

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)

Financial Statements

Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Commissioners
Arapahoe County Public Airport Authority
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Arapahoe County Public Airport Authority (the Authority), a component unit of Arapahoe County, Colorado as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years 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 listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 Authority's basic financial statements. The accompanying budgetary schedules as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
May 14, 2018

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis
(Unaudited)
Years Ended December 31, 2017 and 2016

This section of the Arapahoe County Public Airport Authority's (the Authority) annual financial report presents our narrative and analysis of the Authority's financial performance during the years ended December 31, 2017 and 2016. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The business environment at the airport remained stable in 2017. The number of operations were consistent with 2016 and the number of gallons of fuel sold increased from 2016. The revenue to the Authority from fuel sales and fuel tax revenue was greater than 2016. Building and land rentals decreased slightly from 2016 to 2017. Overall, operating revenues for 2017 increased when compared to 2016. The Authority's operating expenses exceeded operating revenues in 2017.
- The assets of the Authority exceeded its liabilities at December 31, 2017 by \$67.2 million (net position). Of the net position balance, \$5.8 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2017 net position increased by \$4.1 million, or 6.56%, from 2016. This is related primarily to grants and capital contributions.
- The Authority's operating revenues increased to \$7.2 million, or 0.91%, from 2016, while operating expenses, less depreciation, remained consistent at \$4.1 million. Depreciation expense increased to \$5.0 million, or by 14.91% in 2017. This resulted in an operating loss of \$1.8 million, before other non-operating revenue, expense, grants and capital contributions in 2017.
- In 2017, the Authority retired its remaining long-term debt. As of the end of 2017, the Authority had zero long-term debt.
- During 2017, the Authority invested in the design of a new Aviation Community and Administrative Facility. In early 2018, the Authority obtained a loan for construction of this facility in the amount of \$8,000,000.
- During 2017, the Authority made capital investments of \$7.5 million.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

[OVERVIEW OF THE FINANCIAL STATEMENTS](#)

This annual report is comprised of three parts:

- Management's discussion and analysis
- Financial statements and notes to the financial statements
- Supplementary information

[REQUIRED FINANCIAL STATEMENTS](#)

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

Statement of Net Position

The statement of net position provides information about the nature and amounts of investments in resources (assets), deferred outflows of resources and obligations to Authority creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

Statement of Revenues, Expenses and Changes in Position

This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its lease revenue, fuel fees, fuel taxes and other user fee revenues.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to report cash receipts, cash payments and net changes in cash resulting from operating, investing and capital and related financing activities.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

FINANCIAL ANALYSIS OF THE AUTHORITY

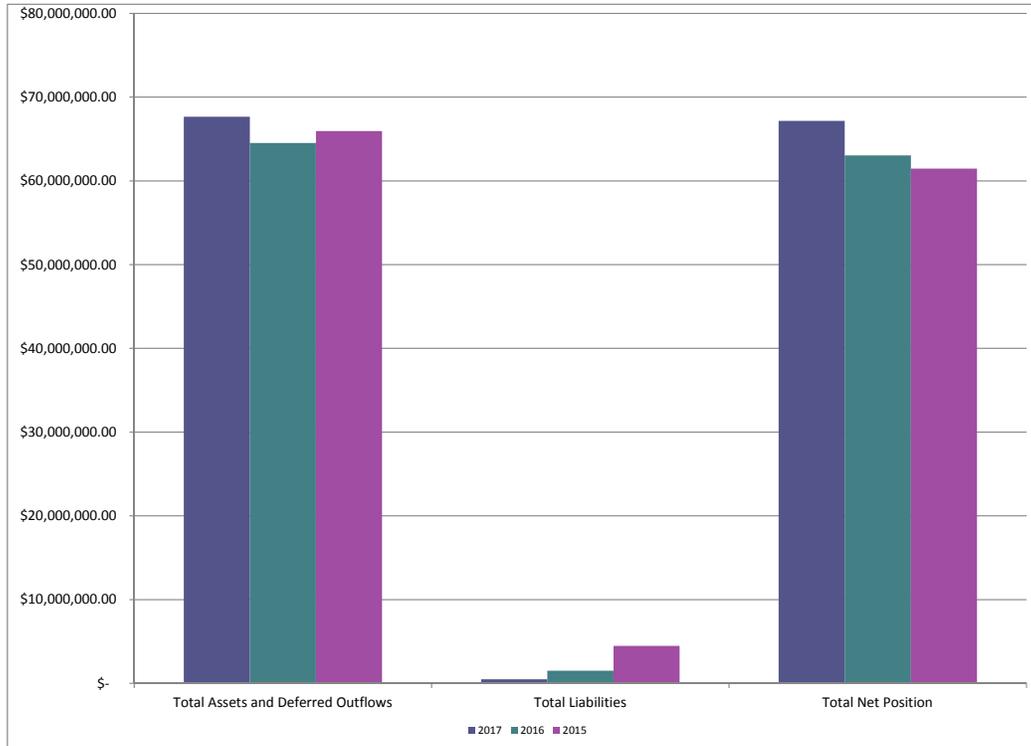
NET POSITION

Condensed Statements of Net Position

	December 31,		
	2017	2016	2015
Current assets	\$ 5,885,964	\$ 5,025,464	\$ 5,708,316
Capital assets	61,508,192	59,007,836	57,184,990
Other assets	212,747	504,426	2,652,062
Total assets	67,606,903	64,537,726	65,545,368
Deferred outflows of resources	-	-	395,484
Current liabilities	425,153	1,484,808	3,808,994
Noncurrent liabilities	11,115	16,115	653,320
Total liabilities	436,268	1,500,923	4,462,314
Net investment in capital assets	61,345,369	58,051,845	53,767,756
Restricted	-	-	1,582,934
Unrestricted	5,825,266	4,984,958	6,127,848
Total net position	\$ 67,170,635	\$ 63,036,803	\$ 61,478,538

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

Comparison of Condensed Statement of Net Position



2017

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$4.1 million in 2017 to \$67.2 million. This is up from \$63.0 million in 2016. The chart also shows that the 2017 change in net position is a result of the changes in total assets and deferred outflows, which increased by \$3.1 million and total liabilities, which decreased by \$1.0 million. Total assets increased principally from an increase in net capital assets. The decrease in total liabilities resulted largely from a decrease in accounts payable and the Authority’s payment of long-term debt.

2016

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$1.6 million in 2016 to \$63.0 million. This is up from \$61.5 million in 2015. The chart also shows that the 2016 change in net position is a result of the changes in total assets and deferred outflows, which decreased by \$1.0 million and total liabilities, which decreased by \$3.0 million. Total assets decreased principally from a write-off of the debt reserve fund. The decrease in total liabilities resulted largely from a decrease in accounts payable and the Authority’s payment of long-term debt.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

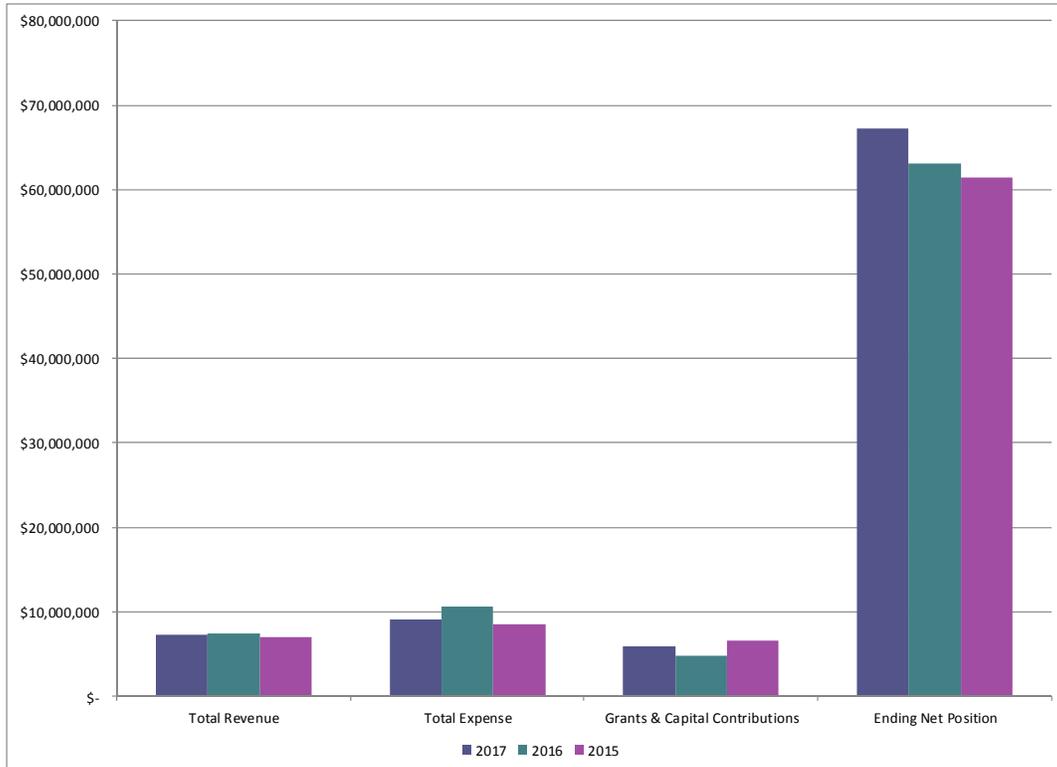
REVENUES, EXPENSES AND CHANGES IN NET POSITION

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2017	2016	2015
Operating revenues	\$ 7,202,053	\$ 7,137,176	\$ 6,947,017
Nonoperating revenues	82,885	202,656	101,221
Total revenues	7,284,938	7,339,832	7,048,238
Depreciation expense	4,978,765	4,332,910	3,873,111
Other operating expenses	4,051,278	4,135,765	3,942,342
Nonoperating expenses	39,999	2,125,707	649,020
Total expenses	9,070,042	10,594,382	8,464,473
Grants and capital contributions	5,918,936	4,812,815	6,612,408
Change in net position	4,133,832	1,558,265	5,196,173
Total net position, January 1	63,036,803	61,478,538	56,282,365
Ending net position	\$ 67,170,635	\$ 63,036,803	\$ 61,478,538

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

Comparison of Revenues, Expenses, Grants and Fund Net Position



2017

While the statement of net position shows the change in net position, the statement of revenues, expenses and changes in net position provides answers as to the nature and source of these changes. As can be seen in the condensed statements of revenues, expenses and changes in net position as well as the chart above, ending net position increased in 2017. This is due to the grants and capital contributions received in 2017.

2016

While the statement of net position shows the change in net position, the statement of revenues, expenses and changes in net position provides answers as to the nature and source of these changes. As can be seen in the condensed statements of revenues, expenses and changes in net position as well as the chart above, ending net position increased in 2016. This is due to the grants and capital contributions received in 2016.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

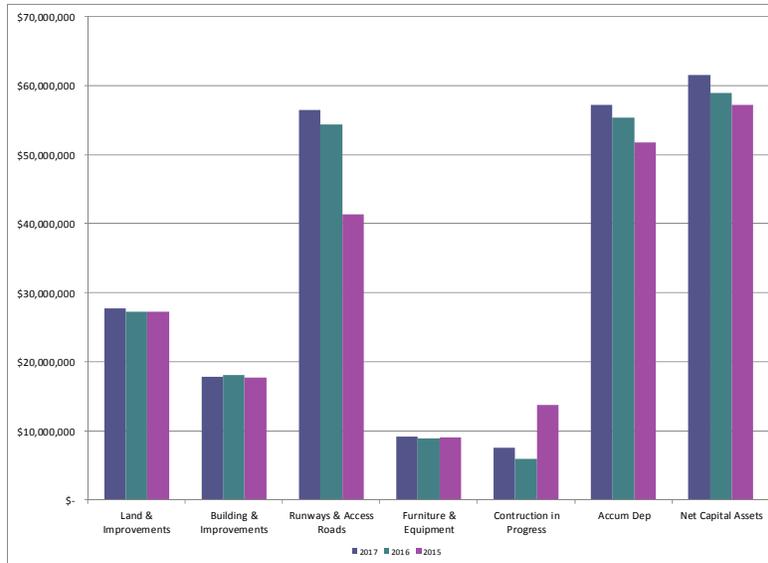
CAPITAL ASSETS

During 2017, the Authority invested \$7.5 million in a broad range of capital improvements. As shown in the following schedule and chart, the Authority continues to maintain and improve its infrastructure and equipment to meet the demands of the second busiest general aviation airport in the nation. During 2016, the Authority invested \$6.2 million in a broad range of capital improvements.

	Capital Assets		
	December 31,		
	2017	2016	2015
Land and site improvements	\$ 27,750,577	\$ 27,245,453	\$ 27,245,453
Buildings and improvements	17,839,400	18,046,699	17,685,289
Runways, taxiways and ramps	56,443,911	54,306,506	41,337,742
Furniture and equipment	9,097,259	8,889,916	8,978,911
Construction in progress	7,567,235	5,934,128	13,697,985
Subtotal	118,698,382	114,422,702	108,945,380
Less accumulated depreciation	57,190,190	55,414,866	51,760,390
Net capital assets	\$ 61,508,192	\$ 59,007,836	\$ 57,184,990

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

Comparison of Capital Assets



Major Improvements to the Airport in 2017:

- Airport improvements implemented with grant funds included:
 - Completion of the Extension of Taxiway C
 - Completion of the Development of Noise Exposure Maps
 - Continuation of rehabilitation of Runway 17L/35R

- Other major capital investments during the year included:
 - Seal Coat Runway 10/28
 - Seal Coat Taxiway D
 - Design of new Airport Community and Administrative Facility
 - Airfield striping
 - Administration Building Improvements
 - Development of GIS Lease Parcel Database
 - Stormwater Improvements
 - Upgrade security gates and cameras
 - Upgrade computers, software and servers
 - Various furniture, equipment and vehicle purchases

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

LONG-TERM DEBT

At the end of 2017, the Authority had total debt outstanding of \$0.

At the end of 2016, the Authority had total debt outstanding of \$614,607. This amount represented notes secured by future tax revenue.

The Authority's debt coverage ratio is detailed in the schedule below. Debt coverage increased in 2017 due to the reduction in annual debt service from 2016 to 2017. The annual debt service paid in 2017 was the final payment on debt secured by future tax revenue.

Debt Coverage Ratio

	Years Ended December 31,		
	2017	2016	2015
Operating revenues	\$ 7,202,053	\$ 7,137,176	\$ 6,947,017
Nonoperating revenues	82,885	202,656	101,221
Total revenues	7,284,938	7,339,832	7,048,238
Operating expenses, less depreciation	4,051,278	4,135,765	3,942,342
Nonoperating expenses, less interest	26,006	1,636,717	21,688
Total expenses, less depreciation and interest expense	4,077,284	5,772,482	3,964,030
Net revenues	3,207,654	1,567,350	3,084,208
Annual debt service	628,600	2,533,137	2,315,870
Debt coverage ratio	5.10	0.62	1.33

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

BUDGETARY HIGHLIGHTS

As required by State Law, the Authority adopts a budget and appropriates funds for the following year by December 15th of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. There were no supplemental appropriations in 2017. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2017 were \$4.1 million less than budgeted primarily due to:

- Lower capital expenditures related to Federal Aviation Administration (FAA) grants than budgeted
- Lower non grant capital expenditures than budgeted

The total revenue in 2017 was \$1.6 million lower than budgeted primarily because FAA grant reimbursements were less than budgeted.

ECONOMIC FACTORS

- The *IMF World Economic Outlook Update (10/2017)* reported that global growth would grow to 3.6 in 2017 and continue to grow to 3.7 percent in 2018. In January 2018, they increased the projected global growth for 2018 to 3.9 percent.
- There is uncertainty related to the U.S. administration relative to potential changes in policies and concern over U.S. congressional partisanship and how that may impact airports, the U.S. economy and the global economy.
- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, decreased in 2017 compared to 2016, which was lower than 2015. The rate at the end of 2017 was 4.1%, which was lower than the 4.7% rate at the end of 2016, which was lower than the 5.0% rate at the end of 2015.
- The Metro Denver Economic Development Corporation reported in their *2018 Economic Forecast* that Colorado is expected to increase employment growth in all 11 supersectors in 2018. The strength and diversity of the Metro Denver economy is strong and growing.
- The *U.S News and World Report, 2017* ranked Denver as the third best place in the country to live based on the quality of life, job market, the value of living there, and the perception that it is a desirable place to live.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2017 and 2016

- The Authority continues to be eligible for FAA grants. New grants awarded in 2018 under the Airport Improvement Program are expected to require a 10% match. There will be a one-time Federal Airport Improvement Program appropriation of \$1B in 2018; however, the Authority is unlikely to benefit as the funds are earmarked for small and rural airports with no match required.
- Most major airport tenants are well capitalized and the overall picture for airports is positive.
- 2017 airport operations were consistent with 2016 and fuel sales increased. The price of jet aviation fuel increased in 2017.
- Interest rates paid on investments increased from 2016.

These factors were considered when the Authority prepared its 2018 budget. In 2017, business activity continued to recover and that is expected to continue into 2018. The airport is in a competitive environment that results in low fuel prices for corporate airport customers and this is not expected to abate. In 2017, the Authority made the final payment on its remaining long-term debt, resulting in zero long-term debt at the end of 2017. Related to this debt reduction, revenue from aviation fuel fees will decrease in 2018. In 2008 the fuel fee rates charged were increased to cover this debt service. Upon retirement of this debt, the rates will return to the previous levels. The Authority's income streams and liquidity will remain stable. The Authority continues to have sufficient cash reserves and is keeping expenses in line with the revenue stream.

CONTACT INFORMATION

If you have questions or need additional information please contact:

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Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position
December 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 4,201,673	\$ 2,704,769
Investments - unrestricted	287,037	305,518
Receivables		
Trade	732,090	777,502
Grants	213,388	895,650
Due from other governments	194,318	170,421
Prepaid expenses	257,458	171,604
Total current assets	5,885,964	5,025,464
Noncurrent Assets		
Capital assets		
Nondepreciable	34,303,786	32,165,555
Depreciable	84,394,596	82,257,147
Total capital assets	118,698,382	114,422,702
Accumulated depreciation	(57,190,190)	(55,414,866)
Net capital assets	61,508,192	59,007,836
Other assets		
Investments - unrestricted	-	283,966
Other receivable	212,747	220,460
Total other assets	212,747	504,426
Total noncurrent assets	61,720,939	59,512,262
Total assets	67,606,903	64,537,726
Deferred Outflows of Resources	-	-

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position (Continued)
December 31, 2017 and 2016

Liabilities

	2017	2016
Current Liabilities		
Accounts and contracts payable	290,614	728,789
Accrued liabilities	49,975	46,249
Accrued interest payable	-	4,445
Unearned revenue	10,439	11,178
Compensated absences	74,125	79,540
Notes payable	-	614,607
Total current liabilities	425,153	1,484,808
Noncurrent liabilities		
Deposits	11,115	16,115
Total noncurrent liabilities	11,115	16,115
Total liabilities	436,268	1,500,923
 Net Position		
Net investment in capital assets	61,345,369	58,051,845
Unrestricted	5,825,266	4,984,958
Total net position	\$ 67,170,635	\$ 63,036,803

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Building and land rental	\$ 2,602,460	\$ 2,638,367
Fuel and aircraft parking fees	3,670,664	3,520,627
Concession fees	311,024	301,459
Other airport operator fees	77,651	80,859
Custom fees	277,498	308,368
Other operating revenues	262,756	287,496
Total operating revenues	7,202,053	7,137,176
Operating expenses		
Depreciation	4,978,765	4,332,910
Salaries and related payroll expenses	2,408,066	2,371,581
Maintenance, repairs and operating supplies	429,122	510,646
Customs expense	331,882	306,645
Telephone and utilities	364,235	351,897
Insurance	115,956	125,389
Public relations	46,358	70,555
Travel and meetings	91,235	97,687
Firefighting services	7,037	6,685
Legal	30,767	66,523
Accounting and audit	45,900	43,650
Noise expense	35,055	36,066
Office expense	82,296	95,864
Office and equipment expense	32,122	30,342
Miscellaneous	29,747	18,735
Studies requested by B.O.C.	1,500	3,500
Total operating expenses	9,030,043	8,468,675
Operating loss	(1,827,990)	(1,331,499)

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Nonoperating revenues (expenses)		
Investment income	23,614	69,535
Interest expense	(13,993)	(488,990)
Writedown of debt reserve fund	-	(1,611,898)
Paying agent fee	-	(2,640)
Bond insurance amortization	-	(6,494)
Gain on disposition of capital assets	40,572	119,145
Centennial Airport Foundation income	18,699	13,976
Centennial Airport Foundation expense	(26,006)	(15,685)
	<u>42,886</u>	<u>(1,923,051)</u>
Total nonoperating revenues (expenses)		
	(1,785,104)	(3,254,550)
Loss before grants and capital contributions		
Grants and capital contributions	5,918,936	4,812,815
	<u>4,133,832</u>	<u>1,558,265</u>
Change in net position		
Total net position, beginning of year	63,036,803	61,478,538
	<u>63,036,803</u>	<u>61,478,538</u>
Total net position, end of year	<u>\$ 67,170,635</u>	<u>\$ 63,036,803</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received		
Services provided	\$ 4,644,876	\$ 4,583,843
Building and land rentals	2,602,460	2,638,367
Cash payments		
Suppliers of goods and services	(2,017,781)	(1,913,599)
Employees for services	(2,409,756)	(2,348,152)
	<u>2,819,799</u>	<u>2,960,459</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(7,319,018)	(5,896,433)
Payment of payables incurred for capital asset acquisition	(341,384)	(738,478)
Interest paid on long-term debt	(18,438)	(127,210)
Proceeds from grants and capital contributions	6,601,198	4,583,865
Principal paid on capital lease	-	(1,585,000)
Principal paid on notes payable	(614,607)	(852,055)
Payments of agency fees	-	(2,640)
Proceeds from disposition of capital assets	43,292	201,206
	<u>(1,648,957)</u>	<u>(4,416,745)</u>
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities		
Interest received	21,062	68,284
Proceeds from maturity of investments	305,000	250,000
	<u>326,062</u>	<u>318,284</u>
Net cash provided by investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,496,904</u>	<u>(1,138,002)</u>
Cash and Cash Equivalents, Beginning of Year	<u>2,704,769</u>	<u>3,842,771</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,201,673</u>	<u>\$ 2,704,769</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating loss	\$ (1,827,990)	\$ (1,331,499)
Depreciation expense	4,978,765	4,332,910
Foundation activity	(7,307)	(1,709)
Changes in operating assets and liabilities		
Accounts receivable	(20,430)	84,353
Prepaid expenses	(85,854)	(30,059)
Accounts payable	(209,957)	(103,671)
Accrued liabilities	3,726	13,443
Compensated absences	(5,415)	9,986
Deposits	(5,000)	(20)
Unearned revenue	(739)	(13,275)
	\$ 2,819,799	\$ 2,960,459
Supplemental Cash Flows Information		
Noncash Investing Activities		
Fair market value adjustment	\$ (2,827)	\$ (3,678)
Noncash Capital and Related Financing Activities		
Amortization of prepaid bond insurance	-	6,494
Amortization of bond premium and deferred loss on refunding	-	418,062
Writedown of debt reserve fund	-	1,611,898
Accounts payable incurred for purchase of capital assets	162,823	341,384

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Arapahoe County Public Airport Authority (the Authority) is governed pursuant to the provisions of the Colorado Public Airport Authority Act. The Authority operates Centennial Airport, which is located in Arapahoe and Douglas Counties. The Authority was formed for the statutory purposes of acquiring and improving an airport, air navigational facilities, related facilities and for financing the cost of such acquisitions and improvements.

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements 14 and 39* provides reporting guidance for blending a component unit when the primary government is a business-type activity that uses a single column presentation for financial reporting. GASB Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*, require governmental entities, which exercise oversight responsibility and control over other government units, to include those units in their financial statements. Oversight responsibility includes, but is not limited to, selection of the governing authority, ability to significantly influence operations, financial interdependency and accountability for fiscal matters.

The Authority exercises oversight responsibility over the Centennial Airport Foundation (CAF) and the Board of Directors of CAF is composed of all five voting members of the Authority’s Board of Commissioners; therefore, CAF is blended into the Authority’s financial statements. Separate financial statements are not prepared. CAF’s primary goal is to disburse funds raised each year to eligible not-for-profit entities, schools, colleges, universities and affiliated foundations to support aviation education. CAF received a determination letter from the IRS for Section 501(c)(3) tax-exempt status on April 16, 2007. Following is the condensed financial information of CAF:

	<u>2017</u>	<u>2016</u>
Assets	\$ 134,718	\$ 39,617
Liabilities (\$49,658 due to the Authority)	<u>102,408</u>	<u>-</u>
Net Position	<u>\$ 32,310</u>	<u>\$ 39,617</u>
Revenue	\$ 18,699	\$ 13,976
Expenses	<u>26,006</u>	<u>15,685</u>
Change in Net Position	<u>\$ (7,307)</u>	<u>\$ (1,709)</u>

The Authority is a component unit of Arapahoe County, Colorado (the County).

Arapahoe County Public Airport Authority
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Measurement Focus and Basis of Accounting

The Authority is accounted for as a proprietary enterprise fund. The enterprise fund is used since the Authority is operated in a manner similar to a private entity when net income and capital maintenance are appropriate determinations of accountability. The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned. Expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense; expenditures for property and equipment are shown as increases in assets and payment of capital lease obligations are recorded as a reduction in liabilities. Capital grant proceeds are recognized as a component of other income when the qualifying expenditures under the specific grant are incurred.

Operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

In accordance with the State Budget Law, the Authority's Board of Commissioners holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Authority's Board of Commissioners can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year-end.

Investments

Investments in debt securities and certificates of deposit are carried at fair value based on fair market values as reported by the asset custodian.

Capital Assets

Capital assets are recorded at cost except for certain vehicles and land parcel, which have been contributed to the Authority. The contributed assets are stated at their acquisition value at the date of contribution. The Authority capitalizes all assets with an original cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation expense has been computed using the straight-line method.

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Estimated useful lives are:

Buildings and improvements	20–40 years
Runways and access roads	10 years
Furniture and equipment	3–10 years

Compensated Absences

The Authority has a policy which allows employees to accumulate unused vacation benefits up to a maximum of 160 hours. Compensated absences are recognized as current salary costs when earned.

Debt Refundings, Debt Issuance Costs and Premiums/Discounts on Debt Issuance

For current refundings and advance refundings of debt resulting in a defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred as “deferred amount on refunding of debt” and amortized as a component of interest expense on the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Deferred amounts on refundings are reported as either a deferred outflow of resources or deferred inflow of resources depending on whether the amount is a loss or gain, respectively. Debt issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Prepaid insurance costs are recorded as assets and amortized to expense over the duration of the related debt. Premiums or discounts on the issuance of debt are recorded as separate liabilities and amortized to interest expense over the life of the related debt.

Operating Revenues

The Authority generates the majority of its revenues through rental agreements with operators for land and buildings rented from the Authority, option payments for rent and other management and use fees. The fixed base operators may enter into sub-lease arrangements with concessionaires such as automobile rental companies. The concessionaires pay fees to the Authority based upon a percentage of their revenues.

One large fixed based operator (FBO) accounted for 24% of total operating revenues for the years ended December 31, 2017 and 2016. In addition, this same FBO accounts for 31% and 29% of year-end accounts receivable at December 31, 2017 and 2016, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all cash on hand, cash on deposit and money market accounts available for immediate withdrawal and unrestricted investments with the Colorado Local Government Liquid Asset Trust (COLOTRUST), a highly liquid local government investment pool, to be cash and cash equivalents.

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash 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 regulators. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the 102% aggregate uninsured deposits.

The Authority has noninterest-bearing transaction accounts which are covered under the FDIC Temporary Liquidity Unlimited Coverage for noninterest-bearing transaction accounts program. FDIC insurance limits as of December 31, 2017 and 2016 is \$250,000.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of the custodian, the Authority may not be able to recover the value of deposits that are in the possession of a third party. The Authority does not have a deposit policy for custodial credit risk.

At December 31, 2017 and 2016, the Authority’s cash deposits and cash on hand had carrying balances of \$694,452 and \$533,097, respectively. The bank balances were as follows:

	2017	2016
Insured deposits	\$ 745,219	\$ 577,589

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper limited to securities with highest rating category by at least one nationally recognized rating agency at time of purchase
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had the following investments at December 31, 2017:

Investment Type	Maturity	Fair Value
TVA Bond	7/15/2018	\$ 287,037
COLOTRUST (unrestricted)		2,939,261
Treasury Money Market		<u>567,960</u>
Total investments		<u><u>\$ 3,794,258</u></u>
Statement of net position classification		
Cash and cash equivalents		\$ 3,507,221
Investments - unrestricted		<u>287,037</u>
Total		<u><u>\$ 3,794,258</u></u>

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

The Authority had the following investments at December 31, 2016:

Investment Type	Maturity	Fair Value
FHLB Bond	5/24/2017	\$ 305,518
TVA Bond	5/15/2018	283,966
COLOTRUST (unrestricted)		1,910,823
Treasury Money Market		<u>260,849</u>
Total investments		<u>\$ 2,761,156</u>
Statement of net position classification		
Cash and cash equivalents		\$ 2,171,672
Investments - unrestricted		<u>589,484</u>
Total		<u>\$ 2,761,156</u>

Recurring Measurements

The Authority categorizes 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 Authority has the following recurring fair value measurements as of December 31, 2017:

- U.S. government agency securities of \$287,037 are valued using a matrix pricing model (Level 2 inputs)

Investment Risk Factors

There are many factors that can affect the value of investments, some of which are custodial credit risk, credit risk, interest rate risk and foreign currency risk. The Authority follows Colorado State Statutes for investing. The Authority's investment portfolio consists of U.S. governmental agencies implicitly guaranteed by the U.S. government, Treasury Securities and certificates of deposit which vary in maturity, all of which exceed three months.

Arapahoe County Public Airport Authority
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As of December 31, 2017 and 2016, the Authority had \$2,939,261 and \$1,910,823, respectively, invested in COLOTRUST (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. The Trust is a local government investment pool with a stable net asset value. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities and certain obligations of U.S. government agencies. The Trust does not have any limitations or restrictions on participant withdrawals. COLOTRUST is not subject to custodial risk, interest rate risk or foreign currency risk.

A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization (NRSRO), which regularly rates such obligations. The Authority has no investment policy that would limit its investment choices.

COLOTRUST PRIME and COLOTRUST PLUS+ were rated AAA by Standard and Poor's as of December 31, 2017 and 2016. The Tennessee Valley Authority Bond was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, as of December 31, 2017 and 2016. The FHLB Note was rated A-1+ and P-1, respectively, by Standard and Poor's and Moody's as of December 31, 2016.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Pooled investments and direct obligations of the U.S. government are exempt from concentration of credit risk disclosure. The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2017 and 2016, the Authority's investment in U.S. governmental agencies constituted 23% and 31%, respectively, of its total investments.

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December 31, 2017 and 2016

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2017 and 2016, the cash and investments are reflected on the Statement of Net Position as follows:

	2017	2016
Cash and cash equivalents	\$ 4,201,673	\$ 2,704,769
Unrestricted investments	287,037	589,484
Total cash and investments	\$ 4,488,710	\$ 3,294,253

At December 31, 2017 and 2016, cash and cash equivalents are comprised of the following:

	2017	2016
Cash deposits and cash on hand	\$ 1,262,412	\$ 793,946
COLOTRUST	2,939,261	1,910,823
Total cash and cash equivalents	\$ 4,201,673	\$ 2,704,769

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

NOTE 3 – CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2017 follows:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 12/31/17</u>
Capital assets, not depreciated					
Construction in progress	\$ 5,934,128	\$ 6,601,676	\$ -	\$ (4,968,569)	\$ 7,567,235
Land	25,231,427	-	-	505,124	25,736,551
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>32,165,555</u>	<u>6,601,676</u>	<u>-</u>	<u>(4,463,445)</u>	<u>34,303,786</u>
Capital assets, being depreciated					
Site improvements	1,014,026	-	-	-	1,014,026
Buildings and improvements	18,046,699	326,366	533,665	-	17,839,400
Runways, taxiways and ramps	54,306,506	-	2,295,658	4,433,063	56,443,911
Furniture and equipment	8,889,916	552,647	375,686	30,382	9,097,259
Total capital assets, being depreciated	<u>82,257,147</u>	<u>879,013</u>	<u>3,205,009</u>	<u>4,463,445</u>	<u>84,394,596</u>
Accumulated depreciation					
Site improvements	(617,916)	(25,416)	-	-	(643,332)
Buildings and improvements	(15,590,181)	(349,700)	(533,665)	-	(15,406,216)
Runways, taxiways and ramps	(33,678,940)	(3,821,903)	(2,295,658)	-	(35,205,185)
Furniture and equipment	(5,527,829)	(781,746)	(374,118)	-	(5,935,457)
Total accumulated depreciation	<u>(55,414,866)</u>	<u>(4,978,765)</u>	<u>(3,203,441)</u>	<u>-</u>	<u>(57,190,190)</u>
Net capital assets, being depreciated	<u>26,842,281</u>	<u>(4,099,752)</u>	<u>1,568</u>	<u>4,463,445</u>	<u>27,204,406</u>
Total capital assets, net	<u>\$ 59,007,836</u>	<u>\$ 2,501,924</u>	<u>\$ 1,568</u>	<u>\$ -</u>	<u>\$ 61,508,192</u>

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

A summary of changes to capital assets for the year ended December 31, 2016 follows:

	Balance 12/31/15	Additions	Deletions	Transfers	Balance 12/31/16
Capital assets, not depreciated					
Construction					
in progress	\$ 13,697,985	\$ 5,318,294	\$ -	\$ (13,082,151)	\$ 5,934,128
Land	25,231,427	-	-	-	25,231,427
Restrictive covenant on land	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total capital assets, not depreciated	<u>39,929,412</u>	<u>5,318,294</u>	<u>-</u>	<u>(13,082,151)</u>	<u>32,165,555</u>
Capital assets, being depreciated					
Site improvements	1,014,026	-	-	-	1,014,026
Buildings and improvements	17,685,289	365,925	4,515	-	18,046,699
Runways, taxiways and ramps	41,337,742	-	-	12,968,764	54,306,506
Furniture and equipment	<u>8,978,911</u>	<u>544,325</u>	<u>746,707</u>	<u>113,387</u>	<u>8,889,916</u>
Total capital assets, being depreciated	<u>69,015,968</u>	<u>910,250</u>	<u>751,222</u>	<u>13,082,151</u>	<u>82,257,147</u>
Accumulated depreciation					
Site improvements	(592,500)	(25,416)	-	-	(617,916)
Buildings and improvements	(15,239,564)	(353,326)	(2,709)	-	(15,590,181)
Runways, taxiways and ramps	(30,476,566)	(3,202,374)	-	-	(33,678,940)
Furniture and equipment	<u>(5,451,760)</u>	<u>(751,794)</u>	<u>(675,725)</u>	<u>-</u>	<u>(5,527,829)</u>
Total accumulated depreciation	<u>(51,760,390)</u>	<u>(4,332,910)</u>	<u>(678,434)</u>	<u>-</u>	<u>(55,414,866)</u>
Net capital assets, being depreciated	<u>17,255,578</u>	<u>(3,422,660)</u>	<u>72,788</u>	<u>13,082,151</u>	<u>26,842,281</u>
Total capital assets, net	<u>\$ 57,184,990</u>	<u>\$ 1,895,634</u>	<u>\$ 72,788</u>	<u>\$ -</u>	<u>\$ 59,007,836</u>

Arapahoe County Public Airport Authority
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NOTE 4 – NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2017 follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Amounts Due in One Year
Notes payable	<u>\$ 614,607</u>	<u>\$ -</u>	<u>\$ 614,607</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2016 follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Amounts Due in One Year
Capital lease payable	\$ 1,585,000	\$ -	\$ 1,585,000	\$ -	\$ -
Notes payable	1,466,662	-	852,055	614,607	614,607
Net unamortized premium	<u>22,578</u>	<u>-</u>	<u>22,578</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,074,240</u>	<u>\$ -</u>	<u>\$ 2,459,633</u>	<u>\$ 614,607</u>	<u>\$ 614,607</u>

Capital Lease

The Authority had capital leases with the County which expired during 2016. Because of the interrelationship between the County and the Authority in this financing arrangement, all the transactions incurred by the County relating to this financing are recorded in the accompanying financial statements as if they were incurred by the Authority.

The capital lease beared interest ranging from 3.25% to 5.25%. Payments of principal and interest were due on a semiannual basis through 2016. This lease was secured by land. Total assets purchased with capital lease funds are \$26,038,745.

There were a number of covenants contained in the lease agreement. At December 31, 2016, the final lease payment has been made. As the County elected not to use the debt reserve fund for the final lease payment, additional Authority funds were utilized, and the debt reserve fund was written off.

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Notes to the Financial Statements (Continued)
December 31, 2017 and 2016

Notes Payable

In 2007, the Authority obtained a loan in the amount of \$5,400,000 from CDOT for the purchase of land and a restrictive covenant on land. The loan bears interest at the rate of 3% on the unpaid balance, compounded annually. The Authority is making 10 annual installments with the first payment made October 4, 2008. The loan is secured by a security interest in the Authority's fuel tax refund revenue. The final payment was made during 2017, and therefore, the outstanding balance as of December 31, 2017 is \$0.

In 2011, the Authority obtained a loan in the amount of \$256,525 from Greenwood Plaza Partners, LLC, for the acquisition of property. The loan was paid in full during 2016.

NOTE 5 – RESTRICTED ASSETS

There are no restricted assets as of December 31, 2017.

NOTE 6 – FEDERAL AVIATION ADMINISTRATION GRANTS

The Authority has grant agreements with the Federal Aviation Administration (the FAA) for funding airport improvement and security research and development projects. The Authority was awarded \$0 and \$7,109,595 in FAA funding in 2017 and 2016, respectively. This does not include possible grants that the Airport has applied for and not yet received. The Authority has construction commitments related to grant funding of approximately \$253,361 and \$6,949,668 at December 31, 2017 and 2016, respectively.

In addition, the Authority had incurred costs and recorded a receivable for capital grant monies due from the FAA, which are included in grants receivable, as of December 31, 2017 and 2016 of \$213,388 and \$748,494, respectively.

These federal awards are for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. Management believes disallowances, if any, will be immaterial.

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Authority maintains a defined contribution pension plan, which is administered by the Principal Financial Group (Administrator). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings.

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Employees become eligible to participate in the plan after two months of employment. Under this plan, up to 7% of the employees' base salary is withheld and remitted to the administrator along with a matching payment of up to 7% from the Authority. Additional nonmatched contributions may be made by the employees. Employees are 100% vested in employer contributions at all times. There is no liability for benefits under the plan beyond the Authority's matching payments. The difference between total payroll and base salary represent employees who are not eligible to or have opted not to participate. Additional contribution information is as follows:

	2017	2016
Total payroll for the year	\$ 1,850,911	\$ 1,776,018
Base salary for contribution calculation	1,706,010	1,676,325
Employee contributions	145,353	141,266
Authority contributions	109,725	111,886

Executive Benefit Plan

Effective November 8, 2012, the Authority adopted a non-qualified deferred compensation plan, (the Plan) covering certain key employees. Under this Plan, the Authority may elect to contribute to the Plan in accordance with limits specified within the Plan. The Authority authorized contributions to the Plan of \$60,000 in both 2017 and 2016.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Rental Agreements

The Authority has operating rental agreements with fixed base operators and subleases for rental of land and buildings owned by the Authority. These agreements stipulate that upon termination, title of any leasehold improvements will pass to the Authority. The following is an estimate, by year, of minimum future rental revenue under these agreements:

Year Ended December 31,	Amount
2018	\$ 1,914,996
2019	1,916,874
2020	2,338,876
2021	2,353,795
2022	2,335,695
Thereafter	146,745,416
Total	\$ 157,605,652

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Revenues under these leases amounted to \$2,602,460 and \$2,638,367 during 2017 and 2016, respectively. Included in these amounts are percentage of revenue fees associated with these leases.

The Authority has entered into lease agreements with the FAA to lease approximately 2,100 square feet of the Authority’s tower and approximately 2,300 square feet of the Authority’s administrative office building. The tower lease had an expiration date of July 9, 2006. The FAA did not exercise the option to purchase the tower. The lease was renegotiated in 2006 at an amount equivalent to the tower repairs and maintenance and expired September 30, 2015. The lease extension is currently in negotiation. The office space lease expires in September 30, 2020. Rental income under these leases amounted to \$90,216 during both 2017 and 2016. The earning stream from these agreements is included in the amounts disclosed above.

NOTE 9 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no claim settlements in excess of insurance coverage in the last three years.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets is comprised of the following:

	2017	2016
Capital assets, net	\$ 61,508,192	\$ 59,007,836
Notes payable - current portion	-	(614,607)
Accounts payable incurred for capital asset purchases	(162,823)	(341,384)
	\$ 61,345,369	\$ 58,051,845

NOTE 11 – SUBSEQUENT EVENTS

On May 10, 2018, the Authority approved a loan agreement to borrow \$8,000,000 for the purpose of financing the construction of an aviation community and administrative facility. The loan will bear interest at a rate of 2.50% and is payable in annual amounts of \$914,070 over the next 10 years. The loan will be secured by the building being financed with the loan proceeds.

SUPPLEMENTARY INFORMATION

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Schedule of Revenues, Expenditures and Changes in Funds Available -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 7,780,751	\$ 5,918,936	\$ (1,861,815)
Building and land rental	2,575,309	2,602,460	27,151
Fuel and aircraft parking fees	3,409,564	3,670,664	261,100
Concession fees	296,000	311,024	15,024
Other airport operator fees	167,390	77,651	(89,739)
Custom fees	300,000	277,498	(22,502)
Interest income	30,000	23,614	(6,386)
Other operating and non-operating income	223,971	303,328	79,357
	<u>14,782,985</u>	<u>13,185,175</u>	<u>(1,597,810)</u>
	<u>16,217,463</u>	<u>12,160,568</u>	<u>4,056,895</u>
Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,434,478)</u>	<u>\$ 1,024,607</u>	<u>\$ 2,459,085</u>
Expenditures			
Principal and interest	\$ 628,436	\$ 628,600	\$ (164)
Salaries and related payroll expense	2,567,428	2,408,066	159,362
Maintenance, repairs and operating supplies	771,950	429,122	342,828
Customs expense	235,000	331,882	(96,882)
Telephone and utilities	403,698	364,235	39,463
Insurance	140,525	115,956	24,569
Public relations	133,100	46,358	86,742
Travel and meetings	136,000	91,235	44,765
Firefighting services	20,000	7,037	12,963
Legal	100,000	30,767	69,233
Accounting and audit	45,900	45,900	-
Noise expense	74,000	35,055	38,945
Office expense	128,350	82,296	46,054
Office and equipment rental	31,595	32,122	(527)
Miscellaneous	77,500	31,247	46,253
Capital outlay	10,723,981	7,480,690	3,243,291
	<u>\$ 16,217,463</u>	<u>\$ 12,160,568</u>	<u>\$ 4,056,895</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Reconciliation of Non-GAAP Budgetary Basis (Actual) to Statements of
Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2017

Revenues	
Total revenues (budgetary basis)	\$ 13,185,175
CAF income	<u>18,699</u>
Total revenues	<u>13,203,874</u>
Expenses	
Total expenditures (budgetary basis)	12,160,568
CAF expenses	26,006
Capital outlay	(7,480,690)
Note and capital lease principal payments	(614,607)
Depreciation and amortization	<u>4,978,765</u>
Total expenses	<u>9,070,042</u>
Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ 4,133,832</u></u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Schedule of Revenues, Expenditures and Changes in Funds Available -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 10,783,668	\$ 4,812,815	\$ (5,970,853)
Building and land rental	2,520,022	2,638,367	118,345
Fuel and aircraft parking fees	3,430,000	3,520,627	90,627
Concession fees	221,500	301,459	79,959
Other airport operator fees	166,730	80,859	(85,871)
Custom fees	285,000	308,368	23,368
Interest income	70,000	69,535	(465)
Other operating income	227,210	406,641	179,431
	<hr/>	<hr/>	<hr/>
Total revenues	17,704,130	12,138,671	(5,565,459)
Expenditures			
	<hr/>	<hr/>	<hr/>
	19,429,227	14,511,984	4,917,243
Excess (deficiency) of revenues over (under) expenditures			
	<u>\$ (1,725,097)</u>	<u>\$ (2,373,313)</u>	<u>\$ (648,216)</u>
Expenditures			
Principal and interest	\$ 1,536,391	\$ 2,533,137	\$ (996,746)
Salaries and related payroll expense	2,508,485	2,371,581	136,904
Maintenance, repairs and operating supplies	767,170	510,646	256,524
Customs expense	255,000	306,645	(51,645)
Telephone and utilities	395,375	351,897	43,478
Insurance	131,624	125,389	6,235
Public relations	97,600	70,555	27,045
Travel and meetings	131,300	97,687	33,613
Firefighting services	20,000	6,685	13,315
Legal	70,000	66,523	3,477
Accounting and audit	48,650	43,650	5,000
Noise expense	71,000	36,066	34,934
Writedown of debt reserve fund	132,700	95,864	36,836
Office expense	-	1,611,898	(1,611,898)
Office and equipment rental	39,435	30,342	9,093
Miscellaneous	77,500	22,235	55,265
Paying agent fees	2,640	2,640	-
Capital outlay	13,144,357	6,228,544	6,915,813
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 19,429,227</u>	<u>\$ 14,511,984</u>	<u>\$ 4,917,243</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Reconciliation of Non-GAAP Budgetary Basis (Actual) to Statements of
Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

Revenues

Total revenues (budgetary basis)	\$ 12,138,671	
CAF income	13,976	
Total revenues		12,152,647

Expenses

Total expenditures (budgetary basis)	14,511,984	
CAF expenses	15,685	
Capital outlay	(6,228,544)	
Note and capital lease principal payments	(2,437,055)	
Depreciation and amortization	4,732,312	
Total expenses		10,594,382

Changes in net position per statements of revenues, expenses and changes in net position		\$ 1,558,265
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
Arapahoe County Public Airport Authority
Englewood, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arapahoe County Public Airport Authority (the Authority), a component unit of Arapahoe County, Colorado, which comprise the statement of financial position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Authority's 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Arapahoe County Public Airport Authority

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 14, 2018