



Northern Colorado
Regional Airport
Year Ended December 31, 2016



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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)	19
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>	20

NORTHERN COLORADO REGIONAL AIRPORT



NORTHERN COLORADO
REGIONAL AIRPORT

May 5, 2017

The Northern Colorado Regional Airport annual financial statements for the year ended December 31, 2016 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.

Overview of the Airport

The Northern Colorado Regional Airport (FNL) has served as a public regional air transportation center since 1965. The Airport is certified by the Federal Aviation Administration (FAA) as a non-primary commercial service airport; administered and operated jointly by the Cities of Fort Collins and Loveland in Northern Colorado. The Airport accommodates approximately 100,000 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 the Airport's only scheduled air service provider, Elite Airways, and additional charter services supported by various chartered commercial carriers including Frontier Airlines, Republic Airways, Swift Air, and Sun Country Airlines.



The Airport has a variety of 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 their users. According to the 2013 Colorado Department of Transportation Division of Aeronautics Economic Impact Study, the Airport was identified as contributing to

through on airport activities and off visitors of approximately \$129.4 million identified 826 jobs that were directly Airport's existence through operational support, tenants, capital investment, 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, Business Plan, and Strategic Plan. Priorities from the Airport's Strategic Plan include:

- Working to ensure that adjacent land use continues to be compatible with Airport operations
- Identify opportunities to enhance the financial sustainability of the Airport
- Encourage private investment for general aviation users

Size	1,073 Acres
Runway (Primary)	8,500' X 100'
Runway (Crosswind)	2,179' X 40'
Based Aircraft	264
Hangars	209
Passengers	5,000

the local economy airport spending from annually. The study also associated with the administrative and improvement

Commission continues to

NORTHERN COLORADO REGIONAL AIRPORT

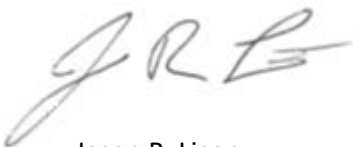
- Continue to pursue commercial air carriers

The outlook for 2017 is as follows:

- The Airport's land lease revenues are projected to increase slightly due to escalation clauses in lease agreements tied to the Consumer Price Index as published by the United States Bureau of Labor Statistics.
- 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 FAA published an RFI for the Remote Tower project at the end of 2016. CDOT Aeronautics and FAA project managers anticipate breaking ground for the project in the second or third quarter of 2017. Airport staff and project managers anticipate this project attracting commercial airline operations who have expressed keen 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 and the testing phase is over. This will be a significant step towards achieving the Airport's goal of financial sustainability.
- The Airport expects a \$1 million grant from the FAA in 2017 as part of the recent FAA Extension, Safety, and Security Act of 2016. The grant will be used for capital needs consisting of asset preservation and equipment replacement.
- There will be an increase in operations revenues and expenses for 2017 as the Airport added a full time staff member to assist with the achievement of the adopted strategic plan. The Airport now has six full time staff members.

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



Independent Auditors' Report

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

RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

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, 2016 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.



NORTHERN COLORADO REGIONAL AIRPORT

Northern Colorado Regional Airport Commission
Northern Colorado Regional Airport

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, 2016 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.

NORTHERN COLORADO REGIONAL AIRPORT

Northern Colorado Regional Airport Commission
Northern Colorado Regional Airport

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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 5, 2017 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 5, 2017

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, 2016. Please read it in conjunction with the financial statements, which begin on page 10.

Financial Highlights

- In 2016, net position decreased by \$306,276 (1.5%) primarily due to increased depreciation on capital assets.
- Total operating revenues increased to \$645,398, an increase of \$27,182 (4.4%) compared to 2015.
- Total operating expenses increased to \$2,351,253, an increase of \$99,251 (4.41%) compared to 2015.

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, 2016, assets exceeded liabilities by \$20,280,835.

Net Position

Net Position		
	2016	2015
Current Assets	\$ 2,216,476	\$ 2,164,422
Capital Assets	18,300,367	18,615,304
Total Assets	20,516,843	20,779,726
Current Liabilities	236,008	192,615
Net Position:		
Net Investment in Capital Assets	18,300,367	18,615,304
Unrestricted	1,980,468	1,971,807
Total Net Position	\$ 20,280,835	\$ 20,587,111

Net position of the Airport at December 31, 2016 is shown to the left.

The largest portion (90%) 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				
	2016		2015	
Program Revenues	\$	645,398	\$	618,216
Program Expenses		2,351,253		2,252,002
Operating Loss		(1,705,855)		(1,633,786)
Non-operating Revenues				
City Contributions		405,000		355,000
Interest Income		8,584		22,013
Total Non-operating Revenues		413,584		377,013
Net Loss before Capital Contributions		(1,292,271)		(1,256,773)
Capital Contributions		985,995		863,207
Change in Net Position		(306,276)		(393,566)
Net Position - Beginning		20,587,111		20,980,677
Net Position - Ending	\$	20,280,835	\$	20,587,111

Change In Net Position

The Airport's total revenues of \$2,044,977 were lower than total operating expenses of \$2,351,253 for a decrease in net position of \$306,276 for 2016. 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, 2016, the Airport had \$18,300,367 invested in capital assets. This represents a net decrease of \$314,937, or 1.7%, from 2015.

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 2016 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 2016:

- There was an increase in revenues associated with commercial air service.
- The Airport experienced a continued decline in aviation fuel related income due to the effect of lower oil prices on the Airport's percentage based fuel flowage revenues. The volume of fuel sold was comparable to the previous year.
- Income derived from land and hangar leases increased slightly due to the addition of leasable space and from rates and fees adjustments.
- The Airport added a full time staff member to assist with the achievement of the adopted strategic plan. The Airport now has six full time staff members.

Economic Factors And Next Year's Budget

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

- Aviation fuel prices are historically low, and in the fourth quarter of 2016 were on the rise. The rising cost trends could negatively affect the volume of fuel sold and conversely increase the percentage based fuel flowage revenues.
- The Airport expects to be eligible for a \$1 million grant from the FAA as part of the recent FAA Extension, Safety, and Security Act of 2016. The grant will be used for capital needs consisting of asset preservation and equipment replacement.

NORTHERN COLORADO REGIONAL AIRPORT

- The Colorado Department of Transportation Division of Aeronautics continues to face funding issues prohibiting them from providing funding for the discretionary grant state/local program in 2017. The Division expects to see its cash balance shifting into the black by the middle of 2018 if current fuel price trends remain steady.
- 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.

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, 2016

(With Summarized Comparative Totals at December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,983,667	\$ 1,851,562
Accounts Receivable	40,775	27,370
Grants Receivable	<u>192,034</u>	<u>285,490</u>
Total Current Assets	2,216,476	2,164,422
Noncurrent Assets		
Land	563,614	563,614
Construction in Progress	1,406,927	244,533
Runways	12,031,741	12,031,741
Improvements Other than Buildings	11,788,275	11,788,275
Equipment	2,539,043	2,514,043
Buildings	<u>468,929</u>	<u>468,929</u>
Total Capital Assets	28,798,529	27,611,135
Accumulated Depreciation	<u>(10,498,162)</u>	<u>(8,995,831)</u>
Net Investment in Capital Assets	<u>18,300,367</u>	<u>18,615,304</u>
TOTAL ASSETS	<u>20,516,843</u>	<u>20,779,726</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	156,749	117,873
Accrued Liabilities	<u>79,259</u>	<u>74,742</u>
Total Current Liabilities	<u>236,008</u>	<u>192,615</u>
NET POSITION		
Investment in Capital Assets	18,300,367	18,615,304
Unrestricted	<u>1,980,468</u>	<u>1,971,807</u>
TOTAL NET POSITION	<u>\$ 20,280,835</u>	<u>\$ 20,587,111</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, 2016

(With Summarized Comparative Totals for the year ended December 31, 2015)

	2016	2015
OPERATING REVENUES		
Hangar Rental	\$ 109,066	\$ 103,211
FBO Rent	78,216	69,486
Gas and Oil Commissions	119,168	148,955
State Aircraft Fuel Tax	88,103	70,292
Land Lease	207,553	185,497
Terminal Lease and Landing Fees	12,682	6,157
Concessions	4,062	-
Parking	10,595	12,850
Miscellaneous	15,953	21,768
	<u>645,398</u>	<u>618,216</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personal Services	443,315	391,474
Purchased Services	363,855	324,264
Supplies	41,753	38,162
Depreciation	1,502,330	1,498,102
	<u>2,351,253</u>	<u>2,252,002</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(1,705,855)</u>	<u>(1,633,786)</u>
NONOPERATING REVENUES		
City Contributions	405,000	355,000
Interest/Investment Income	8,584	22,013
	<u>413,584</u>	<u>377,013</u>
TOTAL NONOPERATING REVENUES		
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(1,292,271)</u>	<u>(1,256,772)</u>
Capital Contributions	985,995	863,207
	<u>985,995</u>	<u>863,207</u>
CHANGE IN NET POSITION	<u>(306,276)</u>	<u>(393,566)</u>
NET POSITION, Beginning	20,587,111	20,980,677
	<u>20,587,111</u>	<u>20,980,677</u>
NET POSITION, Ending	<u>\$ 20,280,835</u>	<u>\$ 20,587,111</u>

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

NORTHERN COLORADO REGIONAL AIRPORT

NORTHERN COLORADO REGIONAL AIRPORT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

(With Summarized Comparative Totals for the year ended December 31, 2015)

	2016	2015
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 631,993	\$ 633,240
Cash Payments for Goods and Services	(366,731)	(259,858)
Cash Payments to Employees	(438,798)	(383,751)
Net Cash Used by Operating Activities	(173,536)	(10,369)
Cash Flows from Noncapital Financing Activities		
Contributions from Cities	405,000	355,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from State and Federal Grants	1,079,451	647,691
Payments for Capital Acquisition	(1,187,394)	(1,115,861)
Net Cash Used by Capital and Related Financing Activities	(107,943)	(468,170)
Cash Flows from Investing Activities		
Investment Earnings	8,584	22,012
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,105	(101,527)
CASH AND CASH EQUIVALENTS, Beginning	1,851,562	1,953,089
CASH AND CASH EQUIVALENTS, Ending	\$ 1,983,667	\$ 1,851,562
CASH AND CASH EQUIVALENTS:		
Cash	\$ 1,983,667	\$ 1,851,562
Total Cash and Cash Equivalents	\$ 1,983,667	\$ 1,851,562
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,705,855)	\$ (1,633,786)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	1,502,330	1,498,102
Changes in Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	(13,405)	15,023
Increase in Accounts Payable	38,877	102,569
Increase in Accrued Liabilities	4,517	7,723
Total Adjustments	1,532,319	1,623,417
Net Cash Used by Operating Activities	\$ (173,536)	\$ (10,369)

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

NORTHERN COLORADO REGIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.

NORTHERN COLORADO REGIONAL AIRPORT

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 investing of public funds. Current investment holdings include Money Market Funds, Certificates of Deposit, a local Government Investment Pool, U.S. Treasury Notes, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bureau,

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.

Receivables

Receivables consist primarily of federal and state grants, land and hangar leases, as well as other miscellaneous receivables. At December 31, 2016, the grants receivable balance was \$192,034.

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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, 2016, the Accrued Compensated Absence balance was \$46,459.

NORTHERN COLORADO REGIONAL AIRPORT

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

Comparative Data

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of changes in financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Accordingly, such information should be read in conjunction with the Airport's financial statements as of and for the year ended December 31, 2015.

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: 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 Airport Steering Committee. Upon approval by the Steering Committee, the City of Loveland legally adopts the budget before commencement of the following fiscal year as part of the support role for the City in the Airport Management IGA between the City of Loveland and City of Fort Collins. The budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed budgeted appropriations at the fund level. Revisions that alter total expenditures of the fund must be approved by the City Councils. Appropriations lapse at year end.

NORTHERN COLORADO REGIONAL AIRPORT

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is summarized below:

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Capital Assets, Not Being Depreciated				
Land	\$ 563,614	\$ -	\$ -	\$ 563,614
Construction in Progress	244,533	1,162,394	-	1,406,927
Total Capital Assets, Not Being Depreciated	808,147	1,162,394	-	1,970,541
Capital Assets, Being Depreciated				
Runways	12,031,741	-	-	12,031,741
Improvements	10,226,614	-	-	10,226,614
Equipment	2,514,043	25,000	-	2,539,043
Buildings	468,929	-	-	468,929
Leasehold Improvements	1,561,661	-	-	1,561,661
Total Capital Assets, Being Depreciated	26,802,988	25,000	-	26,827,988
Less Accumulated Depreciation				
Runways	(4,266,415)	(601,434)	-	(4,867,849)
Improvements	(2,545,854)	(662,539)	-	(3,208,393)
Equipment	(1,156,750)	(151,866)	-	(1,308,616)
Buildings	(190,009)	(27,780)	-	(217,789)
Leasehold Improvements	(836,803)	(58,712)	-	(895,515)
Total Accumulated Depreciation	(8,995,831)	(1,502,330)	-	(10,498,162)
Total Capital Assets, Being Depreciated, Net	17,807,157	(1,477,330)	-	16,329,826
Total Capital Assets, Net	\$ 18,615,304	\$ (314,938)	\$ -	\$ 18,300,367

NOTE 4: RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Cities of Fort Collins and Loveland carry commercial insurance for these risks of loss. During the last three years, there have not been any claims that exceeded coverage.

NOTE 5: 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 of \$4,766. Monthly rent payments for the next 20 years will be \$6,824 beginning May 1, 2015. Annual base rent shall be increased on May 1, 2015 and on each third anniversary of May 1, 2015 in an amount equal to the increase, if any, in the "Consumer Price Index" The Lessee shall have the option to extend the term of the agreement for two additional periods of five years each. The new annual rental rate for the first three year term is \$81,892 per year.

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

NOTE 5: **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 \$177,500 in 2016.

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 2016, the City of Loveland was paid \$24,271 for these services. The City of Loveland also contributed to the Airport \$50,000 for marketing expenses in 2016.

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 \$17,203 to the Plan in 2016, representing the required contributions.

NOTE 6: **COMMITMENTS AND CONTINGENCIES**

TABOR Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including raising revenue, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Airport believes it is in compliance with the requirements of the Amendment.

The Airport is operated as a unit of each City through the Intergovernmental Agreement; therefore both the City of Loveland and the City of Fort Collins includes the Airport’s emergency reserves in its city-wide financial statements.

NORTHERN COLORADO REGIONAL AIRPORT

NOTE 6: COMMITMENTS AND CONTINGENCIES (continued)

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, 2016, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Airport.

Construction Commitments

At December 31, 2016 the Airport had the following construction projects in process:

<i>Project</i>	<i>Cost to Date</i>
Snow Removal Equipment Building	\$1,406,927

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, 2016

(With Summarized Comparative Totals for the year ended December 31, 2015)

	2016				
	BUDGET		ACTUAL	DIFFERENCE	2015
	ORIGINAL	FINAL		WITH FINAL	ACTUAL
			BUDGET		
REVENUES					
Hangar Rental	\$ 90,000	\$ 90,000	\$ 109,066	\$ 19,066	\$ 103,211
FBO Rent	78,204	78,204	78,216	12	69,486
Gas and Oil Commissions	174,996	174,996	119,168	(55,828)	148,955
Passenger Facility Charge	7,000	7,000	-	(7,000)	-
State Aircraft Fuel Tax	68,004	68,004	88,103	20,099	70,292
Land Lease	200,004	200,004	207,553	7,549	185,497
Terminal Lease and Landing Fees	2,600	2,600	12,682	10,082	6,157
Concessions	-	-	4,062	4,062	-
Parking	500	500	10,595	10,095	12,850
Miscellaneous	11,878	61,878	15,953	(45,925)	21,768
Interest/Investment Income (Losses)	6,185	6,185	8,584	2,399	22,013
Federal and State Grants	158,340	158,340	985,995	827,655	863,207
City Contributions	355,000	355,000	405,000	50,000	355,000
TOTAL REVENUES	1,152,711	1,202,711	2,044,977	842,266	1,858,436
EXPENDITURES					
Personal Services	481,216	521,216	443,315	77,901	391,474
Purchased Services	397,474	673,938	363,855	310,083	324,264
Supplies	53,200	53,200	41,753	11,447	38,162
Capital Outlay	166,668	1,419,217	1,187,394	231,823	1,115,861
TOTAL EXPENDITURES	1,098,558	2,667,571	2,036,317	631,254	1,869,761
CHANGE IN NET POSITION, Budgetary Basis	\$ 54,153	\$ (1,464,860)	8,660	\$ 1,473,520	(11,325)
RECONCILIATION TO GAAP BASIS					
Capital Outlay			1,187,394		1,115,861
Depreciation			(1,502,330)		(1,498,102)
CHANGE IN NET POSITION, GAAP Basis			\$ (306,276)		\$ (393,566)

See the accompanying Independent Auditors' Report.



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.696.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

**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, 2016 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 5, 2017.

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

Northern Colorado Regional Airport Commission
Northern Colorado Regional Airport

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*.

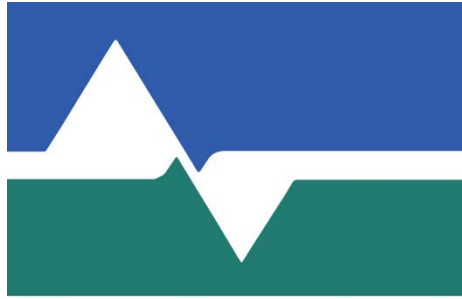
Purpose Of This Report

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 5, 2017

**Prepared by:
Finance Department
Accounting Division**



City of Loveland