

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

Years Ended December 31, 2014 and 2013

ARAPAHOE COUNTY PUBLIC AIRPORT AUTHORITY
(A Component Unit of Arapahoe County, Colorado)

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Commissioners
Arapahoe County Public Airport Authority
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of Arapahoe County Public Airport Authority (the Authority), a component unit of Arapahoe County, Colorado, which are comprised of a statement of net position as of December 31, 2014 and 2013, and a statement of revenues, expenses and changes in net position and statement of cash flows and the related notes to the basic financial statements for the years ended December 31, 2014 and 2013, 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 audits 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 Arapahoe County Public Airport Authority as of December 31, 2014 and 2013, 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 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 basic financial statements as a whole. The accompanying supplementary information (budgetary schedules) 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 12, 2015, 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 12, 2015

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis
(Unaudited)
Years Ended December 31, 2014 and 2013

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 fiscal years ended December 31, 2014 and 2013. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The business environment at the airport remained stable in 2014. The number of operations and the number of gallons of fuel sold increased from 2013. The revenue to the Authority from fuel sales and tax revenues increased from the 2013 revenues. Building and land rentals increased slightly from 2013 to 2014. The Authority kept expenses in line with the revenues in 2014. Overall, operating revenues for 2014 increased when compared to 2013.
- The Authority contributed \$150,000 toward the purchase of an Aircraft Rescue and Fire Fighting vehicle for the South Metro Fire District. This fire district provides fire rescue services to the Authority and in return the Authority assists the district with aviation-related firefighting equipment and education.
- The assets and deferred outflows of resources of the Authority exceeded its liabilities at December 31, 2014 by \$56.3 million (net position). Of the net position balance, \$6.5 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2014 net position increased by \$5.1 million, or 9.91% from 2013. This is related primarily to grants and capital contributions and debt reduction.
- The Authority's operating revenues increased to \$7.3 million, or 5.71% from 2013, operating expenses, net of depreciation, increased to \$3.7 million, or 13.37% from 2013. Depreciation expense when compared to 2013 remained the same at \$3.7 million. This resulted in an operating loss of \$45,112 before other income, expense, grants and capital contributions in 2014.
- During 2014 the Authority made capital investments of \$6.9 million.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

[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, 2014 and 2013

FINANCIAL ANALYSIS OF THE AUTHORITY

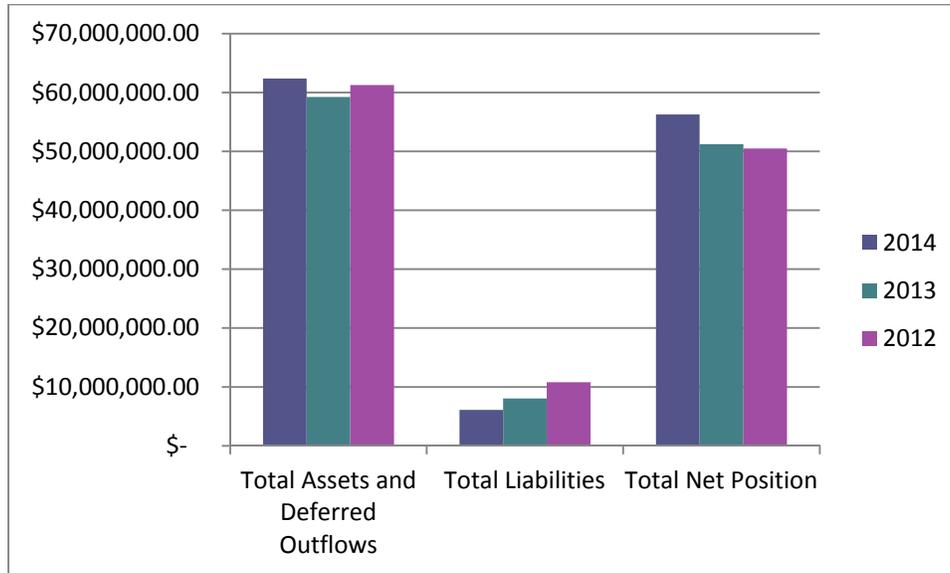
NET POSITION

Condensed Statements of Net Position

	December 31,		
	2014	2013	2012
Current assets	\$ 5,709,225	\$ 5,639,690	\$ 6,504,195
Capital assets	53,184,312	49,934,947	51,484,514
Other assets	2,656,796	2,419,158	1,603,918
Total assets	61,550,333	57,993,795	59,592,627
Deferred outflows of of resources	826,922	1,258,360	1,689,798
Current liabilities	2,979,725	2,822,970	3,562,291
Noncurrent liabilities	3,115,165	5,219,391	7,236,667
Total liabilities	6,094,890	8,042,361	10,798,958
Net investment in capital assets	48,200,491	43,428,499	42,664,007
Restricted	1,589,519	1,595,775	1,601,725
Unrestricted	6,492,355	6,185,520	6,217,735
Total net position	\$ 56,282,365	\$ 51,209,794	\$ 50,483,467

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

Comparison of Condensed Statement of Net Position



2014

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$5.1 million in 2014 to \$56.3 million. This is up from \$51.2 million in 2013. The chart also shows that the 2014 change in net asset 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 \$1.9 million. Total assets increased principally from an increase in net capital assets. The decrease in total liabilities resulted largely from the Authority’s payment of long-term debt.

2013

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$726 thousand in 2013 to \$51.2 million. This is up from \$50.5 million in 2012. The chart also shows that the 2013 change in net asset position is a result of the changes in total assets and deferred outflows which decreased by \$2.0 million and total liabilities, which decreased by \$2.8 million. Total assets decreased principally from a decrease in net capital assets as the increase in accumulated depreciation exceeded the increase in capital assets as well as the amortization of the deferred outflow of resources. The decrease in total liabilities resulted largely from 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, 2014 and 2013

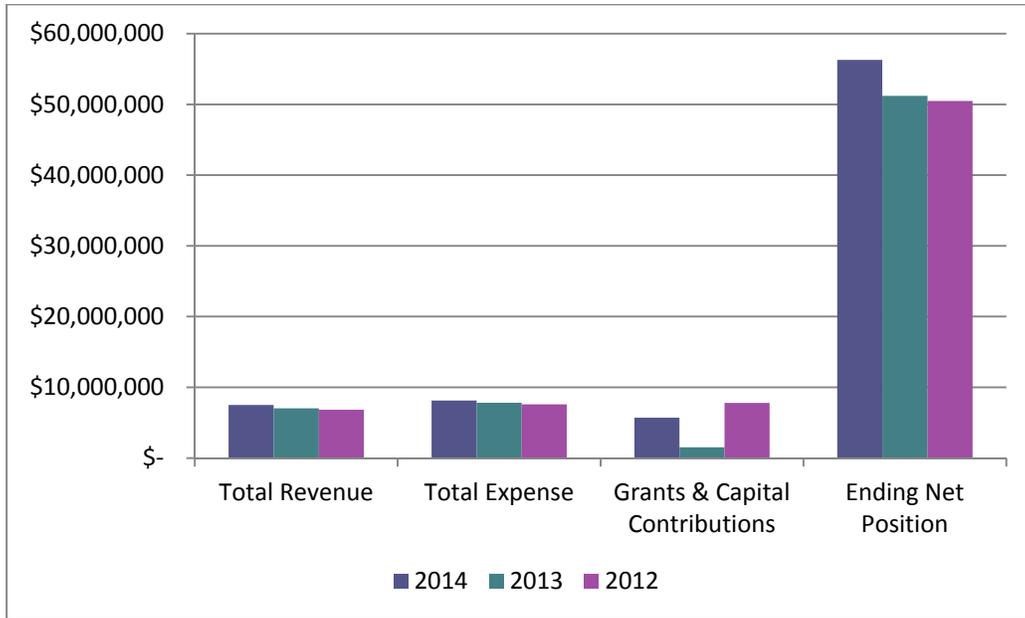
REVENUES, EXPENSES AND CHANGES IN NET POSITION

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2014	2013	2012
Operating revenues	\$ 7,331,308	\$ 6,935,248	\$ 6,689,807
Nonoperating revenues	163,588	102,919	144,224
Total revenues	7,494,896	7,038,167	6,834,031
Depreciation expense	3,682,632	3,739,150	3,708,991
Other operating expenses	3,693,788	3,258,147	3,107,431
Nonoperating expenses	751,180	826,260	904,862
Total expenses	8,127,600	7,823,557	7,721,284
Grants and capital contributions	5,705,275	1,511,717	7,795,709
Change in net position	5,072,571	726,327	6,908,456
Total net position, January 1	51,209,794	50,483,467	43,575,011
Ending net position	\$ 56,282,365	\$ 51,209,794	\$ 50,483,467

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

Comparison of Revenues, Expenses, Grants and Fund Net Position



2014

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 and chart above, ending net position increased in 2014. This is due to the grants and capital contributions received in 2014.

2013

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 and chart above, ending net position increased in 2013. This is due to the grants and capital contributions received in 2013.

CAPITAL ASSETS

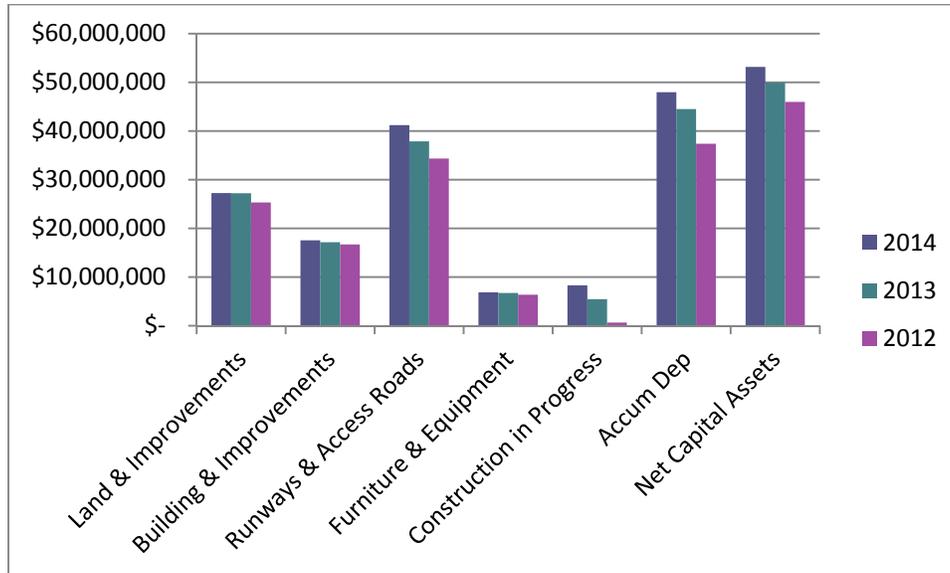
During 2014, the Authority invested \$6.9 million in a broad range of capital improvements. As shown in the following schedule and chart, the Authority continues to maintain and improve its infrastructure and equipment to meet the demands of the second busiest general aviation airport in the nation. During 2013, the Authority invested \$2.2 million in a broad range of capital improvements.

Arapahoe County Public Airport Authority
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Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

	Capital Assets		
	December 31,		
	2014	2013	2012
Land and site improvements	\$ 27,245,453	\$ 27,210,473	\$ 27,210,473
Buildings and improvements	17,557,131	17,166,689	17,043,576
Runways, taxiways and ramps	41,193,386	37,867,970	37,776,526
Furniture and equipment	6,855,518	6,741,131	6,348,377
Construction in progress	8,294,350	5,458,750	3,952,015
Subtotal	101,145,838	94,445,013	92,330,967
Less accumulated depreciation	47,961,526	44,510,066	40,846,453
Net capital assets	\$ 53,184,312	\$ 49,934,947	\$ 51,484,514

Arapahoe County Public Airport Authority
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Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

Comparison of Capital Assets



Major Improvements to the Airport in 2014:

- Airport improvements implemented with grant funds included:
 - Completion of construction of Taxiway D
 - Continuation of the installation of noise monitoring equipment
 - Rehabilitation of Runway 10/28
 - Design of Taxiway A
 - Completion of airfield signage upgrade
 - Alert notification system

- Other major capital investments during the year included:
 - Design of the extension of Taxiway C
 - Airfield striping & paving
 - Parking lot rehabilitation
 - Air traffic control tower improvements
 - Upgrade security gates and cameras
 - Upgrade computers, software and servers
 - Rescue training site earthwork
 - Various equipment & vehicle purchases

The continued work on the grant funded projects is the primary cause of the increase in construction in progress of \$2.8 million in 2014.

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LONG-TERM DEBT

At the end of 2014, the Authority had total debt outstanding, excluding unamortized premium from debt issuance, of \$5.1 million. Of this amount, \$3.1 million represented a capital lease secured by land, and \$2.0 million represented notes secured by future tax revenue and land.

At the end of 2013, the Authority had total debt outstanding, excluding unamortized premium from debt issuance, of \$7.1 million. Of this amount, \$4.5 million represented a capital lease secured by land, and \$2.6 million represented notes secured by future tax revenue and land.

The Authority's debt coverage ratio is detailed in the schedule below. Debt coverage increased slightly in 2014 as net revenues increased. This is a reflection of the increase in revenue from fuel fees, fuel tax revenue, and hangar management fees and a greater than normal increase in expenses due to the contribution of funds toward the purchase of the firefighting equipment for the South Metro Fire District.

Debt Coverage Ratio

	Years Ended December 31,		
	2014	2013	2012
Operating revenues	\$ 7,331,308	\$ 6,935,248	\$ 6,689,807
Nonoperating revenues	163,588	102,919	144,224
Total revenues	7,494,896	7,038,167	6,834,031
Operating expenses, less depreciation	3,693,788	3,258,147	3,107,431
Nonoperating expenses, less interest	31,412	18,513	19,159
Total expenses, less depreciation and interest expense	3,725,200	3,276,660	3,126,590
Net revenues	3,769,696	3,761,507	3,707,441
Annual debt service	2,315,945	2,317,345	2,363,625
Debt coverage ratio	1.63	1.62	1.57

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

Arapahoe County Public Airport Authority
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Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

appropriations in 2014. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2014 were \$10.9 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 2014 was \$8.7 million lower than budgeted primarily because FAA grant reimbursements were less than budgeted.

ECONOMIC FACTORS

- The *IMF World Economic Outlook Update (10/2014)* reported that despite setbacks, an uneven global recovery continues. They report that global growth is projected to increase in 2015, but the global forecast was revised downward to 3.8 percent. They also report in January 2015 that while lower oil prices could boost global growth, there are downside risks on the horizon, including lower investment, market volatility, stagnation in the Euro area and Japan, and geopolitical events.
- There is 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 2014 compared to 2013, which was lower than 2012. The rate at the end of 2014 was 5.6%, which was lower than the 6.7% rate at the end of 2013, which was lower than the 7.8% rate at the end of 2012.
- The Metro Denver Economic Development Corporation reported in their 2015 Economic Forecast that Colorado maintained its ranking as a top 10 state for employment growth during 2014 and will post a strong 2.7 percent increase in employment in 2015. They report that metro Denver will continue to benefit from solid economic performance in 2015.
- According to the *2014 GAMA Statistical Databook & 2015 Industry Outlook*, total airplane shipments in 2014 increased over 2013. The business jet market shipments rose by 6.5 percent and the North American share of this market is in line with 2013. The turbine and piston rotocraft fleet grew worldwide. The North American market share for turboprops declined slightly in 2014; however, piston airplane deliveries increased and strengthened the North American market in 2014. The report stated that the global fractional aircraft fleet continued to decline in 2014 and the pilot population also continued to shrink.
- The Authority continues to be eligible for FAA grants. New grants awarded in 2015 under the Airport Improvement Program are expected to require a 10% match.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2014 and 2013

- Most major airport tenants are well capitalized and the overall picture for airports is positive.
- 2014 airport operations and fuel sales increased. The price of jet aviation fuel declined from 2013.
- Interest rates paid on investments remained the same from 2013 and there is no expectation of any increase for the foreseeable future.

These factors were considered when the Authority prepared its 2015 budget. In 2014, business activity experienced a slow recovery that is expected to continue into 2015. The airport is in a competitive environment that results in low fuel prices for corporate airport customers and this is not expected to abate. This could continue to positively affect the Authority's income streams and improve its ability to meet debt covenants and maintain liquidity. 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:

Robert P. Olislagers
Executive Director
303-790-0598 (main)
303-218-2907 (direct)

Roxana Hahn
Chief Financial Officer
303-790-0598 (main)
303-218-2902 (direct)

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position
December 31, 2014 and 2013

Assets	2014	2013
Current Assets		
Cash and cash equivalents	\$ 4,088,638	\$ 4,326,384
Investments - unrestricted	35,988	19,113
Investments - restricted	13,519	19,775
Receivables		
Trade, net of allowance; 2014 and 2013 - \$0	583,971	544,020
Grants	651,761	414,094
Due from other governments	207,983	194,546
Prepaid expenses	127,365	121,758
	<u>5,709,225</u>	<u>5,639,690</u>
Noncurrent Assets		
Capital assets		
Nondepreciable	34,525,777	31,658,260
Depreciable	66,620,061	62,786,753
	<u>101,145,838</u>	<u>94,445,013</u>
Accumulated depreciation	<u>(47,961,526)</u>	<u>(44,510,066)</u>
	<u>53,184,312</u>	<u>49,934,947</u>
Other assets		
Investments - reserve funds	1,576,000	1,576,000
Investments - unrestricted	824,903	822,492
Other receivable	242,313	-
Prepaid bond insurance	13,580	20,666
	<u>2,656,796</u>	<u>2,419,158</u>
	<u>55,841,108</u>	<u>52,354,105</u>
	<u>61,550,333</u>	<u>57,993,795</u>
Deferred Outflows of Resources		
Deferred loss on refunding of debt	<u>826,922</u>	<u>1,258,360</u>
	<u>826,922</u>	<u>1,258,360</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position
December 31, 2014 and 2013

Liabilities	2014	2013
Current Liabilities		
Accounts and contracts payable	\$ 775,875	\$ 653,825
Accrued liabilities	23,724	78,755
Accrued interest payable	26,323	36,601
Unearned revenue	2,367	2,120
Compensated absences	66,840	58,963
Notes payable	579,596	562,706
Capital lease payable	<u>1,505,000</u>	<u>1,430,000</u>
 Total current liabilities	 <u>2,979,725</u>	 <u>2,822,970</u>
 Noncurrent liabilities		
Capital lease payable	1,585,000	3,090,000
Net unamortized premium	47,208	71,838
Notes payable	1,466,662	2,046,258
Deposits	<u>16,295</u>	<u>11,295</u>
 Total noncurrent liabilities	 <u>3,115,165</u>	 <u>5,219,391</u>
 Total liabilities	 <u>6,094,890</u>	 <u>8,042,361</u>
 Net Position		
Net investment in capital assets	48,200,491	43,428,499
Restricted	1,589,519	1,595,775
Unrestricted	<u>6,492,355</u>	<u>6,185,520</u>
 Total net position	 <u>\$ 56,282,365</u>	 <u>\$ 51,209,794</u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Building and land rental	\$ 2,451,427	\$ 2,399,914
Fuel and aircraft parking fees	3,746,901	3,515,139
Concession fees	240,370	219,028
Other airport operator fees	321,550	295,112
Custom fees	341,561	288,588
Other operating revenues	<u>229,499</u>	<u>217,467</u>
Total operating revenues	<u>7,331,308</u>	<u>6,935,248</u>
Operating expenses		
Depreciation	3,682,632	3,739,150
Salaries and related payroll expenses	2,010,399	1,854,342
Maintenance, repairs and operating supplies	395,025	405,385
Customs expense	221,572	192,774
Telephone and utilities	356,778	338,069
Insurance	102,945	120,077
Public relations	76,376	54,134
Travel and meetings	82,343	70,841
Firefighting services	156,130	13,889
Legal	44,537	41,968
Accounting and audit	40,500	40,500
Noise expense	67,267	6,064
Office expense	79,992	75,968
Office and equipment expense	24,724	24,249
Miscellaneous	35,200	16,543
Studies requested by B.O.C.	<u>-</u>	<u>3,344</u>
Total operating expenses	<u>7,376,420</u>	<u>6,997,297</u>
Operating loss	<u>(45,112)</u>	<u>(62,049)</u>
Nonoperating revenues (expenses)		
Investment income	102,987	64,258
Interest expense	(719,768)	(807,747)
Paying agent fee	(2,640)	(2,400)
Bond insurance amortization	(7,086)	(7,086)
Gain on disposition of capital assets	34,861	23,779
Centennial Airport Foundation income	25,740	14,882
Centennial Airport Foundation expense	<u>(21,686)</u>	<u>(9,027)</u>
Total nonoperating revenues (expenses)	<u>(587,592)</u>	<u>(723,341)</u>
Loss before grants and capital contributions	(632,704)	(785,390)
Grants and capital contributions	<u>5,705,275</u>	<u>1,511,717</u>
Change in net position	5,072,571	726,327
Total net position, beginning of year	<u>51,209,794</u>	<u>50,483,467</u>
Total net position, end of year	<u>\$ 56,282,365</u>	<u>\$ 51,209,794</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Cash received		
Services provided	\$ 4,615,167	\$ 4,830,747
Building and land rentals	2,451,427	2,399,914
Cash payments		
Suppliers of goods and services	(1,651,903)	(1,401,326)
Employees for services	(2,057,553)	(1,854,291)
	<u>3,357,138</u>	<u>3,975,044</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(6,304,720)	(1,631,706)
Payment of payables incurred for capital asset acquisition	(564,006)	(1,378,566)
Interest paid on long-term debt	(323,238)	(411,035)
Proceeds from grants and capital contributions	5,467,608	2,107,037
Principal paid on capital leases	(1,430,000)	(1,360,000)
Principal paid on notes payable	(562,706)	(546,310)
Payments of agency fees	(2,640)	(2,400)
Proceeds from disposition of capital assets	34,861	29,908
	<u>(3,684,841)</u>	<u>(3,193,072)</u>
 Cash Flows From Investing Activities		
Interest received	89,957	90,925
Proceeds from payments received on notes receivable	-	7,363
Purchase of investments	-	(825,000)
Proceeds from maturity of investments	-	542,864
	<u>89,957</u>	<u>(183,848)</u>
 Net (Decrease) Increase in Cash and Cash Equivalents	<u>(237,746)</u>	<u>598,124</u>
 Cash and Cash Equivalents, Beginning of Year	<u>4,326,384</u>	<u>3,728,260</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 4,088,638</u>	<u>\$ 4,326,384</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows (continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of Operating Income to Net		
Cash Provided By Operating Activities		
Operating loss	\$ (45,112)	\$ (62,049)
Depreciation expense	3,682,632	3,739,150
Foundation activity	4,054	5,855
Changes in operating assets and liabilities		
Accounts receivable	(295,701)	287,741
Prepaid expenses	(5,607)	5,351
Accounts payable	58,779	5,024
Accrued liabilities	(55,031)	7,889
Compensated absences	7,877	(7,838)
Deposits	5,000	60
Unearned revenue	247	(6,139)
	\$ 3,357,138	\$ 3,975,044
 Supplemental Cash Flows Information		
Noncash Investing Activities		
Fair market value adjustment	\$ 2,411	\$ 2,508
 Noncash Capital and Related Financing Activities		
Amortization of prepaid bond insurance	(7,086)	(7,086)
Amortization of bond premium and deferred loss on refunding	(431,438)	(431,438)
Accounts payable incurred for purchase of capital assets	627,227	564,006

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2014 and 2013

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 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. The Centennial Airport Foundation'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.

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

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

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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 expense 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 estimated fair market 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.

Estimated useful lives are:

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

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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 or assets 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, 2014 and 2013. In addition, this same FBO accounts for 30% of year-end accounts receivable at December 31, 2014 and 2013.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, cash on deposit 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
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net position.

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 insurance levels (FDIC) 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, 2014 and 2013 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.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

At December 31, 2014 and 2013, the Authority's cash deposits and cash on hand had carrying balances of \$541,912 and \$537,570, respectively. The bank balances were as follows:

	2014	2013
Insured deposits	\$ 609,471	\$ 593,009

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

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

The Authority had the following investments at December 31, 2014:

Investment Type	Maturity	Fair Value
FHLB Note	6/1/2015*	\$ 1,594,377
Federal Farm Credit Bank Note	5/12/2016	274,986
FNMA Note	5/15/2017	299,514
Certificate of Deposit	11/20/2018	250,403
COLOTRUST (unrestricted)		3,537,190
COLOTRUST (restricted)		13,519
Other investments		<u>27,147</u>
Total investments		<u>\$ 5,997,136</u>
Statement of net position classification		
Cash and cash equivalents		\$ 3,546,726
Investments - unrestricted		860,891
Investments - restricted		13,519
Investments - reserve fund		<u>1,576,000</u>
Total		<u>\$ 5,997,136</u>

* Investment relates to required reserve associated with the capital lease. Upon maturity, \$1,576,000 of the investment must be reinvested and cannot be withdrawn and as such is classified as a noncurrent other asset on the Statements of Net Position.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

The Authority had the following investments at December 31, 2013:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
FNMA Discount Note	5/31/14 *	\$ 1,578,170
Federal Farm Credit	5/12/2016	274,854
FNMA Note	5/15/2017	298,845
Certificate of Deposit	11/20/2018	248,792
COLOTRUST (unrestricted)		3,786,791
COLOTRUST (restricted)		19,775
Other investments		<u>18,967</u>
Total investments		<u>\$ 6,226,194</u>
Statement of net position classification		
Cash and cash equivalents		\$ 3,788,814
Investments - unrestricted		841,605
Investments - restricted		19,775
Investments - reserve fund		<u>1,576,000</u>
Total		<u>\$ 6,226,194</u>

* Investment relates to required reserve associated with the capital lease. Upon maturity, \$1,576,000 of the investment must be reinvested and cannot be withdrawn and as such is classified as a noncurrent other asset on the Statements of Net Position.

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.

As of December 31, 2014 and 2013, the Authority had \$3,550,709 and \$3,806,566, respectively, invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST); an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST. The

Arapahoe County Public Airport Authority
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COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury Securities and repurchase agreements collateralized by U.S. Treasury Securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government Agencies, highest rate commercial paper and repurchase agreements collateralized by certain obligations of U.S. Government Agencies. 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, 2014 and 2013. The FHLB Note was rated A-1+ and P-1, respectively, by Standard and Poor's and Moody's as of December 31, 2014 and 2013. The Federal Farm Credit Bank Note was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively. The FNMA Note was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively.

The Authority's certificate of deposit are negotiable certificates of deposit held in the Authority's name and as such are not deemed exposed to credit risk.

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, 2014 and 2013, the Authority's investment in U.S. Governmental Agencies constituted 37% and 35%, respectively, of its total investments.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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, 2014 and 2013, the cash and investments are reflected on the Statement of Net Position as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,088,638	\$ 4,326,384
Unrestricted investments	860,891	841,605
Restricted investments	13,519	19,775
Reserve funds	<u>1,576,000</u>	<u>1,576,000</u>
Total cash and investments	<u>\$ 6,539,048</u>	<u>\$ 6,763,764</u>

At December 31, 2014 and 2013, cash and cash equivalents are comprised of the following:

	<u>2014</u>	<u>2013</u>
Cash deposits and cash on hand	\$ 541,912	\$ 537,570
Other liquid investment	9,536	2,023
COLOTRUST	<u>3,537,190</u>	<u>3,786,791</u>
Total cash and cash equivalents	<u>\$ 4,088,638</u>	<u>\$ 4,326,384</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

NOTE 3 – CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2014 follows:

	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 12/31/2014</u>
Capital assets, not depreciated					
Construction in progress	\$ 5,458,750	\$ 6,574,380	\$ -	\$ (3,738,780)	\$ 8,294,350
Land	25,199,510	-	-	31,917	25,231,427
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>31,658,260</u>	<u>6,574,380</u>	<u>-</u>	<u>(3,706,863)</u>	<u>34,525,777</u>
Capital assets, being depreciated					
Site improvements	1,010,963	3,063	-	-	1,014,026
Buildings and improvements	17,166,689	8,995	-	381,447	17,557,131
Runways, taxiways and ramps	37,867,970	-	-	3,325,416	41,193,386
Furniture and equipment	6,741,131	345,559	231,172	-	6,855,518
Total capital assets, being depreciated	<u>62,786,753</u>	<u>357,617</u>	<u>231,172</u>	<u>3,706,863</u>	<u>66,620,061</u>
Accumulated depreciation					
Site improvements	(541,744)	(25,339)	-	-	(567,083)
Buildings and improvements	(14,541,671)	(339,518)	-	-	(14,881,189)
Runways, taxiways and ramps	(25,099,178)	(2,742,666)	-	-	(27,841,844)
Furniture and equipment	(4,327,473)	(575,109)	(231,172)	-	(4,671,410)
Total accumulated depreciation	<u>(44,510,066)</u>	<u>(3,682,632)</u>	<u>(231,172)</u>	<u>-</u>	<u>(47,961,526)</u>
Net capital assets, being depreciated	<u>18,276,687</u>	<u>(3,325,015)</u>	<u>-</u>	<u>3,706,863</u>	<u>18,658,535</u>
Total capital assets, net	<u>\$ 49,934,947</u>	<u>\$ 3,249,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,184,312</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

A summary of changes to capital assets for the year ended December 31, 2013 follows:

	Balance 12/31/2012	Additions	Deletions	Transfers	Balance 12/31/2013
Capital assets, not depreciated					
Construction in progress	\$ 3,952,015	\$ 1,953,799	\$ -	\$ (447,064)	\$ 5,458,750
Land	25,199,510	-	-	-	25,199,510
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>30,151,525</u>	<u>1,953,799</u>	<u>-</u>	<u>(447,064)</u>	<u>31,658,260</u>
Capital assets, being depreciated					
Site improvements	1,010,963	-	-	-	1,010,963
Buildings and improvements	17,043,576	36,724	13,611	100,000	17,166,689
Runways, taxiways and ramps	37,776,526	91,444	-	-	37,867,970
Furniture and equipment	<u>6,348,377</u>	<u>113,745</u>	<u>68,055</u>	<u>347,064</u>	<u>6,741,131</u>
Total capital assets, being depreciated	<u>62,179,442</u>	<u>241,913</u>	<u>81,666</u>	<u>447,064</u>	<u>62,786,753</u>
Accumulated depreciation					
Site improvements	(516,482)	(25,262)	-	-	(541,744)
Buildings and improvements	(14,173,395)	(375,758)	(7,482)	-	(14,541,671)
Runways, taxiways and ramps	(22,323,856)	(2,775,322)	-	-	(25,099,178)
Furniture and equipment	<u>(3,832,720)</u>	<u>(562,808)</u>	<u>(68,055)</u>	<u>-</u>	<u>(4,327,473)</u>
Total accumulated depreciation	<u>(40,846,453)</u>	<u>(3,739,150)</u>	<u>(75,537)</u>	<u>-</u>	<u>(44,510,066)</u>
Net capital assets, being depreciated	<u>21,332,989</u>	<u>(3,497,237)</u>	<u>6,129</u>	<u>447,064</u>	<u>18,276,687</u>
Total capital assets, net	<u>\$ 51,484,514</u>	<u>\$ (1,543,438)</u>	<u>\$ 6,129</u>	<u>\$ -</u>	<u>\$ 49,934,947</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

NOTE 4 – NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2014 follows:

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014	Amounts Due In One Year
Capital lease payable	\$ 4,520,000	\$ -	\$ 1,430,000	\$ 3,090,000	\$ 1,505,000
Notes payable	2,608,964	-	562,706	2,046,258	579,596
Net unamortized premium	<u>71,838</u>	<u>-</u>	<u>24,630</u>	<u>47,208</u>	<u>-</u>
Total	<u><u>\$ 7,200,802</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,017,336</u></u>	<u><u>\$ 5,183,466</u></u>	<u><u>\$ 2,084,596</u></u>

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2013 follows:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013	Amounts Due In One Year
Capital lease payable	\$ 5,880,000	\$ -	\$ 1,360,000	\$ 4,520,000	\$ 1,430,000
Notes payable	3,155,274	-	546,310	2,608,964	562,706
Net unamortized premium	<u>96,468</u>	<u>-</u>	<u>24,630</u>	<u>71,838</u>	<u>-</u>
Total	<u><u>\$ 9,131,742</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,930,940</u></u>	<u><u>\$ 7,200,802</u></u>	<u><u>\$ 1,992,706</u></u>

Capital Lease

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.

Arapahoe County Public Airport Authority
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Notes to the Financial Statements (Continued)
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The capital lease bears interest ranging from 3.25% to 5.25%. Payments of principal and interest are due on a semiannual basis through 2016. This lease is secured by land. Total assets purchased with capital lease funds are \$26,038,745.

There are a number of covenants contained in the lease agreement. At December 31, 2014 and 2013, the Authority believes it was in compliance with these restrictive covenants.

Scheduled capital lease principal and interest payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015			
2016	\$ 1,505,000	\$ 162,225	\$ 1,667,225
	<u>1,585,000</u>	<u>83,213</u>	<u>1,668,213</u>
Total	<u>\$ 3,090,000</u>	<u>\$ 245,438</u>	<u>\$ 3,335,438</u>

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 outstanding balance as of December 31, 2014 is \$1,790,638.

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 bears interest an interest the rate of 6% and matures in June 2016. The loan is secured by the acquired property. The outstanding balance as of December 31, 2014 is \$255,620.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

Scheduled note principal and interest payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 579,596	\$ 69,049	\$ 648,645
2016	852,055	43,998	896,053
2017	<u>614,607</u>	<u>18,438</u>	<u>633,045</u>
Total	<u>\$ 2,046,258</u>	<u>\$ 131,485</u>	<u>\$ 2,177,743</u>

NOTE 5 – RESTRICTED ASSETS

The capital lease agreement detailed in Note 5 requires assets to be restricted for specific purposes. The restricted assets are detailed below:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Capital lease agreement: one-sixth of the next rental payment	\$ 13,519	\$ 19,775
Reserve fund	<u>1,576,000</u>	<u>1,576,000</u>
Total	<u>\$ 1,589,519</u>	<u>\$ 1,595,775</u>

NOTE 6 – FEDERAL AVIATION ADMINISTRATION GRANTS

The Authority has grant agreements with the Federal Aviation Administration (FAA) for funding airport improvement and security research and development projects. The Authority was awarded \$5,611,765 and \$5,825,483 in FAA funding in 2014 and 2013, 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 \$849,263 and \$6,303,758 at December 31, 2014 and 2013, 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, 2014 and 2013 of \$617,725 and \$262,628, respectively.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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.

Employees become eligible to participate in the plan after two months of employment. Under this plan, up to 5% of the employees’ base salary is withheld and remitted to the Administrator along with a matching payment of up to 5% 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:

	2014	2013
Total payroll for the year	\$ 1,581,246	\$ 1,425,354
Base salary for contribution calculation	1,440,619	1,291,372
Employee contributions	110,092	101,121
Authority contributions	71,371	64,208

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 2014 and 2013.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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:

<u>Year Ended December 31,</u>	<u>Amount</u>
2015	\$ 1,893,500
2016	1,862,360
2017	1,823,235
2018	1,826,299
2019	1,859,749
Thereafter	<u>155,534,678</u>
Total	<u>\$ 164,799,821</u>

Revenues under these leases amounted to \$2,451,427 and \$2,399,914 during 2014 and 2013, 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 expires September 30, 2015. The office space lease expires in September 30, 2020. Rental income under these leases amounted to \$90,216 during 2014 and 2013. The earning stream from these agreements is included in the amounts disclosed above.

Defeased Debt

During 2002, the Authority, in conjunction with the County, refunded Certificates of Participation totaling \$15,760,000. As a result, payments under the refunded capital leases are considered to be defeased, and the liability has been removed from the books. At December 31, 2014, the Authority’s share of amount of defeased debt outstanding is \$3,587,625.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements (Continued)
December 31, 2014 and 2013

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:

	<u>2014</u>	<u>2013</u>
Capital assets, net	\$ 53,184,312	\$ 49,934,947
Unamortized deferred loss on refunding of debt	826,922	1,258,360
Notes payable - current portion	(579,596)	(562,706)
Capital lease - current portion	(1,505,000)	(1,430,000)
Notes payable - noncurrent portion	(1,466,662)	(2,046,258)
Capital lease - noncurrent portion	(1,585,000)	(3,090,000)
Net unamortized premium	(47,208)	(71,838)
Accounts payable incurred for capital asset purchases	<u>(627,277)</u>	<u>(564,006)</u>
	<u>\$ 48,200,491</u>	<u>\$ 43,428,499</u>

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, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
Grants and contributions	\$ 14,945,086	\$ 5,705,275	\$ (9,239,811)
Building and land rental	2,427,477	2,451,427	23,950
Fuel and aircraft parking fees	3,300,000	3,746,901	446,901
Concession fees	208,300	240,370	32,070
Other airport operator fees	439,950	321,550	(118,400)
Custom fees	290,000	341,561	51,561
Interest income	50,000	102,987	52,987
Other operating income	206,670	264,360	57,690
	<u>21,867,483</u>	<u>13,174,431</u>	<u>(8,693,052)</u>
	<u>23,844,848</u>	<u>12,934,091</u>	<u>10,910,757</u>
Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,977,365)</u>	<u>\$ 240,340</u>	<u>\$ 2,217,705</u>
Expenditures			
Principal and interest	\$ 2,305,470	\$ 2,305,666	\$ (196)
Salaries and related payroll expense	2,193,754	2,010,399	183,355
Maintenance, repairs and operating supplies	492,900	395,025	97,875
Customs expense	190,000	221,572	(31,572)
Telephone and utilities	380,504	356,778	23,726
Insurance	142,466	102,945	39,521
Public relations	76,895	76,376	519
Travel and meetings	122,500	82,343	40,157
Firefighting services	23,000	156,130	(133,130)
Legal	160,000	44,537	115,463
Accounting and audit	41,975	40,500	1,475
Noise expense	86,900	67,267	19,633
Office expense	100,200	79,992	20,208
Office and equipment rental	24,368	24,724	(356)
Miscellaneous	67,500	35,200	32,300
Paying agent fees	2,400	2,640	(240)
Capital outlay	17,434,016	6,931,997	10,502,019
	<u>\$ 23,844,848</u>	<u>\$ 12,934,091</u>	<u>\$ 10,910,757</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, 2014

Revenues	
Total revenues (budgetary basis)	\$ 13,174,431
CAF income	<u>25,740</u>
Total revenues	<u>13,200,171</u>
Expenses	
Total expenditures (budgetary basis)	12,934,091
CAF expenses	21,686
Capital outlay	(6,931,997)
Note and capital lease principal payments	(1,992,706)
Depreciation and amortization	<u>4,096,526</u>
Total expenses	<u>8,127,600</u>
Changes in net position per statements of revenues, expenses and changes in net position	<u>\$ 5,072,571</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, 2013

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 10,264,850	\$ 1,511,717	\$ (8,753,133)
Building and land rental	2,380,328	2,399,914	19,586
Fuel and aircraft parking fees	3,160,000	3,515,139	355,139
Concession fees	196,300	219,028	22,728
Other airport operator fees	464,075	295,112	(168,963)
Custom fees	250,000	288,588	38,588
Interest income	77,000	64,258	(12,742)
Other income	199,148	241,246	42,098
Proceeds from notes receivable	200	7,066	6,866
	<u>16,991,901</u>	<u>8,542,068</u>	<u>(8,449,833)</u>
	<u>17,799,621</u>	<u>7,763,511</u>	<u>10,036,110</u>
Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (807,720)</u>	<u>\$ 778,557</u>	<u>\$ 1,586,277</u>
Expenditures			
Principal and interest	\$ 2,307,300	\$ 2,307,252	\$ 48
Salaries and related payroll expense	1,903,636	1,854,342	49,294
Maintenance, repairs and operating supplies	470,400	405,385	65,015
Customs expense	180,000	192,774	(12,774)
Telephone and utilities	359,300	338,069	21,231
Insurance	125,000	120,077	4,923
Public relations	62,795	54,134	8,661
Travel and meetings	85,100	84,730	370
Legal	170,000	41,968	128,032
Noise expense	40,500	40,500	-
Office expense	44,900	6,064	38,836
Office and equipment rental	98,100	75,968	22,132
Accounting and audit	23,373	24,249	(876)
Miscellaneous	37,500	19,887	17,613
Paying agent fees	2,400	2,400	-
Capital outlay	11,889,317	2,195,712	9,693,605
	<u>\$ 17,799,621</u>	<u>\$ 7,763,511</u>	<u>\$ 10,036,110</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, 2013

Revenues	
Total revenues (budgetary basis)	\$ 8,542,068
CAF income	14,882
Proceeds from notes receivable	<u>(7,066)</u>
Total revenues	<u>8,549,884</u>
Expenses	
Total expenditures (budgetary basis)	7,763,511
CAF expenses	9,027
Capital outlay	(2,195,712)
Note and capital lease principal payments	(1,906,310)
Depreciation and amortization	<u>4,153,041</u>
Total expenses	<u>7,823,557</u>
Changes in net position per statements of revenues, expenses and changes in net position	<u>\$ 726,327</u>

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 basic financial statements of Arapahoe County Public Airport Authority (the Authority), a component unit of Arapahoe County, Colorado, which comprise the statement of net position as of December 31, 2014, 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 basic financial statements, and have issued our report thereon dated May 12, 2015.

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, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
May 12, 2015