



*Northern Colorado*  
*Regional Airport*  
Year Ended December 31, 2017



City of Loveland

COLORADO

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# NORTHERN COLORADO REGIONAL AIRPORT



May 30, 2018

The Northern Colorado Regional Airport annual financial statements for the year ended December 31, 2017 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 (FAA) 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 5,000 outbound passengers (enplanements) traveled from the Airport on charter flight services supported by various air carriers including Elite Airways, Key Lime Air, Swift Air, and Sun Country Airlines.



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

The Northern Colorado Regional Airport Commission continues to govern the Airport to achieve the goals and objectives outlined in the various plans including the Airport Master Plan, and Strategic Plan. Priorities from the Airport’s Strategic Plan include:

- Ensure that adjacent land use continues to be compatible with current and future Airport operation
- Encourage aeronautical investment at the Airport and adjacent undeveloped properties

Airport Area	1,073 Acres
Runway (Primary)	8,500’ X 100’
Runway (Crosswind)	2,273’ X 40’
Based Aircraft	265
Hangars	214
Passengers	5,000

## NORTHERN COLORADO REGIONAL AIRPORT

- Continue to pursue commercial air carriers and other airport users that maximize the value of the Airport asset.
- Enhance the Airport's regional impact and value to the communities it serves

The financial outlook for 2018 is positive due to a strong and diverse economy in Northern Colorado. Some of the highlights are:

- The Airport's land lease revenues are projected to increase due to five new land leases from the KFNL hangars development. These revenues will only be partial for 2018, which the Airport anticipates to be an increase of approximately \$15,000. In 2019, once the development is fully finished the revenue impact will be \$21,000 per year. This private investment partnership will increase the Airport's hangar capacity by approximately 30,000 square feet and the number of individual hangars at the Airport from 209 to 214.
- The revenue generation derived from fuel flowage and the reimbursement of Colorado aviation fuel sales tax may rise due to the rising fuels costs; however, this could negatively affect the volume of fuel sold and conversely increase the percentage based fuel flowage revenues. Fuel flowage and aviation fuel tax reimbursements are tied to a percentage, relying upon the price of fuel rather than the volume of sales. The Airport does collect a fuel flowage fee that is tied to a percentage of fuel price in addition to tax rebates from the State of Colorado that are also fuel volume and percentage based.
- The construction and engineering contract for the Remote Air Traffic Control Tower were fully executed at the end of 2017. CDOT Aeronautics and FAA project managers will be breaking ground for the project in early 2018. Airport staff and project managers anticipate this project will elevate the airport to potential commercial airline operators who have expressed interest in this project's success. Capital costs will be completely funded by CDOT with the Cities taking on the operational and maintenance costs once the project is complete in 2021.

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 goals of the Airport's mission, which is "to provide a safe and efficient air transportation facility to the public and aviation community by providing airport facilities that meet Federal Aviation Administration safety standards and to implement a plan that ensures the efficient development of the Airport to meet the needs of the Fort Collins and Loveland communities."

**Respectfully,**



Jason R. Licon  
Airport Director

# NORTHERN COLORADO REGIONAL AIRPORT



## Independent Auditors' Report

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

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Certified Public Accountants  
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### Report On The Financial Statements

We have audited the accompanying financial statements of the Northern Colorado Regional Airport (the Airport) as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

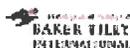
### *Management's Responsibility For The Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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Northern Colorado Regional Airport Commission  
Northern Colorado Regional Airport

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2017 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Report On Summarized Comparative Information**

We have previously audited the Airport's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

*RubinBrown LLP*

May 31, 2018

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

Our discussion and analysis of the Northern Colorado Regional Airport's financial performance provides an overview of the Airport's financial activities as of and for the year ended December 31, 2017. Please read it in conjunction with the financial statements, which begin on page 8.

### Financial Highlights

- In 2017, net position decreased by \$372,237 (1.8%) primarily due to increased depreciation on capital assets.
- Total operating revenues increased to \$703,831, an increase of \$58,433 (9.1%) compared to 2016.
- Total operating expenses increased to \$2,453,568, an increase of \$102,315 (4.4%) compared to 2016.

### 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, 2017, assets exceeded liabilities by \$19,908,598.

### **Net Position**

<b>Net Position</b>		
	2017	2016
Current Assets	\$ 2,613,225	\$ 2,216,476
Capital Assets	17,684,896	18,300,367
<b>Total Assets</b>	<b>20,298,121</b>	<b>20,516,843</b>
<b>Current Liabilities</b>	<b>389,523</b>	<b>236,008</b>
Net Position:		
Investment in Capital Assets	17,684,896	18,300,367
Unrestricted	2,223,702	1,980,468
<b>Total Net Position</b>	<b>\$ 19,908,598</b>	<b>\$ 20,280,835</b>

Net position of the Airport at December 31, 2017 is shown to the left.

The largest portion (88.8%) of the Airport's net position is the net investment in capital assets (land, buildings, improvements, runways, leasehold improvements and equipment). The Airport uses these capital assets to provide aviation services to the surrounding communities. Consequently, these assets are not available for future spending. Unrestricted net position may

be used to meet the Airport's ongoing obligations.

## NORTHERN COLORADO REGIONAL AIRPORT

Changes in Net Position				
	2017		2016	
Program Revenues	\$	703,831	\$	645,398
Program Expenses		2,453,568		2,351,253
<b>Operating Loss</b>		(1,749,737)		(1,705,855)
<b>Non-operating Revenues</b>				
City Contributions		520,000		405,000
Interest Income		25,965		8,584
<b>Total Non-operating Revenues</b>		545,965		413,584
<b>Net Loss before Capital Contributions</b>		(1,203,772)		(1,292,271)
Capital Contributions		831,535		985,995
<b>Change in Net Position</b>		(372,237)		(306,276)
Net Position - Beginning		20,280,835		20,587,111
<b>Net Position - Ending</b>	<b>\$</b>	<b>19,908,598</b>	<b>\$</b>	<b>20,280,835</b>

### Change In Net Position

The Airport's total revenues of \$2,081,331 were lower than total operating expenses of \$2,453,568 for a decrease in net position of \$372,237 for 2017. A summary of revenues and expenses is shown to the left.

### Debt Administration And Capital Assets

#### Debt Administration

The Airport currently has no long-term debt.

#### Capital Assets

At the end of December 31, 2017, the Airport had \$17,684,896 invested in capital assets. This represents a net decrease of \$615,471, or 3.4%, from 2016. 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 2017 Airport budget was very much on target with projected revenues. Operating expenses were less than budgeted due to ongoing expenses bridging into the next fiscal year. The following are factors that had an effect on operational revenues and expenses in 2017:

- There was an increase in revenues associated with fuel sales tax and flowage fees.
- Personnel costs increased with the addition of a full time business development and planning position tasked with the achievement of strategic planning objectives.
- The Airport experienced a slight increase in aviation fuel related income due to the effect of slowly rising oil prices on the Airport's percentage based fuel flowage revenues. The volume of fuel sold slightly increased from the previous year as well.
- Income derived from land leases decreased due to the relocation of the GreenRide corporate offices, while hangar income increased due to rates and fees adjustments.

### Economic Factors and the 2018 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 fuel prices are slowly rising. The rising cost trends could negatively affect the volume of fuel sold and conversely increase the percentage based fuel flowage revenues.
- The Colorado Department of Transportation Division of Aeronautics expects to see its cash balance shifting into the black by the middle of 2018 if fuel price trends and volumes remain steady at Colorado airports. It is anticipated that the discretionary grant program will be available in 2019.

## NORTHERN COLORADO REGIONAL AIRPORT

- The supply of active pilots is a trend that is in a decline nationwide but has remained relatively steady or is slightly increasing in Northern Colorado. This is due to growth trends in the Denver and Northern Colorado areas.
- Airport land leases are expected to increase due to new construction that will add the equivalent of \$21,000 annually to airport self-generated revenues.

### **Requests For Information**

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

# NORTHERN COLORADO REGIONAL AIRPORT

## NORTHERN COLORADO REGIONAL AIRPORT

### STATEMENT OF NET POSITION

December 31, 2017

(With Summarized Comparative Totals at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Equity in Pooled Cash	\$ 66,454	\$ 1,983,667
Equity in Pooled Investments	1,656,964	-
Accounts Receivable	62,272	40,775
Grants Receivable	827,535	192,034
Total Current Assets	<u>2,613,225</u>	<u>2,216,476</u>
Noncurrent Assets		
Land	563,614	563,614
Construction in Progress	858,181	1,406,927
Runways	12,031,741	12,031,741
Improvements Other than Buildings	11,788,275	11,788,275
Equipment	2,537,143	2,539,043
Buildings	1,891,645	468,929
Total Capital Assets	<u>29,670,599</u>	<u>28,798,529</u>
Accumulated Depreciation	<u>(11,985,703)</u>	<u>(10,498,162)</u>
Capital Assets, Net	<u>17,684,896</u>	<u>18,300,367</u>
TOTAL ASSETS	<u>20,298,121</u>	<u>20,516,843</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	297,838	156,749
Accrued Liabilities	91,685	79,259
Total Current Liabilities	<u>389,523</u>	<u>236,008</u>
<b>NET POSITION</b>		
Investment in Capital Assets	17,684,896	18,300,367
Unrestricted	<u>2,223,702</u>	<u>1,980,468</u>
TOTAL NET POSITION	<u>\$ 19,908,598</u>	<u>\$ 20,280,835</u>

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

## NORTHERN COLORADO REGIONAL AIRPORT

### NORTHERN COLORADO REGIONAL AIRPORT

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

Year Ended December 31, 2017

(With Summarized Comparative Totals for the year ended December 31, 2016)

	2017	2016
<b>OPERATING REVENUES</b>		
Hangar Rental	\$ 115,834	\$ 109,066
FBO Rent	78,216	78,216
Gas and Oil Commissions	152,779	119,168
State Aircraft Fuel Tax	92,088	88,103
Land Lease	193,554	207,553
Terminal Lease and Landing Fees	11,087	12,682
Concessions	161	4,062
Parking	13,595	10,595
Miscellaneous	46,517	15,953
	<b>703,831</b>	<b>645,398</b>
<b>OPERATING EXPENSES</b>		
Personal Services	549,856	443,315
Purchased Services	368,140	363,855
Supplies	41,130	41,753
Depreciation	1,494,442	1,502,330
	<b>2,453,568</b>	<b>2,351,253</b>
<b>OPERATING LOSS</b>	<b>(1,749,737)</b>	<b>(1,705,855)</b>
<b>NONOPERATING REVENUES</b>		
City Contributions	520,000	405,000
Interest/Investment Income	25,965	8,584
	<b>545,965</b>	<b>413,584</b>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(1,203,772)</b>	<b>(1,292,271)</b>
Capital Contributions	831,535	985,995
<b>CHANGE IN NET POSITION</b>	<b>(372,237)</b>	<b>(306,276)</b>
<b>NET POSITION, Beginning</b>	<b>20,280,835</b>	<b>20,587,111</b>
<b>NET POSITION, Ending</b>	<b>\$ 19,908,598</b>	<b>\$ 20,280,835</b>

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

# NORTHERN COLORADO REGIONAL AIRPORT

NORTHERN COLORADO REGIONAL AIRPORT

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

(With Summarized Comparative Totals for the year ended December 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 682,334	\$ 631,993
Cash Payments for Goods and Services	(268,181)	(366,731)
Cash Payments to Employees	(537,430)	(438,798)
	(123,277)	(173,536)
Net Cash Used by Operating Activities		
Cash Flows from Noncapital Financing Activities		
Contributions from Cities	520,000	405,000
	520,000	405,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from State and Federal Grants	196,034	1,079,451
Payments for Capital Acquisition	(878,970)	(1,187,394)
	(682,936)	(107,943)
Net Cash Used by Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Purchase of Investments	(2,254,185)	-
Proceeds from Sale of Investments	597,220	-
Investment Earnings	25,965	8,584
	(1,631,000)	8,584
Net Cash Used by Investing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,917,213)	132,105
CASH AND CASH EQUIVALENTS, Beginning	1,983,667	1,851,562
CASH AND CASH EQUIVALENTS, Ending	\$ 66,454	\$ 1,983,667
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,749,737)	\$ (1,705,855)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	1,494,442	1,502,330
Changes in Assets and Liabilities		
Increase in Accounts Receivable	(21,497)	(13,405)
Increase in Accounts Payable	141,089	38,877
Increase in Accrued Liabilities	12,426	4,517
	1,626,460	1,532,319
Total Adjustments		
Net Cash Used by Operating Activities	\$ (123,277)	\$ (173,536)

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

# NORTHERN COLORADO REGIONAL AIRPORT NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## **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 investing of public funds. Current investment holdings include Certificates of Deposit, U.S. Treasury Notes,

## NORTHERN COLORADO REGIONAL AIRPORT

**NOTE 1:**

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 0.13% of the City's cash balance.

#### **Investments are stated at fair value**

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

#### **Receivables**

Receivables consist primarily of federal and state grants, land and hangar leases, as well as other miscellaneous receivables. At December 31, 2017, the grants receivable balance was \$827,535.

#### **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.

#### **Accounts Payable**

Accounts payable 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, 2017, the Accrued Compensated Absence balance was \$43,941.

#### **Net Position**

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

## NORTHERN COLORADO REGIONAL AIRPORT

NOTE 1:

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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, 2016.

#### **Reclassification**

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

NOTE 2:

### CASH AND INVESTMENTS

Cash and investments at December 31, 2017, consisted of the following:

Deposits	\$ 66,454
Investments	<u>1,656,964</u>
Total	\$1,723,418

Deposits and investments are displayed within this report as follows:

Equity in Pooled Cash	\$ 66,454
Equity in Pooled Investments	<u>1,656,964</u>
Total	\$ 1,723,418

#### **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, 2017 the Airport had \$66,454 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 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

## NORTHERN COLORADO REGIONAL AIRPORT

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

- Local government investment pools

#### Fair Value

The Airport categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. See Note 2 Cash and Investments for additional disclosure. The Airport categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Airport's investments are approximately 0.94% 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, 2017:

- U.S. Treasury securities of \$376,526 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$1,031,271 are valued using matrix pricing techniques (Level 2 inputs)
- Corporate Bonds of \$212,018 are valued using matrix pricing techniques (Level 2 inputs)
- Municipal Bonds of \$18,533 are valued using matrix pricing techniques (Level 2 inputs)

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

The Airport invested \$18,922 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is valued at amortized cost. The investments conform to its permitted investments and will meet Standard & Poor's investment guidelines to achieve an AAAM rating, the highest attainable rating for a Local Government Investment Pool. Information related to CSAFE can be found at their website, [www.csafe.org](http://www.csafe.org).

#### Investments in ColoTrust

The Airport has invested \$4 in Colorado Local Government Liquid Asset Trust Plus+ (ColoTrust). ColoTrust is valued using the NAV per share (or its equivalent) of the investment. ColoTrust does not have any unfunded commitments, redemption restrictions or redemption notice periods. ColoTrust has a rating of AAAM. Information related to ColoTrust can be found on their website, [www.colotruster.com](http://www.colotruster.com).

At December 31, 2017, 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	\$13,923	\$4,693	\$-	\$-	\$18,616
U.S. Treasury Notes	N/A	-	194,379	135,889	46,258	376,526
U.S. Agency Securities	AA+	187,124	279,039	426,943	138,165	1,031,271
Corporate Bonds	AA- /A/A+/AA/AA+	28,094	109,071	74,853	-	212,018
Municipal Bonds	AA/AA+	-	9,329	9,204	-	18,533
<b>Total</b>		<b>\$ 229,141</b>	<b>\$ 596,511</b>	<b>\$ 646,889</b>	<b>\$ 184,423</b>	<b>\$ 1,656,964</b>

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 seven years with a minimum credit rating of A+/A1. State Statutes and the City's Investment Policy require all repurchase

## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 2:

#### CASH AND INVESTMENTS (continued)

agreements with a maturity of less than 5 years and collateralized with securities allowed by statute at no less than 102% of fair value. State statutes and the City's Investment Policy limit investments in corporate bonds to an original maturity of five 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, 2017, the City held corporate bonds with a rating lower than the minimum rating. At the time of purchase, the bonds were rated at or above minimum. The City's investment policy allows the City to hold on to these investments until maturity so a large loss is not taken.
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 0.94% of the City's total investments:
  - a. US Treasury Notes (22.72%)
  - b. Federal Home Loan Bank (22.33%)
  - c. Federal National Mortgage Association, (16.67%)
  - d. Federal Home Loan Mortgage Corporation (9.28%)
  - e. Federal Farm Credit Bank (13.95%).

### 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.

## NORTHERN COLORADO REGIONAL AIRPORT

### NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 is summarized on the next page:

	Balances		Balances	
	12/31/16	Additions	Deletions	12/31/17
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 563,614	\$ -	\$ -	\$ 563,614
Construction in Progress	1,406,927	858,181	1,406,927	858,181
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,970,541</b>	<b>858,181</b>	<b>1,406,927</b>	<b>1,421,795</b>
<b>Capital Assets, Being Depreciated</b>				
Runways	12,031,741	-	-	12,031,741
Improvements	10,226,614	-	-	10,226,614
Equipment	2,539,043	5,000	6,900	2,537,143
Buildings	468,929	1,422,716	-	1,891,645
Leasehold Improvements	1,561,661	-	-	1,561,661
<b>Total Capital Assets, Being Depreciated</b>	<b>26,827,988</b>	<b>1,427,716</b>	<b>6,900</b>	<b>28,248,804</b>
<b>Less Accumulated Depreciation</b>				
Runways	(4,867,849)	(601,433)	-	(5,469,282)
Improvements	(3,208,393)	(655,243)	-	(3,863,636)
Equipment	(1,308,616)	(132,539)	(6,900)	(1,434,255)
Buildings	(217,789)	(46,515)	-	(264,304)
Leasehold Improvements	(895,515)	(58,711)	-	(954,226)
<b>Total Accumulated Depreciation</b>	<b>(10,498,162)</b>	<b>(1,494,441)</b>	<b>(6,900)</b>	<b>(11,985,703)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>16,329,826</b>	<b>(66,725)</b>	<b>-</b>	<b>16,263,101</b>
<b>Total Capital Assets, Net</b>	<b>\$ 18,300,367</b>	<b>\$ 791,456</b>	<b>\$ 1,406,927</b>	<b>\$ 17,684,896</b>

### 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 will be set at \$6,824 beginning May 1, 2015. However, the annual base rent shall also be increased on May 1, 2015 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 \$82,172, which is set to the increase based on CPI on May 1, 2018.

The agreement also provides for a fuel flowage fee of 6% of delivered fuel cost or \$.08 per gallon, whichever is higher.

## NORTHERN COLORADO REGIONAL AIRPORT

### **NOTE 6: CONTRACTURAL AGREEMENTS (continued)**

#### **Intergovernmental Agreement**

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.

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

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

The agreement provides that if either city does not pay its one-half of agreed expenses in a given year, it will convey to the other city 10% of its total Airport ownership. Each city contributed \$260,000 in 2017.

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 2017, the City of Loveland was paid \$23,450 for these services.

As part of personnel administration, the employees of the Airport also participate in the City of Loveland's 401(a) money purchase plan that was established (and may be amended) by City Council of the City of Loveland. This Plan requires contributions of 5% from the employer and 3% from the employee. The Airport contributed \$19,027 to the Plan in 2017, 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, 2017, significant amounts of grant expenses

## NORTHERN COLORADO REGIONAL AIRPORT

**NOTE 7:** COMMITMENTS AND CONTINGENCIES (continued)

have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Airport.

**Construction Commitments**

At December 31, 2017 the Airport had the following construction projects in process:

<i>Project</i>	<i>Cost to Date</i>
Airport Improvements Pavement Seal	\$858,181

When this asset is added after the project is completed a portion of the runway fixed asset will be retired as this project is a replacement of the current runway pavement.

**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

NORTHERN COLORADO REGIONAL AIRPORT

## BUDGETARY COMPARISON SCHEDULE

(NON-GAAP BUDGETARY BASIS)

Year Ended December 31, 2017

(With Summarized Comparative Totals for the year ended December 31, 2016)

	2017				
	BUDGET		ACTUAL	DIFFERENCE	2016
	ORIGINAL	FINAL		WITH FINAL	ACTUAL
<b>REVENUES</b>					
Hangar Rental	\$ 108,000	\$ 108,000	\$ 115,834	\$ 7,834	\$ 109,066
FBO Rent	77,850	77,850	78,216	366	78,216
Gas and Oil Commissions	140,000	140,000	152,779	12,779	119,168
Passenger Facility Charge	22,000	22,000	-	(22,000)	-
State Aircraft Fuel Tax	70,000	70,000	92,088	22,088	88,103
Land Lease	185,000	185,000	193,554	8,554	207,553
Terminal Lease and Landing Fees	10,000	10,000	11,087	1,087	12,682
Concessions	10,000	10,000	161	(9,839)	4,062
Parking	8,000	8,000	13,595	5,595	10,595
Miscellaneous	26,880	26,880	46,517	19,637	15,953
Interest/Investment Income (Losses)	15,000	15,000	25,965	10,965	8,584
Federal and State Grants	1,055,556	1,055,556	831,535	(224,021)	985,995
City Contributions	520,000	520,000	520,000	-	405,000
<b>TOTAL REVENUES</b>	<b>2,248,286</b>	<b>2,248,286</b>	<b>2,081,331</b>	<b>(166,955)</b>	<b>2,044,977</b>
<b>EXPENDITURES</b>					
Personal Services	577,165	577,165	549,856	27,309	443,315
Purchased Services	467,750	611,750	368,140	243,610	363,855
Supplies	54,115	54,115	41,130	12,985	41,753
Capital Outlay	1,493,302	1,509,302	878,970	630,332	1,187,394
<b>TOTAL EXPENDITURES</b>	<b>2,592,332</b>	<b>2,752,332</b>	<b>1,838,096</b>	<b>914,236</b>	<b>2,036,317</b>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<b>\$ (344,046)</b>	<b>\$ (504,046)</b>	<b>243,235</b>	<b>\$ 747,281</b>	<b>8,660</b>
<b>RECONCILIATION TO GAAP BASIS</b>					
Capital Outlay			878,970		1,187,394
Depreciation			(1,494,442)		(1,502,330)
<b>CHANGE IN NET POSITION, GAAP Basis</b>			<b>\$ (372,237)</b>		<b>\$ (306,276)</b>

See the accompanying Independent Auditors' Report.

## NORTHERN COLORADO REGIONAL AIRPORT

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

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

1. Prior to September 20, the City Manager submits to the City Council, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 15, the budget is legally enacted through passage of an ordinance. This ordinance authorizes a lump-sum expenditure budget for the City taken as a whole. An appropriation ordinance is also adopted which allocates the total budget to each individual fund. This allocation of the appropriation may not be legally exceeded by an individual fund.
4. Supplemental appropriations are approved on an individual fund level basis.
5. All appropriations lapse at year-end per State statutes.



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**Independent Auditors' Report On Internal  
Control Over Financial Reporting And On  
Compliance And Other Matters Based On An  
Audit Of Financial Statements Performed In  
Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northern Colorado Regional Airport (the Airport) as of and for the year ended December 31, 2017 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 31, 2018.

**Internal Control Over Financial Reporting**

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

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

Northern Colorado Regional Airport Commission  
Northern Colorado Regional Airport

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

### Compliance And Other Matters

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

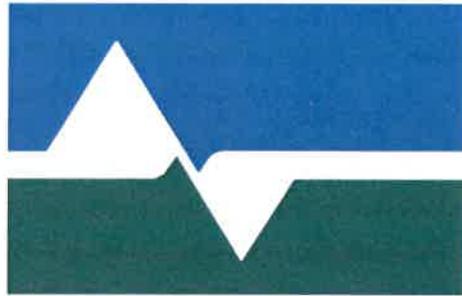
### Purpose Of This Report

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

*RubinBrown LLP*

May 31, 2018

**Prepared by:  
Finance Department  
Accounting Division**



**City of Loveland**

**COLORADO**