

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

Years Ended December 31, 2015 and 2014

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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 statements of net position as of December 31, 2015 and 2014, and statements of revenues, expenses and changes in net position and statements of cash flows and the related notes to the basic financial statements for the years ended December 31, 2015 and 2014, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2015 and 2014, 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 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 13, 2016, 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 13, 2016

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

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, 2015 and 2014. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The business environment at the airport remained stable in 2015. The number of operations and the number of gallons of fuel sold increased from 2014. The revenue to the Authority from fuel sales increased; however tax revenues decreased from the 2014 tax revenues due to the decreased price of fuel. Building and land rentals increased slightly from 2014 to 2015. The Authority's operating expenses exceeded operating revenues in 2015. Overall, operating revenues for 2015 decreased when compared to 2014.
- The assets and deferred outflows of resources of the Authority exceeded its liabilities at December 31, 2015 by \$61.5 million (net position). Of the net position balance, \$6.1 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2015 net position increased by \$5.2 million, or 9.23%, from 2014. This is related primarily to grants and capital contributions and debt reduction.
- The Authority's operating revenues decreased to \$6.9 million, or 5.24%, from 2014, while operating expenses, net of depreciation, increased to \$3.9 million. Depreciation expense when compared to 2014 increased to \$3.9 million or 5.17% from 2014. This resulted in an operating loss of \$868,436, before other non-operating revenues, expense, grants and capital contributions in 2015.
- During 2015 the Authority made capital investments of \$7.9 million.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**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, 2015 and 2014**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**NET POSITION**

**Condensed Statements of Net Position**

	<b>December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	\$ 5,708,316	\$ 5,709,225	\$ 5,639,690
Capital assets	57,184,990	53,184,312	49,934,947
Other assets	2,652,062	2,656,796	2,419,158
<b>Total assets</b>	<b>65,545,368</b>	<b>61,550,333</b>	<b>57,993,795</b>
Deferred outflows of of resources	395,484	826,922	1,258,360
Current liabilities	3,808,994	2,979,725	2,822,970
Noncurrent liabilities	653,320	3,115,165	5,219,391
<b>Total liabilities</b>	<b>4,462,314</b>	<b>6,094,890</b>	<b>8,042,361</b>
Net investment in capital assets	53,767,756	48,200,491	43,428,499
Restricted	1,582,934	1,589,519	1,595,775
Unrestricted	6,127,848	6,492,355	6,185,520
<b>Total net position</b>	<b>\$ 61,478,538</b>	<b>\$ 56,282,365</b>	<b>\$ 51,209,794</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**Comparison of Condensed Statement of Net Position**



2015

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$5.2 million in 2015 to \$61.5 million. This is up from \$56.3 million in 2014. The chart also shows that the 2015 change in net asset position is a result of the changes in total assets and deferred outflows, which increased by \$3.6 million and total liabilities, which decreased by \$1.6 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.

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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues	\$ 6,947,017	\$ 7,331,308	\$ 6,935,248
Nonoperating revenues	101,221	163,588	102,919
<b>Total revenues</b>	<b>7,048,238</b>	<b>7,494,896</b>	<b>7,038,167</b>
Depreciation expense	3,873,111	3,682,632	3,739,150
Other operating expenses	3,942,342	3,693,788	3,258,147
Nonoperating expenses	649,020	751,180	826,260
<b>Total expenses</b>	<b>8,464,473</b>	<b>8,127,600</b>	<b>7,823,557</b>
<b>Grants and capital contributions</b>	<b>6,612,408</b>	<b>5,705,275</b>	<b>1,511,717</b>
<b>Change in net position</b>	<b>5,196,173</b>	<b>5,072,571</b>	<b>726,327</b>
Total net position, January 1	56,282,365	51,209,794	50,483,467
<b>Ending net position</b>	<b>\$ 61,478,538</b>	<b>\$ 56,282,365</b>	<b>\$ 51,209,794</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**Comparison of Revenues, Expenses, Grants and Fund Net Position**



2015

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 2015. This is due to the grants and capital contributions received in 2015.

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

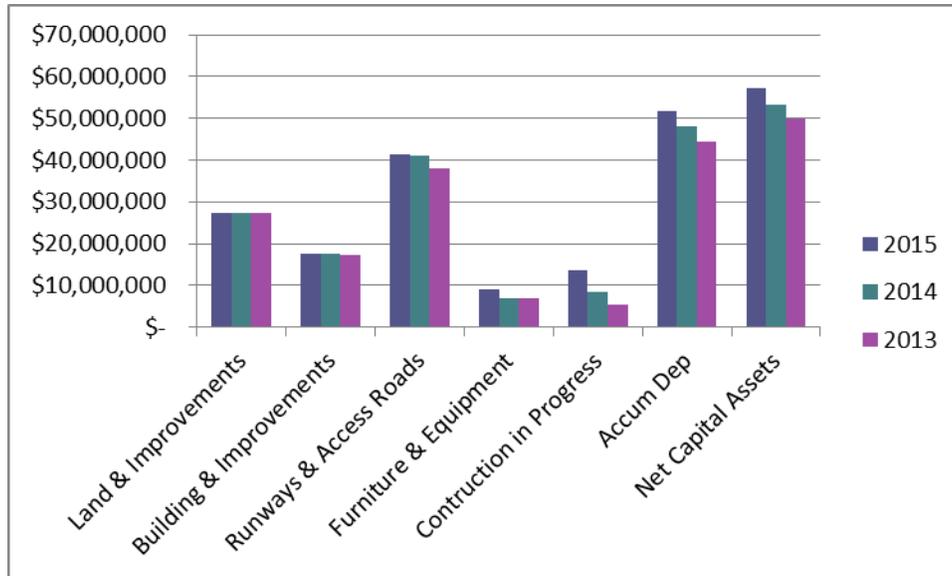
**CAPITAL ASSETS**

During 2015, the Authority invested \$7.9 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 2014 the Authority invested \$6.9 million in a broad range of capital improvements.

	<b>Capital Assets</b>		
	<b>December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Land and site improvements	\$ 27,245,453	\$ 27,245,453	\$ 27,210,473
Buildings and improvements	17,685,289	17,557,131	17,166,689
Runways, taxiways and ramps	41,337,742	41,193,386	37,867,970
Furniture and equipment	8,978,911	6,855,518	6,741,131
Construction in progress	13,697,985	8,294,350	5,458,750
<b>Subtotal</b>	<b>108,945,380</b>	<b>101,145,838</b>	<b>94,445,013</b>
Less accumulated depreciation	51,760,390	47,961,526	44,510,066
<b>Net capital assets</b>	<b>\$ 57,184,990</b>	<b>\$ 53,184,312</b>	<b>\$ 49,934,947</b>

**Arapahoe County Public Airport Authority**  
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**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**Comparison of Capital Assets**



**Major Improvements to the Airport in 2015:**

- Airport improvements implemented with grant funds included:
  - Completion of the installation of noise monitoring equipment
  - Continuation of Runway 10/28
  - Rehabilitation of Taxiway A
  - Extension of Taxiway C
  - Development of Noise Exposure Maps
  - Continuation of Alert Notification System
  - Purchase of Airfield Rescue and Firefighting Equipment
  
- Other major capital investments during the year included:
  - Design of Rehabilitation of Runway 17L35R
  - Airfield striping and paving
  - Parking lot rehabilitation
  - Taxilane rehabilitation
  - Directory sign upgrades
  - Upgrade security gates and cameras
  - Upgrade computers, software and servers
  - Various furniture, equipment and vehicle purchases

The continued work on the grant funded projects is the primary cause of the increase in construction in progress of \$5.4 million in 2015.

**Arapahoe County Public Airport Authority**  
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**Management's Discussion and Analysis (Continued)**  
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**Years Ended December 31, 2015 and 2014**

**LONG-TERM DEBT**

At the end of 2015, the Authority had total debt outstanding, excluding unamortized premium from debt issuance, of \$3.1 million. Of this amount, \$1.6 million represented a capital lease secured by land and \$1.5 million represented notes secured by future tax revenue and land.

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.

The Authority's debt coverage ratio is detailed in the schedule below. Debt coverage decreased slightly in 2015 as net revenues decreased. This is a reflection of the decrease in revenue from fuel tax revenue and construction fees and a greater than normal increase in expenses due to the addition of a second U.S. customs agent and legal fees for a proposed hangar purchase.

**Debt Coverage Ratio**

	<b>Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues	\$ 6,947,017	\$ 7,331,308	\$ 6,935,248
Nonoperating revenues	101,221	163,588	102,919
<b>Total revenues</b>	<b>7,048,238</b>	<b>7,494,896</b>	<b>7,038,167</b>
Operating expenses, less depreciation	3,942,342	3,693,788	3,258,147
Nonoperating expenses, less interest	21,688	31,412	18,513
<b>Total expenses, less depreciation and interest expense</b>	<b>3,964,030</b>	<b>3,725,200</b>	<b>3,276,660</b>
<b>Net revenues</b>	<b>3,084,208</b>	<b>3,769,696</b>	<b>3,761,507</b>
<b>Annual debt service</b>	<b>2,315,870</b>	<b>2,317,345</b>	<b>2,317,345</b>
<b>Debt coverage ratio</b>	<b>1.33</b>	<b>1.63</b>	<b>1.62</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2015 and 2014**

**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 2015. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2015 were \$5.4 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 2015 was \$4.0 million lower than budgeted primarily because FAA grant reimbursements were less than budgeted.

**ECONOMIC FACTORS**

- The *IMF World Economic Outlook Update (10/2015)* reported that global growth remains moderate. They reported that global growth is projected for 2015 at 3.1 percent which is lower than forecasted in 2014. In January 2016, they projected global growth for 2016 at 3.4 percent. In January 2016, they also reported that in advanced economies, a modest and uneven recovery is expected to continue.
- 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 2015 compared to 2014, which was lower than 2013. The rate at the end of 2015 was 5.0%, which was lower than the 5.6% rate at the end of 2014, which was lower than the 6.7% rate at the end of 2013.
- The Metro Denver Economic Development Corporation reported in their *2016 Economic Forecast* that Colorado is expected to be among the top 15 states for employment growth in 2015. Colorado's expanding employment base, high quality of life and increasing presence in the global business community will continue to attract individuals and businesses to the state. However, the region is challenged by the low price of oil as Colorado was ranked as the country's seventh largest oil producer in 2014. While this industry has large multiplier effects, the state's diversified economic base should help it weather the employment declines resulting from a slowdown in exploration activity due to the low price of oil.

**Arapahoe County Public Airport Authority**  
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- According to the *2015 GAMA Statistical Databook & 2016 Industry Outlook* in 2015, \$28 billion in new general aviation aircraft were delivered, but year-end results were mixed across the market segments and among manufacturers. The North American market, in particular the United States, provided stronger delivery numbers than other aviation markets. Business jet shipments were mostly flat in 2015 compared to 2014. Piston airplane shipments and delivery of turboprop airplanes declined; however, piston rotocraft shipments increased in 2015. For turbine aircraft operators, the worldwide business aircraft fleet continued to grow in 2015 and the number of active operators is also growing. The report stated that the global fractional aircraft fleet has stabilized. According to the report, the number of active pilots in the United States continues on a downward trajectory.
- The Authority continues to be eligible for FAA grants. New grants awarded in 2016 under the Airport Improvement Program are expected to require a 10% match.
- Most major airport tenants are well capitalized and the overall picture for airports is positive.
- 2015 airport operations and fuel sales increased. The price of jet aviation fuel declined from 2014. This price decline impacted the Authority's revenue from sales tax.
- Interest rates paid on investments increased slightly from 2014.

These factors were considered when the Authority prepared its 2016 budget. In 2015, business activity experienced a slow recovery that is expected to continue into 2016. 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:

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**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Net Position**  
**December 31, 2015 and 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,842,771	\$ 4,088,638
Investments - unrestricted	33,516	35,988
Investments - restricted	6,934	13,519
Receivables		
Trade, net of allowance; 2015 and 2014 - \$0	785,579	583,971
Grants	666,700	651,761
Due from other governments	231,271	207,983
Prepaid expenses	<u>141,545</u>	<u>127,365</u>
Total current assets	<u>5,708,316</u>	<u>5,709,225</u>
<b>Noncurrent Assets</b>		
Capital assets		
Nondepreciable	39,929,412	34,525,777
Depreciable	<u>69,015,968</u>	<u>66,620,061</u>
Total capital assets	108,945,380	101,145,838
Accumulated depreciation	<u>(51,760,390)</u>	<u>(47,961,526)</u>
Net capital assets	<u>57,184,990</u>	<u>53,184,312</u>
Other assets		
Investments - reserve funds	1,576,000	1,576,000
Investments - unrestricted	833,682	824,903
Other receivable	235,886	242,313
Prepaid bond insurance	<u>6,494</u>	<u>13,580</u>
Total other assets	<u>2,652,062</u>	<u>2,656,796</u>
Total noncurrent assets	<u>59,837,052</u>	<u>55,841,108</u>
Total assets	<u>65,545,368</u>	<u>61,550,333</u>
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding of debt	<u>395,484</u>	<u>826,922</u>
Total deferred outflows of resources	<u>395,484</u>	<u>826,922</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Net Position (Continued)**  
**December 31, 2015 and 2014**

**Liabilities**

	<u>2015</u>	<u>2014</u>
<b>Current Liabilities</b>		
Accounts and contracts payable	\$ 1,229,554	\$ 775,875
Accrued liabilities	32,806	23,724
Accrued interest payable	15,572	26,323
Unearned revenue	24,453	2,367
Compensated absences	69,554	66,840
Notes payable	852,055	579,596
Capital lease payable	<u>1,585,000</u>	<u>1,505,000</u>
Total current liabilities	<u>3,808,994</u>	<u>2,979,725</u>
<b>Noncurrent liabilities</b>		
Capital lease payable	-	1,585,000
Net unamortized premium	22,578	47,208
Notes payable	614,607	1,466,662
Deposits	<u>16,135</u>	<u>16,295</u>
Total noncurrent liabilities	<u>653,320</u>	<u>3,115,165</u>
Total liabilities	<u>4,462,314</u>	<u>6,094,890</u>
<b>Net Position</b>		
Net investment in capital assets	53,767,756	48,200,491
Restricted	1,582,934	1,589,519
Unrestricted	<u>6,127,848</u>	<u>6,492,355</u>
Total net position	<u>\$ 61,478,538</u>	<u>\$ 56,282,365</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues		
Building and land rental	\$ 2,509,053	\$ 2,451,427
Fuel and aircraft parking fees	3,578,010	3,746,901
Concession fees	277,316	240,370
Other airport operator fees	77,294	321,550
Custom fees	285,203	341,561
Other operating revenues	<u>220,141</u>	<u>229,499</u>
Total operating revenues	<u>6,947,017</u>	<u>7,331,308</u>
Operating expenses		
Depreciation	3,873,111	3,682,632
Salaries and related payroll expenses	2,157,569	2,010,399
Maintenance, repairs and operating supplies	493,061	395,025
Customs expense	286,155	221,572
Telephone and utilities	351,496	356,778
Insurance	112,503	102,945
Public relations	70,691	76,376
Travel and meetings	101,746	82,343
Firefighting services	14,211	156,130
Legal	127,068	44,537
Accounting and audit	31,000	40,500
Noise expense	36,727	67,267
Office expense	108,878	79,992
Office and equipment expense	30,899	24,724
Miscellaneous	<u>20,338</u>	<u>35,200</u>
Total operating expenses	<u>7,815,453</u>	<u>7,376,420</u>
Operating loss	<u>(868,436)</u>	<u>(45,112)</u>
Nonoperating revenues (expenses)		
Investment income	84,712	102,987
Interest expense	(627,332)	(719,768)
Paying agent fee	(2,640)	(2,640)
Bond insurance amortization	(7,086)	(7,086)
Gain on disposition of capital assets	1,321	34,861
Centennial Airport Foundation income	15,188	25,740
Centennial Airport Foundation expense	<u>(11,962)</u>	<u>(21,686)</u>
Total nonoperating revenues (expenses)	<u>(547,799)</u>	<u>(587,592)</u>
Loss before grants and capital contributions	(1,416,235)	(632,704)
Grants and capital contributions	<u>6,612,408</u>	<u>5,705,275</u>
Change in net position	5,196,173	5,072,571
Total net position, beginning of year	<u>56,282,365</u>	<u>51,209,794</u>
Total net position, end of year	<u>\$ 61,478,538</u>	<u>\$ 56,282,365</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Cash received		
Services provided	\$ 4,256,609	\$ 4,615,167
Building and land rentals	2,509,053	2,451,427
Cash payments		
Suppliers of goods and services	(1,468,437)	(1,651,903)
Employees for services	(2,145,773)	(2,057,553)
	<u>3,151,452</u>	<u>3,357,138</u>
Net cash provided by operating activities		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(7,135,311)	(6,304,720)
Payment of payables incurred for capital asset acquisition	(627,277)	(564,006)
Interest paid on long-term debt	(231,275)	(323,238)
Proceeds from grants and capital contributions	6,597,469	5,467,608
Principal paid on capital leases	(1,505,000)	(1,430,000)
Principal paid on notes payable	(579,596)	(562,706)
Payments of agency fees	(2,640)	(2,640)
Proceeds from disposition of capital assets	1,321	34,861
	<u>(3,482,309)</u>	<u>(3,684,841)</u>
Net cash used in capital and related financing activities		
<b>Cash Flows From Investing Activities</b>		
Interest received	95,521	89,957
Purchase of investments	(585,557)	-
Proceeds from maturity of investments	575,026	-
	<u>84,990</u>	<u>89,957</u>
Net cash provided by investing activities		
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(245,867)</u>	<u>(237,746)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,088,638</u>	<u>4,326,384</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,842,771</u>	<u>\$ 4,088,638</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of Operating Income to Net</b>		
<b>Cash Provided By Operating Activities</b>		
Operating loss	\$ (868,436)	\$ (45,112)
Depreciation expense	3,873,111	3,682,632
Foundation activity	3,226	4,054
Changes in operating assets and liabilities		
Accounts receivable	(218,469)	(295,701)
Prepaid expenses	(14,180)	(5,607)
Accounts payable	342,478	58,779
Accrued liabilities	9,082	(55,031)
Compensated absences	2,714	7,877
Deposits	(160)	5,000
Unearned revenue	22,086	247
	<u>22,086</u>	<u>247</u>
Net cash provided by operating activities	<u>\$ 3,151,452</u>	<u>\$ 3,357,138</u>
<b>Supplemental Cash Flows Information</b>		
<b>Noncash Investing Activities</b>		
Fair market value adjustment	\$ 1,752	\$ 2,411
<b>Noncash Capital and Related Financing Activities</b>		
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	738,478	627,277

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

**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. 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.

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 recognized as a component of other income when the qualifying expenditures under the specific grant are incurred.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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

**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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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 25% and 24% of total operating revenues for the years ended December 31, 2015 and 2014, respectively. In addition, this same FBO accounts for 30% of year-end accounts receivable at December 31, 2015 and 2014.

**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.

**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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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, 2015 and 2014 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, 2015 and 2014, the Authority’s cash deposits and cash on hand had carrying balances of \$1,938,695 and \$541,912, respectively. The bank balances were as follows:

	2015	2014
Insured deposits	\$ 2,010,586	\$ 609,471

**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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had the following investments at December 31, 2015:

Investment Type	Maturity	Fair Value
FHLB Note	6/1/2016*	\$ 1,591,890
FHLB Bond	05/24/2017	304,481
TVA Bond	05/15/2018	279,566
Certificate of Deposit	11/20/2018	249,635
COLOTRUST (unrestricted)		1,898,919
COLOTRUST (restricted)		6,934
Other investments		<u>22,783</u>
Total investments		<u>\$ 4,354,208</u>
Statement of net position classification		
Cash and cash equivalents		\$ 1,904,076
Investments - unrestricted		867,198
Investments - restricted		6,934
Investments - reserve fund		<u>1,576,000</u>
Total		<u>\$ 4,354,208</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, 2015 and 2014**

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	05/12/2016	274,986
FNMA Note	05/15/2017	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.

**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**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

As of December 31, 2015 and 2014, the Authority had \$1,905,853 and \$3,550,709, respectively, invested in 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. 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, 2015 and 2014. The FHLB Note was rated A-1+ and P-1, respectively, by Standard and Poor's and Moody's as of December 31, 2015 and 2014. The Tennessee Valley Authority Bond was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, as of December 31, 2015. The Federal Farm Credit Bank Note was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, as of December 31, 2014. The FNMA Note was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, as of December 31, 2014.

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

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, 2015 and 2014, the Authority's investment in U.S. Governmental Agencies constituted 44% and 37%, respectively, of its total investments.

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, 2015 and 2014, the cash and investments are reflected on the Statement of Net Position as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,842,771	\$ 4,088,638
Unrestricted investments	867,198	860,891
Restricted investments	6,934	13,519
Reserve funds	<u>1,576,000</u>	<u>1,576,000</u>
Total cash and investments	<u>\$ 6,292,903</u>	<u>\$ 6,539,048</u>

At December 31, 2015 and 2014, cash and cash equivalents are comprised of the following:

	<u>2015</u>	<u>2014</u>
Cash deposits and cash on hand	\$ 1,938,695	\$ 541,912
Other liquid investment	5,157	9,536
COLOTRUST	<u>1,898,919</u>	<u>3,537,190</u>
Total cash and cash equivalents	<u>\$ 3,842,771</u>	<u>\$ 4,088,638</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**NOTE 3 – CAPITAL ASSETS**

A summary of changes to capital assets for the year ended December 31, 2015 follows:

	<b>Balance 12/31/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 12/31/2015</b>
<b>Capital assets, not depreciated</b>					
Construction in progress	\$ 8,294,350	\$ 7,440,800	\$ -	\$ (2,037,165)	\$ 13,697,985
Land	25,231,427	-	-	-	25,231,427
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>34,525,777</u>	<u>7,440,800</u>	<u>-</u>	<u>(2,037,165)</u>	<u>39,929,412</u>
<b>Capital assets, being depreciated</b>					
Site improvements	1,014,026	-	-	-	1,014,026
Buildings and improvements	17,557,131	45,510	-	82,648	17,685,289
Runways, taxiways and ramps	41,193,386	-	-	144,356	41,337,742
Furniture and equipment	6,855,518	387,479	74,247	1,810,161	8,978,911
Total capital assets, being depreciated	<u>66,620,061</u>	<u>432,989</u>	<u>74,247</u>	<u>2,037,165</u>	<u>69,015,968</u>
<b>Accumulated depreciation</b>					
Site improvements	(567,083)	(25,417)	-	-	(592,500)
Buildings and improvements	(14,881,189)	(358,375)	-	-	(15,239,564)
Runways, taxiways and ramps	(27,841,844)	(2,634,722)	-	-	(30,476,566)
Furniture and equipment	(4,671,410)	(854,597)	(74,247)	-	(5,451,760)
Total accumulated depreciation	<u>(47,961,526)</u>	<u>(3,873,111)</u>	<u>(74,247)</u>	<u>-</u>	<u>(51,760,390)</u>
Net capital assets, being depreciated	<u>18,658,535</u>	<u>(3,440,122)</u>	<u>-</u>	<u>2,037,165</u>	<u>17,255,578</u>
Total capital assets, net	<u>\$ 53,184,312</u>	<u>\$ 4,000,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,184,990</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

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

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/2014</u>
<b>Capital assets,</b>					
<b>not depreciated</b>					
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>
<b>Capital assets,</b>					
<b>being depreciated</b>					
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>
<b>Accumulated depreciation</b>					
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, 2015 and 2014**

**NOTE 4 – NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2015 follows:

	<b>Balance December 31, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2015</b>	<b>Amounts Due in One Year</b>
Capital lease payable	\$ 3,090,000	\$ -	\$ 1,505,000	\$ 1,585,000	\$ 1,585,000
Notes payable	2,046,258	-	579,596	1,466,662	852,055
Net unamortized premium	<u>47,208</u>	<u>-</u>	<u>24,630</u>	<u>22,578</u>	<u>-</u>
Total	<u>\$ 5,183,466</u>	<u>\$ -</u>	<u>\$ 2,109,226</u>	<u>\$ 3,074,240</u>	<u>\$ 2,437,055</u>

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

	<b>Balance December 31, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2014</b>	<b>Amounts Due in One Year</b>
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>\$ 7,200,802</u>	<u>\$ -</u>	<u>\$ 2,017,336</u>	<u>\$ 5,183,466</u>	<u>\$ 2,084,596</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.

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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

There are a number of covenants contained in the lease agreement. At December 31, 2015 and 2014, 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>
2016	\$ 1,585,000	\$ 83,213	\$ 1,668,213

**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, 2015 is \$1,211,312.

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, 2015 is \$255,350.

Scheduled note principal and interest payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 852,055	\$ 43,998	\$ 896,053
2017	<u>614,607</u>	<u>18,438</u>	<u>633,045</u>
Total	<u>\$ 1,466,662</u>	<u>\$ 62,436</u>	<u>\$ 1,529,098</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Capital lease agreement: one-sixth of the next rental payment	\$ 6,934	\$ 13,519
Reserve fund	1,576,000	1,576,000
Total	\$ 1,582,934	\$ 1,589,519

**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 \$4,161,665 and \$5,611,765 in FAA funding in 2015 and 2014, 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 \$3,945,741 and \$849,263 at December 31, 2015 and 2014, 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, 2015 and 2014 of \$666,700 and \$617,725, 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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

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:

	2015	2014
Total payroll for the year	\$ 1,641,919	\$ 1,581,246
Base salary for contribution calculation	1,440,285	1,440,619
Employee contributions	113,793	110,092
Authority contributions	71,496	71,371

**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 2015 and 2014.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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>
2016	\$ 1,842,020
2017	1,811,208
2018	1,814,364
2019	1,847,909
2020	2,268,828
Thereafter	<u>157,384,089</u>
Total	<u>\$ 166,968,418</u>

Revenues under these leases amounted to \$2,509,053 and \$2,451,427 during 2015 and 2014, 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 2015 and 2014. 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, 2015, the Authority’s share of amount of defeased debt outstanding is \$1,793,813.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2015 and 2014**

**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>2015</u>	<u>2014</u>
Capital assets, net	\$ 57,184,990	\$ 53,184,312
Unamortized deferred loss on refunding of debt	395,484	826,922
Notes payable - current portion	(852,055)	(579,596)
Capital lease - current portion	(1,585,000)	(1,505,000)
Notes payable - noncurrent portion	(614,607)	(1,466,662)
Capital lease - noncurrent portion	-	(1,585,000)
Net unamortized premium	(22,578)	(47,208)
Accounts payable incurred for capital asset purchases	<u>(738,478)</u>	<u>(627,277)</u>
	<u>\$ 53,767,756</u>	<u>\$ 48,200,491</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, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>
<b>Revenues</b>			
Grants and contributions	\$ 10,540,765	\$ 6,612,408	\$ (3,928,357)
Building and land rental	2,480,563	2,509,053	28,490
Fuel and aircraft parking fees	3,590,000	3,578,010	(11,990)
Concession fees	219,500	277,316	57,816
Other airport operator fees	170,100	77,294	(92,806)
Custom fees	360,000	285,203	(74,797)
Interest income	70,000	84,712	14,712
Other operating and non-operating income	250,608	221,462	(29,146)
<b>Total revenues</b>	<b>17,681,536</b>	<b>13,645,458</b>	<b>(4,036,078)</b>
<b>Expenditures</b>	<b>19,506,729</b>	<b>14,123,892</b>	<b>5,382,837</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (1,825,193)</b>	<b>\$ (478,434)</b>	<b>\$ 1,346,759</b>
<b>Expenditures</b>			
Principal and interest	\$ 2,302,441	\$ 2,305,120	\$ (2,679)
Salaries and related payroll expense	2,204,397	2,157,569	46,828
Maintenance, repairs and operating supplies	537,400	493,061	44,339
Customs expense	325,000	286,155	38,845
Telephone and utilities	392,700	351,496	41,204
Insurance	126,440	112,503	13,937
Public relations	92,600	70,691	21,909
Travel and meetings	127,000	101,746	25,254
Firefighting services	20,000	14,211	5,789
Legal	80,000	127,068	(47,068)
Accounting and audit	41,975	31,000	10,975
Noise expense	74,500	36,727	37,773
Office expense	99,200	108,878	(9,678)
Office and equipment rental	25,327	30,899	(5,572)
Miscellaneous	77,500	20,338	57,162
Paying agent fees	2,400	2,640	(240)
Capital outlay	12,977,849	7,873,790	5,104,059
<b>Total expenditures</b>	<b>\$ 19,506,729</b>	<b>\$ 14,123,892</b>	<b>\$ 5,382,837</b>

**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, 2015**

Revenues	
Total revenues (budgetary basis)	\$ 13,645,458
CAF income	<u>15,188</u>
Total revenues	<u>13,660,646</u>
Expenses	
Total expenditures (budgetary basis)	14,123,892
CAF expenses	11,962
Capital outlay	(7,873,790)
Note and capital lease principal payments	(2,084,596)
Depreciation and amortization	<u>4,287,005</u>
Total expenses	<u>8,464,473</u>
Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ 5,196,173</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, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues</b>			
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	<u>206,670</u>	<u>264,360</u>	<u>57,690</u>
Total revenues	21,867,483	13,174,431	(8,693,052)
<b>Expenditures</b>	<u>23,844,848</u>	<u>12,934,091</u>	<u>10,910,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,977,365)</u>	<u>\$ 240,340</u>	<u>\$ 2,217,705</u>
<b>Expenditures</b>			
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	<u>17,434,016</u>	<u>6,931,997</u>	<u>10,502,019</u>
Total expenditures	<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><u>\$ 5,072,571</u></u>
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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, 2015, 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 13, 2016.

***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 13, 2016