



Northern Colorado
Regional Airport
Year Ended December 31, 2021



COLORADO

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal.....	2
Independent Auditors' Report	4
Management's Discussion and Analysis.....	7
Basic Financial Statements	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Supplementary Information	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) and Notes	21
Other Reporting Required By <i>Governmental Auditing Standards</i>	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23



June 1, 2022

The Northern Colorado Regional Airport annual financial statements for the year ended December 31, 2021, 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 commercial service airport and is administered and operated jointly by the Cities of Fort Collins and Loveland in Northern Colorado. The Airport supports approximately 120,000 aircraft flight operations annually. These operations range from commercial air carrier, air taxi and charter, business aviation, air ambulance transport, aerial fire suppression, pilot training, and private transportation flights. An estimated 5,000 outbound passengers (enplanements) traveled from the Airport on commercial air carriers and chartered flight services supported by Avelo Airlines, Swift Air, and Sun Country Airlines.



The Airport is home to 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 an avionics center. The Airport is also host to a variety of private and corporate aviation businesses that provide air transportation services to companies in order 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 strategic plan and the associated Vision and Mission:

Airport Area	1, 073 Acres
Runway (Primary)	8,500’ x 100’
Runway (Crosswind)	2,273’ x 40’
Based Aircraft	308
Hangars	222
Passengers	5,000

Vision Statement

“Northern Colorado Regional Airport...sparking innovative transportation and leading edge economic development, training, research and education throughout the region.”

Mission Statement

“Serving the region, we are a catalyst for innovation in all modes of transportation, a driving force for business and training, and a global gateway to a magnificent Colorado.”

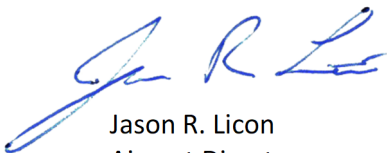
The Northern Colorado Regional Airport Commission is charged by the Cities to set policy and direction for the Airport to achieve the goals and objectives outlined in the various plans including the Airport Master Plan, and Strategic Plan. The Airport’s Strategic Plan priorities are:

- Organizational Excellence & Innovation
- Multimodal Transit & Terminal
- Capital Projects
- Private Development & Economic Development

The financial outlook for 2022 continues to be positive. Some of the highlights include:

- Continuation of the new innovative “wingless flight” services in partnership with United Airlines. United is expecting the ability to have passengers’ clear security at FNL and connect to DEN gate to gate sometime in 2022 that will increase the flight schedules and demand.
- The new airline terminal design is scheduled to have design work complete 4Q 2022 with construction to begin in early 2023. Many opportunities for growth in commerce and additional jobs for the community are anticipated with this project.
- New development for both aeronautical use and non-aeronautical use are in the construction phases which will add to the economic bottom line of the Airport and contribute toward self-generated revenues.
- A new FBO has been announced and according to the developer is scheduled to begin construction within the next two years.
- The Remote Air Traffic Control Tower is rescheduled for testing during the first quarter of 2022 subject to pandemic restrictions. Capital and operational costs continue to be primarily funded by the FAA and Colorado Aeronautics.
- 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. Fuel price trends have been on an upward path through 2021 and if it remains at this level with consistent volumes, the revenues it will provide will be greater than what was budgeted.

Respectfully,



Jason R. Licon
Airport Director

Independent Auditor's Report

To the Northern Colorado Regional
Airport Commission
Northern Colorado Regional Airport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Colorado Regional Airport (the "Airport") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern Colorado Regional Airport as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Airport and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Northern Colorado Regional
Airport Commission
Northern Colorado Regional Airport

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplemental 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, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

Other Information

Management is responsible for the other information included in the other information. The other information comprises the letter of transmittal but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Northern Colorado Regional
Airport Commission
Northern Colorado Regional Airport

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited Northern Colorado Regional Airport's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 June 1, 2022 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 solely 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 effectiveness of Northern Colorado Regional Airport's 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

June 1, 2022

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, 2021. Please read it in conjunction with the financial statements, which begin on page 9.

Financial Highlights

- In 2021, net position increased by \$3,272,826 (19.73%) primarily due to an increase in capital contributions.
- Total operating revenues increased to \$1,684,665 an increase of \$407,885 (31.95%) compared to 2020, due to increased Gas and Oil Commissions and Miscellaneous Revenue. The two major components of the Miscellaneous Revenue were income from the Airshow and the reimbursement for the use of the Airport’s firefighting equipment.
- Total operating expenses were unchanged compared to 2020.

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, 2021, assets exceeded liabilities by \$19,864,424.

Net Position		
	2021	2020
Current Assets	\$ 4,524,806	\$ 3,099,946
Capital Assets	15,805,175	13,627,748
Total Assets	20,329,981	16,727,694
Current Liabilities	465,557	136,094
Net Position:		
Investment in Capital Assets	15,805,175	13,627,748
Unrestricted	4,059,249	2,963,852
Total Net Position	\$ 19,864,424	\$ 16,591,600

Net Position

Net position of the Airport at December 31, 2021 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				
	2021		2020	
Program Revenues	\$	1,684,665	\$	1,276,780
Program Expenses		2,624,588	\$	2,618,451
Operating Loss		(939,923)		(1,341,671)
Non-operating Revenues				
Interest Income		(61,294)		95,157
Federal/State Grants		631,385		197,553
Total Non-operating Revenues		570,091		292,710
Net Loss before Capital Contributions		(369,831)		(1,048,960)
Capital Contributions		3,642,656		459,588
Change in Net Position		3,272,824		(589,373)
Net Position - Beginning		16,591,600		17,180,973
Net Position - Ending	\$	19,864,424	\$	16,591,600

Change In Net Position

The Airport's total revenues of \$5,897,412 were higher than total expenses of \$2,624,588 for an increase in net position of \$3,272,824 for 2021.

Debt Administration And Capital Assets

Debt Administration

The Airport currently has no long-term debt.

Capital Assets

At the end of December 31, 2021, the Airport had \$15,805,175 invested in capital assets. This represents a net increase of \$2,177,430, or 16.0%, from 2020. This increase is due primarily to the expansion of the Commercial Apron. More detailed information about the Airport's capital assets is presented in the Notes to Financial Statements.

Budgetary Highlights

The 2021 Airport budget was very much on target with both projected revenues and expenses, other than Capital outlay and its related reimbursement of Federal grant monies, due to delays in capital projects.

Economic Factors and the 2022 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 rescheduled for testing during the first quarter of 2022. 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 2021 and has seen a significant increase in early 2022.

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, 2021

	<u>2021</u>
ASSETS	
Current Assets	
Equity in Pooled Cash	\$ 9,411
Equity in Pooled Investments	77,476
Accounts Receivable	258,484
Grants Receivable	<u>4,179,435</u>
Total Current Assets	<u>4,524,806</u>
Noncurrent Assets	
Land	563,614
Construction in Progress	807,432
Runways	15,133,712
Improvements Other than Buildings	12,369,085
Equipment	2,700,265
Buildings	<u>1,891,645</u>
Total Capital Assets	33,465,753
Accumulated Depreciation	<u>(17,660,578)</u>
Capital Assets, Net	<u>15,805,175</u>
TOTAL ASSETS	<u>20,329,981</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	364,748
Rental deposits	18,918
Accrued Liabilities	<u>81,891</u>
Total Current Liabilities	<u>465,557</u>
NET POSITION	
Investment in Capital Assets	15,805,175
Unrestricted	<u>4,059,249</u>
TOTAL NET POSITION	<u>\$ 19,864,424</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, 2021

(With Summarized Comparative Totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Hangar Rental	\$ 247,095	\$ 224,059
FBO Rent	92,713	88,336
Gas and Oil Commissions	265,576	111,192
State Aircraft Fuel Tax	110,050	98,233
Land Lease	371,770	332,890
Land Lease - Police Training Center	366,791	361,501
Terminal Lease and Landing Fees	7,160	5,700
Parking	330	4,805
Miscellaneous	<u>223,180</u>	<u>50,064</u>
 TOTAL OPERATING REVENUES	 <u>1,684,665</u>	 <u>1,276,780</u>
OPERATING EXPENSES		
Personal Services	668,422	641,869
Purchased Services	435,275	513,984
Supplies	74,945	68,129
Depreciation	<u>1,445,945</u>	<u>1,394,470</u>
 TOTAL OPERATING EXPENSES	 <u>2,624,588</u>	 <u>2,618,451</u>
 OPERATING LOSS	 <u>(939,923)</u>	 <u>(1,341,671)</u>
NONOPERATING REVENUES		
Interest/Investment Income(loss)	(61,294)	95,157
Federal/State Grants	<u>631,385</u>	<u>197,553</u>
 TOTAL NONOPERATING REVENUES	 <u>570,091</u>	 <u>292,710</u>
 NET LOSS BEFORE CAPITAL CONTRIBUTIONS	 <u>(369,831)</u>	 <u>(1,048,961)</u>
 Capital Contributions	 <u>3,642,656</u>	 <u>459,588</u>
 CHANGE IN NET POSITION	 3,272,824	 (589,372)
NET POSITION, Beginning	<u>16,591,600</u>	<u>17,180,973</u>
 NET POSITION, Ending	 <u>\$ 19,864,424</u>	 <u>\$ 16,591,600</u>

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

NORTHERN COLORADO REGIONAL AIRPORT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

(With Summarized Comparative Totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,639,767	\$ 1,119,193
Cash Payments for Goods and Services	(190,913)	(648,305)
Cash Payments to Employees	<u>(658,266)</u>	<u>(654,147)</u>
Net Cash Used by Operating Activities	<u>790,588</u>	<u>(183,258)</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Federal and State Grants	(284,595)	260,146
Payments for Capital Acquisition	<u>(3,623,375)</u>	<u>(364,986)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(3,907,971)</u>	<u>(104,840)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from Federal and State Grants	<u>631,385</u>	<u>197,553</u>
Net Cash Provided by Noncapital Financing Activities	<u>631,385</u>	<u>197,553</u>
Cash Flows from Investing Activities		
Purchase of Investments	(1,241,776)	(1,038,640)
Proceeds from Sale of Investments	3,697,067	1,100,000
Investment Earnings	<u>9,722</u>	<u>58,027</u>
Net Cash Provided by (Used in) Investing Activities	<u>2,465,013</u>	<u>119,387</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,985)	28,841
CASH AND CASH EQUIVALENTS, Beginning	<u>30,396</u>	<u>1,555</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 9,411</u>	<u>\$ 30,396</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (939,923)	\$ (1,341,671)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	1,445,945	1,394,470
Changes in Assets and Liabilities		
(Increase)decrease in Accounts Receivable	(44,900)	(157,587)
Increase(decrease) in Accounts Payable	316,864	(68,496)
Increase(decrease) in Accrued Liabilities	<u>12,601</u>	<u>(9,974)</u>
Total Adjustments	<u>1,730,510</u>	<u>1,158,413</u>
Net Cash Used by Operating Activities	<u>\$ 790,588</u>	<u>\$ (183,258)</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 0.006% 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, 2021, the grants receivable balance was \$4,179,435.

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, 2021, the Accrued Compensated Absence balance was \$56,331.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is restricted when constraints placed on the 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, 2020.

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, 2021, consisted of the following:

Deposits	\$	9,411
Investments		<u>77,476</u>
Total	\$	86,887

Deposits and investments are displayed within this report as follows:

Equity in Pooled Cash	\$	9,411
Equity in Pooled Investments		<u>77,476</u>
Total	\$	86,887

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, 2021 the Airport had \$2,304 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 0.05% 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, 2021:

- U.S. Treasury securities of \$32,568 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$30,202 are valued using matrix pricing techniques (Level 2 inputs)
- Corporate Bonds of \$8,304 are valued using matrix pricing techniques (Level 2 inputs)
- Municipal Bonds of \$5,768 are valued using matrix pricing techniques (Level 2 inputs)
- Foreign Securities of \$634 are valued using matrix pricing techniques (Level 2 inputs)

Investments Held in our Colorado Surplus Asset Fund Trust

The Airport invested \$399 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, 2021, 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
U.S. Treasury Notes	N/A	\$ -	\$ 10,189	\$ 22,379	-	\$ 32,568
U.S. Agency Securities	AA+	4,596	5,355	20,251	-	30,202
Corporate Bonds	AA-/A/A-/AA/AA+	2,091	6,213	-	-	8,304
Municipal Bonds	AA/AA+	624	3,773	1,371	-	5,768
Foreign Securities	AA-	-	634	-	-	634
Total		\$7,311	\$ 26,164	\$ 44,001	-	\$ 77,476

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, 2021, 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 0.05% of the City's total investments:
 - a. US Treasury Notes (42.04%)
 - b. Federal Home Loan Bank (8.90%)
 - c. Federal National Mortgage Association (5.93%)
 - d. Federal Home Loan Mortgage Corporation (12.54%)
 - e. Federal Farm Credit Bank (11.61%).

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 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, 2021 is below:

	Balances 12/31/20	Additions	Deletions	Balances 12/31/21
Capital Assets, Not Being Depreciated				
Land	\$ 563,614	\$ -	\$ -	\$ 563,614
Construction in Progress	286,028	579,090	57,686	807,432
Total Capital Assets, Not Being Depreciated	849,642	579,090	57,686	1,371,046
Capital Assets, Being Depreciated				
Runways	12,031,741	3,101,971	-	15,133,712
Improvements	10,807,424	-	-	10,807,424
Equipment	2,707,594	-	(7,329)	2,700,265
Buildings	1,891,645	-	-	1,891,645
Leasehold Improvements	1,561,661	-	-	1,561,661
Total Capital Assets, Being Depreciated	29,000,065	3,101,971	(7,329)	32,094,707
Less Accumulated Depreciation				
Runways	(7,205,708)	(651,525)	-	(7,857,233)
Improvements	(5,575,381)	(513,580)	-	(6,088,964)
Equipment	(1,852,305)	(158,115)	7,329	(2,003,091)
Buildings	(460,063)	(65,253)	-	(525,316)
Leasehold Improvements	(1,128,502)	(57,472)	-	(1,185,974)
Total Accumulated Depreciation	(16,221,959)	(1,445,945)	7,329	(17,660,578)
Total Capital Assets, Being Depreciated, Net	12,778,106	1,656,026	-	14,434,129
Total Capital Assets, Net	\$ 13,627,748	\$ 2,235,116	\$ 57,686	\$ 15,805,175

Construction Commitments

At December 31, 2021, the Airport had construction projects in progress as follows:

Project	Budget	Cost to Date
New Terminal Building	\$1,540,000	\$807,432

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 payment was set at \$6,824 beginning May 1, 2015. However, the annual base rent was increased on May 1, 2018 and will increase on each third anniversary in an amount equal to the increase, if any, in the “Consumer Price Index”. The current rate is \$93,172, which is set to increase based on CPI on May 1, 2024. 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 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 \$183,395 in rental payments in 2021.

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 2021, the City of Loveland was paid \$23,450 for these services. The City also provided the Airport Fleet maintenance services in the amount of \$36,310 and utilities in the amount of \$104,996.

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 \$25,000 to the Plan in 2021, 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.

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 in any calendar year. Lessee shall consult with the Cities and the Cities' approval shall be required prior to incurring any expenditure to be borne by the Cities.

NOTE 8: [SUBSEQUENT EVENT](#)

Commercial Airline Suspension

The Airport was notified on May 27, 2022, that Avelo Airlines will suspend commercial flights to/from Las Vegas on June 16, 2022 and to/from Burbank, California on June 24, 2022.

NORTHERN COLORADO REGIONAL AIRPORT

BUDGETARY COMPARISON SCHEDULE

(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2021

(With Summarized Comparative Totals for the year ended December 31, 2020)

	2021				
	BUDGET		ACTUAL	DIFFERENCE WITH FINAL BUDGET	2020 ACTUAL
	ORIGINAL	FINAL			
REVENUES					
Hangar Rental	\$ 215,000	\$ 215,000	\$ 247,095	\$ 32,095	\$ 224,059
FBO Rent	96,287	96,287	92,713	(3,574)	88,336
Gas and Oil Commissions	165,000	165,000	265,576	100,576	111,192
State Aircraft Fuel Tax	87,000	87,000	110,050	23,050	98,233
Land Lease	300,000	300,000	371,770	71,770	332,890
Land Lease - Police Training Center	370,538	370,538	366,791	(3,747)	361,501
Terminal Lease and Landing Fees	9,000	9,000	7,160	(1,840)	5,700
Parking	10,000	10,000	330	(9,670)	4,805
Interest/Investment Income (Losses)	50,000	50,000	(61,294)	(111,294)	95,157
Federal and State Grants	6,487,000	6,487,000	4,274,041	(2,212,959)	657,141
Miscellaneous	36,000	36,000	223,179	187,179	50,066
TOTAL REVENUES	7,825,825	7,825,825	5,897,411	(1,928,414)	2,029,080
EXPENDITURES					
Personal Services	734,737	734,737	668,421	66,316	641,868
Purchased Services	648,149	648,149	435,275	212,874	513,984
Supplies	85,000	85,000	74,945	10,055	68,129
Capital Outlay	5,566,000	5,566,000	3,623,375	1,942,625	364,986
TOTAL EXPENDITURES	7,033,886	7,033,886	4,802,016	2,231,870	1,588,967
CHANGE IN NET POSITION, Budgetary Basis	\$ 791,939	\$ 791,939	1,095,394	\$ 303,455	440,113
RECONCILIATION TO GAAP BASIS					
Capital Outlay			3,623,375		364,986
Depreciation			(1,445,945)		(1,394,470)
CHANGE IN NET POSITION, GAAP Basis			\$ 3,272,824		\$ (589,372)

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.

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 basic financial statements of Northern Colorado Regional Airport (the "Airport") as of and for the year ended December 31, 2021 and the related notes to the basic financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated June 1, 2022.

Report on 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 opinions 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.

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 or significant deficiencies may exist that were not identified.

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.

Report on 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

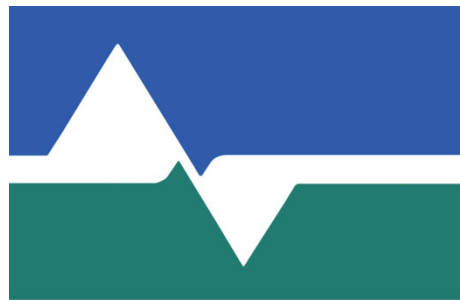
Purpose of This Report

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

Plante & Moran, PLLC

June 1, 2022

Prepared by:
Finance Department
Accounting Division



City of Loveland
COLORADO