



***Northern Colorado  
Regional Airport***  
**Year Ended December 31, 2019**



**COLORADO**

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# NORTHERN COLORADO REGIONAL AIRPORT



May 20, 2020

The Northern Colorado Regional Airport annual financial statements for the year ended December 31, 2019 are respectfully submitted. This report was prepared by the City of Loveland’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 the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly portray the financial position and results of Airport operations as measured by the Airport’s financial activity; and 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.

## **Airport Overview**

The Northern Colorado Regional Airport (FNL) has served as a public regional air transportation center since 1964. The Airport is certified by the Federal Aviation Administration as a non-primary commercial service airport which is administered and operated jointly by the Cities of Fort Collins and Loveland in Northern Colorado. The Airport accommodates approximately 95,000 aircraft flight operations annually. These operations range from commercial air carrier, private charter, business and corporate aviation, air ambulance transport, aerial fire suppression, flight school training, and private transportation flights each year. An estimated 2,500 outbound passengers (enplanements) traveled from the Airport on charter flight services supported by various air carriers including Elite Airways, Swift Air, and Sun Country Airlines.



Airport Area	1,073 Acres
Runway (Primary)	8,500’ X 100’
Runway (Crosswind)	2,273’ X 40’
Based Aircraft	265
Hangars	214
Passengers	2,500

The Airport supports many aviation based businesses including one full service fixed base operator that provides aircraft fueling and storage, three flight training schools, two aircraft maintenance and repair stations, and one avionics center. The Airport is also host to a variety of private and corporate aviation businesses that provide air transportation services to remain competitive in today’s global economy. According to the Economic Impact Study conducted in 2013 by the Colorado Department of Transportation Division of Aeronautics, the Airport contributes approximately \$129 million annually to the regional economy. This impact is derived through airport associated activities and area spending from visitors. The study also identified 826 jobs that were directly associated with the Airport through administrative and operational support, airport businesses, capital improvement investments, and visitor spending.

The Northern Colorado Regional Airport Commission is comprised of elected officials, staff, and appointed citizen members from both Fort Collins and Loveland. The Commission has been delegated powers and authority from both City Councils in order to continue to make progress towards the newly adopted strategic plan and the associated Vision and Mission:

# NORTHERN COLORADO REGIONAL AIRPORT

## Vision Statement

*“The Northern Colorado Regional Airport: Unmatched for its service and innovation. The premier destination for aviation centered business, research, development, education, and training.”*

## Mission Statement

*“To provide a fiscally sustainable Airport to the region with facilities that meet the highest FAA standards for safety and efficiency while ensuring the long-term ability of the Airport to serve Northern Colorado as a transportation hub and a global gateway for commerce.”*

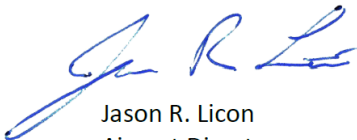
The Northern Colorado Regional Airport Commission is charged by the Cities to set policy and direction for the Airport to achieve the goals and objectives outlined in the various plans including the Airport Master Plan, and Strategic Plan. The Airport’s Strategic Plan priorities are:

- Innovation: Serving as a catalyst and center for innovation focused on aviation, FNL strives to continually explore and support new technologies.
- Organizational Excellence: Providing a responsive, forward-thinking, and optimal governance structure with high performing staff is key to FNL’s success.
- Fiscal Sustainability: FNL is committed to achieving and maintaining a self-sustaining budget to operate a safe and efficient airport, manage assets, and support industry and economic development.
- Economic Development: FNL actively encourages private and public investments to ensure a strong economic platform for both on-Airport development and compatible uses within the Airport Influence Area.
- Regional Collaboration: Recognized as an active regional partner, FNL supports a collaborative approach to transportation, tourism, training, and marketing with its surrounding partners and communities.

The financial outlook for 2020 continues to be positive due to a strong and diverse economy in Northern Colorado. Some of the highlights include:

- The Airport has budgeted for the first time to be financially self-sustaining for all operational and maintenance costs.
- New development for both aeronautical use and non-aeronautical use are in the planning or construction phases which will add to the economic bottom line of the Airport and contribute toward self-generated revenues.
- The Remote Air Traffic Control Tower is expected to begin operational testing during the first quarter of 2020. Airport staff and project managers anticipate this project will elevate the airport to potential aeronautical operators who have expressed interest in this project’s success. Capital costs will be completely funded by CDOT and the FAA with the Airport funding air traffic control gaps between project phases to maintain consistent levels of safety.
- Fuel flowage and aviation fuel tax reimbursements are tied to a percentage, relying upon the price of fuel in addition to the volume of sales. The price of fuel in the coming year will impact the amount of revenues collected from percentage based fuel flowage and tax reimbursements. The price of fuel has continued to decline in 2019, which could negatively impact 2020 revenues.
- The CDOT Aeronautics’ Economic Impact Study reflects the Airport currently provides an estimated \$161 Million in business revenues annually to the region. This impact is expected to grow with activities attracted by the activation of the Remote Air Traffic Control Tower.

Respectfully,



Jason R. Licon  
Airport Director



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## **Independent Auditors' Report**

Northern Colorado Regional Airport Commission  
Northern Colorado Regional Airport  
Loveland, Colorado

### **Report On The Financial Statements**

We have audited the accompanying financial statements of the Northern Colorado Regional Airport (the Airport) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

### ***Management's Responsibility For The Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2019 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The budgetary comparison schedule and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The budgetary comparison schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 it.

### **Report On Summarized Comparative Information**

We have previously audited the Airport's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

*RubinBrown LLP*

May 20, 2020

## NORTHERN COLORADO REGIONAL AIRPORT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of the Northern Colorado Regional Airport's financial performance provides an overview of the Airport's financial activities as of and for the year ended December 31, 2019. Please read it in conjunction with the financial statements, which begin on page 10.

### Financial Highlights

- In 2019, net position decreased by \$1,231,473 (6.69%) primarily due to increased depreciation on capital assets.
- Total operating revenues increased to \$1,258,263, an increase of \$449,954 (55.67%) compared to 2018. These revenues were attributed to an increase in the total amount of property under lease, including the land lease for the Police Training Center, and to the 46% increase in fuel tax collected.
- Total operating expenses increased to \$2,812,981, an increase of \$349,020 (14.16%) compared to 2018. The increase is primarily due to an increase in professional fees.

### 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, 2019, assets exceeded liabilities by \$17,180,973.

### **Net Position**

<b>Net Position</b>		
	2019	2018
Current Assets	\$ 2,738,303	\$ 2,645,339
Capital Assets	14,657,231	15,990,533
<b>Total Assets</b>	<b>17,395,534</b>	<b>18,635,872</b>
<b>Current Liabilities</b>	<b>214,561</b>	<b>223,426</b>
Net Position:		
Investment in Capital Assets	14,657,231	15,990,533
Unrestricted	2,523,742	2,421,913
<b>Total Net Position</b>	<b>\$ 17,180,973</b>	<b>\$ 18,412,446</b>

Net position of the Airport at December 31, 2019 is shown to the left.

The largest portion (85.3%) of the Airport's net position is the net 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.



## NORTHERN COLORADO REGIONAL AIRPORT

<b>Changes in Net Position</b>				
	2019		2018	
Program Revenues	\$	1,258,263	\$	808,309
Program Expenses		2,812,981		2,463,961
<b>Operating Loss</b>		<b>(1,554,718)</b>		<b>(1,655,652)</b>
<b>Non-operating Revenues</b>				
City Contributions		-		485,000
Loss on Disposal of Capital Asset		-		(686,640)
Interest Income		118,764		31,930
<b>Total Non-operating Revenues</b>		<b>118,764</b>		<b>(169,710)</b>
<b>Net Loss before Capital Contributions</b>		<b>(1,435,953)</b>		<b>(1,825,361)</b>
Capital Contributions		204,480		329,210
<b>Change in Net Position</b>		<b>(1,231,473)</b>		<b>(1,496,152)</b>
Net Position - Beginning		18,412,446		19,908,598
<b>Net Position - Ending</b>	<b>\$</b>	<b>17,180,973</b>	<b>\$</b>	<b>18,412,446</b>

### **Change In Net Position**

The Airport's total revenues of \$1,581,508 were lower than total expenses of \$2,812,981 for a decrease in net position of \$1,231,473 for 2019.

### **Debt Administration And Capital Assets**

#### Debt Administration

The Airport currently has no long-term debt.

#### Capital Assets

At the end of December 31, 2019, the Airport had \$14,657,231 invested in capital assets. This represents a net decrease of \$1,333,302, or 8.34%, from 2018. This decrease is due primarily to depreciation. More detailed information about the Airport's capital assets is presented in the Notes to Financial Statements.

### **Budgetary Highlights**

The 2019 Airport budget was very much on target with both projected revenues and expenses. The following are factors that had an effect on operational revenues and expenses in 2019:

- There was an increase in revenues associated with fuel sales tax and flowage fees.
- Income derived from land leases and hanger income increased due to new leases including the lease for the Police Training Center.

### **Economic Factors and the 2020 Budget**

The Airport plays an important supportive role in the region and its financial health is impacted by economic trends and regional growth. Northern Colorado has a healthy and diverse economy that continues to experience increasing demands for all modes of transportation.

- Aviation demand continues to steadily increase in step with regional growth and economic trends.
- The Airport's air traffic control system, known as the Remote Tower Project, is expected to be operational in 2020, which may result in some additional costs and in kind project support services.
- The supply of active pilots is a trend that is in a decline nationwide but has remained relatively steady or is slightly increasing in Northern Colorado. This is due to growth trends in the Denver and Northern Colorado areas.

## NORTHERN COLORADO REGIONAL AIRPORT

- The receipt of funds to be awarded through the CARES Act is yet to be assessed for 2020. No expenditures have been proposed or approved to offset the potential revenue.

### **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.

# NORTHERN COLORADO REGIONAL AIRPORT

## NORTHERN COLORADO REGIONAL AIRPORT

### STATEMENT OF NET POSITION

December 31, 2019

(With Summarized Comparative Totals at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets		
Equity in Pooled Cash	\$ 1,555	\$ 304,431
Equity in Pooled Investments	2,628,009	2,113,844
Accounts Receivable	55,997	56,443
Grants Receivable	<u>52,742</u>	<u>170,621</u>
Total Current Assets	2,738,303	2,645,339
Noncurrent Assets		
Land	563,614	563,614
Construction in Progress	-	-
Runways	12,031,740	12,031,740
Improvements Other than Buildings	12,369,085	12,369,085
Equipment	2,628,636	2,550,812
Buildings	<u>1,891,645</u>	<u>1,891,645</u>
Total Capital Assets	29,484,720	29,406,896
Accumulated Depreciation	<u>(14,827,489)</u>	<u>(13,416,363)</u>
Capital Assets, Net	<u>14,657,231</u>	<u>15,990,533</u>
TOTAL ASSETS	<u>17,395,534</u>	<u>18,635,872</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	116,380	139,278
Rental deposits	14,168	10,897
Accrued Liabilities	<u>84,013</u>	<u>73,251</u>
Total Current Liabilities	<u>214,561</u>	<u>223,426</u>
<b>NET POSITION</b>		
Investment in Capital Assets	14,657,231	15,990,533
Unrestricted	<u>2,523,742</u>	<u>2,421,913</u>
TOTAL NET POSITION	<u>\$ 17,180,973</u>	<u>\$ 18,412,446</u>

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

## NORTHERN COLORADO REGIONAL AIRPORT

### NORTHERN COLORADO REGIONAL AIRPORT

#### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2019

(With Summarized Comparative Totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Hangar Rental	\$ 131,782	\$ 117,155
FBO Rent	88,336	98,060
Gas and Oil Commissions	190,731	199,017
State Aircraft Fuel Tax	137,981	94,326
Land Lease	295,820	232,541
Land Lease - Police Training Center	354,677	-
Terminal Lease and Landing Fees	8,229	8,331
Concessions	-	11
Parking	11,240	9,940
Miscellaneous	39,467	48,929
<b>TOTAL OPERATING REVENUES</b>	<u>1,258,264</u>	<u>808,309</u>
<b>OPERATING EXPENSES</b>		
Personal Services	596,509	552,484
Purchased Services	732,671	424,873
Supplies	72,675	55,942
Depreciation	1,411,126	1,430,661
<b>TOTAL OPERATING EXPENSES</b>	<u>2,812,982</u>	<u>2,463,961</u>
<b>OPERATING LOSS</b>	<u>(1,554,718)</u>	<u>(1,655,652)</u>
<b>NONOPERATING REVENUES</b>		
City Contributions	-	485,000
Loss on Disposal of Capital Asset	-	(686,640)
Interest/Investment Income	118,764	31,930
<b>TOTAL NONOPERATING REVENUES</b>	<u>118,764</u>	<u>(169,710)</u>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(1,435,953)</u>	<u>(1,825,361)</u>
Capital Contributions	204,480	329,210
<b>CHANGE IN NET POSITION</b>	<u>(1,231,473)</u>	<u>(1,496,152)</u>
NET POSITION, Beginning	<u>18,412,446</u>	<u>19,908,598</u>
<b>NET POSITION, Ending</b>	<u>\$ 17,180,973</u>	<u>\$ 18,412,446</u>

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

## NORTHERN COLORADO REGIONAL AIRPORT

### NORTHERN COLORADO REGIONAL AIRPORT

#### STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

(With Summarized Comparative Totals for the year ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,258,710	\$ 814,137
Cash Payments for Goods and Services	(824,973)	(628,478)
Cash Payments to Employees	(585,747)	(570,918)
Net Cash Used by Operating Activities	(152,011)	(385,259)
Cash Flows from Noncapital Financing Activities		
Contributions from Cities	-	485,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from State and Federal Grants	322,359	986,124
Payments for Capital Acquisition	(77,825)	(422,938)
Net Cash Provided by (Used by) Capital and Related Financing Activities	244,535	563,186
Cash Flows from Investing Activities		
Purchase of Investments	(503,708)	(473,824)
Proceeds from Sale of Investments	50,000	-
Investment Earnings	58,308	48,873
Net Cash Used by Investing Activities	(395,400)	(424,951)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(302,875)	237,977
CASH AND CASH EQUIVALENTS, Beginning	304,431	66,454
CASH AND CASH EQUIVALENTS, Ending	\$ 1,555	\$ 304,431
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,554,718)	\$ (1,655,652)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	1,411,126	1,430,661
Changes in Assets and Liabilities		
(Increase)decrease in Accounts Receivable	446	5,829
Increase(decrease) in Accounts Payable	(22,898)	(143,722)
Increase(decrease) in Accrued Liabilities	14,033	(22,375)
Total Adjustments	1,402,707	1,270,393
Net Cash Used by Operating Activities	\$ (152,011)	\$ (385,259)

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



**NORTHERN COLORADO REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

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

The financial statements of the Northern Colorado Regional 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.

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.

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 the

## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

investing of public funds. Current investment holdings may include Certificates of Deposit, U.S. Treasury Notes, U.S. Agency Securities, Municipal Bonds and Corporate Bonds that mature within seven 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 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. The Airport's cash is approximately 0.001% of the City's cash balance.

#### **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.

#### **Receivables**

Receivables consist primarily of federal and state grants, land and hangar leases, as well as other miscellaneous receivables. At December 31, 2019, the grants receivable balance was \$52,742.

#### **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 acquisition 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 asset 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 from 10 to 25 years; improvements from 10 to 20 years, runways are 20 to 25 years, leasehold improvements from 7 to 50 years and equipment from 3 to 30 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.

#### **Accrued Liabilities**

Accrued liabilities consist primarily of Accrued Compensated Absences and miscellaneous payments to vendors due in the current year but not actually paid until the following year.

#### **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. At December 31, 2019, the Accrued Compensated Absence balance was \$51,429.

## NORTHERN COLORADO REGIONAL AIRPORT

### **NOTE 1:** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Net Position**

Net position is 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 as of and for the year ended December 31, 2018.

### **NOTE 2:** CASH AND INVESTMENTS

Cash and investments at December 31, 2019, consisted of the following:

Deposits	\$ 1,555
Investments	<u>2,628,009</u>
Total	\$ 2,629,564

Deposits and investments are displayed within this report as follows:

Equity in Pooled Cash	\$ 1,555
Equity in Pooled Investments	<u>2,628,009</u>
Total	\$ 2,629,564

#### **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. At December 31, 2019 the Airport had \$147 collateralized with securities held by the financial institution's agent but not in the Airport's or City of Loveland's name.

#### **Investments**

The City of Loveland of which the Airport is a joint venture 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 may 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

## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 2: CASH AND INVESTMENTS (continued)

- Corporate or bank issue debt
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market accounts
- Guaranteed investment contracts
- Local government investment pools

#### **Fair Value**

The Airport categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. See Note 2 Cash and Investments for additional disclosure. The Airport categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Airport's investments are approximately 1.51% of the City's investments and the numbers below are the Airport's percentage:

The Airport has the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury securities of \$650,637 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$1,613,189 are valued using matrix pricing techniques (Level 2 inputs)
- Corporate Bonds of \$295,453 are valued using matrix pricing techniques (Level 2 inputs)
- Municipal Bonds of \$53,975 are valued using matrix pricing techniques (Level 2 inputs)

#### **Investments Held in our Colorado Surplus Asset Fund Trust**

The Airport invested \$68 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is valued at amortized cost. The investments conform to its permitted investments and will meet Standard & Poor's investment guidelines to achieve an AAAm rating, the highest attainable rating for a Local Government Investment Pool. Information related to CSAFE can be found at their website, [www.csafe.org](http://www.csafe.org).

At December 31, 2019, the Airport had the following investments:

<b>Investment type</b>	<b>STANDARD AND POOR'S RATING</b>	<b>LESS THAN 1</b>	<b>1 TO 3 YEARS</b>	<b>4 TO 5 YEARS</b>	<b>MORE THAN 5</b>	<b>TOTAL</b>
Certificates of Deposit	N/A	\$0	\$14,755	\$-	-	\$14,755
U.S. Treasury Notes	N/A	271,057	302,689	76,891	-	650,637
U.S. Agency Securities	AA+	150,760	1,083,341	379,088	-	1,613,189
Corporate Bonds	AA-/A/A-/AA/AA+	104,513	190,940		-	295,453
Municipal Bonds	AA/AA+	-	53,975		-	53,975
<b>Total</b>		<b>\$ 526,330</b>	<b>\$ 1,645,700</b>	<b>\$ 455,979</b>	-	<b>\$ 2,628,009</b>

## NORTHERN COLORADO REGIONAL AIRPORT

### **NOTE 2: CASH AND INVESTMENTS (continued)**

The Airport participates in the City of Loveland's pooled cash and investments; therefore the following applies to the Airport's cash and investment balances:

1. Interest Rate Risk: State statutes and the City of Loveland's Investment Policy limit investments in US Treasury and Agency securities to an original maturity up to five years with a minimum credit rating of A+/A1. State Statutes and the City's Investment Policy require all repurchase agreements with a maturity of less than 1 year 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.
2. Credit Risk: State statutes and the City of Loveland's Investment Policy limit investments in US Agency securities to the highest rating issued by two or more nationally recognized statistical rating organizations (NRSROs). State statutes and the City's Investment Policy limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with rules governing government investment pools, and either have assets of one billion dollars or the highest rating issued by a NRSRO. State statutes and the City's Investment Policy limit investments in corporate bonds and Foreign Issues to a minimum credit rating of "AA- or Aa3" by two or more NRSROs. At December 31, 2019, the City held no corporate bonds with a rating lower than the minimum rating.
3. Custodial Credit Risk: The City of Loveland'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.
4. Concentration of Credit Risk: The City of Loveland'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, the Airport's percent is 1.51% of the City's total investments:
  - a. US Treasury Notes (24.76%)
  - b. Federal Home Loan Bank (23.06%)
  - c. Federal National Mortgage Association (14.29%)
  - d. Federal Home Loan Mortgage Corporation (15.43%)
  - e. Federal Farm Credit Bank (8.61%).

### **NOTE 3: 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 Northern Colorado Regional Airport Commission. Upon approval by the Northern Colorado Regional Airport Commission, 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



## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 is below:

	Balances 12/31/18	Additions	Deletions	Balances 12/31/19
Capital Assets, Not Being Depreciated				
Land	\$ 563,614	\$ -	\$ -	\$ 563,614
Construction in Progress	-			-
Total Capital Assets, Not Being Depreciated	<u>563,614</u>	<u>-</u>	<u>-</u>	<u>563,614</u>
Capital Assets, Being Depreciated				
Runways	12,031,741		-	12,031,741
Improvements	10,807,424		-	10,807,424
Equipment	2,550,811	77,825	-	2,628,636
Buildings	1,891,645		-	1,891,645
Leasehold Improvements	1,561,661	-	-	1,561,661
Total Capital Assets, Being Depreciated	<u>28,843,282</u>	<u>77,825</u>	<u>-</u>	<u>28,921,107</u>
Less Accumulated Depreciation				
Runways	(6,057,140)	(574,284)	-	(6,631,424)
Improvements	(4,451,816)	(576,324)	-	(5,028,140)
Equipment	(1,564,912)	(137,174)	-	(1,702,086)
Buildings	(329,557)	(65,253)	-	(394,810)
Leasehold Improvements	(1,012,938)	(58,092)	-	(1,071,030)
Total Accumulated Depreciation	<u>(13,416,363)</u>	<u>(1,411,126)</u>	<u>-</u>	<u>(14,827,490)</u>
Total Capital Assets, Being Depreciated, Net	<u>15,426,919</u>	<u>(1,333,302)</u>	<u>-</u>	<u>14,093,617</u>
Total Capital Assets, Net	<u><b>\$ 15,990,533</b></u>	<u><b>\$(1,333,302)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 14,657,231</b></u>

### NOTE 5: 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.

## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 6: CONTRACTURAL AGREEMENTS

#### **Facilities Leased to Fixed Base Operator**

The City of Loveland, on behalf of the Airport, leases certain facilities to the Fixed Base Operator (FBO). The 24-year lease agreement includes monthly rent of land and improvements for the first four years at \$4,766 a month. The base monthly rent payments will be set at \$6,824 beginning May 1, 2015. However, the annual base rent shall also be increased on May 1, 2018 and on each third anniversary in an amount equal to the increase, if any, in the "Consumer Price Index". After the initial term expiration on April 30, 2035, the Lessee shall have the option to extend the term of the agreement for two additional periods of five years each. The current rate is \$88,408, which is set to the increase based on CPI on May 1, 2021. The agreement also provides for a fuel flowage fee of 6% of delivered fuel cost or \$.08 per gallon, whichever is higher.

#### **Intergovernmental Agreements**

The Airport is jointly operated under an Intergovernmental Agreement between the City of Fort Collins, Colorado and the City of Loveland, Colorado. This Agreement was approved by the City of Loveland City Council on May 17, 2016 to reflect the changed airport name and to expand the Airport Commission's authority.

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.

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. 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.

A second Intergovernmental Agreement between the City of Fort Collins, Colorado and the City of Loveland, Colorado was entered into March 19, 2019, for the lease of certain real property at the Airport for a Police Training Center. The Intergovernmental Agreement calls for each City to pay fair value rent to the Airport in equal payments on a quarterly basis. The rental rate will be adjusted annually by using the CPI as published by the Bureau of Labor Statistics. The term of the rental period is 50 years. Each City paid \$177,338.64 in rental payments in 2019.

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 2019, 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 \$20,762 to the Plan in 2019, representing the required contributions.

## NORTHERN COLORADO REGIONAL AIRPORT

### **NOTE 7:** 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 includes 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, 2019, 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.

#### **Lease Commitments**

The Airport is obligated to pay the Fixed Base Operator for modification, upgrade, or replacement of the Fuel Farm equipment to the extent the cost of such modification, upgrade or replacement, exceeds \$50,000.

### **NOTE 8:** SUBSEQUENT EVENT

In April 2020, the Airport was notified that it had been allocated approximately \$16.9 million of grant funding as a result of *Coronavirus Aid, Relief, and Economic Security (CARES) Act*.

# NORTHERN COLORADO REGIONAL AIRPORT

## NORTHERN COLORADO REGIONAL AIRPORT

### BUDGETARY COMPARISON SCHEDULE

#### (NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2019

(With Summarized Comparative Totals for the year ended December 31, 2018)

	2019				
	BUDGET		ACTUAL	DIFFERENCE	2018
	ORIGINAL	FINAL		WITH FINAL	ACTUAL
<b>REVENUES</b>					
Hangar Rental	\$ 120,000	\$ 120,000	\$ 131,782	\$ 11,782	\$ 117,155
FBO Rent	88,250	88,250	88,336	86	98,060
Gas and Oil Commissions	155,000	155,000	190,731	35,731	199,017
State Aircraft Fuel Tax	95,000	95,000	137,981	42,981	94,326
Land Lease	220,000	220,000	295,820	75,820	232,541
Land Lease - Police Training Center	355,000	355,000	354,677	(323)	-
Terminal Lease and Landing Fees	11,000	11,000	8,229	(2,771)	8,331
Concessions	500	500	-	(500)	11
Parking	10,000	10,000	11,240	1,240	9,940
Interest/Investment Income (Losses)	20,000	20,000	118,764	98,764	31,930
Federal and State Grants	892,500	892,500	204,480	(688,020)	329,210
City Contributions	-	-	-	-	485,000
Miscellaneous	37,000	37,000	39,466	2,466	48,928
<b>TOTAL REVENUES</b>	<b>2,004,250</b>	<b>2,004,250</b>	<b>1,581,508</b>	<b>(422,742)</b>	<b>1,654,448</b>
<b>EXPENDITURES</b>					
Personal Services	644,059	644,059	596,508	47,551	552,483
Purchased Services	1,064,268	1,064,268	732,671	331,597	424,873
Supplies	63,000	63,000	72,675	(9,675)	55,942
Capital Outlay	975,588	975,588	77,825	897,763	533,819
<b>TOTAL EXPENDITURES</b>	<b>2,746,915</b>	<b>2,746,915</b>	<b>1,479,679</b>	<b>1,267,236</b>	<b>1,567,117</b>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<b>\$ (742,665)</b>	<b>\$ (742,665)</b>	<b>101,829</b>	<b>\$ 844,494</b>	<b>87,331</b>
<b>RECONCILIATION TO GAAP BASIS</b>					
Capital Outlay			77,825		533,819
Loss on Disposal of Capital Asset			-		(686,640)
Depreciation			(1,411,126)		(1,430,661)
<b>CHANGE IN NET POSITION, GAAP Basis</b>			<b>\$ (1,231,473)</b>		<b>\$ (1,496,152)</b>

See the accompanying Independent Auditors' Report.

## NORTHERN COLORADO REGIONAL AIRPORT

### **Notes to Budgetary Comparison Schedule:**

The Airport follows the City of Loveland's procedures in establishing the budget as reflected in the financial statements:

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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.
4. Supplemental appropriations are approved on an individual fund level basis.
5. All appropriations lapse at year-end per State statutes.





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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

**Independent Auditors' 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***

Northern Colorado Regional Airport Commission  
Northern Colorado Regional Airport  
Loveland, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northern Colorado Regional Airport (the Airport) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated May 20, 2020.

**Internal Control Over Financial Reporting**

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

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

Northern Colorado Regional Airport Commission  
Northern Colorado Regional Airport

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

### Compliance And Other Matters

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

### Purpose Of This Report

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

*RubinBrown LLP*

May 20, 2020

**Prepared by:  
Finance Department  
Accounting Division**



**City of Loveland  
COLORADO**