956	73	(164,114)	13,130	
(135,147)	(15,047)	68,680	(1,246,551)	
676,429	638,926	11,280,880	505,405	
\$ 1,698,432	\$ 848,369	\$ 18,950,996	\$ 1,115,877	
\$ -	\$ -	\$ 348,729	\$ -	

CITY OF LOVELAND, COLORADO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

ASSETS

Equity in Pooled Cash and Cash Equivalents	\$	63,642
Equity in Pooled Investments		684,209
Accrued Interest		2,872

Total Assets	\$	750,723
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LIABILITIES

Due to Improvement District	\$	750,723
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Total Liabilities	\$	750,723
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The notes to the financial statements are an integral part of this statement.

CITY OF LOVELAND, COLORADO

Notes to Financial Statements

December 31, 2011

Note 1: Summary Of Significant Accounting Policies

The City of Loveland is a Colorado Home Rule City operating under a charter provided by the authority of the Constitution of the State of Colorado, and adopted by its citizens on May 21, 1996. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, museum, library, parks and recreation, public improvements, planning and zoning, electrical power, water, wastewater, stormwater, solid waste collection, cemetery, and general administrative services.

The accounting policies of the City of Loveland conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

Management has considered all potential component units in defining the City for financial reporting purposes. As required by generally accepted accounting principles, these financial statements present the City of Loveland (the primary government) and its component units. None of the component units issue a separate report. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City:

Blended Component Units

1. General Improvement District (GID) #1: This District is reported as a Special Revenue Fund. The District provides for the operation, maintenance, and construction of downtown parking lots and landscaping. The City Council serves as an ex-officio Board of Directors.
2. Loveland/Larimer Building Authority (LLBA): This Authority is reported as a Special Revenue Fund. The Authority is responsible for the maintenance of the Police and Courts Building. Expenses are paid by the City and Larimer County based on square-foot usage with the City being the primary user. The Authority is governed by a three-member board consisting of the City Manager, County Manager, and one other volunteer board member.
3. Loveland Urban Renewal Authority (LURA): This Authority is reported as a Special Revenue Fund. The Authority receives tax increment financing for property and sales taxes within its boundaries and uses that revenue source for urban renewal projects. The City Council also serves as the governing board of LURA.

Joint Ventures

1. Fort Collins-Loveland Municipal Airport (hereinafter referred to as "Airport"): The Airport is jointly owned and operated by the cities of Loveland and Fort Collins, Colorado. Annual contributions are made by both Cities to subsidize expenditures in excess of revenues for operations and to enhance the value of the Airport. As of December 31, 2011, ownership was (based on contributed capital): Fort Collins 50%, and Loveland 50%. Separately-issued financial statements are available upon request from the Accounting Division at the City of Loveland, Civic Center, 500 East Third Street, Loveland, Colorado, 80537.
2. Platte River Power Authority (PRPA): On September 5, 1974, the City of Loveland, Colorado entered into a contract with PRPA wherein PRPA provides electrical power and energy to the City. Under the terms of the agreement, the rate charged by PRPA is reviewed annually and revised as necessary to provide sufficient revenues to enable Platte River to make payments of principal and interest on its indebtedness.

On June 3, 1975, Ordinance 1427 authorized the creation of the PRPA as a separate governmental entity with the Cities of Fort Collins, Longmont, Loveland, and Estes Park as participants. The PRPA is governed by an eight-member Board. Each city has two members on this Board. These members are appointed by the respective City Councils.

Separately-issued financial statements for PRPA are available from its corporate headquarters at PRPA, 2000 East Horsetooth Road, Fort Collins, Colorado, 80525.

The City does not have an equity interest in any of the joint ventures in which it participates. None of the joint ventures are accumulating financial resources or are experiencing fiscal stress that are expected to create a significant financial benefit or burden on the City in the foreseeable future.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide and Fund Financial Statements

The City government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. *Governmental Activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-Type Activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following Major Governmental Funds:

1. **General Fund**: This is the City's primary operating fund. It accounts for all activities of the general government, except those required to be accounted for in another fund.
2. **Capital Expansion Fee (CEF) Fund**: This is a Capital Projects Fund that accounts for the expansion of general city facilities. Revenue is derived from fees specifically for the expansion of city facilities collected as part of the building permit process.
3. **Loveland Urban Renewal Authority (LURA)**: This Special Revenue Fund accounts for tax increment financing and operating costs of the Authority.
4. **Capital Projects Fund**: This Fund accounts for the major capital improvements of the City. Substantially all revenues are transfers from other funds.

Proprietary Funds: These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The City also recognizes as operating revenue in the utility funds the portion of tap fees intended to recover the cost of connecting new customers to the system. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following Proprietary Funds as major:

1. **Water Fund:** This Fund accounts for all activities necessary for the operation, maintenance and improvements of the water utility.
2. **Wastewater Fund:** This Fund accounts for all activities necessary for the operation, maintenance and improvements of the wastewater utility.
3. **Stormwater Fund:** This Fund accounts for all activities necessary for the operation, maintenance and improvements of the storm drainage utility.
4. **Power Fund:** This Fund accounts for all activities necessary for the operation, maintenance and improvements of the electric utility.
5. **Solid Waste Collection Fund:** This Fund accounts for all activities necessary for the operation and maintenance of the refuse/recycling collection program.
6. **Golf Fund:** This Fund accounts for all the activities necessary for the operation, maintenance and improvements of the City's three golf courses.

Additionally, the City reports the following fund types:

1. **Internal Service Fund:** This Fund accounts for services provided to other departments or agencies of the City on a cost-reimbursement basis for the employee benefits, risk and insurance, and vehicle maintenance.
2. **Agency Funds:** These funds (Loveland Special Improvement District #1) account for the special assessment collection for and debt service of the District's special assessment debt.
3. **Fiduciary Funds:** These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets the City holds for others in an agency capacity.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided.

The City applies all applicable GASB pronouncements as well as the private-sector pronouncements issued on or before November 30, 1989, to the government-wide and proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their Business-Type Activities and Enterprise Funds, subject to the same limitation. The City has elected to not follow subsequent private-sector guidance.

Internally-dedicated resources are reported as general revenues rather than as program revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Reconciliation of the fund financial statements to the government-wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

C. **Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in the subsequent year in two installments on February 28 and June 15, or in total on April 30. Property taxes are billed and

collected by Larimer County, Colorado. Taxes for the following year are levied no later than December 15 and are recorded as a receivable with a corresponding offset to deferred revenue.

D. Cash and Investments

The City's investment policy authorizes investments in accordance with state statutes for investing of public funds. Current investment holdings of the City include Money Market Funds, Certificates of Deposit, Government Investment Pool, Corporate Securities, US Treasury Notes, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bureau obligations stated at fair value. The local government investment pools are under the regulatory oversight of the Colorado Securities Commissioner. The fair value of the City's position in the pool is the same as the value of the pool shares. Investments are not made in any derivative types of arrangements.

Investments are stated at fair value.

For purposes of the statement of cash flows, the City defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less. Cash equivalents are both readily convertible to cash and are so near their maturity that they present insignificant risk of change in value due to interest rate changes.

E. Receivables/Payables

Interfund

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is expected to be liquidated after one year, they are classified as Interfund Loan Receivable/Payable.

Receivables

Receivables consist primarily of sales and use tax and other miscellaneous receivables. Receivables are reported net of allowance for uncollectable accounts. At December 31, 2011, the allowance for uncollectable accounts was \$834,381.

F. Inventories

All inventories are stated at cost on a First-In-First-Out (FIFO) basis. Proprietary Funds' inventories consist of supplies purchased for consumption which will be expensed when actually consumed.

G. Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City's policy is to record all capital assets with an initial cost of at least \$5,000. Interest costs are expensed as incurred and, therefore, not capitalized. The City developed a Capitalization Policy that defines the recording of capital assets in accordance with Generally Accepted Accounting Principles. The Capitalization Policy includes a physical inventory count of capital assets by fund and department in a three-year cycle. In 2011, the three-year cycle of physical inventories began which included general fixed assets, the Fleet fund and Water fund.

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. Improvements are capitalized and depreciated over the useful lives of the related capital assets, as applicable. Public domain ("infrastructure") capital assets consisting of roads, streets and sidewalks, bridges and lighting and traffic signal systems are capitalized as a separate category.

Assets are depreciated using the six month convention method on a straight line basis. Depreciation expense is reflected as an operating expense in the government-wide statement of activities and proprietary funds.

Estimated useful lives for asset types are as follows:

Improvements Other Than Buildings	12-50 years	Buildings	20-50 years
Equipment	3-20 years	Infrastructure	10-100 years

H. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits and compensation time balances. All accumulated vacation and compensation time balances and a portion of accumulated sick leave based on longevity are paid to the employee upon separation of service. These liabilities are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the Governmental Funds only if they are payable as a result of employee resignations and retirements. The liability for Governmental Funds compensated absences is typically liquidated by the General Fund.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund type statement of net assets. Bond premiums, and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Deferred Revenue

Deferred revenue consists of resources received in the current period that are for services to be rendered in future periods or which contain restrictions that have not been fulfilled in the current period. Deferred revenue also includes property tax revenue that is levied on property currently within City limits but not due and payable until the subsequent year.

K. Reclassification

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 2: Cash And Investments

Cash and investments at December 31, 2011, consisted of the following:

Deposits	\$	5,970,871
Donated Stock		213,472
Investments		189,793,354
Total	\$	<u>195,977,697</u>

Deposits and investments are displayed within this report as follows:

Cash	\$	7,119
Equity in Pooled Cash and Cash Equivalent		12,774,194
Equity in Pooled Investments		138,935,299
Equity in Restricted Investments		43,513,234
Cash & Investments – Agency Funds		747,851
Total	\$	<u>195,977,697</u>

A. Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. The State banking commissioner regulates the eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. On November 9, 2011, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors including government entities.

B. Investments

The City has an investment policy which specifies the investment instruments including rating, maturity and concentration risk criteria in which the City may invest. These investment instruments include:

- Obligations of the United States and certain US Agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Commercial paper
- Corporate or bank issue debt
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market accounts
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2011, the City had the following investments:

Investment Type	Standard and Poor's Rating	Investment Maturities (in Years)					Total
		Less than 1	1-3	4-5	More than 5		
<i>Governmental and Business-Type Activities</i>							
Money Market Funds	N/A	\$ 9,733,290	\$ -	\$ -	\$ -	\$ -	\$ 9,733,290
Local Government Investment Pool	AAA/AAAm	11,545,850	-	-	-	-	11,545,850
U.S. Treasury Notes	N/A	-	1,033,245	-	-	-	1,033,245
U.S. Agency Securities	AA+	5,071,089	20,937,795	119,876,924	-	-	145,885,808
Corporate Bonds	A/A+/AA+	4,023,155	15,375,993	-	-	-	19,399,148
Foreign Issues	A+	0	1,448,161	-	-	-	1,448,161
Total		\$ 30,373,384	\$ 38,795,194	\$ 119,876,924	\$ -	\$ -	\$ 189,045,503
<i>Fiduciary Funds</i>							
Money Market Funds	AAAm	\$ 38,504	\$ -	\$ -	\$ -	\$ -	\$ 38,504
Local Government Investment Pool	AAA/AAAm	45,675	-	-	-	-	45,675
U.S. Treasury Notes	N/A	-	4,087	-	-	-	4,087
U.S. Agency Securities	AA+	20,061	82,827	474,226	-	-	577,114
Corporate Bonds	A/A+/AA+	15,915	60,827	-	-	-	76,742
Foreign Issues	A+	0	5,729	-	-	-	5,729
Total		\$ 120,155	\$ 153,470	\$ 474,226	\$ -	\$ -	\$ 747,851

1. Local Government Investment Pools: At December 31, 2011, the City had \$11,037,832 invested in Colotrust and \$553,693 in Colorado Surplus Asset Fund Trust (CSafe), investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. The Pools operate similarly to a money market fund with each share equal in value to \$1.00. The Pools are rated AAA/AAAm by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify

the investments owned by the participating governments. Financial statements can be obtained at www.csafe.org and www.colotrust.com.

2. **Interest Rate Risk:** State statutes and the City’s Investment Policy limit investments in US Treasury and Agency securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State Statutes and the City’s Investment Policy require all repurchase agreements with a maturity of less than 5 years and collateralized with securities allowed by statute at no less than 102% of fair value. State statutes and the City’s Investment Policy limit investments in corporate bonds to an original maturity of three years or less.
3. **Credit Risk:** State statutes limit investments in US Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO. State statutes limit investments in corporate bonds to a minimum credit rating of “AA or Aa3” by two or more NRSROs.
4. **Custodial Credit Risk:** The City’s Investment Policy requires that securities purchased from any bank or dealer, including appropriate collateral, be placed with an independent third party for custodial safekeeping. The City has entered into an agency agreement with US Bank-Denver to establish an Investment Management Account pursuant to Colorado Revised Statutes. The City’s pooled cash is invested in this account. The Bank purchases investments for the City and maintains an internal accounting record of all investments of the City. All investment transactions are approved by City management. All investments, held and maintained by the Trust Department of the Bank, are specifically separate from the investments of the bank and are identified as being investments of the City of Loveland. Investments of Loveland Special Improvement District #1 are held by other banks in their Trust Departments and are also specifically identified as being investments of the City of Loveland.
5. **Concentration of Credit Risk:** The City’s Investment Policy does not limit the amount the City may invest in one issuer. The City had investments in US agency securities greater than 5% of its total portfolio as follows: Federal Home Loan Bank (19%), Federal National Mortgage Corporation (34%), Federal Home Loan Mortgage Corporation (16%), and Federal Farm Credit Bank (5%).

C. Restricted Investments

Investments of \$43,513,234 have been restricted in the Parks and Recreation Improvement Fund, General Fund and certain enterprise funds for capital projects.

Note 3: Interfund Receivables, Payables, And Transfers

Interfund balances at December 31, 2011, were as follows:

Due From	Due to	Amount
CDBG Fund	General Fund	\$ 1,663
	Total Due To General Fund	\$ 1,663

Interfund balance due to the General Fund is for borrowings to cover deficit cash balances until reimbursements are received in the following year.

Advance From	Advance To	Original Amount	Accrued Interest	Principal Payments	Principal Balance at 12/31/2011
Water Fund	Wastewater Fund	\$ 1,500,000	\$ 262,360	\$ 918,301	\$ 844,059
CEF Fund	General Fund	\$ 4,850,000	\$ -	\$ -	\$ 4,850,000

In 2004, \$1,500,000 was advanced from the Water Fund to the Wastewater Fund to finance needed improvements related to the Wastewater collection system. Yearly payments began in 2009. A payment of \$440,000 is scheduled for 2012.

In 2007, City Council approved an interfund loan of \$4,850,000 from the CEF Fund to the General Fund for a land purchase of approximately 98 acres. The General Fund will make interest only payments through 2012 and will begin payments on the principal in 2013.

General Fund Payment Schedule				
	Beginning Balance	Principal	Interest	Total Payment
2011	\$ 4,850,000	\$ -	\$ 97,485	\$ 97,485
2012	4,850,000	-	91,665	91,665
2013	4,850,000	865,000	92,150	957,150
2014	3,985,000	922,000	103,610	1,025,610
2015	3,063,000	970,000	94,953	1,064,953
2016	2,093,000	1,016,000	69,069	1,085,069
2017	1,077,000	1,077,000	39,849	1,116,849
Total	\$ -	\$ 4,850,000	\$ 588,781	\$ 5,438,781

Interest Rate Projections*

2012	2013	2014	2015	2016	2017
1.89%	1.90%	2.60%	3.10%	3.30%	3.70%

*Interest rate will be adjusted annually based on the performance of the City’s portfolio for the previous 12 months (same criteria as established in the City Charter Section 13.3(b) for interfund loans that involve utility funds)

Transfers between funds were as follows:

Transfers To: Transfers From:	General Fund	General Fund	Capital Projects	CEF's	Water	Waste Water	Storm Water	Power	Internal Services	Totals
General	\$ -	\$ -	\$ 4,327,045	\$ -	\$ 44,196	\$ 18,777	\$ 3,786	\$ 30,075	\$ 157,474	\$ 4,581,353
General	-	-	-	97,485	-	-	-	12,139	-	109,624
Capital Projects	-	92,441	-	-	-	-	-	-	-	92,441
CEF's	-	-	6,531,365	-	-	-	-	-	-	6,531,365
Water	70,000	-	4,138,906	-	-	-	-	-	-	4,208,906
Water	492,620	19,624	-	-	-	-	-	-	109,716	621,960
Wastewater	385,725	26,893	-	-	-	-	-	-	3,094	415,712
Storm Water	292,801	25,243	-	-	-	-	-	48,750	-	366,794
Power	540,646	32,787	-	-	-	-	-	-	13,258	586,691
Solid Waste	149,117	-	-	-	-	-	-	59,100	4,271	212,488
Golf	196,662	-	-	-	-	-	-	-	-	196,662
Lodging Tax	3,000	-	-	-	-	-	-	-	-	3,000
Internal Services	-	-	137,306	-	-	-	-	-	-	137,306
Totals	\$2,130,571	\$ 196,988	\$15,134,622	\$ 97,485	\$ 44,196	\$ 18,777	\$ 3,786	\$ 150,064	\$ 287,813	\$ 18,064,302

- Transfer for services rendered
- Transfer for General Fund, CEF Fund, and Conservation Trust Fund portions of projects accounted for in the Capital Projects Fund
- Transfer for payment of interfund loan from General Fund to Fire CEF
- Transfer for 1% for Arts in Public Places
- Transfer for backfill of building permit vouchers
- Transfer for Unemployment Insurance, Vehicle Maintenance & Repair and Snow & Ice Chemicals
- Transfer for Cultural Services exhibit

Note 4: Pollution Remediation

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB Statement No. 49 does not require the City to search for pollution, it does require the City to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the City is compelled to take action;
- The City is in violation of a pollution related permit or license;
- The City is named or has evidence that it will be named as responsible party by a regulator;
- The City is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The City commences or legally obligates itself to conduct remediation activities.

During the fiscal year, the City purchased an old dry cleaners site that had soil contamination due to chemical seepage. The City has recorded a liability of \$300,000 to take care of the cleanup. The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the City's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 34,370,806	\$ 944,307	\$ -	\$ 35,315,113
Easements	12,612	19,088	-	31,700
Water Rights	1,652,345	-	19,625	1,632,720
Art Collection	4,608,184	267,714	-	4,875,898
Construction in Process	24,504,247	9,981,284	13,133,994	21,351,537
Total Capital Assets, not being depreciated	65,148,194	11,212,393	13,153,619	63,206,968
Capital Assets, being depreciated				
Buildings	42,014,565	7,726,696	-	49,741,261
Equipment	30,556,389	2,192,282	1,792,672	30,955,999
Improvements Other Than Buildings	31,376,972	1,899,924	24,447	33,252,449
Infrastructure	233,050,998	10,063,504	-	243,114,502
Total Capital Assets, being depreciated	336,998,924	21,882,406	1,817,119	357,064,211
Less accumulated depreciation for:				
Buildings	14,425,861	1,205,999	-	15,631,860
Equipment	22,424,283	2,259,099	1,532,637	23,150,745
Improvements Other Than Buildings	11,897,004	1,333,084	24,447	13,205,641
Infrastructure	57,154,116	8,150,720	-	65,304,836
Total Accumulated Depreciation	105,901,264	12,948,902	1,557,084	117,293,082
Total capital assets, being depreciated, net	231,097,660	8,933,504	260,035	239,771,129
Governmental activities capital assets, net	\$ 296,245,854	\$ 20,145,897	\$ 13,413,654	\$ 302,978,097

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 3,075,664	\$ -	\$ -	\$ 3,075,664
Easements	1,992,876	87,323	-	2,080,199
Water rights	55,377,251	4,879,400	-	60,256,651
Construction in process	11,519,004	11,446,813	2,080,331	20,885,486
Total Capital Assets, not being depreciated	71,964,795	16,413,536	2,080,331	86,298,000
Capital Assets, being depreciated				
Buildings	11,753,072	71,574	-	11,824,646
Equipment	17,195,077	1,312,137	810,804	17,696,410
Improvements Other Than Buildings	279,006,030	2,809,234	409,683	281,405,581
Infrastructure	88,345,328	1,789,368	2,227,140	87,907,556
Total Capital Assets, being depreciated	396,299,507	5,982,313	3,447,627	398,834,193
Less accumulated depreciation for:				
Buildings	3,790,943	298,638	-	4,089,581
Equipment	10,414,552	1,421,262	802,874	11,032,938
Improvements Other Than Buildings	74,491,774	7,964,400	409,683	82,046,495
Infrastructure	20,697,620	1,875,424	1,436,146	21,136,897
Total accumulated depreciation	109,394,889	11,559,724	2,648,703	118,305,911
Total capital assets, being depreciated, net	286,904,618	(5,577,411)	798,924	280,528,282
Business-type activities capital assets, net	\$ 358,869,413	\$ 10,836,125	\$ 2,879,255	\$ 366,826,282

Depreciation expense was charged to programs of the City as follows:

Governmental Activities		Business-Type Activities	
Executive	\$ 5,616	Water	\$ 3,754,550
Library	280,245	Wastewater	1,896,422
Finance	5,241	Stormwater	1,335,363
Information Technology	146,623	Power	3,244,260
Human Resources	10,287	Solid Waste	657,259
Development Services	2,898,902	Golf	671,870
Public Works	5,531,814	Total Business-Type Activities	\$ 11,559,724
Police	552,091		
Fire	322,880		
Parks & Recreation	1,898,560		
Cultural Services	101,989		
Nondepartmental	127,087		
Internal Service Fund	1,067,567		
Total Governmental Activities	\$ 12,948,902		

Note 6: Long-Term Debt

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Balance			Balance	
	12/31/10	Additions	Reductions	12/31/11	Due within One Year
Governmental Activities					
Compensated Absences	\$ 4,333,676	\$ 2,298,430	\$ 2,486,719	\$ 4,145,387	\$ 2,279,963
Oversizing Agreements	5,609,902	-	618,293	4,991,609	398,000
Total	9,943,578	2,298,430	3,105,012	9,136,996	2,677,963
Business-Type Activities					
Capital Lease	93,363	-	63,126	30,237	30,237
Compensated Absences	1,609,900	793,860	889,699	1,514,061	832,734
Oversizing Agreements	3,387	-	3,387	-	-
Total	\$ 1,706,650	\$ 793,860	\$ 956,212	\$ 1,544,298	\$ 862,971

A. Capital Lease

During 2004, the City (lessee) and UpLink Corporation (lessor), entered into an agreement for financing the acquisition of a tracking and communications system and equipment for use at the Mariana Butte Golf Course and The Olde Course at Loveland. The purchase price totaled \$453,147 with a 96-month term and an option to purchase for \$1.00 at the lease maturity.

	Business-Type
Total Equipment	\$ 453,147
Accumulated Depreciation	(453,147)
Net Book Value	\$ -

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

Year Ending December 31:	Business-Type
2012	\$ 30,553
Total Minimum Lease Payments	30,553
Less: Interest	(316)
Present Value of Net Minimum Lease Payments	\$ 30,237
Current Portion	\$ 30,237
Long-Term Portion	-
Total	\$ 30,237

B. Special Assessment Bonds

The City has also authorized the issuance of Special Assessment Bonds Series 2007 for Special Improvement District #1. The City is not obligated in any manner for this debt. This debt will be serviced by special assessments paid by the property owners with the District. The outstanding balance of the bonds at December 31, 2011 was \$7,290,000.

C. Developer Oversizing Agreements

The City has a number of outstanding agreements with developers requiring the City to reimburse the developers for the cost of oversizing public improvements, which, are initially completed at the developer's expense. As of December 31, 2011, the City had oversizing agreements for transportation and water. The City appropriates money annually to make payments on developer agreements with a target of having the agreement paid off by the time the improvement would have been scheduled for construction in the capital improvements program. Contractually, the only agreements with a stated payment plan are the Waterford Place 2nd project and the US Highway 287 and 57th Street Intersection project. No amount shall be due to developers in any year in which funds have not been appropriated.

Under Municipal Code 16.41.110, the City references the Larimer County Urban Area Street Standards regarding required interest payments to developers on required but unnecessary street oversizing improvements. The street developer may be paid interest at the same rate that the City is earning on its pooled investments during the reimbursement period beginning three months after City acceptance of the approved oversizing street improvements until reimbursement is completed. There are currently three street oversizing improvement agreements that include interest payment requirements.

The City is not contractually obligated to pay interest on the current water oversizing developer agreement.

The City's Oversizing Developer Agreement Schedule at December 31, 2011 is as follows:

Project	Date of Contract	Orig. Contract Amount	Jan 1, 2011 Balance	Contract Changes	Contract Additions	Contract Payments	Dec 31, 2011 Balance
*Waterford Place 2nd Sub	12/13/02	\$ 507,205	\$ 400,867	\$ -	\$ -	\$ -	\$ 400,867
Kendall Brook Taft Ave (43rd St to 57th St)	9/7/04	425,899	112,899	-	-	-	112,899
Blackbird Knolls 2nd Sub	5/2/05	307,337	307,337	-	-	-	307,337
US 287 & 57th St. Intersection	10/31/05	2,212,500	336,585	-	-	168,293	168,292
Fairgrounds Ave.	8/7/06	727,370	569,220	-	-	225,000	344,220
*Taft and 14th St. SW Intersection	2/6/07	358,706	358,706	-	-	-	358,706
Mtn. Lion Dr & US 34 Accel. Lane	2/8/07	117,392	117,392	-	-	-	117,392
Highway 34 @ Sculptor	4/13/07	1,154,569	1,154,569	-	-	-	1,154,569
Sculptor South of US34	4/13/07	431,271	431,271	-	-	-	431,271
Thompson 2nd Subdivision	9/24/07	313,874	313,874	-	-	-	313,874
*Crossroads Blvd - I-25 to CR 5 (old EN0313,	11/6/07	2,000,000	842,653	-	-	225,000	617,653
43rd Street West of Wilson	8/22/08	664,529	664,529	-	-	-	664,529
Street Oversizing Agreements		\$ 9,220,652	\$ 5,609,902	\$ -	\$ -	\$ 618,293	\$ 4,991,609
Thompson 2nd Subdivision	06/13/07	\$ 22,116	\$ 3,387	\$ -	\$ -	\$ 3,387	\$ -
Millennium SW 14th	12/12/11	17,534	-	-	17,534	17,534	-
Water Oversizing Agreements		\$ 39,650	\$ 3,387	\$ -	\$ 17,534	\$ 20,921	\$ -
TOTAL DEVELOPER AGREEMENTS		\$ 9,260,302	\$ 5,613,289	\$ -	\$ 17,534	\$ 639,214	\$ 4,991,609

* Interest applies to these contracts.

Note 7: Contractual Obligations

On May 22, 2007, the City entered into an intergovernmental agreement with the Loveland Urban Renewal Authority (LURA), the General Improvement District #1 (GID), Lincoln Place Metropolitan District (District), and Lincoln Place LLC (Developer). Pursuant to the agreement, the City is to reimburse the developer for public infrastructure improvement costs from certain property tax increment revenues collected within the Finley's Addition Plan Area.

The Developer is to be reimbursed 100% of the property tax increment revenues during the term or up to the maximum reimbursement amount, whichever is earlier, provided that the City receives the first \$66,000 of reimbursable property tax increment revenues to pay for deferred use taxes which were originally owed to the City for the construction materials used in building the public improvements.

During 2010, the Developer sold the residential portion of Lincoln Place Apartments (Project) to Wolff Loveland Apartments, LLC and Wolff Loveland Apartments II, LLC (collectively, Wolff). The Developer filed a declaration to create condominium units within the Project and sold those units to Wolff which included the exclusive right to receive payments of the remaining tax increment revenues in accordance with the agreement.

The terms of the agreement and the remaining amounts committed are detailed as follows:

Maximum Reimbursement	Agreement Termination Date	Deferred Use Taxes Paid	Amount Paid as of December 31, 2011	Remaining Amount Committed
\$917,456	February 5, 2015	\$ 66,000	\$ 490,615	\$ 360,841

Master Financing Agreement

On January 20, 2004, the Master Financing Agreement (MFA) was entered into between the City, Centerra Metropolitan District #1 (District), the Loveland Urban Renewal Authority (LURA), Centerra Properties West LLC (Developer), Centerra Public Improvement Collection Corporation, and Centerra Public Improvement Development Corporation. The MFA's intent was to establish an agreement for the City and the LURA to participate financially in the construction of public improvements through the use of new property and sales tax revenues generated from the approximately 1300 acres of land at the northwest and northeast corners of the Interstate 25 and US Highway 34 interchange (the Commercial Area). Pursuant to the MFA, the LURA pledges to pay the District the net tax

increment revenues for the purpose of financing certain public and regional improvements. The TIF allocation terminates the earlier of the date the LURA obligation is paid or 25 years after the LURA commencement date of January 20, 2004. The MFA also requires the recording of the Public Improvement Fee (PIF) Covenant against all of the property within the Commercial Area to provide for the imposition of a Public Improvement Fee. In connection with the PIF, the City agrees in the MFA to grant a sales tax credit against the collection of 1.25% of its 3.0% sales tax on taxable sales transactions occurring within the Commercial Area.

Note 8: Police Seizure Funds

Police, a department of the General Fund, receives proceeds from the seizure of contraband. These funds must be used for the specific purpose of law enforcement activities. State Statute requires the formation of a committee on disposition of forfeited property. The committee accepts and spends forfeiture proceeds without the approval from the City Council. A \$50,000 overtime grant from Northern Colorado Drug Task Force, passing through the City of Fort Collins, was received and spent during 2011. Total revenues received were \$50,411 and expenditures were \$50,153 leaving an ending fund balance of \$2,315.

Note 9: Unconditional Purchase Obligations

The City is a participant in the Municipal Subdistrict, Northern Colorado Water Conservancy District. The purpose of the Subdistrict is to provide supplemental water supply to the participants through the construction of the Windy Gap Project. This project consists primarily of a dam, pumping plant, and pipeline to divert water into the Colorado-Big Thompson Federal Reclamation Project. Loveland currently owns 40 of the 480 total units, therefore making the City an 8.3% participant in the Subdistrict. Since the Subdistrict’s formation in 1970, the City has invested \$21,729,135 in the project.

The Subdistrict issued bonds in 1981 to finance the Windy Gap Project. The bonds have since been refinanced. The participants have agreed to service this debt and pay operating expenses through water allotment contracts. The water allotment contracts are not debts of the participants and do not obligate them to make payments from taxes which would be otherwise available for the general purposes of the participants. The contracts merely authorize the Subdistrict to levy and collect within the boundaries of the participants assessments of the Subdistrict. If the participants fail to make the payments required by these contracts, the Subdistrict may assess the property owners within the City directly. The City's required payments to service the debt through the year 2017 follow:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2017</u>
\$ 826,955	\$ 826,918	\$ 826,625	\$ 827,502	\$ 1,699,042

The City has restricted a portion of its pooled investments to fully fund this commitment.

Note 10: Commitments And Contingencies

A. Risk Management

The City uses a combination of large deductibles, participation in an insurance pool, and insurance coverage. For insured risks, no settlements have exceeded coverage during the past three fiscal years. The activity for City risk functions is accounted for in the Risk & Insurance Fund and the Employee Benefits Fund, which are components of the combined Internal Service Fund. The Internal Service Fund also includes the Fleet Replacement and Vehicle Maintenance Funds.

The City participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA) for property and liability. CIRSA is a separate and legal entity which was formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, 29-1-201 et. seq., 29-13-102, 84-44-101(1)(c) and (3), and 84-44-204, C.R.S., as amended, and Colorado Constitution, Article XIV, Section 18(2). Membership is restricted to Colorado municipalities which are members of the Colorado Municipal League. Workers’ compensation is obtained through Pinnacle Assurance.

The purposes of CIRSA are to provide coverage and related services for its member municipalities through joint self-insurance and excess insurance. It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with

the bylaws, any member of CIRSA against stated liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs.

All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The board of directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency.

In 2011, the deductible paid by the City for property, and auto physical damage is \$250,000 per occurrence. The deductible paid by the City for liability claims is \$200,000.

The deductible paid by the City for workers' compensation in each incident is \$200,000, with loss amounts over \$200,000 paid by Pinnacol. Pinnacol also provides the City with a workers' compensation employers' liability limit of \$2,000,000.

The Employee Benefits Fund provides dental coverage for employees and is fully self-insured. Health insurance is self-insured up to stop-loss coverage which is purchased from insurance companies. Estimated liabilities for claims incurred but not reported (IBNR) at year end, are shown as accrued liabilities in the fund. These estimates are based on projections from historical claims data. Administrative costs of preparing these estimates are not included in the accrual of these liabilities. Short-term and Long-term Disability and Life Insurance coverage are purchased through premiums paid to insurance companies. Individual stop-loss coverage reduces the City's risk by shifting responsibility for large claims to the stop-loss provider. Claim amounts paid in excess of \$150,000 for a covered individual in a calendar year are reimbursed to the City by the stop-loss provider. Aggregate stop-loss coverage is also applicable and protects the City against high total claims for the healthcare plan. The Employee Benefits Fund has \$5,660,118 in fund balance for employee benefit claims.

The Risk & Insurance Fund provides protection against losses involving City property, equipment, liability, workers' compensation, environmental issues and unemployment. Reserves within the fund support higher deductibles against loss. Payments to CIRSA and Pinnacol for coverage under the insurance pool are shown as expenses within the fund. Charges for services are collected from City departments based on amounts determined by management to meet annual required payouts and to maintain self-insurance reserves. Accrued liabilities are recorded for incurred claims based on estimates made by CIRSA and Pinnacol. Additional contingent liability claims for the coverage have not been recognized after reviewing claims history due to the remoteness of potential loss in excess of actual contributions.

The Risk & Insurance Fund has \$4,675,099 in fund balance for property casualty losses. The combined fund balance of the Risk & Insurance Fund and Employee Benefits Fund, available to cover catastrophic losses, totals \$10,335,217.

Changes in the balances of claims liabilities during current and prior years are as follows:

Description	Dec. 31, 2011	Dec. 31, 2010
Unpaid Claims - Beginning	\$ 1,142,529	\$ 1,359,821
Incurred Claims (includes IBNR's)	7,594,967	8,178,274
Claims Paid	(7,973,203)	(8,395,565)
Unpaid Claims Ending	\$ 764,293	\$ 1,142,530

B. Construction Commitments

At December 31, 2011 the City had several construction projects in process. The most significant of these are as follows:

Project	Budget	Cost to date
Library Expansion	\$11,016,500	\$7,277,394
MeHaffey Park	7,190,000	26,001
I-25 & Crossroads Interchange	6,386,160	5,408,400
Waste Activated Sludge Thickening	4,923,918	3,445,002
Washington Avenue Outfall Phase 4	3,902,985	3,387,452
Rialto Theater Center	\$2,097,700	\$2,036,015

C. Contingent Liabilities

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City, including the case described below.

Edward and Stephen Klen, et. al. v. City of Loveland, et. Al.

The Klens, along with Diverse Construction and Holstein Self-Service Storage (Plaintiffs), filed an action against the City of Loveland and various City employees alleging violation of their civil rights for unreasonable search and seizure from an alleged trespass and an illegal “secret” inspection of their property by a building official. The Klens also alleged violation of their due process rights through an alleged conspiracy to fabricate evidence against them; wrongful withholding of building permits; conspiracy to trespass onto their property; and violation of their First Amendment rights in retaliation for exercise of their right to free speech. The initial Complaint was filed in federal court on February 16, 2007 whereas the City, through its CIRSA attorneys, Hall & Evans, filed a Motion to Dismiss. Thereafter a series of amended complaints, additional motions and appeals ensued.

On November 15, 2011, the Court of Appeals issued an opinion regarding the claims dismissed by the District Court and pursued on appeal by the Klens. That opinion reinstated claims against the City for first amendment retaliation, a due process violation and a fourth amendment illegal search violation. The basis for each such reinstated claim derived from earlier allegations by the Klens about the sequence of events surrounding their effort to secure a building permit and subsequent developments. The Tenth Circuit also reinstated claims for first amendment retaliation against City employees and one claim against a city employee involving an allegedly false affidavit. The Tenth Circuit decision prompted the District Court to set a trial of this matter to commence on June 11, 2012 with regard to the reinstated claims. Activities are underway to defend the City and its employees with regard to all such claims. There is also a pending motion regarding a share of such claims, to the extent that individual employees remain defendants that might result in dismissal of some such claims on grounds not determined by the Tenth Circuit decision.

The City persists in the belief that the remaining claims are unfounded, as were all such claims that were earlier dismissed by the Courts. Because of the remaining factual disputes, a jury may need to sort out the facts before a final decision can be reached. The Klens persist with their allegations that more than a million dollars in damages can be proven. There would also be need to address a claim for attorney fees and costs if the Klens were to prevail at trial. Such prospects could lead the parties to reach a settlement in this matter, rather than incur the risks and ongoing legal costs of trying the matter. The City exceeded its deductible of \$200,000 with CIRSA. Some of the claims alleged by the Plaintiffs, if successful, may not be covered by insurance, including claims involving purported willful and deliberate misconduct or damages caused by alleged retaliation by the City personnel, involved with issuing multiple summonses against the Plaintiffs and failing to issue Plaintiffs their requested building permit, as well as costs and fees. Plaintiff’s willingness to settle this matter remains unknown, and it is difficult to predict what might satisfy Plaintiffs as a settlement now that the Tenth Circuit decision is available. The Plaintiffs earlier demands (for very significant amounts) make a settlement seem unlikely. The parties are discussing whether a settlement conference or mediation effort would be beneficial in the face of such circumstances.

Note 11: Retirement Commitments

A. Defined Contribution Plans

The City participates in single-employer pension plans for all full-time regular employees that were established (and may be amended) by City Council. Contribution requirements are determined by City Council for the defined contribution plans. All employee contributions vest immediately.

All current full-time employees participate in defined contribution plans. All plans are 401(a) money purchase plans.

1. **Police**: All certified officers of the Police Department must participate from the date of hire. The plan is administered by Principal Financial Group. City contributions vest with the officers after five years of employment.
2. **Fire**: All paid firefighters must participate from the date of hire. The plan is administered by Pension Management Associates. City contributions vest with the firefighters at the rate of 20% after two years of employment and increase by 20% for each additional year until fully vested after six years.
3. **Nonuniformed Employees**: All full-time regular employees other than those covered by the above plans must participate after completion of six months of employment. The plan is administered by Great West Life & Annuity Insurance Company. City contributions vest with the employees after three years of employment.

Contribution requirements and amounts contributed during 2011 are as follows:

	Police Officers	Firefighters	Non-uniformed Employees
Required Contribution Rate			
Employer	11%	11%	5%
Employee	7%	9%	3%
Amounts Contributed			
Employer	\$ 759,405	\$ 467,649	\$ 1,369,816
Employee	\$ 483,257	\$ 382,622	\$ 821,814

Additionally, a second level of contributions is made for the nonuniformed employees who have completed seven or more years of service. In 2011, the City contributed \$516,579 under this plan provision. A separate plan is also maintained for the City Manager.

B. Defined Benefit Plans

The City participates in two defined benefit pension plans, the Loveland and Rural Consolidated Volunteer Firefighters Pension Plan and the Loveland Firefighters Pension Plan. As of January 1, 2009, both plans are affiliated with and administered by the Fire and Police Pension Association of Colorado (FPPA). FPPA issues publicly available financial statements and required supplementary information. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 100, Englewood, Colorado, 80111 or by calling 1-800-332-3772.

Loveland and Rural Consolidated Volunteer Firefighters

1. **Plan Description**:

The City contributes to an agent multiple employer defined benefit pension plan covering its volunteer firefighters that was established (and may be amended) by the Loveland and Rural Consolidated Volunteer Firefighters Pension Board. The Loveland and Rural Consolidated Volunteer Firefighters pension plan provides retirement, disability and death benefits to plan members and their beneficiaries. The City's volunteer firefighters become fully vested after 20 years of active service and reaching age 50. The benefit, payable at age 50, would be equal to the retirement benefit prorated based upon the number of years of service accrued at termination. Surviving spouses of deceased retirees are entitled to 50% of the retirement benefit until remarriage or their death. Pre-retirement death and disability benefits are only available if incurred in the line of duty. The plan also provides for a lump-sum burial benefit upon death of an active or retired firefighter. The plan is affiliated with and administrated by FPPA.

2. Funding Policy:

The Loveland and Rural Consolidated Volunteer Firefighters Pension Plan receives contributions from the City, the Loveland Rural Fire Protection District and the State of Colorado. In 2011, the City contributed \$88,405 and the Loveland Rural Fire Protection District contributed \$23,387. The contributions are not actuarially determined. The actuarial study as of January 1, 2011, indicated that the current level of contributions to the fund is adequate to support on an actuarially sound basis for the prospective benefits for the present plan. The contribution by the State of Colorado toward volunteer fire pension funds has been a fixed dollar amount established by the legislature and allocated pro rata to all fire pension funds in the State. The State will provide matching contributions at 90% of City contributions up to a maximum of ½ mill on the assessed valuation of the City. The State contribution for 2011 was \$86,589, which included \$20,130 from the Loveland Rural Fire Protection District State contribution. The annual contribution from the City is authorized by adoption of the City’s annual budget.

Annual Pension Costs

For the year ended December 31, 2011, the City and State Annual Required Contributions (ARC) were \$96,177 and \$66,459, respectively. The actual contributions of \$198,381 were higher than the required contributions in the January 1, 2011 actuarial valuation report. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the entry age normal cost method. Actuarial assumptions included the following:

- ARC Total – \$162,636
- Interest rate – 8.0% per annum, compounded annually, net of operating expenses
- Inflation rate – 3.5%
- Amortization period – 20 years
- Amortization method – Level dollar, open
- Normal retirement – Age 50 and 20 years of service
- Disability – Graduated rates for all disabilities
- Mortality – 1994 Group Annuity Mortality Table
- Withdrawal – Graduated rates for all withdrawals
- Marital Status – 90% married, with males 3 years older than females
- Asset Valuation – 3-year smoothed fair market value
- Projected Salary Increases – N/A
- Cost-of-living adjustments – None

The maximum monthly benefit is set by state statute and approved by the Retirement Board. Assumed rate of inflation is not applicable.

The Plan's annual pension cost and net pension obligation for the current year were:

Annual Required Contribution	\$ 162,636
Interest on Net Pension Asset	(133,068)
Annual Pension Cost	<u>29,568</u>
Employer Contributions	(198,381)
Increase\ (Decrease) in Net Pension Asset	(168,813)
Net Pension Asset Beginning of Year	<u>(1,663,351)</u>
End of Year	<u>\$ (1,832,164)</u>
 Annual Pension Cost Contributed	 <u>671%</u>

3. Funded Status and Funding Progress:

As of January 1, 2011, the most recent actuarial valuation date, the plan was 82% funded. The actuarial accrued liability for benefits was \$3,289,671, and the actuarial value of assets was \$2,712,194, resulting in an unfunded actuarial accrued liability of \$577,477.

The schedule of funding progress, presented in the Required Supplemental Information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial

value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
12/31/2009	\$ 120,011	198%	(\$ 1,591,166)
12/31/2010	\$ 110,581	165%	(\$ 1,663,351)
12/31/2011	\$ 29,568	671%	(\$ 1,832,164)

Schedule of Employer Contributions

Year	City & District	State of Colorado
2006	\$ 151,315	\$ 86,589
2007	151,315	86,589
2008	151,315	86,589
2009	151,315	86,589
2010	96,177	86,589
2011	\$ 111,792	\$ 86,589

Loveland Firefighters

1. Plan Description:

The City maintains a single-employer Loveland Firefighters defined benefit pension plan for a small number of firefighters hired before April 1978 and retired before June 1990. Membership in the Plan consists of two individuals currently receiving benefits. The monthly benefit ranges from \$1,700 to \$2,300 with no future increases scheduled. The Plan is closed to new members. Plan provisions and contributions are established and may be amended by the City Council. The plan is affiliated with and administered by the FPPA.

2. Funding Policy:

The Plan is fully funded and no additional contributions are required based on an actuarial study completed in January 1, 2010.

Note 12: Postemployment Commitments

The City of Loveland Retiree Medical Plan is designed to minimize potential financial liability to the City. Currently, there are only two participants that elected to be in the plan and the contributions are immaterial.

A. Plan Description

The Plan is designed as a single-employer defined benefit postemployment health care plan and is designed to limit the City’s liability while providing a means for eligible employees, as determined by the Rule of 80 (age and years of service), to obtain health insurance coverage during the gap between retirement and Medicare eligibility. An employee is eligible to enroll if he or she has worked in a benefit eligible position with the City for at least 20 years and retires from the City between ages 55 and 65. This Plan is only being offered to employees who meet the service and age criteria and retire from the City between January 1, 2009 and December 31, 2018. No other employees will be allowed on this plan unless the City Council reauthorizes the Plan beyond December 31, 2013. The City does not issue a stand-alone financial report for the other postemployment benefit (OPEB) plan. Based on recommendations from the City Manager, the City Council has authority to approve amendments to benefits or contributions annually.

B. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. As of January 1, 2011, there was no Annual Required Contribution (ARC). For the year ended December 31, 2011, the City made no contributions to the plan. Eligible plan members are not required to contribute to the plan

prior to retirement. Retirees will be required to pay 100% of the contribution rates established by the City specific to their medical plan, therefore covered payroll is not applicable to the plan.

C. Funded Status and Funding Progress

As of January 1, 2009, the funded status of the plan as of the most recent actuarial valuation date of January 1, 2009 was as follows:

	<u>OPEB Obligation</u>
Actuarial Accrued Liability (AAL)	\$ 2,335,242
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,335,242</u>
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered Payroll (active plan members)	N/A
UAAL as percentage of covered payroll	N/A

D. Actuarial Methods and Assumptions

- Actuarial Valuation Date – January 1, 2009
- Actuarial Cost Method – Projected Unit Credit
- Discount Rate – 4.0%
- Annual healthcare cost trend rates – 11.0%, decreasing by 1% each year
- Amortization period – 10 years
- Amortization method – Level dollar, open
- Mortality – 1994 Group Annuity Mortality Table
- Marital Status – 80% married, with males 1 years older

Note 13: Taxpayer Bill Of Rights (TABOR) Amendment To The Colorado Constitution

In November of 1992, Colorado voters approved a constitutional amendment which limits revenues and expenditures beginning in 1993. These limits apply to revenues of the governmental entity except for those areas classified as “enterprises” or as other exclusions. Enterprises as defined under the amendment are not the same as Enterprise Funds defined using governmental generally accepted accounting principles. The amendment also excludes certain types of revenues and expenses of the entity from the limitation process. These exclusions include, but are not limited to: gifts or donations, federal funds, property sales, damage awards, or reserve transfers or expenditures.

Revenue collections in subsequent years are limited to changes in the Denver-Boulder Consumer Price Index (CPI) for Urban Consumers and to increases in property valuations from new construction and annexations. The amendment also requires that the base be “reset” each year to actual revenue collections of the prior year or the maximum revenue allowable, whichever is less.

In November 2001, the voters approved a request that the City use excess revenues from 2003 through 2012 for police and fire operations, streets construction and maintenance and parks construction and maintenance. As of December 31, 2011, \$3,955,444 was available for these purposes. Of that amount, \$1,244,800 is budgeted to be spent in 2012.

The City has established an Emergency Reserve, representing 3% of qualifying expenditures, as required by the amendment. At December 31, 2011, the emergency reserve of \$1,809,815 was reported as a restriction of fund balance in the General Fund.

The following table shows revenue and growth items applicable to the revenue limit for 2011.

Actual revenue	\$ 76,533,401	CPI increase	3.70%
Base revenue	<u>77,438,034</u>	Growth increase	<u>0.91%</u>
Deficit	\$ <u>(904,633)</u>	Total increase allowed	<u>4.61%</u>

Note 14: Fund Balance Designation

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as inventories, prepaid expenses, long-term loans and resources that must be maintained intact pursuant to legal or contractual requirements (i.e., principal of a permanent fund)
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources, or through a government's own constitution or charter.
3. Committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action through resolutions or ordinances of the highest level of decision making authority, which is the City Council, and remains binding unless removed in the same manner.
4. Assigned fund balance represents resources that reflect a government's intended use of resources. It has to be established at either the highest level of decision making, or by a body or an official designated for that purpose. On September 21, 2010, the City Council adopted Resolution #R-48-2011 that grants the City Manager, or the City Manager's Designee, authority to designate the Assigned fund balance for each governmental fund based on the intended use of such resources. Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically would be reported as assigned fund balance.
5. Unassigned fund balance is any remaining fund balance in the general fund that did not fall into one of the four previous categories. The general fund should be the only fund that reports a positive unassigned fund balance.

The City of Loveland applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year in that order.

City staff brings recommendations to Council for the use of fund balance, whereas Council approves the recommendations through an ordinance either in the official budget ordinance, or supplemental ordinances throughout the year. Council makes approvals at the fund level.

Since 2005, when the Citizen Finance Advisory Commission brought a policy to City Council, the City has retained a minimum of 15% of the General Fund expenditures in the unassigned fund balance in essence as a stabilization fund. The City Council must formally adopt a supplemental appropriation to use these funds. The replenishment of the funds would be strategically addressed in the General Fund Ten Year Financial Master Plan that is updated annually. Even during the most significant economic event since the Great Depression the City has not used this stabilization balance. The balance as of December 31, 2011 is \$9,712,760.

The City has one major special revenue fund that is for programs that, by Council policy, have dedicated revenue sources. The Loveland Urban Renewal Authority (LURA) Fund was established by the City Council in July 2002. The LURA fund accounts for urban revitalization activities throughout the community. Revenue is received from incremental sales and property taxes collected within the designated area. The City of Loveland does not have a formally adopted minimum fund balance policy.

The table on the following page provides detail for each category of fund balance:

FUND BALANCES	LOVELAND				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	URBAN RENEWAL AUTHORITY	CAPITAL EXPANSION FEES	CAPITAL PROJECTS		
Nonspendable:						
Inventory	\$ 329,125	\$ -	\$ -	\$ -	\$ -	\$ 329,125
Interfund Loan Receivable	-	-	4,850,000	-	-	4,850,000
Permanent Fund Principal	-	-	-	-	817,067	817,067
Total Nonspendable	329,125	-	4,850,000	-	817,067	5,996,192
Restricted:						
Tabor 3% Emergency Reserve	1,809,815	-	-	-	459	1,810,274
Future Capital Improvements	-	-	-	484,050	-	484,050
Urban Revitalization	-	251,647	-	-	-	251,647
Parks & Recreation	-	-	-	-	5,032,550	5,032,550
Open Space Acquisitions	-	-	-	-	13,297,582	13,297,582
Law Enforcement	-	-	-	-	2,314	2,314
Conventions & Tourism	-	-	-	-	718,466	718,466
Total Restricted	1,809,815	251,647	-	484,050	19,051,371	21,596,883
Committed:						
Reserve For Excess Tabor	3,955,444	-	-	-	-	3,955,444
Council Capital Reserve	3,490,565	-	-	-	-	3,490,565
Future Capital Improvements	-	-	33,533,090	-	-	33,533,090
Art In Public Places	537,937	-	-	-	-	537,937
Library Expansion	213,473	-	-	-	-	213,473
Downtown Maintenance	-	-	-	-	66,036	66,036
Affordable Housing Agreements	-	-	-	-	2,167	2,167
Spendable Portion Of Permanent Fund	-	-	-	-	1,719,445	1,719,445
Total Committed	8,197,419	-	33,533,090	-	1,787,648	43,518,157
Assigned:						
Parks Capital Improvements	-	-	-	-	2,671,148	2,671,148
Library Reserve	125,030	-	-	-	-	125,030
Police Communication Console	616,000	-	-	-	-	616,000
Telephone Switch Reserve	261,460	-	-	-	-	261,460
Museum Programs	331,825	-	-	-	-	331,825
Police Donations	18,248	-	-	-	-	18,248
Library Books	181,677	-	-	-	-	181,677
Wellness	113,341	-	-	-	-	113,341
Pullium Building	8,534	-	-	-	-	8,534
Rialto Theatre	192,110	-	-	-	-	192,110
Fire Reserve For Safer Grant	46,100	-	-	-	-	46,100
Capital Improvements	-	-	-	349,023	-	349,023
Spendable Portion Of Permanent Fund	-	-	-	-	-	-
Total Assigned	1,894,325	-	-	349,023	2,671,148	4,914,496
Unassigned:	* 14,532,228	-	-	-	-	14,532,228
Total Fund Balances	\$ 26,762,912	\$ 251,647	\$ 38,383,090	\$ 833,073	\$ 24,327,234	\$ 90,557,956

* The City has a reserve policy to keep 15% of expenditures in reserve as a guard against economic uncertainties. This amount is included in the unassigned balance and equals \$9,712,760.

Required Supplementary Information



Required supplementary information includes budgetary comparison schedules for General Fund and the Loveland Urban Renewal Authority.

CITY OF LOVELAND, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 44,466,780	\$ 44,466,780	\$ 46,190,996	\$ 1,724,216
Licenses and Permits	1,069,800	1,083,680	1,655,825	572,145
Fines and Penalties	962,400	962,400	936,370	(26,030)
Intergovernmental	6,267,300	6,788,110	6,748,549	(39,561)
Charges for Services	3,846,140	3,750,680	3,607,176	(143,504)
Interest on Investments	457,190	457,190	810,486	353,296
Miscellaneous	4,541,770	4,699,130	5,684,742	985,612
Total Revenues	61,611,380	62,207,970	65,634,144	3,426,174
Expenditures:				
Current:				
Legislative	125,880	125,880	101,073	24,807
Executive	1,793,730	1,835,270	1,824,254	11,016
Finance	2,368,140	2,463,140	2,125,071	338,069
Human Resources	1,004,320	1,027,010	743,473	283,537
Information Technology	2,917,140	3,085,490	3,054,809	30,681
Economic Development	837,480	1,689,720	968,120	721,600
Development Services	2,689,870	3,652,620	3,112,188	540,432
Public Works	10,727,730	11,115,480	11,345,898	(230,418)
Police	16,198,110	16,674,880	16,364,486	310,394
Fire and Rescue	7,590,470	7,891,830	7,906,704	(14,874)
Parks & Recreation	7,231,650	7,572,330	7,273,931	298,399
Library	2,283,880	2,405,790	2,308,921	96,869
Cultural Services	1,321,570	1,421,550	1,359,067	62,483
General Government	883,980	818,250	733,654	84,596
Capital Outlay	2,291,380	2,524,070	1,169,005	1,355,065
Total Expenditures	60,265,330	64,303,310	60,390,654	3,912,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,346,050	(2,095,340)	5,243,490	7,338,831
Other Financing Sources (Uses):				
Transfers In	2,059,840	2,250,010	2,327,559	77,549
Transfers (Out)	(4,533,070)	(6,572,690)	(4,690,977)	1,881,713
Total Other Financing Sources (Uses)	(2,473,230)	(4,322,680)	(2,363,418)	1,959,263
Net Change in Fund Balance	(1,127,180)	(6,418,020)	2,880,072	9,298,094
Fund Balance--Beginning	23,116,790	23,882,840	23,882,840	-
Fund Balance--Ending	\$ 21,989,610	\$ 17,464,820	\$ 26,762,912	\$ 9,298,094

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
 Loveland Urban Renewal Authority
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 11,489,730	\$ 11,489,730	\$ 11,006,125	\$ (483,605)
Interest on Investments	-	-	76,576	76,576
Miscellaneous	908,220	-	-	-
Total Revenues	12,397,950	11,489,730	11,082,701	(407,029)
Expenditures:				
Current:				
Nondepartmental:				
Services	256,350	360,820	252,805	108,015
School District Fund	908,220	908,220	899,764	8,456
Distribution of Tax Increment Financing	10,325,160	10,325,160	9,863,551	461,609
Total Current Nondepartmental	11,489,730	11,594,200	11,016,120	578,080
Capital:				
Nondepartmental:	-	-	-	-
Total Expenditures	11,489,730	11,594,200	11,016,120	578,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	908,220	(104,470)	66,581	171,051
Net Change in Fund Balance	908,220	(104,470)	66,581	171,051
Fund Balance--Beginning	1,334,450	185,066	185,066	-
Fund Balance--Ending	\$ 2,242,670	\$ 80,596	\$ 251,647	\$ 171,051

See accompanying independent auditors' report.

Defined Benefit Plan Supplementary Information
Loveland And Rural Consolidated Volunteer Firefighters Pension Fund

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded (Unfunded) AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/11	\$ 2,712,194	\$ 3,289,671	\$ (577,477)	82.0%	NA	NA
1/1/09	2,517,488	3,370,888	(853,400)	74.7%	NA	NA
1/1/07	2,811,469	2,828,724	(17,255)	99.0%	NA	NA
7/1/05	2,535,267	3,396,501	(861,234)	74.6%	NA	NA
7/1/03	2,428,849	3,510,835	(1,082,986)	69.2%	NA	NA
7/1/01	2,899,900	2,852,810	NA	100.0%	NA	NA
1/1/00	3,105,718	3,268,219	(162,501)	95.0%	NA	NA

Notes to Required Supplementary Information (RSI)

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budget as reflected in the financial statements:

- Prior to September 20, the City Manager submits to the City Council, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of an ordinance. This ordinance authorizes a lump-sum expenditure budget for the City taken as a whole. An appropriation ordinance is also adopted which allocates the total budget to each individual fund. This allocation of the appropriation may not be legally exceeded by an individual fund.
- Supplemental appropriations are approved on an individual fund level basis. Supplemental appropriations for \$51,021,250 were approved during 2011. Management may revise budgets within an individual fund for internal management purposes. Increases to an individual fund's appropriated total and transfers between funds must be approved by City Council. Budgets included in this report reflect all supplemental appropriations legally adopted by City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Permanent Funds.
- Budgets for the General, Special Revenue, the City's Capital Projects Fund, and all Permanent Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) with the exception that the proceeds and uses of new capital leases are not budgeted. For Special Improvement District No. 1, one budget was adopted for the district. Budgets for Enterprise and Internal Service are adopted to fulfill statutory requirements and are prepared on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation, amortization, or for estimated claims liabilities.
- All appropriations lapse at year-end per State statutes.

See accompanying independent auditors' report.

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Capital Projects



The Capital Projects Funds account for all infrastructure construction and major equipment, machinery and facility expenditures that will provide long-term service or other public benefits.

CITY OF LOVELAND, COLORADO
Capital Expansion Fees Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 4,522,980	\$ 4,522,980	\$ 4,079,746	\$ (443,234)
Interest on Investments	517,690	517,690	1,012,022	494,332
Miscellaneous	-	-	19,500	19,500
Total Revenues	5,040,670	5,040,670	5,111,268	70,598
Expenditures:				
Current:				
Police	-	-	100	(100)
Public Works	-	-	403	(403)
Parks & Recreation	29,820	29,820	58,689	(28,869)
Capital Outlay:				
Parks & Recreation	1,540,000	2,429,000	912,008	1,516,992
Police	-	25,000	-	25,000
General Government	382,460	1,026,570	83,895	942,675
Total Expenditures	1,952,280	3,510,390	1,055,095	2,455,295
Excess of Revenues Over Expenditures	3,088,390	1,530,280	4,056,173	2,525,893
Other Financing Sources (Uses):				
Transfers In	191,750	213,360	97,485	(115,875)
Transfers (Out)	(1,600,320)	(10,061,090)	(6,531,365)	3,529,725
Total Other Financing Sources (Uses)	(1,408,570)	(9,847,730)	(6,433,880)	3,413,850
Net Change in Fund Balance	1,679,820	(8,317,450)	(2,377,707)	5,939,743
Fund Balance--Beginning	39,122,730	40,760,797	40,760,797	-
Fund Balance--Ending	\$ 40,802,550	\$ 32,443,347	\$ 38,383,090	\$ 5,939,743

CITY OF LOVELAND, COLORADO
Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 130,000	\$ 3,551,880	\$ 1,328,450	\$ (2,223,430)
Charges for Services	1,689,230	1,689,230	1,660,827	(28,403)
Interest	-	-	32,412	32,412
Miscellaneous	-	2,307,000	1,976,537	(330,463)
Total Revenues	1,819,230	7,548,110	4,998,226	(2,549,884)
Expenditures:				
Information Technology	-	148,250	35,585	112,665
Economic Development	-	313,000	-	313,000
Public Works	-	206,150	563,922	(357,772)
Library	-	-	15,967	(15,967)
Capital Outlay - Construction	7,555,770	27,423,680	19,701,167	7,722,513
Total Expenditures	7,555,770	28,091,080	20,316,641	7,774,439
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(5,736,540)	(20,542,970)	(15,318,415)	5,224,555
Other Financing Sources (Uses):				
Transfers In	5,736,540	20,590,670	15,134,622	(5,456,048)
Transfers Out	-	(47,700)	(92,441)	(44,741)
Total Other Financing Sources (Uses)	5,736,540	20,542,970	15,042,181	(5,500,789)
Net Change in Fund Balance				
	-	-	(276,234)	(276,234)
Fund Balance--Beginning	1,106,290	1,109,307	1,109,307	-
Fund Balance--Ending	\$ 1,106,290	\$ 1,109,307	\$ 833,073	\$ (276,234)

See accompanying independent auditors' report.

Nonmajor Governmental Funds



CAPITAL PROJECTS FUND

PARKS & RECREATION IMPROVEMENT—to account for the improvement of existing parks. Financing is provided by user fees and the sale of undeveloped and unused park land.

SPECIAL REVENUE FUNDS

GENERAL IMPROVEMENT DISTRICT #1—to account for operations and maintenance of downtown parking lots and landscaping. Financing is provided by a special mill levy.

CONSERVATION TRUST—to account for Parks & Recreation improvements, developments or acquisitions. Financing to be provided from State operated lottery. These funds can only be used for parks and recreation by State law. The fund is required by State Statute.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)—to account for CDBG grant monies that are received by the City of Loveland for being an entitlement city from the Department of HUD.

LARIMER COUNTY OPEN SPACE—to account for collection and expenditure of the City's allocation of County sales and use tax for open space acquisition.

LOVELAND/LARIMER BUILDING AUTHORITY—to account for the maintenance and operation of the Police and Courts Building.

AFFORDABLE HOUSING—to account for proceeds from land owner agreements upon sale of affordable housing residencies.

POLICE SEIZURES & FORFEITURES— to account for funds that were seized or forfeited by the Police Department resulting from criminal investigations. These funds can only be used towards police activities as mandated by Federal and State law.

LODGING TAX—to account for funds collected for the purpose of promoting tourism, conventions and related activities within the City by marketing the City and sponsoring community events.

PERMANENT FUND

PERPETUAL CARE—to account for monies provided for ongoing maintenance of the cemetery once the cemetery is filled. Financing provided from portion of lot sales at the cemetery and interest income.

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CITY OF LOVELAND, COLORADO
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2011

	CAPITAL PROJECTS		SPECIAL REVENUE			LARIMER COUNTY OPEN SPACE
	PARKS & RECREATION IMPROVEMENT	GENERAL IMPROVEMENT DISTRICT #1	CONSERVATION TRUST	CDBG		
ASSETS						
Equity in Pooled Cash	\$ 228,166	\$ 5,619	\$ 428,212	\$ -	\$ -	\$ 1,117,249
Equity in Pooled Investments	1,759,417	60,412	4,603,661	-	-	12,011,411
Receivables (Net):						
Accounts	-	-	-	-	-	-
Taxes	-	33,078	-	-	-	126,397
Grants	-	-	-	61,917	-	-
Accrued Interest	10,386	255	19,490	-	-	50,852
Restricted Assets:						
Equity in Pooled Restricted Investments	693,567	-	-	-	-	-
Total Assets	2,691,536	99,364	5,051,363	61,917	-	13,305,909
LIABILITIES						
Accounts Payable	20,388	-	16,645	58,061	-	1,074
Accrued Liabilities	-	-	2,168	2,193	-	7,253
Due to Other Funds	-	-	-	1,663	-	-
Deferred Revenue	-	32,869	-	-	-	-
Total Liabilities	20,388	32,869	18,813	61,917	-	8,327
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	459	5,032,550	-	-	13,297,582
Committed	-	66,036	-	-	-	-
Assigned	2,671,148	-	-	-	-	-
Total Fund Balances	2,671,148	66,495	5,032,550	-	-	13,297,582
Total Liabilities and Fund Balances	\$ 2,691,536	\$ 99,364	\$ 5,051,363	\$ 61,917	\$ -	\$ 13,305,909

LOVELAND /LARIMER BUILDING AUTHORITY	SPECIAL REVENUE			PERMANENT FUND		TOTAL
	AFFORDABLE HOUSING	POLICE SEIZURES & FORFEITURES	LODGING TAX	PERPETUAL CARE		
\$ 154	\$ 184	\$ 196	\$ 58,548	\$ 215,024	\$ 2,053,352	
1,656	1,975	2,110	629,446	2,311,701	21,381,789	
25,399	-	-	-	-	25,399	
-	-	-	34,126	-	193,601	
-	-	-	-	-	61,917	
-	8	8	2,666	9,787	93,452	
-	-	-	-	-	693,567	
27,209	2,167	2,314	724,786	2,536,512	24,503,077	
22,522	-	-	6,320	-	125,010	
4,687	-	-	-	-	16,301	
-	-	-	-	-	1,663	
-	-	-	-	-	32,869	
27,209	-	-	6,320	-	175,843	
-	-	-	-	817,067	817,067	
-	-	2,314	718,466	-	19,051,371	
-	2,167	-	-	1,719,445	1,787,648	
-	-	-	-	-	2,671,148	
-	2,167	2,314	718,466	2,536,512	24,327,234	
\$ 27,209	\$ 2,167	\$ 2,314	\$ 724,786	\$ 2,536,512	\$ 24,503,077	

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2011

	CAPITAL PROJECTS FUND		SPECIAL REVENUE			LARIMER COUNTY OPEN SPACE
	PARKS & RECREATION IMPROVEMENT	GENERAL IMPROVEMENT DISTRICT #1	CONSERVATION TRUST	CDBG		
Revenues:						
Taxes	\$ -	\$ 34,977	\$ -	\$ -	\$ -	\$ -
Intergovernmental	595	-	592,514	391,873	-	1,593,055
Charges for Services	56,000	-	-	-	-	-
Interest on Investments	74,512	1,544	131,397	-	-	339,558
Miscellaneous	6,540	-	302	-	-	4,839
Total Revenues	137,647	36,521	724,213	391,873	-	1,937,452
Expenditures:						
Current:						
Economic Development	-	-	-	-	-	-
Development Services	-	-	-	391,873	-	-
Public Works	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	117,810	-	-	247,680
General Government	-	15,300	-	-	-	-
Capital Outlay	86,293	-	189,406	-	-	-
Total Expenditures	86,293	15,300	307,216	391,873	-	247,680
Excess of Revenues Over Expenditures	51,354	21,221	416,997	-	-	1,689,772
Other Financing Sources (Uses):						
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	51,354	21,221	416,997	-	-	1,689,772
Fund Balances--Beginning	2,619,794	45,274	4,615,553	-	-	11,607,810
Fund Balances--Ending	\$ 2,671,148	\$ 66,495	\$ 5,032,550	\$ -	\$ -	\$ 13,297,582

LOVELAND/ LARIMER BUILDING AUTHORITY	SPECIAL REVENUE			PERMANENT FUND	
	AFFORDABLE HOUSING	POLICE SEIZURES & FORFEITURES	LODGING TAX	PERPETUAL CARE	TOTAL
\$ -	\$ -	\$ -	\$ 582,641	\$ -	\$ 617,618
473,440	-	50,000	-	-	3,101,477
-	-	-	-	52,399	108,399
-	59	411	13,839	68,720	630,040
-	-	-	-	-	11,681
473,440	59	50,411	596,480	121,119	4,469,215
-	-	-	274,273	-	274,273
-	-	-	-	-	391,873
459,839	-	-	-	-	459,839
-	-	50,154	-	-	50,154
13,601	-	-	-	-	379,091
-	-	-	-	-	15,300
-	-	-	-	-	275,699
473,440	-	50,154	274,273	-	1,846,229
-	59	257	322,207	121,119	2,622,986
-	-	-	(3,000)	-	(3,000)
-	-	-	(3,000)	-	(3,000)
-	59	257	319,207	121,119	2,619,986
-	2,108	2,057	399,259	2,415,393	21,707,248
\$ -	\$ 2,167	\$ 2,314	\$ 718,466	\$ 2,536,512	\$ 24,327,234

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Parks & Recreation Improvement Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,260	\$ 1,260	\$ 595	\$ (665)
Charges for Services	51,080	51,080	56,000	4,920
Interest on Investments	53,430	53,430	74,512	21,082
Miscellaneous	-	-	6,540	6,540
Total Revenues	105,770	105,770	137,647	31,877
Expenditures:				
Parks and Recreation				
Capital Outlay	170,000	170,000	86,293	83,707
Total Expenditures	170,000	170,000	86,293	83,707
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(64,230)	(64,230)	51,354	115,584
Net Change in Fund Balance	(64,230)	(64,230)	51,354	115,584
Fund Balance--Beginning	2,671,490	2,619,794	2,619,794	-
Fund Balance--Ending	\$ 2,607,260	\$ 2,555,564	\$ 2,671,148	\$ 115,584

CITY OF LOVELAND, COLORADO
General Improvement District #1
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 32,960	\$ 32,960	\$ 34,977	\$ 2,017
Interest on Investments	350	350	1,544	1,194
Total Revenues	33,310	33,310	36,521	3,211
Expenditures:				
Current:				
Nondepartmental:				
Supplies	2,000	2,000	898	1,102
Other Services & Charges	22,500	22,500	14,402	8,098
Capital	-	11,000	-	11,000
Total Expenditures	24,500	35,500	15,300	20,200
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	8,810	(2,190)	21,221	23,411
Net Change in Fund Balance	8,810	(2,190)	21,221	23,411
Fund Balance--Beginning	17,560	45,274	45,274	-
Fund Balance--Ending	\$ 26,370	\$ 43,084	\$ 66,495	\$ 23,411

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts			Actual	Difference with Final Budget
	Original	Final			
Revenues:					
Intergovernmental - State Lottery	\$ 400,000	\$ 400,000	\$ 592,514	\$ 192,514	
Interest on Investments	70,050	70,050	131,397	61,347	
Miscellaneous	-	-	302	302	
Total Revenues	470,050	470,050	724,213	254,163	
Current Expenditures					
Personal Services	120,070	130,300	81,189	49,111	
Supplies	12,900	11,400	11,035	365	
Other Services and Charges	26,360	20,360	25,586	(5,226)	
Total Current Expenditures	159,330	162,060	117,810	44,250	
Capital - Parks & Recreation	128,030	378,030	189,406	188,624	
Total Expenditures	287,360	540,090	307,216	232,874	
Net Change in Fund Balance	182,690	(70,040)	416,997	487,037	
Fund Balance--Beginning	3,502,560	4,615,553	4,615,553	-	
Fund Balance--Ending	\$ 3,685,250	\$ 4,545,513	\$ 5,032,550	\$ 487,037	

CITY OF LOVELAND, COLORADO
Community Development Block Grant (CDBG) Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts			Actual	Difference with Final Budget
	Original	Final			
Revenues:					
Intergovernmental	\$ 329,840	\$ 655,440	\$ 391,873	\$ (263,567)	
Total Revenues	329,840	655,440	391,873	(263,567)	
Expenditures:					
Current:					
Development Services	329,840	655,440	391,873	263,567	
Total Expenditures	329,840	655,440	391,873	263,567	
Net Change in Fund Balance	-	-	-	-	
Fund Balance--Beginning	-	-	-	-	
Fund Balance--Ending	\$ -	\$ -	\$ -	\$ -	

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Larimer County Open Space Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference
	Original	Final		with Final Budget
Revenues:				
Intergovernmental	\$ 1,428,000	\$ 1,428,000	\$ 1,593,055	\$ 165,055
Interest on Investments	206,140	206,140	339,558	133,418
Miscellaneous	2,000	2,000	4,839	2,839
Total Revenues	1,636,140	1,636,140	1,937,452	301,312
Expenditures:				
Current:				
Parks and Recreation	204,690	263,130	247,680	15,450
Capital:				
Parks and Recreation	2,500,000	2,445,000	-	2,445,000
Total Expenditures	2,704,690	2,708,130	247,680	2,460,450
Net Change in Fund Balance	(1,068,550)	(1,071,990)	1,689,772	2,761,762
Fund Balance--Beginning	9,822,510	11,607,810	11,607,810	-
Fund Balance--Ending	8753960.00	10535820.23	13297582.49	2761762.26

CITY OF LOVELAND, COLORADO
Loveland/Larimer Building Authority
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference
	Original	Final		with Final Budget
Revenues:				
Intergovernmental	\$ 470,860	\$ 473,440	\$ 473,440	\$ -
Total Revenues	470,860	473,440	473,440	-
Expenditures:				
Current:				
Parks & Recreation	14,250	14,250	13,601	649
Public Works	456,610	459,190	459,839	(649)
Total Expenditures	470,860	473,440	473,440	-
Net Change in Fund Balance	-	-	-	-
Fund Balance--Beginning	-	-	-	-
Fund Balance--Ending	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
 Affordable Housing Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Interest on Investments	\$ -	\$ -	\$ 59	\$ 59
Total Revenues	-	-	59	59
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	59	59
Fund Balance--Beginning	-	2,108	2,108	-
Fund Balance--Ending	\$ -	\$ 2,108	\$ 2,167	\$ 59

CITY OF LOVELAND, COLORADO
 Police Seizures & Forfeitures
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 50,000	\$ 50,000	\$ -
Interest on Investments	-	160	411	251
Miscellaneous	-	-	-	-
Total Revenues	-	50,160	50,411	251
Expenditures:				
Police	-	50,160	50,154	6
Total Expenditures	-	50,160	50,154	6
Net Change in Fund Balance	-	-	257	257
Fund Balance--Beginning	-	2,057	2,057	-
Fund Balance--Ending	\$ -	\$ 2,057	\$ 2,314	\$ 257

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Lodging Tax
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

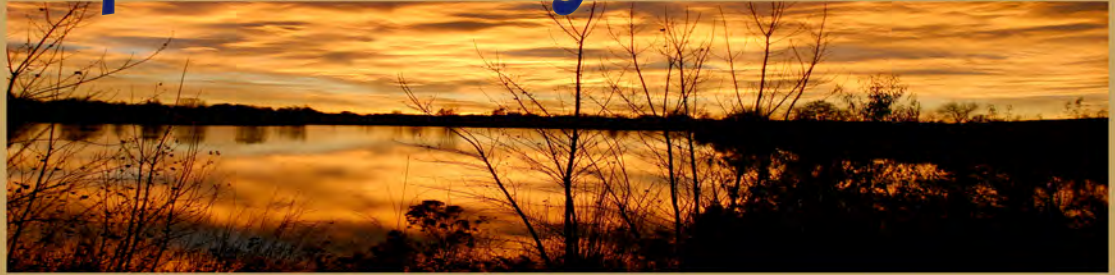
	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ 500,000	\$ 582,641	\$ 82,641
Interest on Investments	-	-	13,839	13,839
Total Revenues	-	500,000	596,480	96,480
Expenditures:				
Community & Business Relations	-	463,530	274,273	189,257
Total Expenditures	-	463,530	274,273	189,257
Excess of Revenues Over Expenditures	-	36,470	322,207	285,737
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(6,000)	(3,000)	3,000
Total Other Financing Sources (Uses)	-	(6,000)	(3,000)	3,000
Net Change in Fund Balance	-	30,470	319,207	288,737
Fund Balance--Beginning	-	399,260	399,259	(1)
Fund Balance--Ending	\$ -	\$ 429,730	\$ 718,466	\$ 288,736

CITY OF LOVELAND, COLORADO
Perpetual Care Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Perpetual Care/ Columbarium	\$ 53,800	\$ 53,800	\$ 52,399	\$ (1,401)
Interest on Investments	47,620	47,620	68,720	21,100
Total Revenues	101,420	101,420	121,119	19,699
Expenditures:	-	-	-	-
Net Change in Fund Balance	101,420	101,420	121,119	19,699
Fund Balance--Beginning	2,415,393	2,415,393	2,415,393	-
Fund Balance--Ending	\$ 2,516,813	\$ 2,516,813	\$ 2,536,512	\$ 19,699

See accompanying independent auditors' report.

Proprietary Funds



ENTERPRISE FUNDS

WATER ENTERPRISE—includes all costs, operating and capital, associated with providing the City with an adequate supply of water.

WASTEWATER ENTERPRISE—includes all costs, operating and capital, associated with treating the City's wastewater and returning clean usable water to downstream users.

STORMWATER ENTERPRISE—includes all costs, operating, and capital, associated with treating the City's stormwater runoff and returning clean, usable water to downstream users. The Fund is administered by the Public Works Department to more closely align the stormwater management with street construction and maintenance.

POWER ENTERPRISE—includes all costs, operating, purchased power, and capital, associated with distributing electricity to City residents and businesses.

SOLID WASTE—includes all costs, operating and capital, associated with the collection and disposal or recycling of the City's solid wastes and manages a contract for mosquito control services. The fund is administered by the Public Works Department.

GOLF ENTERPRISE—includes all costs associated with the three City-owned golf courses, Mariana Butte, Cattail Creek, and Olde Course. The main source of revenues is from user fees paid by patrons of the golf courses. The Golf Fund is managed by the Parks and Recreation Department.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE—provides benefits and risk administration, and fleet maintenance and replacement. Funding for these funds is from the General Fund and Enterprise Funds through internal service charges.

FLEET SERVICES—provides vehicle maintenance and replacement of the City fleet.

RISK & INSURANCE—is administered by the Finance Department. The City is self-insured for general liability and workers' compensation insurance, with purchased insurance for coverage over certain limits.

EMPLOYEE BENEFITS—administered by the Human Resources Department, is for management of the City's self-insured benefit program.

CITY OF LOVELAND, COLORADO
Water Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 7,263,110	\$ 7,263,110	\$ 7,445,159	\$ 182,049
Cash in Lieu of Water Rights	25,000	25,000	202,082	177,082
Miscellaneous	1,056,240	1,056,240	5,453,883	4,397,643
Interest on Investments	843,630	843,630	929,334	85,704
System Impact Fees	1,266,000	1,266,000	1,823,989	557,989
Water Development Fees	245,720	245,720	311,320	65,600
Transfers In	395,000	406,980	44,196	(362,784)
Total Revenues	11,094,700	11,106,680	16,209,963	5,103,283

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Contributed Assets	184,866
	16,394,829
Operating Revenue	12,899,042
Nonoperating Revenues and Transfer In	3,495,787
Statement Total	16,394,829

Expenditures:

Personal Services	3,386,910	3,238,680	3,231,107	7,573
Supplies	740,880	744,830	786,437	(41,607)
Purchased Services	2,466,010	2,485,310	1,149,810	1,335,500
Payment for Services	435,790	435,790	446,252	(10,462)
Transfers Out	495,200	5,039,880	4,830,866	209,014
Capital Acquisitions	7,491,110	8,897,930	7,520,293	1,377,637
Windy Gap Payments	826,270	826,270	826,269	1
Total Expenditures	\$ 15,842,170	\$ 21,668,690	18,791,034	\$ 2,877,655

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Capital Acquisitions	(7,520,293)
Depreciation Expense	3,754,550
Loss on Sale of Capital Asset	1,063
	15,026,354
Operating Expenses	9,368,156
Nonoperating Expenses and Transfers	5,658,198
Statement Total	\$ 15,026,354

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Wastewater Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Difference with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 7,140,960	\$ 7,140,960	\$ 7,060,162	\$ (80,798)
System Impact Fees	783,340	783,340	1,229,148	445,808
Interest on Investments	214,090	214,090	348,825	134,735
Miscellaneous	2,480	2,480	6,090	3,610
Transfers In	-	8,270	18,777	10,507
Total Revenues	8,140,870	8,149,140	8,663,002	513,862

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Contributed Assets	<u>82,449</u>
	<u>8,745,451</u>

Operating Revenue	<u>7,066,252</u>
Nonoperating Revenues and Transfers In	<u>1,679,199</u>
Statement Total	<u>8,745,451</u>

Expenditures:				
Personal Services	2,468,850	2,333,650	2,310,268	23,382
Supplies	290,410	317,040	313,954	3,086
Purchased Services	2,096,140	2,206,570	1,829,138	377,432
Payment for Services	428,460	428,460	424,530	3,930
Debt Service	-	-	156,699	(156,699)
Transfer Out	782,110	792,460	415,712	376,748
Capital Acquisitions	6,979,410	7,298,430	3,220,648	4,077,782
Total Expenditures	\$ 13,045,380	\$ 13,376,610	8,670,949	\$ 4,705,661

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Capital Acquisitions	<u>(3,220,648)</u>
Depreciation Expense	<u>1,896,422</u>
	<u>7,346,723</u>

Operating Expenses	<u>6,774,312</u>
Nonoperating Expenses and Transfers	<u>572,411</u>
Statement Total	<u>\$ 7,346,723</u>

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Stormwater Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 3,902,890	\$ 3,902,890	\$ 3,967,973	\$ 65,083
System Impact Fees	369,000	369,000	173,577	(195,423)
Interest on Investments	15,130	15,130	117,378	102,248
Miscellaneous	13,000	13,000	21,576	8,576
Transfers In	-	2,540	3,786	1,246
Total Revenues	4,300,020	4,302,560	4,284,290	(18,270)

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Gain on Sale of Capital Assets	14,260
Contributed Assets	81,413
	4,379,963

Operating Revenue	3,989,549
Nonoperating Revenues and Transfers In	390,414
Statement Total	4,379,963

Expenditures:				
Personal Services	1,140,850	1,195,680	1,175,900	19,780
Supplies	112,620	102,120	78,156	23,964
Purchased Services	491,130	552,290	723,108	(170,818)
Payment for Services	234,170	234,170	238,410	(4,240)
Transfer Out	344,010	355,550	366,794	(11,244)
Capital Acquisitions	900,000	4,289,780	2,959,481	1,330,299
Total Expenditures	\$ 3,222,780	\$ 6,729,590	5,541,849	\$ 1,187,741

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Capital Acquisitions	(2,959,481)
Depreciation Expense	1,335,363
	3,917,731

Operating Expenses	3,550,937
Transfers Out	366,794
Statement Total	\$ 3,917,731

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Power Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 44,100,000	\$ 44,100,000	\$ 45,963,553	\$ 1,863,553
Interest on Investments	263,800	263,800	702,814	439,014
Miscellaneous	925,920	925,920	1,411,165	485,245
System Impact Fees	1,500,000	1,500,000	2,101,583	601,583
Transfers In	248,900	251,930	150,064	(101,866)
Aid to Construction	775,930	775,930	841,819	65,889
Total Revenues	47,814,550	47,817,580	51,170,998	3,353,418
Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:				
Gain on Sale of Capital Assets			18,363	
Contributed Assets			18,710	
			<u>51,208,071</u>	
Operating Revenue			47,374,718	
Nonoperating Revenues and Transfers In			3,833,353	
Statement Total			<u>51,208,071</u>	
Expenditures:				
Personal Services	3,589,140	3,775,140	3,472,040	303,100
Supplies	512,200	495,040	378,254	116,786
Purchased Services	1,850,440	2,233,980	1,502,014	731,966
Purchased Power	32,193,000	33,862,430	33,892,427	(29,997)
Payment for Services	2,646,000	2,646,000	2,708,490	(62,490)
Transfer Out	543,280	577,510	586,691	(9,181)
Capital Acquisitions	9,224,450	8,624,920	4,454,736	4,170,184
Total Expenditures	\$ 50,558,510	\$ 52,215,020	46,994,652	\$ 5,220,368
Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:				
Capital Acquisitions			(4,454,736)	
Depreciation Expense			3,244,260	
			<u>45,784,176</u>	
Operating Expenses			45,197,485	
Transfers Out			586,691	
Statement Total			<u>\$ 45,784,176</u>	

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Solid Waste Collection Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 5,695,580	\$ 5,695,580	\$ 5,870,642	\$ 175,062
Interest on Investments	82,000	82,000	100,287	18,287
Miscellaneous	160,000	160,000	32,687	(127,313)
Total Revenues	5,937,580	5,937,580	6,003,616	66,036

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Gain on Sale of Capital Assets	320,160
	6,323,776

Operating Revenue	5,903,329
Nonoperating Revenues	420,447
Statement Total	6,323,776

Expenditures:

Personal Services	1,922,480	1,991,490	1,826,568	164,922
Supplies	165,120	153,640	143,219	10,421
Purchased Services	1,912,200	1,967,660	1,916,603	51,057
Payment for Services	327,770	327,770	337,677	(9,907)
Transfer Out	226,280	227,860	212,488	15,372
Capital Acquisitions	645,000	645,000	44,057	600,943
Total Expenditures	\$ 5,198,850	\$ 5,313,420	4,480,612	\$ 832,808

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Capital Acquisitions	(44,057)
Depreciation Expense	657,259
	5,093,814

Operating Expenses	4,881,326
Transfers Out	212,488
Statement Total	\$ 5,093,814

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Golf Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 3,497,930	\$ 3,497,930	\$ 3,454,809	\$ (43,121)
Interest on Investments	54,570	54,570	39,707	(14,863)
Miscellaneous	-	-	353	353
Total Revenues	3,552,500	3,552,500	3,494,869	(57,631)

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Gain on Sale of Capital Assets	<u>14,872</u>
	<u>3,509,741</u>

Operating Revenue	3,455,162
Nonoperating Revenues	<u>54,579</u>
Statement Total	<u>3,509,741</u>

Expenditures:

Personal Services	1,597,520	1,703,450	1,660,190	43,260
Supplies	492,560	454,560	417,978	36,582
Purchased Services	485,150	450,300	392,095	58,205
Payment for Services	123,200	123,200	103,586	19,614
Debt Service	71,500	74,500	65,505	8,995
Transfers Out	207,760	207,760	196,662	11,098
Total Expenditures	\$ 2,977,690	\$ 3,013,770	2,836,016	\$ 177,754

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Debt Principal Payment	(63,126)
Depreciation Expense	<u>671,870</u>
	<u>3,444,760</u>

Operating Expenses	3,245,719
Nonoperating Expenses and Transfers	<u>199,041</u>
Statement Total	<u>\$ 3,444,760</u>

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
Internal Service Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 15,891,120	\$ 15,891,120	\$ 15,941,785	\$ 50,665
Intergovernmental	-	193,260	92,207	(101,053)
Interest on Investments	306,300	306,300	501,996	195,696
Recoveries	-	-	17,652	17,652
Transfers In	100,000	274,740	287,813	13,073
Miscellaneous	-	-	180,467	180,467
Total Revenues	16,297,420	16,665,420	17,021,920	356,500

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Gain on sale of assets	<u>68,709</u>
	<u>17,090,629</u>
Operating Revenue	<u>16,139,904</u>
Nonoperating Revenues and Transfers In	<u>950,725</u>
Statement Total	<u>17,090,629</u>

Expenditures:

Fleet Management	3,005,510	3,208,550	3,176,758	31,792
Risk & Insurance	2,277,690	2,859,550	1,617,831	1,241,719
Employee Benefits	10,860,260	10,860,260	9,667,276	1,192,984
Capital Acquisitions	857,000	1,310,450	983,453	326,997
Transfers Out	-	110,000	137,306	(27,306)
Total Expenditures	\$ 17,000,460	\$ 18,348,810	15,582,624	\$ 2,766,186

Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position:

Capital Acquisitions	<u>(983,453)</u>
Depreciation Expense	<u>1,067,567</u>
	<u>15,666,738</u>
Operating Expenses	<u>15,529,432</u>
Transfers Out	<u>137,306</u>
Statement Total	<u>\$ 15,666,738</u>

See accompanying independent auditors' report.

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Fiduciary Fund



Agency Fund

LOVELAND SPECIAL IMPROVEMENT DISTRICT #1—to account for debt service activity of the District's special assessment bonds.

CITY OF LOVELAND, COLORADO
Special Improvement District No. 1
Budgetary Comparison Schedule
Debt Service
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Difference with Final Budget
	Original	Final		
Revenues:				
Special Assessments	\$ 691,400	\$ 887,850	\$ 888,588	\$ 738
Interest	19,800	19,800	29,372	9,572
Total Revenues	711,200	907,650	917,960	10,310
Expenditures:				
Current:				
General Admin	10,000	10,000	8,214	1,786
Debt Service:				
Bond Principal	235,000	537,180	650,000	(112,820)
Bond Interest	529,400	529,400	421,963	107,437
Total Expenditures	774,400	1,076,580	1,080,177	(3,597)
Net Change in Fund Balance	(63,200)	(168,930)	(162,217)	6,713
Fund Balance--Beginning	607,610	912,940	912,940	-
Fund Balance--Ending	\$ 544,410	\$ 744,010	\$ 750,723	\$ 6,713

See accompanying independent auditors' report.

CITY OF LOVELAND, COLORADO
 Combining Statement of Assets and Liabilities
 Agency Funds
 December 31, 2011

	Special Improvement District No. 1					Total
	Debt Service Reserve	Bond Fund Principal Account	Bond Fund Interest Account	Bond Administrative Expense Account		
ASSETS						
Investments, at Fair Value:						
Equity in Pooled Cash and Cash Equivalents	\$ 36,766	\$ 24,182	\$ 1,843	\$ 851	\$	63,642
Equity in Pooled Investments	395,265	259,981	19,814	9,149		684,209
Accrued Interest	-	2,872	-	-		2,872
Total Assets	\$ 432,031	\$ 287,035	\$ 21,657	\$ 10,000	\$	750,723
LIABILITIES						
Accounts Payable				-		-
Due to Improvement District	\$ 432,031	\$ 287,035	\$ 21,657	\$ 10,000	\$	750,723
Total Liabilities	\$ 432,031	\$ 287,035	\$ 21,657	\$ 10,000	\$	750,723

CITY OF LOVELAND, COLORADO
 Combining Statement of Changes in
 Assets and Liabilities
 Agency Funds
 For the Year Ended December 31, 2011

	Special Improvement District No. 1					Total
	Debt Service Reserve	Bond Fund Principal Account	Bond Fund Interest Account	Bond Administrative Expense Account		
Balance, December 31, 2010	\$ 432,031	\$ 446,342	\$ 21,267	\$ 10,000	\$	909,640
Additions	7,963	490,693	390	-		499,046
Reductions	7,963	650,000	-	-		657,963
Balance, December 31, 2011	\$ 432,031	\$ 287,035	\$ 21,657	\$ 10,000	\$	750,723

See accompanying independent auditors' report.

Statistical



This section contains comprehensive statistical data for the City. It is intended to provide a broader and more complete understanding of the City and its financial affairs than is provided by the Basic Financial Statements.

Statistical Section Descriptions

Financial Trends..... 90

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 100

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity 103

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 106

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information..... 107

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to services the City provides and the activities the City performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Schedule 1
CITY OF LOVELAND, COLORADO
Net Position by Component
(accrual basis of accounting)

	2002	2003	2004	2005
Governmental Activities				
Invested in capital assets, net of related debt	\$ 73,255,100	\$ 151,171,900	\$ 173,735,200	\$ 199,551,800
Restricted	34,756,100	35,301,200	43,170,900	49,135,100
Unrestricted	22,971,700	29,253,400	28,682,500	31,572,300
Total Governmental Activities Net Position	130,982,900	215,726,500	245,588,600	280,259,200
Business-Type Activities				
Invested in capital assets, net of related debt	203,082,800	234,392,500	265,994,900	283,131,400
Restricted	43,013,900	38,424,600	27,573,600	20,931,400
Unrestricted	50,173,300	43,357,000	38,778,800	50,148,100
Total Business-Type Activities Net Position	296,270,000	316,174,100	332,347,300	354,210,900
Primary government				
Invested in capital assets, net of related debt	276,337,900	385,564,400	439,730,100	482,683,200
Restricted	77,770,000	73,725,800	70,744,500	70,066,500
Unrestricted	73,145,000	72,610,400	67,461,300	81,720,400
Total Primary Government Net Position	\$ 427,252,900	\$ 531,900,600	\$ 577,935,900	\$ 634,470,100

Source: City of Loveland Financial Statements

2006	2007	2008	2009	2010	2011
\$ 219,671,400	\$ 264,194,500	\$ 276,458,674	\$ 282,094,308	\$ 296,245,854	\$ 302,978,097
45,451,160	58,337,200	56,031,418	55,213,777	60,868,797	27,593,075
50,536,300	38,579,600	41,070,899	46,692,418	35,752,393	74,582,278
315,658,860	361,111,300	373,560,991	384,000,503	392,867,044	405,153,450
306,876,000	321,391,300	335,841,057	358,157,819	358,776,050	366,796,045
17,277,700	15,006,600	15,159,481	15,682,636	44,558,594	42,606,195
56,471,300	60,985,600	61,249,727	62,842,795	39,341,161	43,221,838
380,625,000	397,383,500	412,250,265	436,683,250	442,675,805	452,624,078
526,547,400	585,585,800	612,299,731	640,252,127	655,021,904	669,774,142
62,728,860	73,343,800	71,190,899	70,896,413	105,427,391	70,199,270
107,007,600	99,565,200	102,320,626	109,535,213	75,093,554	117,804,116
\$ 696,283,860	\$ 758,494,800	\$ 785,811,256	\$ 820,683,753	\$ 835,542,849	\$ 857,777,528

Schedule 2
CITY OF LOVELAND, COLORADO
Changes in Net Position
(accrual basis of accounting)

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
Legislative	\$ 92,800	\$ 94,900	\$ 85,600	\$ 85,800	\$ 85,800
Executive	1,611,900	1,414,100	1,571,300	2,382,900	2,382,900
Finance	147,700	414,300	437,400	560,500	560,500
Human Resources	-	-	-	-	-
Information Technology	-	-	-	-	-
Economic Development	-	-	-	-	-
Development Services	3,057,500	3,032,600	3,518,100	2,303,400	2,303,400
Public Works	6,658,200	8,636,300	11,241,600	10,435,900	10,435,900
Police	13,001,200	13,178,300	14,286,200	15,244,900	15,244,900
Fire	5,629,900	5,856,300	6,774,600	7,429,600	7,429,600
Parks & Recreation	6,534,800	7,127,500	7,459,000	7,927,300	7,927,300
Library	2,454,500	2,181,100	2,460,400	2,536,200	2,536,200
Cultural Services	1,162,200	1,174,200	1,302,000	1,412,600	1,412,600
General Government	2,164,500	1,661,700	1,456,600	1,461,200	1,461,200
Interest on Long-Term Debt	318,900	264,000	222,700	18,600	18,600
Total Governmental Activities Expenses	42,834,100	45,035,300	50,815,500	51,798,900	51,798,900
Business-Type Activities:					
Water	6,606,500	7,185,900	7,564,000	8,115,900	8,115,900
Wastewater	3,558,600	3,870,300	4,184,300	4,947,600	4,947,600
Stormwater	1,303,200	1,503,400	1,959,300	2,035,000	2,035,000
Power	25,488,500	27,103,900	28,319,000	31,589,000	31,589,000
Solid Waste	2,901,800	3,177,100	3,487,100	3,855,700	3,855,700
Golf	2,948,000	3,019,300	3,132,200	3,309,500	3,309,500
Total Business-Type Activities Expenses	42,806,600	45,859,900	48,645,900	53,852,700	53,852,700
Total Primary Government Expenses	85,640,700	90,895,200	99,461,400	105,651,600	105,651,600
Program Revenues					
Governmental Activities:					
Charges for services:					
Executive	614,800	637,300	687,400	878,500	878,500
Finance	20,500	29,900	75,600	182,400	182,400
Development Services	1,867,300	1,615,600	2,590,600	3,573,200	3,573,200
Public Works	1,210,300	1,350,200	1,652,100	1,625,200	1,625,200
Police	107,100	272,800	360,900	266,800	266,800
Fire	823,100	775,200	893,200	1,002,100	1,002,100
Parks & Recreation	2,296,100	2,355,700	2,421,200	2,424,600	2,424,600
Library	84,700	84,800	91,100	92,200	92,200
Cultural Services	88,000	163,300	188,900	144,700	144,700
General Government	111,800	154,900	132,100	120,700	120,700
Operating grants and contributions	2,985,200	3,099,200	4,039,900	3,443,500	3,443,500
Capital grants and contributions	19,280,600	17,793,700	25,766,900	29,727,800	29,727,800
Total Governmental Activities Revenues	\$ 29,489,500	\$ 28,332,600	\$ 38,899,900	\$ 43,481,700	\$ 43,481,700

Source: City of Loveland Financial Statements.

	2007	2008	2009	2010	2011
\$	92,300	\$ 99,000	\$ 113,537	\$ 92,527	\$ 101,073
	2,350,400	2,284,400	1,948,507	1,871,876	1,839,314
	701,700	839,900	1,591,776	1,741,878	2,156,020
	-	1,002,630	1,046,753	1,073,291	750,448
	-	2,853,226	3,201,663	3,201,358	3,251,193
	-	593,600	1,272,255	671,547	1,235,598
	2,326,312	2,538,434	5,290,511	3,080,478	6,397,469
	11,703,596	15,059,452	15,493,187	17,574,001	17,425,656
	14,964,171	16,839,837	15,145,956	15,914,451	16,817,499
	7,591,155	9,300,382	7,954,029	8,320,414	8,075,617
	8,077,765	8,371,695	9,043,682	9,528,681	9,572,290
	2,436,300	2,690,400	2,131,686	2,233,356	2,625,349
	1,423,500	1,484,200	1,432,485	1,679,305	1,464,118
	2,415,500	6,139,000	12,500,638	10,136,397	14,777,308
	19,500	12,200	4,747	2,466	-
	54,102,199	70,108,356	78,171,412	77,122,026	86,488,952
	8,224,200	9,566,500	9,656,258	10,986,538	10,194,425
	5,507,600	5,794,300	6,034,852	6,852,037	6,931,011
	2,562,200	2,598,400	2,609,464	3,549,583	3,550,937
	32,838,000	34,413,500	36,168,706	38,632,522	45,197,485
	4,217,800	4,406,400	4,538,956	5,663,917	4,881,326
	3,504,500	3,783,300	4,102,640	3,747,162	3,248,098
	56,854,300	60,562,400	63,110,876	69,431,759	74,003,282
	110,956,499	130,670,756	141,282,288	146,553,785	160,492,234
	1,026,100	1,070,100	1,040,213	1,021,440	897,804
	220,800	172,200	275,346	219,229	256,669
	2,764,400	2,787,900	1,355,811	983,228	1,247,933
	2,207,700	1,680,200	1,941,296	2,212,688	2,223,493
	384,600	432,200	442,885	590,046	1,114,811
	874,200	1,111,000	1,313,175	1,246,198	1,316,110
	3,116,700	2,998,800	3,107,864	3,074,121	3,615,168
	99,500	106,300	8,525	91,213	95,470
	151,800	229,100	207,425	217,598	166,584
	49,200	159,800	2,669,119	4,438,733	4,452,074
	3,857,100	4,204,800	4,034,695	4,060,830	5,487,692
	25,226,100	40,985,400	13,260,348	11,212,573	10,272,856
\$	39,978,200	\$ 55,937,800	\$ 29,656,702	\$ 29,367,897	\$ 31,146,664

(Continued)

Schedule 2
CITY OF LOVELAND, COLORADO
Changes in Net Position (Continued)
(accrual basis of accounting)

	2002	2003	2004	2005	2006
Business-Type Activities:					
Charges for services:					
Water	\$ 6,836,800	\$ 6,775,200	\$ 6,936,500	\$ 7,426,600	\$ 8,972,900
Wastewater	4,820,300	5,556,000	5,538,100	5,642,800	6,659,100
Stormwater	3,128,600	3,256,600	3,365,400	3,671,300	3,700,300
Power	26,608,600	27,756,700	30,269,800	34,627,700	36,194,600
Solid Waste	3,237,800	3,466,200	3,674,200	3,987,900	4,368,700
Golf	3,223,200	3,248,900	3,246,400	3,442,500	3,569,800
Capital grants and contributions	16,248,900	16,238,700	13,977,600	18,567,800	16,704,500
Total Business-Type Activities Revenues	64,104,200	66,298,300	67,008,000	77,366,600	80,169,900
Total Primary Government Revenues	93,593,700	94,630,900	105,907,900	120,848,300	120,148,100
Net (Expense)/Revenue					
Governmental Activities	(13,344,600)	(16,702,700)	(11,915,600)	(8,317,200)	(14,124,000)
Business-Type Activities	21,297,600	20,438,400	18,362,100	23,513,900	23,315,600
Total Primary Government Net (Expense)/Revenue	7,953,000	3,735,700	6,446,500	15,196,700	9,191,600
General Revenues & Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes	5,606,100	5,987,800	5,677,800	5,955,600	7,435,100
Sales and Use Taxes	25,821,000	26,491,300	28,254,300	30,554,500	32,532,000
Franchise Taxes	1,167,200	1,089,300	1,343,500	1,468,700	1,445,200
Other Taxes	275,000	240,000	890,700	923,400	981,400
Investment Earnings	2,489,400	904,500	1,181,100	1,238,500	3,889,500
Payment in Lieu of Taxes	2,427,000	-	-	-	-
Gain/Loss on Disposal of Capital Assets	-	165,900	372,600	30,900	(128,700)
Transfers	(658,700)	2,154,100	3,057,700	2,816,200	3,240,500
Total Governmental Activities	37,127,000	37,032,900	40,777,700	42,987,800	49,395,000
Business-Type Activities:					
Investment Earnings	3,620,800	1,684,200	1,412,600	1,165,900	3,327,700
Payment in Lieu of Taxes	(2,427,000)	-	-	-	-
Gain/Loss on Disposal of Capital Assets	(51,800)	(64,400)	88,900	-	-
Transfers	658,700	(2,154,100)	(3,057,700)	(2,816,200)	(3,240,500)
Total Business-Type Activities	1,800,700	(534,300)	(1,556,200)	(1,650,300)	87,200
Total Primary Government	38,927,700	36,498,600	39,221,500	41,337,500	49,482,200
Change in Net Position					
Governmental Activities	23,782,400	20,330,200	28,862,100	34,670,600	35,271,000
Business-Type Activities	23,098,300	19,904,100	16,805,900	21,863,600	23,402,800
Total Primary Government	\$ 46,880,700	\$ 40,234,300	\$ 45,668,000	\$ 56,534,200	\$ 58,673,800

Source: City of Loveland Financial Statements

	2007	2008	2009	2010	2011
\$	8,384,800	\$ 8,097,375	\$ 7,040,217	\$ 7,662,143	\$ 12,899,042
	7,050,000	7,070,924	6,994,755	7,012,971	7,066,252
	3,866,600	3,849,823	3,875,594	3,966,869	3,989,549
	38,289,000	40,137,412	40,575,277	43,883,091	47,374,719
	4,935,700	5,418,346	5,597,397	5,769,092	5,903,328
	3,915,900	3,799,501	3,525,805	3,538,047	3,455,162
	9,186,500	9,276,995	5,848,727	8,017,959	7,050,957
	75,628,500	77,650,376	73,457,772	79,850,172	87,739,009
	131,566,300	107,307,078	102,825,669	108,489,558	118,885,673
	(10,314,700)	(48,514,710)	(47,754,129)	(51,074,237)	(55,342,288)
	15,066,100	14,539,500	4,026,013	7,389,461	13,735,726
	4,751,400	(33,975,210)	(43,728,116)	(43,684,776)	(41,606,562)
	11,109,900	16,451,140	17,660,441	18,873,614	18,829,989
	36,253,400	34,409,083	32,365,675	35,404,740	36,535,125
	1,594,100	1,994,561	1,630,518	1,620,420	1,626,216
	1,027,400	1,206,470	1,070,207	934,515	991,556
	7,360,900	5,048,661	2,967,278	967,636	2,561,535
	89,400	7,332	885	15,113	1,058,475
	3,556,500	3,655,019	2,498,637	2,124,740	6,392,390
	60,991,600	62,772,266	58,193,641	59,940,778	67,628,694
	5,248,900	3,982,173	2,117,833	727,834	2,238,345
	-	-	-	-	366,592.00
	(3,556,500)	(3,655,019)	(2,498,637)	(2,124,740)	(6,392,390)
	1,692,400	327,154	(380,804)	(1,396,906)	(3,787,453)
	62,684,000	63,099,420	57,812,837	58,543,872	63,841,241
	50,676,900	14,257,556	10,439,512	8,866,541	12,286,406
	16,758,500	14,866,654	3,645,209	5,992,555	9,948,273
\$	67,435,400	\$ 29,124,210	\$ 14,084,721	\$ 14,859,096	\$ 22,234,679

Schedule 3
CITY OF LOVELAND, COLORADO
Fund Balances-Governmental Funds
Last Ten Fiscal Years

	2002	2003	2004	2005
General Fund				
Reserved	\$ 6,386,700	\$ 6,111,200	\$ 6,548,000	\$ 8,211,100
Unreserved	6,475,500	9,122,600	8,286,000	9,780,700
Nonspendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total General Fund	12,862,200	15,233,800	14,834,000	17,991,800
All Other Governmental Funds				
Reserved	682,000	1,796,100	872,900	97,300
Unreserved, Reported in:				
Special Revenue Funds	37,236,600	38,981,100	47,456,200	51,983,700
Permanent Fund	1,417,906	1,495,478	1,584,331	1,666,072
Capital Projects Funds	851,800	649,200	597,900	1,179,300
Nonspendable				
Capital Expansion Fees	N/A	N/A	N/A	N/A
Other Governmental Funds	N/A	N/A	N/A	N/A
Restricted				
Loveland Urban Renewal Authority	N/A	N/A	N/A	N/A
Capital Expansion Fees	N/A	N/A	N/A	N/A
Capital Projects	N/A	N/A	N/A	N/A
Other Governmental Funds	N/A	N/A	N/A	N/A
Committed				
Capital Expansion Fees	N/A	N/A	N/A	N/A
Other Governmental Funds	N/A	N/A	N/A	N/A
Assigned				
Capital Projects	N/A	N/A	N/A	N/A
Other Governmental Funds	N/A	N/A	N/A	N/A
Total All Other Governmental Funds	40,188,306	42,921,878	50,511,331	54,926,372
Total Governmental Funds	\$ 53,050,506	\$ 58,155,678	\$ 65,345,331	\$ 72,918,172

Source: City of Loveland Financial Statements

	2006	2007	2008	2009	2010	2011
\$	8,684,000	\$ 12,708,400	\$ 12,242,683	\$ 9,513,491	N/A	N/A
	13,556,700	12,150,700	10,591,528	12,781,122	N/A	N/A
	N/A	N/A	N/A	N/A	\$ 193,375	\$ 329,125
	N/A	N/A	N/A	N/A	7,264,376	1,809,815
	N/A	N/A	N/A	N/A	5,590,537	8,197,419
	N/A	N/A	N/A	N/A	5,619,476	1,894,325
	N/A	N/A	N/A	N/A	5,215,076	14,532,228
	22,240,700	24,859,100	22,834,211	22,294,613	23,882,840	26,762,912
	9,276,500	2,346,800	4,850,000	4,850,000	N/A	N/A
	49,631,200	60,825,700	62,596,439	62,881,959	N/A	N/A
	1,801,554	2,002,743	2,176,495	2,303,074	N/A	N/A
	827,200	433,400	759,315	1,106,285	N/A	N/A
	N/A	N/A	N/A	N/A	4,850,000	4,850,000
	N/A	N/A	N/A	N/A	785,267	817,067
	N/A	N/A	N/A	N/A	185,066	251,647
	N/A	N/A	N/A	N/A	35,910,797	-
	N/A	N/A	N/A	N/A	497,409	484,050
	N/A	N/A	N/A	N/A	16,225,882	19,051,371
	N/A	N/A	N/A	N/A	-	33,533,090
	N/A	N/A	N/A	N/A	3,065,973	1,787,648
	N/A	N/A	N/A	N/A	611,898	349,023
	N/A	N/A	N/A	N/A	1,630,126	2,671,148
	61,536,454	65,608,643	70,382,249	71,141,318	63,762,418	63,795,044
\$	83,777,154	\$ 90,467,743	\$ 93,216,460	\$ 93,435,931	\$ 87,645,258	\$ 90,557,956

Schedule 4
CITY OF LOVELAND, COLORADO
Changes in Fund Balances-Governmental Funds
Last Ten Fiscal Years

	2002	2003	2004	2005
Revenues:				
Taxes	\$ 32,818,500	\$ 33,798,300	\$ 36,123,300	\$ 38,847,400
Licenses and Permits	1,823,500	1,601,800	2,813,500	3,743,000
Fines and Penalties	646,600	695,000	736,300	923,700
Intergovernmental Revenues	6,582,900	6,154,200	7,466,100	6,980,600
Charges for Services	13,027,900	13,241,600	14,486,300	14,716,500
Interest on Investments	2,085,000	753,300	1,023,100	1,064,700
^(a) Payment in Lieu of Taxes	2,427,000	-	-	-
Miscellaneous	466,200	621,400	1,039,000	1,414,300
Total Revenues	59,877,600	56,865,600	63,687,600	67,690,200
Expenditures:				
Current:				
Legislative	92,800	94,900	85,600	85,800
Executive	1,337,800	1,243,700	1,405,900	2,171,400
Finance	121,800	355,200	373,800	496,900
Human Resources	-	-	-	-
Information Technology	-	-	-	-
Economic Development	-	-	-	-
Development Services	2,603,700	2,596,500	2,923,800	1,775,900
Public Works	6,442,600	7,001,000	7,502,000	7,722,700
Public Safety	15,550,000	15,993,000	17,192,700	18,604,900
Parks & Recreation	5,458,500	5,529,300	5,650,600	6,098,700
Library	1,806,200	1,822,800	1,957,000	2,019,100
Cultural Services	919,300	961,700	1,036,600	1,148,800
Intra-City Payments	4,585,500	5,062,200	5,188,200	5,958,900
General Government	1,802,300	1,289,100	1,030,300	1,026,700
Capital Outlay	11,625,000	10,577,900	10,336,000	14,879,900
Debt Service				
Principal	1,259,400	1,317,000	4,302,900	99,800
Interest	318,900	264,000	222,700	18,600
Total Expenditures	53,923,800	54,108,300	59,208,100	62,108,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,953,800	2,757,300	4,479,500	5,582,100
Other Financing Sources (Uses):				
Sale of Assets	-	274,600	-	-
Capital Lease	-	-	-	250,000
Contribution from Property Owners	-	-	-	-
Improvements District Debt Issue Discount	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers In	7,655,400	13,103,700	16,707,500	18,591,300
Transfers (Out)	(8,336,500)	(11,030,400)	(13,997,400)	(16,850,500)
Total Other Financing Sources (Uses)	(681,100)	2,347,900	2,710,100	1,990,800
Net Change in Fund Balance	\$ 5,272,700	\$ 5,105,200	\$ 7,189,600	\$ 7,572,900
Debt service as a percentage of noncapital expenditures	3.9%	3.8%	10.2%	0.3%

Note:

^(a) Beginning in 2003, the payment in lieu of tax revenue is included in interfund transfers.

Source: City of Loveland Financial Statements

2006	2007	2008	2009	2010	2011
\$ 42,292,900	\$ 49,917,000	\$ 53,855,390	\$ 52,547,699	\$ 56,767,696	\$ 57,814,739
3,033,900	2,909,600	1,538,909	1,248,207	1,631,549	1,655,825
1,067,100	1,133,700	1,013,197	1,060,985	1,233,836	936,370
7,228,700	7,715,800	8,567,418	10,751,411	13,568,325	11,178,476
15,807,300	11,512,800	11,463,059	11,417,323	8,096,514	9,456,148
3,310,300	6,282,100	5,048,659	2,967,280	967,636	2,561,536
-	-	-	-	-	-
593,600	1,280,300	908,017	1,118,202	4,556,679	7,692,460
73,333,800	80,751,300	82,394,649	81,111,107	86,822,235	91,295,554
92,300	99,000	113,537	92,527	106,423	101,073
2,285,800	2,129,000	1,622,691	1,867,240	1,659,790	1,824,253
662,900	774,600	1,599,194	1,730,611	1,663,029	2,125,071
-	-	1,035,913	1,055,378	865,256	743,473
-	-	3,077,378	3,046,033	2,866,681	3,090,394
-	593,600	1,268,345	636,047	737,517	1,242,393
2,021,600	1,971,700	2,348,626	3,057,460	3,475,109	3,504,061
9,354,100	10,507,600	10,803,204	11,834,864	11,266,032	12,370,062
19,916,700	21,083,200	22,411,034	23,122,840	23,421,938	24,321,444
6,445,600	6,677,500	7,291,343	7,239,370	6,989,404	7,711,711
2,115,200	2,146,100	2,245,754	1,925,829	2,015,483	2,324,888
1,152,000	1,208,000	1,393,802	1,450,988	1,133,935	1,359,067
6,156,500	6,534,200	-	-	-	-
1,975,000	5,557,100	12,254,313	11,919,268	13,131,709	11,765,074
12,996,700	17,921,700	17,315,024	14,379,840	24,987,466	22,141,774
140,200	147,500	50,396	52,677	37,529	-
19,500	12,200	4,747	2,466	718	-
65,334,100	77,363,000	84,835,301	83,413,438	94,358,019	94,624,738
7,999,700	3,388,300	(2,440,652)	(2,302,331)	(7,535,784)	(3,329,184)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(88,200)	-	-	-	-
16,355,200	21,071,000	20,406,478	12,328,477	18,301,735	17,559,666
(13,495,900)	(17,680,600)	(15,217,489)	(9,806,675)	(16,556,624)	(11,317,783)
2,859,300	3,302,200	5,188,989	2,521,802	1,745,111	6,241,883
\$ 10,859,000	\$ 6,690,500	\$ 2,748,337	\$ 219,471	\$ (5,790,673)	\$ 2,912,699
0.3%	0.3%	0.1%	0.1%	0.1%	0.0%

Schedule 5
CITY OF LOVELAND, COLORADO
Taxable Sales by Category
Last Ten Fiscal Years

	2002	2003	2004	2005
Department Stores & General Merchandise	\$ 175,172,231	\$ 196,261,421	\$ 201,993,449	\$ 210,839,653
Restaurants & Bars	72,361,667	76,405,328	83,128,420	90,217,983
Clothing & Clothing Accessories Stores	35,603,724	32,352,528	29,182,932	29,457,978
Grocery Stores & Specialty Foods	95,668,934	93,367,335	92,957,411	92,490,338
Broadcasting & Telecommunications	34,685,605	37,493,944	37,871,115	37,799,487
Motor Vehicle Dealers, Auto Parts & Leasing	65,042,939	62,696,641	68,119,512	68,951,506
Building Material & Lawn & Garden Supplies	52,960,446	53,985,805	58,910,255	67,239,846
Sporting Goods, Hobby, Book & Music Stores	25,211,962	28,458,533	27,452,133	30,034,856
Utilities	30,311,171	31,075,294	40,460,623	44,129,918
Used Merchandise Stores	6,523,634	7,308,312	10,284,180	16,297,877
Electronics & Appliance Stores	6,791,663	6,001,792	6,097,537	9,121,245
Beer, Wine & Liquor Stores	11,331,986	12,287,985	13,716,270	16,042,524
Hotels, Motels & Other Accommodations	6,100,179	5,670,394	5,969,027	6,798,930
Health & Personal Care Stores	7,411,269	7,707,757	8,501,810	10,046,387
Furniture & Home Furnishing Stores	11,512,837	11,381,338	12,246,054	14,602,438
Consumer Goods & Commercial Equipment Rental	18,261,572	15,935,232	14,340,950	19,486,942
Electronic Shopping & Mail-Order Houses	3,824,286	3,618,017	4,068,383	4,069,551
Office Supplies, Stationery & Gift Stores	12,414,302	11,720,766	12,362,961	12,277,320
All Other Categories	27,203,131	24,837,796	30,479,105	31,971,586
Gasoline Stations with Convenience Stores	6,652,859	6,615,582	6,687,372	6,531,914
	\$ 705,046,397	\$ 725,181,800	\$ 764,829,499	\$ 818,408,279

Note: As a Home Rule City, the City of Loveland started collecting sales tax in 1999. Categorical information for the City is not available before that time. Historical data previously reported for the years 1999 through 2007, has been recalculated and corrected.

Beginning in 2006, the City began collecting Sales Tax based on a mixed rate: 3.0% for most businesses in Loveland, and 1.75% for businesses in the Centerra Metro District. The other 1.25% is retained in the district for public improvements in the district that benefit Loveland. Calculation prior to 2010 were based upon the standard Summary by Industry Code (SIC) reports multiplied by the tax rate of 3.0% and do not reflect the mixed rate differential.

Source: City of Loveland Revenue Division

	2006	2007	2008	2009	2010	2011
\$	210,893,037	\$ 229,489,667	\$ 280,199,000	\$ 250,674,614	\$ 248,498,933	\$ 256,658,493
	102,407,126	111,082,933	115,219,367	112,630,967	136,500,332	139,760,388
	46,333,716	61,892,700	66,546,433	69,338,916	70,613,908	110,700,115
	96,108,708	103,556,600	103,045,667	101,606,520	103,499,491	108,819,981
	38,724,642	42,858,900	42,324,833	42,689,873	44,126,075	78,686,185
	66,710,779	66,246,000	63,577,900	56,707,611	67,047,382	72,162,544
	82,828,420	82,221,800	80,720,400	65,153,933	68,428,532	71,854,553
	40,043,270	43,867,000	44,678,533	47,340,833	58,225,457	62,590,749
	48,195,319	49,533,267	53,359,233	49,865,134	54,049,681	55,665,784
	20,137,930	26,435,600	25,731,100	24,206,405	31,635,760	34,627,761
	17,760,180	20,753,933	18,166,133	19,591,934	33,334,298	31,714,627
	18,233,387	19,672,033	21,096,633	22,331,602	23,523,083	24,958,195
	7,506,517	8,844,467	10,221,433	14,420,279	21,925,230	24,740,175
	13,075,959	15,492,733	16,115,167	16,629,772	18,516,996	20,096,044
	15,129,574	15,491,533	13,500,500	10,736,221	15,852,216	17,774,346
	16,074,658	15,729,800	15,505,267	14,508,228	15,585,127	17,620,480
	5,061,250	5,491,033	4,683,433	5,423,739	13,323,547	15,806,144
	12,441,102	12,888,900	12,609,200	10,952,890	12,342,646	12,399,947
	35,686,610	36,801,867	31,325,833	28,613,217	32,929,321	11,936,856
	6,157,074	6,236,900	7,313,200	7,085,743	8,095,565	8,475,708
\$	899,509,258	\$ 974,587,666	\$ 1,025,939,265	\$ 970,508,431	\$ 1,078,053,580	\$ 1,177,049,075

Schedule 6
CITY OF LOVELAND, COLORADO
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

	<u>State</u>	<u>County</u>	<u>City</u>	<u>Centerra Metro District</u>
2002	2.90%	0.80%	3.00%	N/A
2003	2.90%	0.80%	3.00%	N/A
2004	2.90%	0.80%	3.00%	N/A
2005	2.90%	0.80%	3.00%	N/A
2006	2.90%	0.80%	3.00%	1.75%
2007	2.90%	0.80%	3.00%	1.75%
2008	2.90%	0.80%	3.00%	1.75%
2009	2.90%	0.80%	3.00%	1.75%
2010	2.90%	0.80%	3.00%	1.75%
2011	2.90%	0.80%	3.00%	1.75%

Source: City of Loveland Revenue Division

Schedule 7
CITY OF LOVELAND, COLORADO
Principal Sales Tax Remitters
Current Year and Ten Years Ago

Tax Remitter by Category	Fiscal Year 2002			Fiscal Year 2011		
	Tax Liability	Rank	Percentage of Total Tax Collected	Tax Liability	Rank	Percentage of Total Tax Collected
Department Stores & General Merchandise	5,255,167	1	24.85%	\$ 7,442,395	1	23.16%
Restaurants & Bars	2,170,850	3	10.26%	3,918,015	2	12.19%
Grocery Stores & Specialty Foods	2,870,068	2	13.57%	3,253,291	3	10.13%
Building Material & Lawn & Garden Supplies	1,588,813	5	7.51%	2,105,270	4	6.55%
Clothing & Clothing Accessories Stores	1,068,112	6	5.05%	2,382,665	5	7.42%
Motor Vehicle Dealers, Auto Parts & Leasing	1,951,288	4	9.23%	1,968,968	6	6.13%
Utilities	909,335	8	4.30%	1,663,707	7	5.18%
Sporting Goods, Hobby, Book & Music Stores	756,359	9	3.58%	1,566,969	8	4.88%
Broadcasting & Telecommunications	1,040,568	7	4.92%	1,319,015	9	4.11%
Used Merchandise Stores				913,438	10	2.84%
Consumer Goods & Commercial Equipment Rental	547,847	10	2.59%			
Total (Top Ten Principal Remitters only)	\$18,158,408		85.85%	\$ 26,533,733		82.58%
Total Sales Tax Collected	\$ 21,151,392			\$ 32,129,140		

Note: As a Home Rule City, the City of Loveland started collecting sales tax in 1999. Categorical information for the City is not available before that time. Historical data previously reported for the years 1999 through 2007, has been recalculated and corrected.

Source: City of Loveland Sales Tax

Schedule 8
 CITY OF LOVELAND, COLORADO
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	Capital Leases	Oversizing Agreements	Revenue Bonds	Oversizing Agreements	Water Board Loan	Capital Leases			
2002	\$ 5,979,700	\$ -	\$ 1,559,400	\$ -	\$ 59,594	\$ -	\$ 7,598,694	0.45%	132.8
2003	4,583,700	-	1,400,000	-	59,594	-	6,043,294	0.34%	101.2
2004	280,800	-	1,234,100	-	59,594	426,900	2,001,394	0.11%	33.3
2005	431,000	-	1,075,000	-	59,594	379,800	1,945,394	0.10%	31.4
2006	290,761	-	880,000	-	59,594	329,772	1,560,127	0.07%	24.3
2007	143,333	6,549,297	675,000	312,728	-	276,653	7,957,011	0.35%	120.9
2008	92,937	8,122,378	460,000	3,387	-	220,258	8,898,960	0.37%	137.3
2009	40,260	5,936,344	235,000	3,387	-	159,686	6,374,677	0.26%	96.9
2010	-	5,609,901	-	3,387	-	93,363	5,706,651	0.23%	85.7
2011	\$ -	\$ 4,991,609	\$ -	\$ -	\$ -	\$ 30,237	\$ 5,021,846	0.20%	74.3

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Oversizing Agreement data is not available prior to 2007. The City also has two interfund loans that are not included on the table above. In Governmental Activities, a loan of \$4,800,000 was made in 2007 to the General Fund from the CEF Fund for a land purchase. In Business-Type Activities, a loan of \$1,500,000 was made in 2004 to the Wastewater Fund from the Water Fund to finance needed improvements related to the Wastewater collection system.

Source:

^a See Demographic and Economic Statistics Table for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Schedule 9
 CITY OF LOVELAND, COLORADO
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2011

	Debt Outstanding	Percentage ^a Applicable to Loveland	Loveland's Share of Debt
Governmental Unit			
City of Loveland - Debt Applicable to Debt Limit	-	100.0%	-
Thompson R2-J School District	\$ 117,066,273 ^b	65.1%	\$ 76,210,144
Total			\$ 76,210,144

Source:

^a Determined by ratio of assessed valuation of taxable property within the City to assessed valuation of the overlapping unit.

^b Information provided by the Thompson R2-J School District as of 6/30/2011

Schedule 10
CITY OF LOVELAND, COLORADO
Legal Debt Margin Information
Last Ten Fiscal Years

	2002	2003	2004	2005
Debt limit	\$ 122,575,700	\$ 122,575,700	\$ 147,099,300	\$ 173,515,400
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 122,575,700	\$ 122,575,700	\$ 147,099,300	\$ 173,515,400
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Note: The City of Loveland is a Home Rule City. Title 31, Article 12-101 of the Colorado Revised Statutes provides that General Obligation indebtedness, for all purposes, shall not at any time exceed three percent of actual value, as determined by the assessor, of the taxable property in the City, except such debt as may be incurred in supplying water.

Source: Larimer County Assessor

2006	2007	2008	2009	2010	2011
\$ 185,209,200	\$ 203,969,631	\$ 207,856,633	\$ 207,856,633	\$ 209,435,754	\$ 204,606,142
-	-	-	-	-	-
\$ 185,209,200	\$ 203,969,631	\$ 207,856,633	\$ 207,856,633	\$ 209,435,754	\$ 204,606,142
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 929,722,726
Estimated actual value	6,820,204,741
Debt limit (3% of estimated actual value)	204,606,142
Legal debt margin	<u>\$ 204,606,142</u>

Schedule 11
CITY OF LOVELAND, COLORADO
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	\$ 3,306,800	\$ 2,247,400	\$ 1,059,400	\$ 165,000	\$ 97,300	\$ 262,300	4.04
2003	3,248,900	2,300,100	948,800	170,000	88,800	258,800	3.67
2004	3,246,400	2,317,500	928,900	175,000	67,500	242,500	3.83
2005	3,442,500	2,390,900	1,051,600	185,000	60,300	245,300	4.29
2006	3,569,800	2,591,400	978,400	195,000	51,900	246,900	3.96
2007	4,092,700	2,906,900	1,185,800	205,000	42,800	247,800	4.79
2008	3,946,811	3,304,381	642,430	215,000	31,422	246,422	2.61
2009	3,530,692	2,956,014	574,678	225,000	21,856	246,856	2.33
2010	3,546,108	2,615,786	930,322	235,000	10,771	245,771	3.79
2011	\$ 3,509,741	\$ 2,573,849	\$ 935,892	\$ -	\$ -	\$ -	-

Source: City of Loveland Financial Statements and Long-Term Debt footnote disclosure
 Note: The final payment on the Golf bond was paid in 2010.

Source: City of Loveland Financial Statements and Long-Term Debt footnote disclosure

Schedule 12
CITY OF LOVELAND, COLORADO
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	County		Unemployment Percentage ^a
			Per Capita Income ^b	Median Age	
2002	57,200	\$ 1,670,240,000	\$ 29,200	33.4	4.7
2003	59,700	1,802,940,000	30,200	34.0	5.1
2004	60,100	1,887,140,000	31,400	34.4	4.7
2005	61,900	1,968,420,000	31,800	36.0	4.5
2006	64,100	2,108,890,000	32,900	33.9	3.9
2007	65,800	2,256,940,000	34,300	33.2	3.4
2008	64,800	2,394,748,800	36,956	35.9	4.2
2009	65,800	2,466,249,800	37,481	36.9	7.1
2010	66,572	2,487,662,496	37,368	36.9	7.4
2011	67,581	\$ 2,557,535,364	\$ 37,844	35.3	6.9

Source:

^a Metropolitan Statistical Area of Fort Collins/Loveland, separate City statistics not available

^b Larimer County, separate City statistics not available

Schedule 13
CITY OF LOVELAND, COLORADO
Principal Employers
Current Year and Ten Years Ago

Employer	2002			2011		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Thompson School District R2-J	1,850	1	6.48%	N/A		
Medical Center of the Rockies				N/A		
McKee Medical Center	900	4	3.15%	N/A		
Wal-Mart Distribution Center	1,000	3	3.50%	N/A		
Wal-Mart Super Centers	500	8	1.75%	N/A		
Hach Company	640	7	2.24%	N/A		
City of Loveland	667	6	2.34%	N/A		
US Engineering				N/A		
Agilent Technologies	1,450	2	5.08%	N/A		
Hewlett-Packard	730	5	2.56%	N/A		
Group Publishing	270	10	0.95%	N/A		
Teledyne Water Pik	400	9	1.40%	N/A		
Total (Top Ten Principal Employers)	8,407		29.45%	-		0.00%
Total City Employment	28,532			35,220		

Source: City of Loveland Development Services Department, Loveland Chamber of Commerce, Larimer County Workforce Center

Schedule 14
CITY OF LOVELAND, COLORADO
Full-time-Equivalent City Government Employees By Function/Program
Last Ten Fiscal Years

Function/Program	2002 ¹	2003 ¹	2004 ¹	2005 ¹	2006 ¹	2007 ¹	2008 ¹	2009 ^{1,2}	2010 ³	2011 ³
Executive & Legal	14	14	18	18	18	15	14	14	13	14
Community & Business Relations	0	0	0	0	0	8	10	8	7	3
Finance	54	56	56	59	59	59	55	49	48	48
Development Services	37	37	26	26	27	26	29	30	25	26
Public Works	78	78	82	85	85	86	93	94	89	89
Police	123	124	124	124	128	134	136	136	134	134
Fire	53	53	62	62	67	69	69	68	66	66
Parks & Recreation	63	63	63	64	68	65	65	65	62	64
Library	29	29	29	29	29	29	28	28	27	30
Cultural Services	12	11	11	11	12	12	13	13	12	12
Human Resources	10	11	11	11	11	11	10	10	10	10
Information Technology	14	14	17	23	24	24	25	25	22	21
Golf - Parks & Recreation	17	17	17	17	17	19	19	19	19	14
Water & Power	119	122	122	122	122	119	119	124	115	115
Solid Waste - Public Works	23	24	24	24	24	25	26	28	28	28
Stormwater - Public Works	11	10	11	12	13	12	16	15	15	14
Total	657	663	673	687	704	713	727	726	692	688

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

Full-time equivalent (FTE) employment is calculated by dividing total labor hours by 2080.

Prior to 2008, FTE employment was calculated using 2,088 annual hours; a change was necessitated when the pay period frequency was changed from semi-monthly to bi-weekly at the beginning of 2008.

Source: City Budget Office

¹ City of Loveland, Colorado Adopted Budget Book - Revised FTE for the appropriate year was used.

² The City of Loveland in 2009 eliminated 33 positions as a result of the economy.

³ City of Loveland, Colorado Adopted Budget Book - beginning in 2010, use of Adopted Budget FTE levels will be considered standard.

Schedule 15
CITY OF LOVELAND, COLORADO
Statistical Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005
General Government				
Building Permits Issued	6,941	6,907	6,955	7,435
Building Inspections Conducted	31,990	30,855	32,294	35,952
Police				
Physical Arrests	2,407	NA	2,668	2,900
Parking Violations	1,103	NA	1,345	2,007
Traffic Violations	9,499	NA	9,114	11,273
Fire				
Emergency Responses	5,277	5,417	5,425	5,375
Fires Extinguished	33	28	36	41
Inspections	1,151	1,050	813	906
Refuse Collection				
Refuse Collected (tons per day)	72.00	69.69	72.36	78.55
Recyclables Collected (tons per day)	25.22	28.02	29.72	30.93
Yard Waste Collected (tons per day)	48.32	55.83	68.49	69.93
Other Public Works				
Street Resurfacing (miles)	24	20	23	26
Potholes Repaired	1,486	4,920	4,608	3,143
Parks and Recreation				
Athletic Field Permits Issued	4,800	4,965	5,200	6,048
Chilson Center Admissions	313,737	312,833	317,853	302,851
Rounds of Golf	142,417	139,975	130,304	137,721
Library				
Volumes in Collection	165,254	167,023	168,774	169,693
Water				
New Connections	839	728	738	723
Water Main Breaks	63	71	49	65
Average Daily Consumption (thousands of gallons)	8,864	8,331	8,168	9,291
Peak Daily Consumption (thousands of gallons)	23,103	21,040	21,560	25,760
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	5,100	5,720	5,690	5,870
Power				
Megawatt hours (purchased from PRPA)	536,598	585,992	591,533	534,393
Transit				
Total Route Miles	-	215,694	175,205	171,377
Passengers	-	69,435	75,204	89,076

Note: NA = The information was not available for the time that is indicated. **Source:** City of Loveland Departments

1 Fires Extinguished in 2006 and prior years only included building fires. Starting in 2007, Fires Extinguished includes building, grass, and vehicle fires.

2 2010 Police Traffic Violations lower due to fewer officers available to patrol while conducting other investigative activities.

3 2010 Fire Inspections lower due to a decrease in business inspections, a result of budget and service level reductions.

4 2010 Chilson Center Admissions lower due to construction, April - November.

5 2010 Library Volumes lower due to elimination of unused materials in anticipation of construction and planning for a new tagging system.

6 2009 Transit passengers increased due to high gas prices, as well as the addition of the Orange route. In 2010, ridership decreased due to the 34Xpress route being eliminated and the regional FLEX route being added. FLEX transports passengers between Fort Collins and Longmont, through Loveland, and is not operated by the City of Loveland.

2006	2007	2008	2009	2010	2011
6,534	2,118	1,663	1,542	1,795	1,854
29,264	23,447	18,706	14,911	15,265	14,362
3,198	3,127	3,419	3,121	3,135	2,767
1,975	2,627	1,825	1,212	1,527	1,511
12,671	14,075	12,669	12,219	11,027 ²	9,897
5,346	5,503	5,349	5,397	5,736	6,265
38	106 ¹	143	104	194	110
1,166	1,038	751	628	260 ³	143
94.84	91.50	95.18	97.18	95.70	96.05
33.57	34.76	35.81	33.15	35.28	33.12
61.30	69.37	80.21	75.95	77.25	108.48
31	19	19	25	20.9	16.7
2,112	6,467	2,437	1,582	3,167	1,502
6,643	6,812	8,402	8,402	7,784	7,221
273,213	267,538	295,475	305,414	247,511 ⁴	386,753
135,699	132,390	131,851	128,468	120,885	117,059
169,836	158,739	165,385	161,318	154,732 ⁵	148,005
421	344	225	117	121	188
76	73	63	70	63	99
11,086	10,449	10,582	8,951	9,892	10,145
27,590	26,900	27,300	23,900	24,800	25,000
5,550	6,040	5,840	6,210	6,520	6,390
660,379	692,795	726,135	676,931	702,481	731,522
186,287	184,514	207,789	219,910	219,225	228,532
112,236	115,895	136,018	155,695 ⁶	138,284	133,355

Schedule 16
CITY OF LOVELAND, COLORADO
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<i>Police</i>										
Stations	1	1	1	1	1	1	1	1	1	1
Divisions / Units	19	18	18	18	17	17	17	12	12	12
<i>Fire Stations</i>										
	5	5	6	6	6	6	6	6	6	6
<i>Refuse Collection</i>										
Collection Trucks	16	16	16	16	16	16	15	25	27	21
<i>Other Public Works</i>										
Highways (miles)	60	61	63	64	65	71	24 ¹	24	24	24
Streets (miles)	213	225	235	242	245	251	332 ¹	328 ²	328	328
Streetlights	3,750	4,163	4,268	4,709	4,866	5,012	5,086	5,393	5,649	5,734
Traffic Signals	69	73	73	75	82	86	91	92	92	93
<i>Parks and Recreation</i>										
Acreage - Developed Park	251	263	263	263	318	339	388	388	388	388
Playgrounds	24	25	25	25	25	26	27	27	27	27
Baseball/Softball Diamonds	24	25	25	25	25	26	30	30	30	30
Soccer/Football Fields	29	30	30	30	30	38	38	38	38	38
Community Centers/Recreation Center	1	1	1	1	1	1	1	1	1	1
<i>Water</i>										
Water Mains (miles)	361	371	371	400	414	423	429	433	433	435
Fire Hydrants	2,158	2,241	2,353	2,512	2,635	2,718	2,791	2,823	2841	2860
Storage Capacity (thousands of gallons)	13,800	13,800	13,800	18,300	18,300	20,300	24,300	20,300	20300	20300
<i>Wastewater</i>										
Sanitary Sewers (miles)	294	302	302	324	330	330	332	333	334	334
Treatment Capacity (thousands of gallons)	8,000	8,000	8,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<i>Power</i>										
Overhead Conductors (miles)	299	301	304	307	307	307	304	306	307	305
Underground Conductors (miles)	845	887	915	941	942	943	952	961	972	991
<i>Transit</i>										
Buses	2	2	2	3	3	3	3	3	4	5
Minibuses	3	6	6	6	6	7	7	7	6	5

Note:

¹ In 2008, the Highways (miles) and Streets (miles) have been revised to reflect a change in reporting distribution and provide comparison with a new method used in 2009. Prior to 2008, Highway miles include arterial streets. In 2008 and henceforth, arterials are considered part of Street miles. Highway miles will henceforth consist of only State and U.S. Highways.

² A small decrease in Street miles in 2009 is due to improved accuracy of measurement using GIS resources.

Source: City of Loveland Departments

Schedule 17
CITY OF LOVELAND, COLORADO
Schedule of Terms

A

Accrual Basis of Accounting: The method of accounting under which debits and credits are recorded at the time they are incurred as opposed to when cash is actually received or spent. For example, in accrual accounting, revenue which was earned in December, but not collected until January, is recorded as revenue in December.

ADA: Americans with Disabilities Act.

Adjudication: The act or process of reaching settlement judicially.

Amendment 1 (TABOR): An amendment to the Colorado State Constitution that limits revenues and expenditures to the inflation rate, measured by the Denver–Boulder Consumer Price Index, Urban Area (CPI–U), and growth (defined as new construction) of the jurisdiction in the prior year. All new or increased taxes must be voted on by the public. Also, it establishes mandatory emergency reserves.

Appropriation: A legal authorization made by the City Council to make expenditures and incur obligations for specific purposes.

Appropriation Ordinance: An ordinance by means of which appropriations are given legal effect. It is the method by which the expenditure side of the annual budget is enacted into law by the City Council.

ARC: An abbreviation for Annual Required Contributions.

Assessed Valuation: A valuation is set upon real estate or other property by the county assessor to establish a basis for levying taxes. It is equal to 7.96% of market value for residential property and 29% for commercial and industrial property.

B

Bond: A form of borrowing money for major capital projects, such as buildings and streets. The City obligates itself to repay the principal at a stated rate of interest over a stated period of time.

Budget: A financial plan of estimated expenditures and the means of financing them for a stated period of time. Upon approval by the City Council the budget appropriation ordinance is the legal basis for expenditures in the budget year.

C

CAD: Computer Aided Dispatch.

Capital Outlay: An item that costs \$2,500 or more and is expected to last one year or longer. Examples include vehicles, carpet and equipment.

Capital Expansion Fee (CEF): An assessment on new development to contribute to providing new infrastructure necessitated by population growth.

Capital Program: An annually updated plan of capital expenditures for public facilities, infrastructure and major fixed assets with estimated costs, sources of funding and timing of projects over a five–year period.

Capital Improvements: Expenditures related to the acquisition, expansion or rehabilitation of an element of the city’s physical structure, sometimes referred to as infrastructure. Examples include buildings, streets, bridges, parks and utility systems.

Capital Project: Expenditure for equipment, machinery, facilities, or infrastructure that will provide long–term service or other public benefits.

Carryover: Amount of money remaining at the end of the preceding year and available in the current budget year through an ordinance commonly called the rollover ordinance.

CAFR: Comprehensive Annual Financial Report.

CDBG: Community Development Block Grant.

CFAC: Citizens' Finance Advisory Commission.

CIRSA: Colorado Intergovernmental Risk Sharing Agency.

CEF: Capital Expansion Fee (see definition above).

Contractual Services: Expenses that are usually incurred by entering into a formal agreement or contract with another party. Expenses included in this category can include insurance, repairs or professional services.

CPI: Consumer Price Index.

CSafe: Colorado Surplus Asset Fund Trust

D

Debt Service: Principal and interest due on long-term debt such as loans, notes and bonds incurred by the City.

Defease: A provision that voids a bond or loan when the borrower sets aside cash or bonds sufficient enough to service the borrower's debt.

Department: Major unit of organization in the City.

Depreciation: Expiration in the service life of fixed assets because of wear and tear, deterioration, action of physical elements, inadequacy or obsolescence.

Division: Sub-unit of a department.

DRT: Development Review Team.

E

EMS: Emergency Medical Services.

Encumbrance: Obligations in the form of purchase orders or contracts which are chargeable to an appropriation and for which a part of the appropriation is reserved. Obligations cease to be encumbrances when paid or when the actual liability is set up.

Enterprise Fund: Funds that are self-supporting through user fees. Examples include water, golf, solid waste and power. By the TABOR amendment these funds can not have more than 10% of their budget subsidized by taxes.

EPA: Environmental Protection Agency.

Expenditure: Payment for goods or services, including operating expenses that require the current or future use of net current assets, debt and capital outlays. Note that an encumbrance is not an expenditure, but reserves funds to be expended.

F

FDIC: Federal Deposit Insurance Corporation.

FPPA: An abbreviation for Fire and Police Pension Association.

FICA: An abbreviation for Federal Insurance Contributions Act, this is a compulsory payroll tax which funds Social Security.

Fiduciary Fund: A fund used to account for activity of the City as a trustee over funds allotted to meet a current or future financial obligation, usually on an actuarially sound basis. Example: Pension funds.

Fiscal Year: The 12-month period to which the operating budget applies. This is January 1 to December 31 for the City of Loveland.

Fixed Assets: Assets of long-term character that are intended to continue to be held or used, such as land, buildings, machinery and other equipment.

FLSA: Fair Labor Standards Act.

FTE: Full-time equivalent. The hourly equivalent of a full-time employee. An FTE can be made up of either one full-time employee or two or more part-time employees whose total hours equal 40 per week.

Fund: Accounting entity with a self-balancing set of accounts, which is segregated from other funds, to carry on specific activities or attain certain objectives.

Fund Balance: On-hand available cash balances which are realized in prior fiscal years less current liabilities and are available for designation as a funding source for a future budget year.

G

GAAFR: Governmental Accounting, Auditing and Financial Reporting.

GASB: Governmental Accounting Standards Board.

General Fund: A central fund into which most of the City's tax and unrestricted revenues are budgeted to support basic municipal services, public safety and administrative activities of the City; financed mainly by sales tax and property tax.

GFOA: Government Finance Officers Association.

GID: General Improvement District.

Grant: A contribution made from either the private sector to the City or by one governmental unit to another. The contribution is usually made to support a specified program, function or project.

H

Home Rule: A limited grant of discretion from the State of Colorado to Loveland, concerning either the organization of functions or the raising of revenue. Loveland became a home rule city in May of 1996.

I

Intergovernmental Revenue: Amounts of money received from federal, state and other governmental bodies.

Internal Services Fund: Activities which provide support services to other City departments. Example: Accounting.

IT: Information Technology. IT provides innovative information technology and services that are reliable, accessible, and cost effective for the City of Loveland staff and citizens.

J - L

Level of Service: Transportation Level of Service (LOS) is based on a ratio of current or anticipated volumes of traffic at peak hours and trip generation along the street divided by the capacity of the street. The City of Loveland has adopted Level A for local roads, Level B for Collectors and Level C for other areas with a few exceptions. When service level falls below LOS C, movements become more restricted and delays may occur during peak periods.

Lease-Purchase Agreement: Financial arrangement which permits the City to pay for the use of equipment or machinery over a period of time through a lease and to purchase it at the end of that time.

LLBA: Loveland/Larimer Building Authority.

LURA: Loveland Urban Renewal Authority.

M

Median Family Income: An annual income figure for which there are as many families with incomes below that level as there are above.

MFA: An abbreviation for Master Financing Agreement.

Mill Levy: Rate by which assessed valuation is multiplied to determine property tax. A mill is 1/10 of one cent or \$1.00 of tax for each \$1,000 of assessed valuation.

Modified Accrual: Under Modified Accrual Accounting revenues are recorded when they are measurable and available. Expenses are recorded when they are incurred. This differs from the full accrual method where revenues are recorded when received and expenses recorded when the expense is paid for.

N

Net City Budget: Total City operating and capital budget net of transfers among funds, and internal service charges. This amount represents a close approximation of projected spending.

Non-Exempt: A classification indicating that an employee is eligible to be paid for overtime, as defined by the guidelines of the Fair Labor Standards Act (FLSA). Exempt employees, conversely, are not eligible for overtime pay.

O - P

Operating Budget: The portion of the budget that pertains to daily operations providing basic governmental services. The operating budget contains appropriations for such expenditures as personal services, supplies and materials.

Paratransit Service: Door to door transportation services for people who due to health or disability can not use fixed route transportation services.

PDPA: Public Deposit Protection Act

Per capita: An average per person.

Personal Services: Salaries, wages, benefits and other related costs of employees.

PIF: Plant Investment Fee. (See definition below.)

PILT: Payment In Lieu of Tax. An estimate of the amount of taxes that would be chargeable to a utility if owned privately.

Plant Investment Fee (PIF): Charges made on new development to contribute to financing utility facilities to meet the needs of increased population. Applies to Loveland Water and Power. This fee is similar in nature to a Capital Expansion Fee.

Projection: Estimation of future revenues and expenditures based on past trends, current economic conditions and financial forecasts.

PRPA: Platte River Power Authority.

Property Tax: Annual charge to owners of real property, based on assessed valuation and the mill levy.

Q - R

Reserve: Funds set aside in the current and past years for the purpose of paying for capital needs, providing for obligations and liabilities, and meeting emergency needs.

Reserve Fund Balance: The portion of a fund's balance that is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Resources: Total amounts available for appropriation, consisting of estimated beginning funds on hand plus anticipated revenues.

Retire: In the financial sense, to pay off a debt.

Revenues: Funds that the government receives as income such as tax payments, user fees, charges, special assessments, fines, grants and interest income to support the services provided.

Risk Management: As organized attempt to protect a government's assets against accidental loss in the most economical manner, and programs to minimize worker injury and supervisory actions to limit City liability.

RSF: Retail Sales Fee. A fee collected by the merchant for developer or sub-unit of government such as a Metropolitan District to fund the cost of infrastructure and other approved expenses.

RSI: An abbreviation for Required Supplemental Information.

S

Self-Insurance: Establishment of a sum of money sufficient to pay anticipated claims. Used as a planning process to control costs and coverage in lieu of paying premiums to insurance companies.

SID: Special Improvement District. (See definition below.)

SIF: System Impact Fee. (See definition below.)

Services Rendered: Charges made to a fund for support services provided by another fund.

Special Assessment: A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

Special Improvement District (SID): A district composed of property owners who have agreed to join together to complete and pay for the cost of public improvements.

Special Revenue Funds: A fund used to account for the proceeds of specific revenues that are legally restricted to be spent for specific purposes. Example: Capital Expansion Fees.

System Impact Fee (SIF): Impact fees on new development that contribute to financing utility facilities to meet the needs of increased population. Applies to the Water, Wastewater and Storm Water utilities.

T - U

TABOR (Taxpayers' Bill of Rights aka Amendment 1): Refers to an amendment to State constitution, which put in place several restrictions to state and local government. The most significant limits are the requirement

for all tax rate increases to be by a vote of approval, and creating revenue limits a government must abide by, refunding all revenue over the limit unless given voter approval otherwise.

TIF: Tax Increment Finance

Transfers: Amounts distributed from one fund to finance activities in another fund. Transfers are shown as an expenditure in the originating fund and a revenue in the receiving fund.

Unreserved Fund Balance: The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

URA: Urban Renewal Authority.

User Fee: Charge to the benefiting party for the direct receipt of a public service.

V - Z

Windy Gap Project: A project that collects stores and diverts water from Windy Gap Reservoir and Lake Granby on Colorado's Western Slope to the Colorado-Big Thompson Project facilities, providing water to users on the Front Range.

Compliance



This section contains the City's Schedule of Expenditures of Federal Awards, Colorado Local Highway Finance Report and related reports.



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**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***

Honorable Mayor and Members of the City Council
City of Loveland, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Loveland (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance And Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated June 1, 2012.

This report is intended solely for the information and use of management, Citizens Finance Advisory Commission, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

RubinBrown LLP

June 1, 2012



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**Report On Compliance With Requirements That
Could Have A Direct And Material Effect On Each
Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Honorable Mayor and Members of the City Council
City of Loveland, Colorado

Compliance

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

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

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

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Citizens Financial Advisory Commission, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

RubinBrown LLP

June 1, 2012

CITY OF LOVELAND, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2011

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

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

Identification of major programs:

CFDA No.	Name Of Federal Program Or Cluster
20.106	Airport Improvements
20.507	Federal Transit – Formula Grant
81.128	Recovery Act – Energy Efficiency and Conservation Block Grant Program

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

Auditee qualified as low-risk auditee? yes no

CITY OF LOVELAND, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2011

Section II - Financial Statement Findings

There were no findings relating to the City's financial statements for the year ended December 31, 2011.

Section III - Federal Award Findings And Questioned Costs

There were no findings relating to the City's federal awards for the year ended December 31, 2011.

Section IV - Prior Year Findings

Finding: 2010-01

CFDA 20.507 Recovery Act - Federal Transit - Formula Grants (Urbanized Area Formula Program)

Federal Agency: U.S. Department of Transportation

Criteria: Per the Procurement, Suspension, and Debarment compliance requirement, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR Section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

Condition: The City does not check to see if a vendor is on the debarment or suspended list before it enters into a transaction that is related to a purchase order.

CITY OF LOVELAND, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2011

Questioned Costs: Not applicable.

Context: Two of the 42 disbursements selected for CFDA 20.507 testing were not checked for debarment or suspension before the transaction occurred. In the transactions tested, there were no vendors that were debarred.

Effect: Without thorough reviews, inappropriate costs may be charged to the federal grant, possibly leading to misuse of federal funds, repayment of grant monies and loss of grant funding.

Cause: There is not sufficient review of all vendors to ensure they are not on the debarment or suspension list.

Recommendation: We recommend the City implement procurement policies to have vendors related to federal grants be appropriately reviewed for suspension or debarment through the Excluded Parties List System website before the transaction in excess of \$25,000 occurs.

Views Of Responsible Officials And Planned Corrective Actions: See the City's 2010 Comprehensive Annual Financial Report.

Auditor Response: The City has implemented control procedures surrounding purchase orders. This finding has been resolved.

CITY OF LOVELAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the period ended December 2011

<u>Program Description</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Housing & Urban Development		
Community Development Block Grant	14.218	\$ 312,787
Community Development Block Grant	14.218	81,233
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		394,020
U.S. Department of Transportation		
Airport Improvements AIP28	20.106	106
Airport Improvements AIP29	20.106	6,516,541
		6,516,647
Passed through Colorado Department of Transportation:		
Highway Planning & Construction		
Traffic Operations Center	20.205	78,078
Safe Routes to Schools, - Education 10-11	20.205	8,096
Safe Routes to Schools, - Education 11-12	20.205	13,682
Off-System Bridge Funding	20.205	36,652
Garfield Ave/US34 South RTL	20.205	130,000
Boyd Lake Safety	20.205	90,000
Centerra Area Signal Timing	20.205	1,677
US 287 Traffic Signal Control	20.205	239,594
FTA 5309	20.509	92,207
FTA 5307	20.507	532,500
CMAQ	20.507	487,938
5307 Paratransit analysis	20.507	3,131
Formula Transit Grants	20.507	1,115,776
Job Access Reverse Commute (JARC)	20.516	53,913
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		8,284,115
U.S. Department of Interior		
Passed through Colorado Historical Society		
Certified Local Government	15.904	11,470
TOTAL U.S. DEPARTMENT OF INTERIOR		11,470
U.S. Department of Energy		
Energy Efficient and Conservation Block Grant - ARRA	81.128	448,464
TOTAL U.S. DEPARTMENT OF ENERGY		448,464
U.S. Department of Justice		
Passed through Colorado Division of Criminal Justice		
Bullet Proof Vest	16.607	2,600
Federal Emergency Management Agency (FEMA)		
Passed through Colorado Department of Local Affairs		
Assistance to Firefighters Grant	97.044	30,733
Emergency Management Performance Grant (EMPG)	97.042	14,010
Emergency Management Performance Grant (EMPG)	97.042	1,477
Emergency Management Performance Grant (EMPG)	97.042	37,700
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	157,384
Total FEMA		241,304
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 9,381,973

See the note to the Schedule of Expenditures of Federal Awards.

CITY OF LOVELAND, COLORADO
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards 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 present in the financial statements.

NOTE 2: Sub Recipient

The City provided federal awards to the sub recipient as follows:

CFDA Number	Program Name	Amount Provided to Sub Recipient
81.128	Energy Efficient and Conservation Block Grant	\$154,951

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County:
	YEAR ENDING: December 2011
This Information From The Records Of (example - City of _ or County of _):	Prepared By: Phone:

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	6,305,582
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,859,249
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,963,534
2. General fund appropriations		b. Snow and ice removal	413,629
3. Other local imposts (from page 2)	0	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	2,377,163
5. Transfers from toll facilities		4. General administration & miscellaneous	947,288
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	12,489,282
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	0	b. Redemption	
B. Private Contributions	755,474	c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	0	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	755,474	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	12,489,282

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		755,474	12,489,282		(11,733,808)

Notes and Comments:

See accompanying independent auditors' report.

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2011	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	600,413
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	2,150,651	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	0
4. Licenses	3,600	f. Charges for Services	0
5. Specific Ownership &/or Other	884,219	g. Other Misc. Receipts	0
6. Total (1. through 5.)	3,038,470	h. Other	
c. Total (a. + b.)	3,038,470	i. Total (a. through h.)	600,413
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	2,473,213	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	244,322	d. Federal Transit Admin	
d. Other - Traffic Signal Maint	395,390	e. U.S. Corps of Engineers	
e. Other - State Hwy Maint	41,749	f. Other Federal	495,390
f. Total (a. through e.)	681,461	g. Total (a. through f.)	495,390
4. Total (1. + 2. + 3.f)	3,154,675	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		193,831	193,831
b. Engineering Costs	277,023	424,682	701,705
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		1,871,993	1,871,993
(3). System Preservation		2,960,383	2,960,383
(4). System Enhancement & Operation	390,120	943,024	1,333,144
(5). Total Construction (1) + (2) + (3) + (4)	390,120	5,775,400	6,165,520
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	667,143	6,393,913	7,061,056
			(Carry forward to page 1)
Notes and Comments:			

See accompanying independent auditors' report.

**FOR MORE INFORMATION REGARDING
THIS PUBLICATION CONTACT:**



**CITY OF LOVELAND
500 E. 3RD STREET
LOVELAND, CO 80537**



CITY OF LOVELAND, COLORADO

REPORT TO GOVERNANCE

**Resulting from the 2011
Financial Statement Audit**





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Honorable Mayor and
Members of City Council
City of Loveland, Colorado

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For Governance Use Only

Dear Honorable Mayor and Members of City Council:

As part of the 2011 City of Loveland, Colorado (the City) financial statement audit, we reviewed the City's internal control structure. This review was limited and not necessarily designed or intended to disclose errors, irregularities or fraud that might occur. Accordingly, we do not express an opinion on your internal control system.

The following report is divided into two sections: *Changes from the Prior Year* and *Advisory Comments and Suggestions*.

CHANGES FROM THE PRIOR YEAR

This first section presents areas in which we noted significant improvement in the City's internal controls and financial practices. We commend staff for implementing these positive changes.

- **GRANT DEBARMENTS COMPLIANCE**

The City is including documentation of the verification with the Excluded Parties List System website during the procurement process to ensure vendors associated with the City are not debarred and to ensure compliance with the U.S. Office of Management and Budget (OMB) Compliance Supplement.

We commend staff and management for improving the internal controls surrounding grant compliance.

- **CAPITAL OUTLAY AND DISPOSAL RECONCILIATION**

We acknowledge the City's overall improvement in the reconciliation and tracking of capital outlays and disposals.

- **BANK RECONCILIATIONS**

The City staff performed reviews of the bank reconciliations and dated and documented the review.

We recognize the City's commitment and documentation of sound internal control policies.

- **QUARTERLY FEDERAL TAX WAGE REPORT RECONCILIATION**

The City staff began documenting the review of the quarterly reconciliations of wages reported on the federal tax wage report (Form 941) to the wages recorded in the general ledger.

We commend the City's efforts to implement a review of these reports ensuring accurate reporting of wages.

- **STALE CHECKS**

The City has been working to investigate old outstanding checks listed on the City's monthly bank reconciliation. The City has significantly reduced the number and amount of stale checks.

The City should continue to investigate stale checks in order to determine if the checks should be voided or reissued.

- **CROSS-TRAINING FOR GRANTS**

The City started cross-training key employees in the reconciliation and preparation of the grant expenditure reports.

We acknowledge the City's efforts to minimize the reliance on any one employee and encourage the efforts to increase the involvement of several employees in the process.

- **REVENUE AND ACCOUNTS RECEIVABLE DEPARTMENT**

The City implemented a control to mitigate the segregation of duties related to depositing and accounts receivable payments and the write-off of accounts receivable. Employees who can post payments received and write off receivables balances must obtain their supervisor's approval to write off an account balance. The supervisor also then compares write-offs for the period to the amounts that were approved.

We commend the City for mitigating the segregation of duties.

ADVISORY COMMENTS AND SUGGESTIONS

In this section, we identified other items that came to our attention during the course of our financial statement examination we believe should be addressed by you. We hope these items will be received in the constructive manner intended.

- **GRANT REPORTING**

During our review of the Federal Transit Agency grant, we noted that documentation was not consistently reviewed and retained regarding the grant-reporting requirement. Without proper documentation, the City could be at risk for noncompliance.

We recommend that reports be regularly reviewed and retained for future reference to clearly demonstrate the City's compliance with the reporting requirements of the grant.

- **SUBRECIPIENT MONITORING**

The City has a responsibility to monitor any federal funds received and then passing those federal grant funds through to another organization. The organizations receiving these pass-through federal funds are called subrecipients. In reviewing the contract, the City did not include all the applicable compliance provisions of the grant funds in the contract with the subrecipient and there was no evidence of the subrecipient's compliance with the debarment list. As a result, the City could be at risk for noncompliance with respect to monitoring of the subrecipient.

We recommend that the City document all applicable compliance provisions of the grant in the contract with subrecipients and regularly monitor the organization's compliance with the contract and compliance provisions of the grant funds.

- **INVESTMENT POLICY ADHERENCE**

During our procedures related to investments held by the City and the investment policy, we observed some corporate bond investments that fell below the required rating level subsequent to the investment's purchase. The City has made a decision to hold these investments to minimize the loss on return. The City could be out of compliance with the investment policy.

We recommend the City update the investment policy to allow management to make key decisions regarding investments whose rating was appropriate at time of purchase and then whose fair value fell below the rating required by the investment policy. The investment policy should address a global view of purchases and sales to allow management to react in a timely and prudent manner.

- **FUND BALANCE POLICIES, DEFINITIONS AND DOCUMENTATION**

The City implemented Governmental Accounting Standards Board Statement (GASB) No. 54 in 2011; however, the fund balance policies and definitions do not include all governmental funds and the documentation for assigned fund balances was not always retained or formally documented. Without the written formal policies and definitions, the City cannot ensure proper reporting of these fund balances in accordance with GASB 54.

We recommend the City update the fund balance policies and definitions and retain documentation supporting significant assignments of fund balance. This will not only help to communicate the intentions of City Council to management but also ensure proper reporting.

- **SYSTEM CONVERSION**

The City converted to a new accounting system in the later part of fiscal year 2011. As part of the conversion process, it may be beneficial to document key functions of the system to be placed into the accounting manual. Some areas to include are modules used, data input

requirements, back-up policies, user access requirements and restrictions and report writing criteria. Adding these components to your existing manual will assist staff throughout the conversion and allow continuity of operations with minimal interruption in the event of prolonged absence or turnover.

We recommend staff document key controls and practices in the accounting manual during the new system implementation.

- **GOLF COURSE**

- **Control over Discount Activity**

Discounts and voids of sales at the golf course do not require management approval prior to the sale. In addition, the City's golf course currently does not have a control to review for excessive discounts or sales voids. The City is at risk for possible misstatement or inappropriate discounts and sales.

We recommend the City implement both a preventative control such as management approval prior to major discounts or voids being taken, as well as a detective control such as management review of sales activity

for unusual or excessive discounts or voids. These controls may help to improve the control over discount activity at the golf course.

- **Invoicing for Large Group Activity**

The City's golf course does not invoice within the accounting system for large groups playing and the sales are not recorded until the cash receipt is collected. Invoicing at time of services is an important tool to enable the City to follow up on the collection of these services. The current process could result in missed collection efforts and unreported sales.

We recommend the City invoice within the accounting system for large group play at the time service is rendered. This may help record transactions in the proper accounting period and prevent loss of revenues due to theft.

- **UTILITY BILLING**

- **Segregation of Duties**

The employees that are responsible for the collection of cash receipts are also responsible for the recording of the related deposit and have the ability to write off balances. When the same individual is responsible for

the collection, recording and maintenance of account balances, the control over the transaction is weakened, which can increase the likelihood of error or theft.

To separate the collection and accounting function of the utility payment, we recommend that an employee who is not responsible for the collection of payments record the related deposit. It also allows a second individual to verify the accuracy of the related deposit. In addition, we recommend that employees responsible for the collection of funds are not also authorized or able to write off balances. This differentiation separates the collection and account maintenance function of the utility billing process.

- **Shut-Off Payment Collection**

Currently, field service representatives can collect payments from customers on site prior to the shutting off of services. By allowing field service representatives to collect payments, the City is exposed to the risk of theft or error by service agents.

We recommend that all customers be required to mail, telephone pay or walk-in pay amounts due.

• **PRE-PAYMENT COLLECTION CONTROLS**

Currently, payments for building permits and Power Department work orders are held and not recorded in the accounting system until the plan has been reviewed/approved or the respective work order has been created.

We recommend the City deposit the payments upon collection. This process may help to prevent lost or stolen payments.

CONCLUDING REMARKS

We appreciate the opportunity to work as part of the City's financial team. We look forward to a continued relationship with the City.

The purpose of the audit was to express an opinion on the financial statements, but not to express an opinion on the effectiveness of the City's internal control over financial reporting. Therefore, we do not express an opinion on the effectiveness of the City's internal control.

This report is intended solely for the information and use of the Mayor, members of the city council and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Honorable Mayor and Members of City Council
City of Loveland, Colorado
Page 12

If you have any questions about this report, or if you need assistance with any other matters, please contact Cheryl Wallace, CPA; Matthew Marino, CPA; or Bert Bondi, CPA. We can be reached by phone at 303.952.1288, or by email at cheryl.wallace@rubinbrown.com.

RubinBrown LLP

June 1, 2012



2011 MANAGEMENT RESPONSES

To the "Auditor's Report to Governance"

Presented By:
Bonnie Steele, Acting Finance Director and Compliance & Payroll Manager
6/26/2012

INTRODUCTION:

The City of Loveland received the Auditor’s Report to Governance (Report) provided by Rubin Brown LLC. In response to the Report, the City of Loveland Finance Department would like to expand on the following advisory comments and suggestions as well as including action plans in an effort to enhance the internal control environment throughout the City.

ADVISORY COMMENTS AND SUGGESTIONS:

Grant Reporting

The City agrees to the necessity of proper documentation of all grant reporting. During 2011, all reports were submitted on time and within guidelines with the exception of the third quarter report. The Finance Accounting staff and the Transit Manager are working in conjunction with to create a process to report and retain the documentation. This process will include developing a procedure for reporting federal dollars as required by the Federal Transit Authority (FTA). Although the City agrees that there is potential for risk of non-compliance; the City finds that risk to be low. A representative from the FTA has stated in writing that only several repeated delinquencies would constitute non-compliance.

Sub-Recipient Monitoring

This comment is related to the Energy Efficient & Conservation Block Grant Program received in 2010 through 2011. Federal Funds were passed through to six sub-recipients in the total amount of \$155,000. This grant was completed in 2011 and sub-recipient monitoring at this time is not needed. In the future, when similar grants are received, the Finance department agrees to perform regular monitoring of the organization to ensure compliance with the contract and grant requirements. The Finance Staff agrees with the associated risk as outlined by the external auditors.

Investment Policy Adherence

The Investment Policy includes a provision in Section XI. -1 Exemption “Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirement of this policy until the security matures or is liquidated.” Staff finds that given the current financial situation, it would not be prudent nor practical to liquidate corporate securities at a loss. City Council was

City of Loveland – 2011 Management Responses to the “Auditor’s Report to Governance”

informed of this in October 2011 when the policy was amended. As it is expected that future downgrades will continue, staff will review the policy and proceed with updates as needed.

Fund Balance Policies, Definitions and Documentation – The New Fund Balance Policy was approved by City Council in 2010. The City was an early implementer of this guidance from the Generally Accepted Accounting Principles (GAAP) and continues to develop the City’s financials within this guidance. Therefore, staff agrees with this comment and will revise the New Fund Balance Policy as needed.

System Conversion

The system conversion in 2011 was a major undertaking by the Finance Staff and the City departments. The Finance department agrees that documenting processes and key controls is a fundamental component of a strong internal control environment. The manual is a step-by-step process for users that include how to enter requisitions, invoices, budgets, purchase orders and more. The intent for the manuals is user based and not intended to be an internal control document. The Finance team will make an effort to develop an internal control document using the manuals as a basis for this document. The Finance staff will make every effort possible to compile the internal controls into a document, however, due to workload constraints, such a document may be difficult to complete in the short term.

Golf Course/Controls over Discount Activity

There are two types of discounts at the golf course; those that are established discounts (i.e. shirts discounted at 25%) and discounts given to customers that are negotiated (i.e. old clubs discounted to a customer interested in purchasing them). Established discounts are already pre-authorized by a manager and employees have the ability to discount the item in the system without manager approval. The other discounts can be discounted by either a manager or a lead staff employee up to a certain threshold established by the manager. The lead staff employee has the authority to process discounts only when a manager is not on-site; which occurs mainly in the evenings or weekends. The City staff recognizes the risk of unauthorized discounts and has agreed to establish a procedure for the manager to review the Sales History Report daily. This report includes all transactions related to merchandise and shows all discounted sales. Sales voids, which are different than sale refunds, do not occur and the system does not provide the employees access to process a sales void. However, staff will review this comment to ensure that there are proper controls in place.

Golf Course/Invoicing for Large Group Activity

Large group activities are usually related to golf tournaments usually for school teams. Tournament organizers must pay a 10% deposit to hold the space. This 10% is deposited through the normal cash handling procedures. No less than 10 days ahead of play, the balance is due and again deposited as normal. On rare occasions during the day of play, the tournament organizers will need to include one or more students/participants to play in the tournament. As part of having exceptional customer service, the golf course allows the student/participant to play unpaid. The tournament organizer is then notified of the balance due which is always less than \$100. For an adequate control environment, staff agrees that accounting shall be informed of this balance due. These balances are paid promptly by the tournament organizers; usually within the week. These types of balances occur no more than twice per year and the payment due is immaterial, less than 1%, of the total Golf Fund.

Utility Billing/Segregation of Duties

Segregation of duties is an essential internal control procedure anytime cash or accounting is involved. In 2012, the City implemented a write-off internal policy which includes controls related to Segregation of Duties of cash handling and write-off ability in the system. Therefore, the Finance staff agrees with this comment and will continue to review the process for resolution.

Utility Billing/Shut-Off Payment Collection

The purposes of the staff collecting cash while in the field are both to ensure quality customer service as well as providing savings in staff time. There are always two representatives performing shut-offs and on most occasions, when the customers want to pay at that time, the representative will direct them to pay by phone. At times, the customer will pay with a check and rarely with cash. The customer receives a receipt and the check or cash is then deposited into a cash security box bolted in the truck. At that time, the representative will also call the Utility Billing customer service representative to inform them that they have paid and a shutoff will not occur. The amount of checks or cash in the lockbox is less than \$200. This ensures quality customer service as well as lowering the City’s man hours because it (a) allows the customer to pay on the spot rather than having their utilities shut-off; (b) it saves the customer a \$35 reconnection fee (or more for after hours); and (c) saves staff in making duplicate trips. The Finance Staff will continue to look at this collection process, however; staff finds that there are compensating controls in place as stated earlier to ensure that the risk of theft or error does not occur.

Utility Billing/Pre-Payment Collection Controls

During the audit walkthrough in October, the process allowed for an employee to hold on to a vendors check until the work order was opened and a field engineer was assigned. The time between the check received and the work order created varied, but at times the gap was more than one week. The Power Department agrees with this comment and has established a process for the checks to be deposited as soon as it is received within the guidelines of the City’s Cash Handling policy. This comment has been resolved since November 2011.



*Fort Collins ~ Loveland
Municipal Airport*

Year Ended December 31, 2011



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FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

May 8, 2012

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

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

Overview of the Airport

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

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



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

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

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

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

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

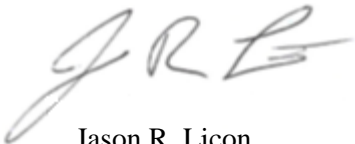
anticipated that this number will remain steady until the economy improves at a more rapid pace, and also assuming that the fuel prices will remain stable.

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

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

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

Respectfully,



Jason R. Licon
Airport Director



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

Independent Auditors' Report

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial

Steering Committee
Fort Collins-Loveland Municipal Airport

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

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

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

RubinBrown LLP

May 8, 2012

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

MANAGEMENT’S DISCUSSION & ANALYSIS

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

Entity-wide Financial Analysis

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

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

Net Position

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

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

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

Change In Net Position

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

Debt Administration And Capital Assets

Debt Administration

The Airport currently has no long-term debt.

Capital Assets

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

Budgetary Highlights

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

Economic Factors And Next Year's Budget

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

Requests For Information

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF NET POSITION

December 31, 2011

(With Summarized Comparative Totals at December 31, 2010)

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

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2011

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

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

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Investments

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

Capital Assets

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

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

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

Compensated Absences

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

Net Assets

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

Comparative Data

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

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

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

NOTE 3: CAPITAL ASSETS

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

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

NOTE 4: RISK MANAGEMENT

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

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

NOTE 5: CONTRACTUAL AGREEMENTS

Facilities Leased to Fixed Base Operator

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

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

Intergovernmental Agreement

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

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

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

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

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

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

NOTE 6: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

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

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

Claims and Judgments

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

BUDGETARY COMPARISON SCHEDULE

(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2011

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

See the accompanying Independent Auditors' Report.



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

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

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

Internal Control Over Financial Reporting

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

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

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

Airport Steering Committee
Fort Collins-Loveland Municipal Airport

Compliance and Other Matters

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

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

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

RubinBrown LLP

May 8, 2012



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

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

Independent Auditors' Report

Compliance

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

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

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

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

RubinBrown LLP

May 8, 2012

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

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

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

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

20.unknown

Passenger Facility Charges

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

Auditee qualified as low-risk auditee? yes no

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

Section II - Financial Statement Findings

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

Section III - Findings and Questioned Costs

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

FORT COLLINS – LOVELAND MUNICIPAL AIRPORT

FORT COLLINS - LOVELAND MUNICIPAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

For Each of the Quarters

In the Year Ended December 31, 2011

2011	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Receipts	\$ 20,677	\$ 49,199	\$ 51,308	\$ 81,289	\$ 202,472
Interest	726	875	793	583	2,977
Total PFC Revenue Received	21,403	50,074	52,101	81,871	205,449
Expenditures:	Approved Commitment				
Application #5:					
(9) Rehabilitate and Strengthen Runway 15/33	159,607	-	-	92,898	133,007
(10) Replace Runway 15/33 HIRL	3,417	-	-	2,734	3,417
Total Application #5	163,024	-	-	95,632	136,424
Application #6:					
(11) Purchase ARFF Truck	26,316	-	-	-	-
(13) Install Airfield Electrical Vault Backup	80,000	-	-	-	-
(14) Security Enhancements 4	223,217	-	-	126,250	126,250
Total Application #6	329,533	-	-	126,250	126,250
Application #7:					
(1) Terminal Modular Building Utility Upgrades	13,000	-	-	-	-
(2) Terminal Modular Building Electrical Upgrades	3,000	-	-	-	-
(3) Purchase & Install Terminal Modular #2	165,000	-	-	-	-
(4) Survey, Geotechnical & Design of General	7,894	-	-	-	-
(5) Geographic Information System Plan and S	5,263	-	-	-	-
(6) T-Hangar Pavement Rehab-Taxilanes 1 and	17,122	-	-	-	-
(7) Perimeter Security Fencing	170,000	-	-	-	-
(8) General Aviation Ramp Rehab	39,473	-	-	-	-
(9) Purchase Snow Removal Equipment	4,210	-	-	-	-
(10) Acquire ARFF Vehicle	18,421	-	-	-	-
(11) Construct Commercial Apron Expansion	62,105	-	-	-	-
(12) Airport Terminal Expansion Concept Desig	80,000	-	-	-	-
(13) Airport Terminal Expansion Site Work	162,245	-	-	-	-
(14) Airport Terminal Expansion Phase I	26,315	-	-	-	-
(15) Construct Taxiway F	30,000	-	-	-	-
Total Application #7	-	-	-	-	-
Total PFC Expenditures	-	-	95,632	167,043	262,674
Net Change in Passenger Facility Charges	\$ 21,403	\$ 50,074	\$ (43,531)	\$ (85,171)	\$ (57,225)
Passenger Facility Charges, Beginning of year					173,091
Passenger Facility Charges, End of year					\$ 115,866

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

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

December 31, 2011

NOTE 1: GENERAL

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

NOTE 2: SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

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

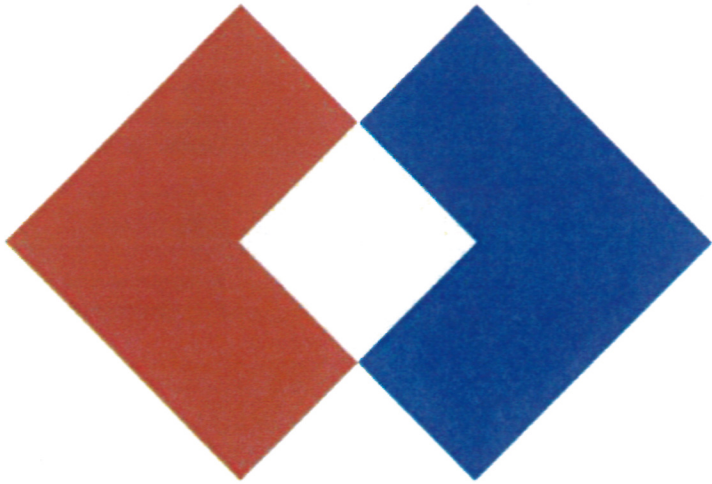
PFC charges collected represent cash collected for the year ended December 31, 2011 as reported to the FAA. The interest earned represents the actual interest collected on the unexpended PFCs during the year. Expenditures represent FAA-approved projects expended in prior and current years and are reported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

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

**Prepared by:
Finance Department
Accounting Division**



City of Loveland



***FORT COLLINS-LOVELAND
MUNICIPAL AIRPORT***

REPORT TO GOVERNANCE

**Resulting from the 2011
Financial Statement Audit**





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Certified Public Accountants
& Business Consultants

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Steering Committee
Fort Collins-Loveland Airport
Loveland, Colorado

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For Governance Use Only

Dear Members of the Steering Committee:

We have completed the December 31, 2011 financial statement audit of the Fort Collins-Loveland Municipal Airport (the Airport). During the audit, we were able to observe and review the Airport's financial and operational practices. We did not design our review to detect all control weaknesses or irregularities that may exist. However, we were able to make the following observations.

The subsequent report is divided into two sections: *Positive Observation* and *Advisory Comments and Suggestions*.

POSITIVE OBSERVATION

The following is a positive change from the prior year noted during our audit procedures.

● **AGED RECEIVABLES**

In the previous years' audit, we noted that there was an invalid receivable which was aged over 90 days. During the course of our audit we noted that there were no aged receivables over 90 days old and noted no invalid receivables as of the balance sheet date.

We commend the Airport for this improvement.

ADVISORY COMMENTS AND SUGGESTIONS

In this section, we identified other items that came to our attention during the course of our financial statement examination we believe should be addressed by you. We hope these items will be received in the constructive manner we intend.

- **PARKING REVENUES (Recurring from 2010)**

The Airport does not have a system in place to track or administer the traveler parking lot. The current method of allowing parkers to pay for their intended amount of parking time via an envelope does not ensure that all travelers pay for parking. Additionally, there are no checks and balances to ensure amounts remitted by the fee box collector are complete and accurate. This lack of a control environment surrounding the parking revenues leads to an increased risk of external and internal misappropriation of Airport revenue.

We recommend the Airport Steering Committee be aware of these control deficiencies going forward and, as the Airport grows, consider the cost/benefit of implementing an automated parking system to monitor these revenues. Furthermore, we recommend collections be made and counted by two people to ensure accuracy and completeness.

- **INTERGOVERNMENTAL AGREEMENT (Recurring from 2009)**

The intergovernmental agreement (IGA) to support the allocation of administrative expenses to be paid by the Airport has not been updated since 2004. Thus, the expenses termed in the agreement are outdated and do not agree to the footnote disclosure in the financial statements.

We recommend the Airport update this IGA annually to clarify the allocation of administrative expenses.

CONCLUDING REMARKS

The purpose of the audit was to express an opinion on the financial statements, but not to express an opinion on the effectiveness of the Airport's internal controls over financial reporting. Therefore, we do not express an opinion on the effectiveness of the Airport's internal controls.

This report is intended solely for the information and use of the Steering Committee and the City of Loveland and City of Fort Collins city councils and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions about this report, or if you need assistance with any other matters, please contact Cheryl Wallace, Robert Cascio, Holly Wren or Bert Bondi. We can be reached by phone at 303.952.1288, or by email at cheryl.wallace@rubinbrown.com.

RubinBrown LLP

May 8, 2012

Fort Collins – Loveland Municipal Airport



2011 MANAGEMENT RESPONSES

To the “Auditor’s Report to Governance”

Presented By:

Bonnie Steele, Acting Finance Director and Compliance & Payroll Manager

6/26/2012

Fort Collins – Loveland Airport
2011 Management Responses to the “Auditor’s Report to Governance”

INTRODUCTION:

The Fort Collins – Loveland Airport received the Auditor’s Report to Governance (Report) provided by Rubin Brown, LLC. In response to the Report, the City of Loveland Finance Department would like to respond to the advisory comments and suggestions.

ADVISORY COMMENTS AND SUGGESTIONS:

No new comments received in 2011.

PRIOR YEAR COMMENTS:

Parking Revenues – Previously, the Airport parking fee was on an honor system where patrons would pay the parking fee using a drop box. City staff agrees that this is a control deficiency and there is potential for loss of revenue. Two payment kiosks have been installed at the airport and patrons must now purchase parking through the kiosks using only major credit cards. The kiosks were installed in mid-May 2012; therefore the process is still in development. Additionally, the current data on the revenue received as compared to the revenue received on the honor system is not available at this time.



Intergovernmental Agreement – Finance, Legal and the Airport are reviewing this suggestion along with the Cities of Loveland and Fort Collins which would work together to negotiate the terms of the agreement.



AGENDA ITEM: 2
MEETING DATE: 6/26/2012
TO: City Council
FROM: Mike Scholl
PRESENTER: Mike Scholl, Economic Development Manager

TITLE: Artspace Inc. Project Update

RECOMMENDED CITY COUNCIL ACTION: No action required.

DESCRIPTION:

Artspace Inc., the non-profit developer that was hired by the City of Loveland to complete an artist-based affordable housing project in Downtown Loveland, will be briefing Loveland City Council on their progress to date.

SUMMARY:

Artspace currently has the Feed and Grain building under contract and is planning to build a new 30 unit affordable housing project to the west of the building. The Feed and Grain building would be used for gallery and studio space to compliment to the housing.


Artspace applied to the Colorado Housing and Finance Agency for Low-Income Housing Tax Credits (LIHTC) earlier in the year but were not awarded. The tax credits are the main source of financing for the project, providing \$5.3 million toward the development. Artspace is expected to reapply for LIHTCs in July, 2012. The tax credits are highly competitive and it generally takes two application rounds to receive a LIHTC award.

In addition to the LIHTC, Artspace will be applying to the Federal Home Loan Bank, and the HOME program for funding. Loveland City Council recently approved a \$35,000 Community Development Block Grant award for Artspace. Artspace is working with the local philanthropic community on a fundraising strategy in support of the project and has already secured some financial commitments.

City staff is working with Artspace on a formal development agreement that may include some additional fee waivers and/or other increment financing to cover a portion of the total project cost. The agreement is in the discussion phase and nothing has been committed or agreed upon. Any development agreement would be subject to future Council consideration.

In 2010, the City partnered with the Community Foundation and NOVO Restoration on the *Survey of Artists' Space Needs and Preferences and the Survey of Arts Organizations and Interested Businesses*. The market study indicated demand for arts and cultural spaces in Loveland by Loveland artists and art organization. 139 respondents indicated an interest in relocating to a live/work unit within the project, with 74 of the respondents being current Loveland residents. Following the review of the market study, Loveland City Council approved a \$550,000 pre-development contract for Artspace to bring an artist-based affordable housing project to Downtown Loveland.

Artspace along with city staff will review their current project budget, discuss next steps and answer any questions.

REVIEWED BY CITY MANAGER: 

LIST OF ATTACHMENTS:

None



AGENDA ITEM: 3
MEETING DATE: 6/26/2012
TO: City Council
FROM: William D. Cahill, City Manager
PRESENTER: Bill Cahill, City Manager

TITLE:
Highway 287 Corridor Briefing

DESCRIPTION: This item is for information only, concerning recent discussions of the development of a voluntary association to promote transportation-related issues for communities along the Highway 287 corridor. The Council will have an opportunity to be briefed and give direction for future actions.

RECOMMENDATION: Review, discuss and give direction to staff.

SUMMARY: The City has had recent meetings with Fort Collins, Berthoud and Longmont concerning the possible development of creating a voluntary association for the promotion and advocacy of transportation-related issues along the Highway 287 corridor. These discussions have been preliminary and conceptual. Participants have looked to the success of other areas, particularly the Highway 36 corridor, in organizing more effectively and bringing more resources to their areas for transportation purposes.

REVIEWED BY CITY MANAGER:

LIST OF ATTACHMENTS:
PowerPoint Presentation

Highway 287 Corridor Discussions

Parties involved so far

Loveland

Fort Collins

Berthoud

Longmont

Why?

Become more effective in developing resources to meet transportation needs

Interstate 25 EIS illustrates the resource problem

Similar Efforts

Highway 36

Highway 87

others

Preliminary Statement of Purpose

- voluntary organization
- advocating for transportation-related issues of the 287 corridor
- broad coalition of public sector, business, and community interests
- promote multipurpose, multimodal transportation systems

Further Steps

- Additional definition of purpose
- Assemble data and develop work program
- Broaden the scope of participation

Questions and Discussion





CITY OF LOVELAND
CITY MANAGER'S OFFICE

Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2303 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: 1
MEETING DATE: 6/26/2012
TO: Mayor and City Council
FROM: Rod Wensing, Assistant City Manager
John Duval, City Attorney
PRESENTERS: William D. Cahill, City Manager / John Duval

TITLE:

An emergency ordinance of the Council of the City of Loveland temporarily prohibiting the sale and use of permissible fireworks in the City of Loveland

RECOMMENDED CITY COUNCIL ACTION:

Conduct a public hearing. Council's consideration of the emergency ordinance

OPTIONS:

1. Adopt the emergency ordinance
 2. Adopt alternative emergency ordinance (attached)
 3. Deny the action
 4. Adopt a modified action (specify in the motion)
 5. Refer back to staff for further development and consideration
 6. Adopt a motion continuing the item to a future Council meeting
-

DESCRIPTION:

This is a legislative action to consider an emergency ordinance immediately enacting a temporary prohibition of the sale and use of fireworks within the corporate limits of the City. An alternative emergency ordinance is also included for Councils benefit that only temporarily suspends the use of fireworks. There must be at least six positive Council votes to pass this Ordinance as an emergency.

BUDGET IMPACT:

- Positive
 Negative
 Neutral or negligible

Fireworks Sales Tax collections for 2011 totaled \$6,841

SUMMARY:

On June 14, 2012, Colorado Governor John Hickenlooper issued Executive Order D 2012-015 imposing a statewide ban on "open burning" in Colorado, which also includes a total ban on the private use of fireworks.

Then on June 19, 2012, the Larimer County Commissioners enacted a temporary ban on the sale and use of all fireworks within the unincorporated areas of Larimer County effective through September 30, 2012.

The City's current Fire Code prohibits the possession, manufacture, storage, sale, handling and use of all fireworks except that "permissible fireworks," as defined under State Law. Said permissible fireworks are currently permitted to be possessed, stored, sold and used within the City.

The proposed ordinance enacts a temporary ban on the sale and use of permissible fireworks in the City, with an expiration date to coincide with a future Governor Hickenlooper action that rescinds the current Executive Order or earlier if the Council determines through its own action by ordinance.

Passage of the proposed ordinance as an emergency ordinance requires a positive vote of six of nine Council members (two-thirds of the entire Council membership). An alternative emergency ordinance is also presented for Council consideration with the same positive vote requirement.

The Community Safety Division of the Loveland Fire & Rescue Authority is currently processing ten permit applications for the sale of permissible fireworks within the City limits under current Code. Each application has a processing fee of \$1,500.

REVIEWED BY CITY MANAGER:

 ACM

LIST OF ATTACHMENTS:

1. Emergency ordinance temporarily prohibiting the sale and use of permissible fireworks
2. Alternative ordinance temporarily prohibiting the use of permissible fireworks

ORDINANCE NO. _____

AN EMERGENCY ORDINANCE TEMPORARILY PROHIBITING THE SALE AND USE OF PERMISSIBLE FIREWORKS IN THE CITY OF LOVELAND

WHEREAS, on June 14, 2012, Governor John W. Hickenlooper issued Executive Order D 2012-015 pursuant to C.R.S. § 23-31-308 imposing a statewide ban on "open burning" in Colorado, which includes a total ban on the private use of fireworks (the "Executive Order"); and

WHEREAS, Governor Hickenlooper states in his Executive Order that he issued it to address the high fire danger that currently exists throughout much of Colorado, citing in particular the ongoing High Park Fire here in Larimer County; and

WHEREAS, on June 19, 2012, the Larimer County Commissioners enacted a temporary ban on the sale and use of all fireworks within the unincorporated areas of Larimer County effective through September 30, 2012; and

WHEREAS, the City's Fire Code, as adopted in City Code Chapter 15.28 ("Fire Code"), currently prohibits the possession, manufacture, storage, sale, handling and use of all fireworks except that "permissible fireworks," as defined in C.R.S. § 12-28-101(8), ("Permissible Fireworks") are currently permitted to be possessed, stored, sold and used within the City; and

WHEREAS, even the use of Permissible Fireworks currently represents an unacceptable risk to the public's health, safety and welfare considering the hot, dry and windy weather conditions that have existed in the City and Larimer County for the past few weeks and that are forecast to continue to exist for the foreseeable future; and

WHEREAS, the City is authorized under its home rule powers and C.R.S. §§ 12-28-107 and 31-15-601(1)(j) to regulate the sale and use of fireworks including Permissible Fireworks; and

WHEREAS, the Council has determined that it is necessary for the public's health, safety and welfare that this Emergency Ordinance be adopted to temporarily ban the sale and use of Permissible Fireworks in the City, with this ban on the sale and use of Permissible Fireworks to expire when Governor Hickenlooper rescinds the Executive Order or earlier if the Council hereafter determines by ordinance that the fire danger in the City has subsided.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

Section 1. That the preceding recitals contained in this Ordinance are hereby adopted and incorporated by reference as findings of fact of the City Council.

Section 2. That the sale and use of Permissible Fireworks within the City during the current and forecasted weather conditions creates a very high risk of fire danger within the City and areas surrounding the City, as clearly evidenced by the High Park Fire and, therefore, an emergency exists requiring the immediate passage of this Ordinance for the preservation of the health, safety and welfare of the citizens of Loveland.

Section 3. That notwithstanding any provision to the contrary in Section 105 of the Fire Code and in paragraphs DD., EE., FF. and GG. of City Code Section 15.28.020, until the Executive Order is rescinded or such earlier date as may hereafter be established by ordinance of the City Council, it shall be unlawful and a violation of this Ordinance for any person or legal entity to sell or use Permissible Fireworks within the City. This prohibition shall not, however, apply to the possession or storage of Permissible Fireworks, which activities shall continue to be legal as currently authorized in accordance with the applicable provisions of the Fire Code and City Code Chapter 15.28. However, any existing and current permits issued by the City to vendors for the sale of Permissible Fireworks under Section 105 of the Fire Code shall be deemed immediately suspended and such suspension shall remain in effect so long as this Ordinance remains in effect. Accordingly, these suspensions shall be deemed to have expired when this Ordinance is no longer in effect.

Section 4. Violations of Section 3. of this Ordinance shall be enforced, cited, prosecuted and punished as misdemeanor offenses in accordance with City Code Section 15.28.030B. In addition, the remaining and undischarged Permissible Fireworks in possession of a person cited for a violation under this Ordinance may be seized, subject to any Fourth Amendment requirements, by the Loveland Police Department as evidence and, if the person cited is convicted of the violation, the Loveland Municipal Court may order the seized Permissible Fireworks to be destroyed as contraband by the Loveland Police Department.

Section 5. Nothing herein shall be deemed to prohibit the City from conducting its annual Fourth of July professional fireworks display at the City's North Lake Park as currently authorized under applicable law.

Section 6. That if any section, paragraph, sentence, clause or phrase of this Ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of and shall be severable from the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each part or parts thereof irrespective of the fact that any one part or parts may hereafter be declared unconstitutional or invalid.

Section 7. That all other ordinances and City Code provisions, or portions thereof, which are inconsistent or conflicting with this Ordinance, or any portion hereof, are hereby superseded by this Ordinance and their legal effect shall be held in abeyance until the Executive Order is rescinded or earlier as so determined by the City Council by ordinance.

Section 8. That pursuant to City Charter Section 4-10(b), this Ordinance shall become effective immediately upon its adoption by the City Council.


ADOPTED this 26th day of June, 2012.

Cecil A. Gutierrez, Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:



City Attorney

ORDINANCE NO. _____

AN EMERGENCY ORDINANCE TEMPORARILY PROHIBITING THE USE OF PERMISSIBLE FIREWORKS IN THE CITY OF LOVELAND

WHEREAS, on June 14, 2012, Governor John W. Hickenlooper issued Executive Order D 2012-015 pursuant to C.R.S. § 23-31-308 imposing a statewide ban on "open burning" in Colorado, which includes a total ban on the private use of fireworks (the "Executive Order"); and

WHEREAS, Governor Hickenlooper states in his Executive Order that he issued it to address the high fire danger that currently exists throughout much of Colorado, citing in particular the ongoing High Park Fire here in Larimer County; and

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WHEREAS, even the use of Permissible Fireworks currently represents an unacceptable risk to the public's health, safety and welfare considering the hot, dry and windy weather conditions that have existed in the City and Larimer County for the past few weeks and that are forecast to continue to exist for the foreseeable future; and

WHEREAS, the City is authorized under its home rule powers and C.R.S. §§ 12-28-107 and 31-15-601(1)(j) to regulate the use of fireworks including Permissible Fireworks; and

WHEREAS, the Council has determined that it is necessary for the public's health, safety and welfare that this Emergency Ordinance be adopted to temporarily ban the use of Permissible Fireworks in the City, but not the possession, storage or sale of Permissible Fireworks, with this ban on the use of Permissible Fireworks to expire when Governor Hickenlooper rescinds the Executive Order or earlier if the Council hereafter determines by ordinance that the fire danger in the City has subsided.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

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exists requiring the immediate passage of this Ordinance for the preservation of the health, safety and welfare of the citizens of Loveland.

Section 3. That notwithstanding any provision to the contrary in the Fire Code and in paragraphs DD., EE., FF. and GG. of City Code Section 15.28.020, until the Executive Order is rescinded or such earlier date as may hereafter be established by ordinance of the City Council, it shall be unlawful and a violation of this Ordinance for any person or legal entity to use Permissible Fireworks within the City. This prohibition shall not, however, apply to the possession, storage or sale of Permissible Fireworks, which activities shall continue to be legal as currently authorized in accordance with the applicable provisions of the Fire Code and City Code Chapter 15.28.

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Section 7. That all other ordinances and City Code provisions, or portions thereof, which are inconsistent or conflicting with this Ordinance, or any portion hereof, are hereby superseded by this Ordinance and their legal effect shall be held in abeyance until the Executive Order is rescinded or earlier as so determined by the City Council by ordinance.

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ADOPTED this 26th day of June, 2012.

Cecil A. Gutierrez, Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:



City Attorney