



Northern Colorado
Regional Airport
Year Ended December 31, 2020



COLORADO

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May 19, 2021

The Northern Colorado Regional Airport annual financial statements for the year ended December 31, 2020, 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 1,800 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	276
Hangars	216
Passengers	1,800

The Airport supports many aviation based businesses including one full service fixed base operator that provides aircraft fueling and storage, five 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 2020 by the Colorado Department of Transportation Division of Aeronautics, the Airport contributes approximately \$296 million annually to the regional economy. This impact is derived through airport associated activities and area spending from visitors. The study also identified 1,072 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:

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.”

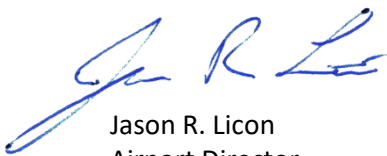
The Northern Colorado Regional Airport Commission is charged by the Cities to set policy and direction for the Airport to achieve the goals and objectives outlined in the various plans including the Airport Master Plan, and Strategic Plan. The Airport’s Strategic Plan priorities are:

- 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 2021 is positive with many great things happening at the Airport. Some of the highlights include:

- 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 scheduled for testing during the second quarter of 2021. 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 and the FAA has agreed to fund all air traffic control operating costs 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 slowly began to increase after summer months in 2020.

Respectfully,



Jason R. Licon
Airport Director

Independent Auditor's Report

To the Northern Colorado Regional Airport
Commission Northern Colorado Regional Airport

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Colorado Regional Airport (the "Airport") as of and for the year ended December 31, 2020 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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.

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 Northern Colorado Regional Airport as of December 31, 2020 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

Report on Summarized Comparative Information

The financial statements include prior year summarized comparative information. The basic financial statements of Northern Colorado Regional Airport as of and for the year ended December 31, 2019 were audited by a predecessor auditor, which expressed an unmodified opinion. The predecessor auditor's report was dated May 20, 2020.

Required Supplemental 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 supplemental 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northern Colorado Regional Airport's basic financial statements. The other supplemental information, as identified in the table of contents, and letter of transmittal are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was 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 other supplemental information is fairly stated in all material respects in relation to the basic 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of Northern Colorado Regional Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Northern Colorado Regional Airport's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 19, 2021

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, 2020. Please read it in conjunction with the financial statements, which begin on page 9.

Financial Highlights

- In 2020, net position decreased by \$589,373 (3.43%) primarily due to increased depreciation on capital assets.
- Total operating revenues increased to \$1,276,780, an increase of \$18,515 (1.47%) compared to 2019.
- Total operating expenses decreased to \$2,618,451, a decrease of \$194,530 (6.92%) compared to 2019. The decrease is primarily due to a decrease 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, 2020, assets exceeded liabilities by \$16,591,600.

Net Position		
	2020	2019
Current Assets	\$ 3,099,946	\$ 2,738,303
Capital Assets	13,627,748	14,657,231
Total Assets	16,727,694	17,395,534
Current Liabilities	136,094	214,561
Net Position:		
Investment in Capital Assets	13,627,748	14,657,231
Unrestricted	2,963,852	2,523,742
Total Net Position	\$ 16,591,600	\$ 17,180,973

Net Position

Net position of the Airport at December 31, 2020 is shown to the left. The largest portion (82.1%) 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.

Changes in Net Position		
	2020	2019
Program Revenues	\$ 1,276,780	\$ 1,258,263
Program Expenses	2,618,451	\$ 2,812,981
Operating Loss	(1,341,671)	(1,554,718)
Non-operating Revenues		
Interest Income	95,157	118,764
Federal/State Grants-Operating	197,553	
Total Non-operating Revenues	292,710	118,764
Net Loss before Capital Contributions	(1,048,961)	(1,435,953)
Capital Contributions	459,588	204,480
Change in Net Position	(589,373)	(1,231,473)
Net Position - Beginning	17,180,973	18,412,446
Net Position - Ending	\$ 16,591,600	\$ 17,180,973

Change In Net Position

The Airport's total revenues of \$2,029,078 were lower than total expenses of \$2,618,451 for a decrease in net position of \$589,373 for 2020.

Debt Administration And Capital Assets

Debt Administration

The Airport currently has no long-term debt.

Capital Assets

At the end of December 31, 2020, the Airport had \$13,627,748 invested in capital assets. This represents a net decrease of \$1,029,483, or 7.02%, from 2019. 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 2020 Airport budget was very much on target with both projected revenues and expenses.

Economic Factors and the 2021 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 scheduled for testing during the second quarter of 2021. Airport staff and project managers anticipate this project will elevate the airport to potential aeronautical operators who have expressed an interest in this project's success. Capital costs will be completely funded by CDOT and the FAA and the FAA has agreed to fund all air traffic control operating costs 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 slowly began to increase after summer months in 2020.

- The Covid-19 pandemic created financial challenges for some airport business, prompting the Airport Commission to create a business assistance program. This program has allowed qualified businesses to defer lease payments in 2020 through first quarter of 2021. It is anticipated that these deferred lease payments could continue through 2021 with some being repaid in 2021 through 2024 in accordance with FAA guidance.

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

STATEMENT OF NET POSITION

December 31, 2020

ASSETS

Current Assets	
Equity in Pooled Cash	\$ 30,396
Equity in Pooled Investments	2,603,782
Accounts Receivable	213,584
Grants Receivable	<u>252,184</u>
 Total Current Assets	 3,099,946
Noncurrent Assets	
Land	563,614
Construction in Progress	286,028
Runways	12,031,740
Improvements Other than Buildings	12,369,085
Equipment	2,707,594
Buildings	<u>1,891,645</u>
Total Capital Assets	29,849,706
Accumulated Depreciation	<u>(16,221,958)</u>
Capital Assets, Net	<u>13,627,748</u>
 TOTAL ASSETS	 <u>16,727,694</u>

LIABILITIES

Current Liabilities	
Accounts Payable	47,884
Rental deposits	16,475
Accrued Liabilities	<u>71,735</u>
 Total Current Liabilities	 <u>136,094</u>

NET POSITION

Investment in Capital Assets	13,627,748
Unrestricted	<u>2,963,852</u>
 TOTAL NET POSITION	 <u>\$ 16,591,600</u>

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

NORTHERN COLORADO REGIONAL AIRPORT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2020

(With Summarized Comparative Totals for the year ended December 31, 2019)

	2020	2019
OPERATING REVENUES		
Hangar Rental	\$ 224,059	\$ 131,782
FBO Rent	88,336	88,336
Gas and Oil Commissions	111,192	190,731
State Aircraft Fuel Tax	98,233	137,981
Land Lease	332,890	295,820
Land Lease - Police Training Center	361,501	354,677
Terminal Lease and Landing Fees	5,700	8,229
Parking	4,805	11,240
Miscellaneous	50,064	39,469
	1,276,780	1,258,265
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personal Services	641,869	596,509
Purchased Services	513,984	732,671
Supplies	68,129	72,675
Depreciation	1,394,470	1,411,126
	2,618,451	2,812,981
TOTAL OPERATING EXPENSES		
OPERATING LOSS	(1,341,671)	(1,554,716)
NONOPERATING REVENUES		
Interest/Investment Income	95,157	118,764
Federal/State Grants	197,553	-
	292,710	118,764
TOTAL NONOPERATING REVENUES		
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,048,961)	(1,435,952)
Capital Contributions	459,588	204,480
	(589,373)	(1,231,472)
CHANGE IN NET POSITION		
NET POSITION, Beginning	17,180,973	18,412,446
NET POSITION, Ending	\$ 16,591,600	\$ 17,180,973

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

NORTHERN COLORADO REGIONAL AIRPORT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

(With Summarized Comparative Totals for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,119,193	\$ 1,258,710
Cash Payments for Goods and Services	(648,305)	(824,973)
Cash Payments to Employees	<u>(654,147)</u>	<u>(585,747)</u>
Net Cash Used by Operating Activities	<u>(183,258)</u>	<u>(152,011)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Federal and State Grants	260,146	322,360
Payments for Capital Acquisition	<u>(364,986)</u>	<u>(77,825)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(104,840)</u>	<u>244,535</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from Federal and State Grants	<u>197,553</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>197,553</u>	<u>-</u>
Cash Flows from Investing Activities		
Purchase of Investments	(1,038,640)	(503,708)
Proceeds from Sale of Investments	1,100,000	50,000
Investment Earnings	<u>58,027</u>	<u>58,308</u>
Net Cash Provided by (Used in) Investing Activities	<u>119,387</u>	<u>(395,400)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,841	(302,876)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,555</u>	<u>304,431</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u><u>30,396</u></u>	\$ <u><u>1,555</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,341,671)	\$ (1,554,718)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	1,394,470	1,411,126
Changes in Assets and Liabilities		
(Increase)decrease in Accounts Receivable	(157,587)	446
Increase(decrease) in Accounts Payable	(68,496)	(22,898)
Increase(decrease) in Accrued Liabilities	<u>(9,974)</u>	<u>14,033</u>
Total Adjustments	<u>1,158,413</u>	<u>1,402,707</u>
Net Cash Used by Operating Activities	\$ <u><u>(183,258)</u></u>	\$ <u><u>(152,011)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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.

Receivables

Receivables consist primarily of federal and state grants, land and hangar leases, as well as other miscellaneous receivables. At December 31, 2020, the grants receivable balance was \$252,184.

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, 2020, the Accrued Compensated Absence balance was \$47,040.

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, 2019.

Adoption of New Accounting Pronouncements

The GASB has issued several statements not yet implemented by the Airport. Airport management has not yet determined the effect the Statements will have on the financial statements. However, the Airport intends to implement all standards by the required dates. The Standard which will impact the Airport is as follows:

GASB Statement No. 87, *Leases*, issued June 2017, originally effective December 31, 2020, though GASB has extended the implementation date and now will be effective for the Airport beginning with its fiscal year ending December 31, 2022. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessor must recognize (1) a lease receivable and (2) a deferred inflow of resources. In addition, the Airport must recognize interest revenue on the lease receivable and an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognize from leases. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at December 31, 2020, consisted of the following:

Deposits	\$ 30,396
Investments	<u>2,603,782</u>
Total	\$ 2,634,178

Deposits and investments are displayed within this report as follows:

Equity in Pooled Cash	\$ 30,396
Equity in Pooled Investments	<u>2,603,782</u>
Total	\$ 2,634,178

NOTE 2: CASH AND INVESTMENTS (continued)

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, 2020 the Airport had \$6,496 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
- 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. 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 1.52% 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, 2020:

- U.S. Treasury securities of \$623,623 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$1,490,453 are valued using matrix pricing techniques (Level 2 inputs)
- Corporate Bonds of \$288,913 are valued using matrix pricing techniques (Level 2 inputs)
- Municipal Bonds of \$185,979 are valued using matrix pricing techniques (Level 2 inputs)

Investments Held in our Colorado Surplus Asset Fund Trust

The Airport invested \$1,443 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.

NOTE 2: CASH AND INVESTMENTS (continued)

At December 31, 2020, the Airport had the following investments:

Investment type	STANDARD AND POOR'S RATING	LESS THAN 1	1 TO 3 YEARS	4 TO 5 YEARS	MORE THAN 5	TOTAL
Certificates of Deposit	N/A	\$14,814	\$0	\$0	-	\$14,814
U.S. Treasury Notes	N/A	229,837	80,802	312,984	-	623,623
U.S. Agency Securities	AA+	636,547	236,430	617,476	-	1,490,453
Corporate Bonds	AA-/A/A-/AA/AA+	153,094	135,819		-	288,913
Municipal Bonds	AA/AA+	49,120	58,637	78,222	-	185,979
Total		\$1,083,412	\$ 511,688	\$ 1,008,682	-	\$ 2,603,782

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, 2020, 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 1.52% of the City's total investments:
 - a. US Treasury Notes (23.95%)
 - b. Federal Home Loan Bank (14.91%)
 - c. Federal National Mortgage Association (14.82%)
 - d. Federal Home Loan Mortgage Corporation (18.75%)
 - e. Federal Farm Credit Bank (8.77%).

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 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, 2020 is below:

	Balances 12/31/19	Additions	Deletions	Balances 12/31/20
Capital Assets, Not Being Depreciated				
Land	\$ 563,614	\$ -	\$ -	\$ 563,614
Construction in Progress	-	286,028		286,028
Total Capital Assets, Not Being Depreciated	563,614	286,028	-	849,642
Capital Assets, Being Depreciated				
Runways	12,031,741		-	12,031,741
Improvements	10,807,424		-	10,807,424
Equipment	2,628,636	78,958	-	2,707,594
Buildings	1,891,645		-	1,891,645
Leasehold Improvements	1,561,661	-	-	1,561,661
Total Capital Assets, Being Depreciated	28,921,107	78,958	-	29,000,065
Less Accumulated Depreciation				
Runways	(6,631,424)	(574,284)	-	(7,205,708)
Improvements	(5,028,140)	(547,241)	-	(5,575,381)
Equipment	(1,702,086)	(150,219)	-	(1,852,305)
Buildings	(394,810)	(65,253)	-	(460,063)
Leasehold Improvements	(1,071,030)	(57,472)	-	(1,128,502)
Total Accumulated Depreciation	(14,827,490)	(1,394,469)	-	(16,221,959)
Total Capital Assets, Being Depreciated, Net	14,093,617	(1,315,511)	-	12,778,106
Total Capital Assets, Net	\$ 14,657,231	\$ (1,029,483)	\$ -	\$ 13,627,748

Construction Commitments

At December 31, 2020, the Airport had construction projects in progress as follows:

<u>Project</u>	<u>Budget</u>	<u>Cost to Date</u>
Commercial Apron Construction	\$3,000,000	\$ 57,686
New Terminal Building	\$1,540,000	\$228,342

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.

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 was 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 \$88,336, 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 for Labor Statistics. The term of the rental period is 50 years. Each City paid \$180,751 in rental payments in 2020.

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 2020, the City of Loveland was paid \$23,450 for these services. The City also provided the Airport Fleet maintenance services in the amount of \$53,156 and utilities in the amount of \$118,178.

NOTE 6: [CONTRACTURAL AGREEMENTS \(continued\)](#)

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 \$21,691 to the Plan in 2020, representing the required contributions.

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, 2020, 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.

NORTHERN COLORADO REGIONAL AIRPORT

BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2020

(With Summarized Comparative Totals for the year ended December 31, 2019)

	2020			DIFFERENCE WITH FINAL BUDGET	2019 ACTUAL
	BUDGET		ACTUAL		
	ORIGINAL	FINAL			
REVENUES					
Hangar Rental	\$ 150,000	\$ 150,000	\$ 224,059	\$ 74,059	\$ 131,782
FBO Rent	88,250	88,250	88,336	86	88,336
Gas and Oil Commissions	180,000	180,000	111,192	(68,808)	190,731
State Aircraft Fuel Tax	95,000	95,000	98,233	3,233	137,981
Land Lease	280,000	280,000	332,890	52,890	295,820
Land Lease - Police Training Center	364,000	364,000	361,501	(2,499)	354,677
Terminal Lease and Landing Fees	9,000	9,000	5,700	(3,300)	8,229
Parking	10,000	10,000	4,805	(5,195)	11,240
Interest/Investment Income (Losses)	25,000	25,000	95,157	70,157	118,764
Federal and State Grants	922,000	1,039,941	657,141	(382,800)	204,480
Miscellaneous	36,900	36,900	50,063	13,163	39,468
TOTAL REVENUES	2,160,150	2,278,091	2,029,077	(249,014)	1,581,508
EXPENDITURES					
Personal Services	703,431	703,431	641,868	61,563	596,508
Purchased Services	514,960	616,917	513,984	102,933	732,671
Supplies	74,500	74,500	68,129	6,371	72,675
Capital Outlay	1,481,000	1,517,000	364,986	1,152,014	77,825
TOTAL EXPENDITURES	2,773,891	2,911,848	1,588,967	1,322,881	1,479,679
CHANGE IN NET POSITION, Budgetary Basis	\$ (613,741)	\$ (633,757)	440,110	\$ 1,073,867	101,829
RECONCILIATION TO GAAP BASIS					
Capital Outlay			364,986		77,825
Depreciation			(1,394,470)		(1,411,126)
CHANGE IN NET POSITION, GAAP Basis			\$ (589,373)		\$ (1,231,473)

See the accompanying Independent Auditors' Report.

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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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*

Independent Auditor's Report

To Management and the Northern Colorado
Regional Airport Commission
Northern Colorado Regional Airport

We have audited, 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, the financial statements of the Northern Colorado Regional Airport (the "Airport") as of and for the year ended December 31, 2020 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 19, 2021.

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) as a basis for designing 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 Airport's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 financial statements. 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*.

To Management and the Northern Colorado Regional Airport Commission
Northern Colorado Regional Airport

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 Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

May 19, 2021

Prepared by:
Finance Department
Accounting Division



City of Loveland
COLORADO