

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

Financial Statements

Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

Board of Commissioners
Arapahoe County Public Airport Authority
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Arapahoe County Public Airport Authority (the Authority), a component unit of Arapahoe County, Colorado, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018 and 2017, 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.

Board of Commissioners
Arapahoe County Public Airport Authority

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary 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 also have issued our report dated May 8, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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 8, 2019

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis
(Unaudited)
Years Ended December 31, 2018 and 2017

This section of the Arapahoe County Public Airport Authority's (the Authority) annual financial report presents our narrative and analysis of the Authority's financial performance during the years ended December 31, 2018 and 2017. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The business environment at the airport remained stable in 2018. The number of operations increased from 2017 and the number of gallons of fuel sold also increased from 2017. The revenue to the Authority from fuel sales was less than 2017 because the fuel flowage fees decreased in 2018. In 2008, these fuel flowage fees were increased to cover debt service for a loan from the State Infrastructure Bank. That debt was paid in full in 2017 and the fuel flowage fee rates were reduced to the previous levels in 2018. Building and land rentals increased slightly from 2017 to 2018. Overall, operating revenues for 2018 decreased slightly when compared to 2017. The Authority's operating expenses exceeded operating revenues in 2018.
- The assets of the Authority exceeded its liabilities at December 31, 2018 by \$65.5 million (net position). Of the net position balance, \$7.4 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2018 net position decreased by \$1.7 million, or 2.47%, from 2017. This is related primarily to the decrease in grants and capital contributions.
- The Authority's operating revenues decreased to \$7.1 million, or 0.77%, from 2017, while operating expenses, less depreciation, increased to \$4.2 million, or 3.9%. Depreciation expense increased to \$5.1 million, or 1.8%, in 2018. This resulted in an operating loss of \$2.1 million, before other non-operating revenue, expense, grants and capital contributions in 2018.
- In 2018, the Authority obtained a loan for construction of a new Aviation Community and Administrative Facility in the amount of \$8,000,000, which was outstanding at year end.
- During 2018, the Authority made capital investments of \$1.8 million.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

[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.

Statements of Net Position

The statements of net position provide information about the nature and amounts of investments in resources (assets) 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.

Statements of Revenues, Expenses and Changes in Position

The statements 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.

Statements of Cash Flows

The primary purpose of the statements 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, 2018 and 2017

FINANCIAL ANALYSIS OF THE AUTHORITY

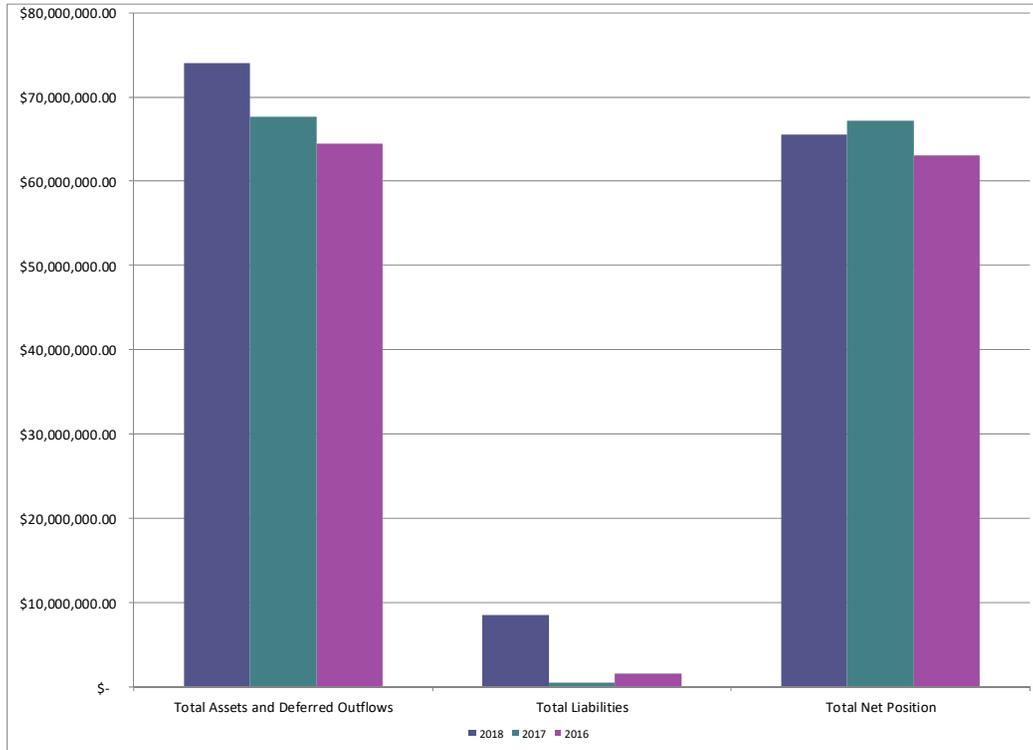
NET POSITION

Condensed Statements of Net Position

	December 31,		
	2018	2017	2016
Current assets	\$ 15,599,048	\$ 5,885,964	\$ 5,025,464
Capital assets	58,246,737	61,508,192	59,007,836
Other assets	205,034	212,747	504,426
Total assets	74,050,819	67,606,903	64,537,726
Current liabilities	1,242,142	425,153	1,484,808
Noncurrent liabilities	7,297,065	11,115	16,115
Total liabilities	8,539,207	436,268	1,500,923
Net investment in capital assets	58,077,318	61,345,369	58,051,845
Unrestricted	7,434,294	5,825,266	4,984,958
Total net position	\$ 65,511,612	\$ 67,170,635	\$ 63,036,803

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

Comparison of Condensed Statements of Net Position



2018

As can be seen from the condensed statements of net position and chart above, the total net position decreased by \$1.7 million in 2018 to \$65.5 million. This is down from \$67.2 million in 2017. The chart also shows that the 2018 change in net position is a result of the changes in total assets which increased by \$6.4 million and total liabilities, which increased by \$8.1 million. Total assets increased principally from an increase in cash and cash equivalents related to unspent proceeds from issuance of notes payable. The increase in total liabilities resulted largely from an increase in interest payable and long-term debt.

2017

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

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

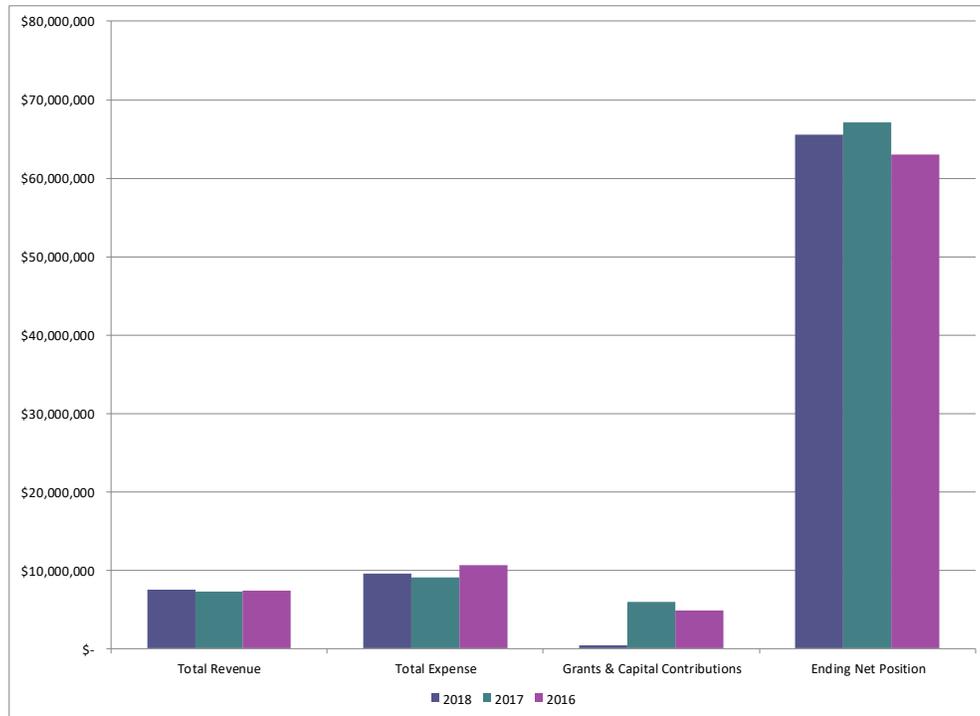
REVENUES, EXPENSES AND CHANGES IN NET POSITION

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2018	2017	2016
Operating revenues	\$ 7,146,865	\$ 7,202,053	\$ 7,137,176
Nonoperating revenues	335,074	82,885	202,656
Total revenues	7,481,939	7,284,938	7,339,832
Depreciation expense	5,069,585	4,978,765	4,332,910
Other operating expenses	4,211,583	4,051,278	4,135,765
Nonoperating expenses	291,315	39,999	2,125,707
Total expenses	9,572,483	9,070,042	10,594,382
Grants and capital contributions	431,521	5,918,936	4,812,815
Change in net position	(1,659,023)	4,133,832	1,558,265
Total net position, January 1	67,170,635	63,036,803	61,478,538
Ending net position	\$ 65,511,612	\$ 67,170,635	\$ 63,036,803

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

Comparison of Revenues, Expenses, Grants and Fund Net Position



2018

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 decreased in 2018. This is due to the decrease in grants and capital contributions received in 2018.

2017

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

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

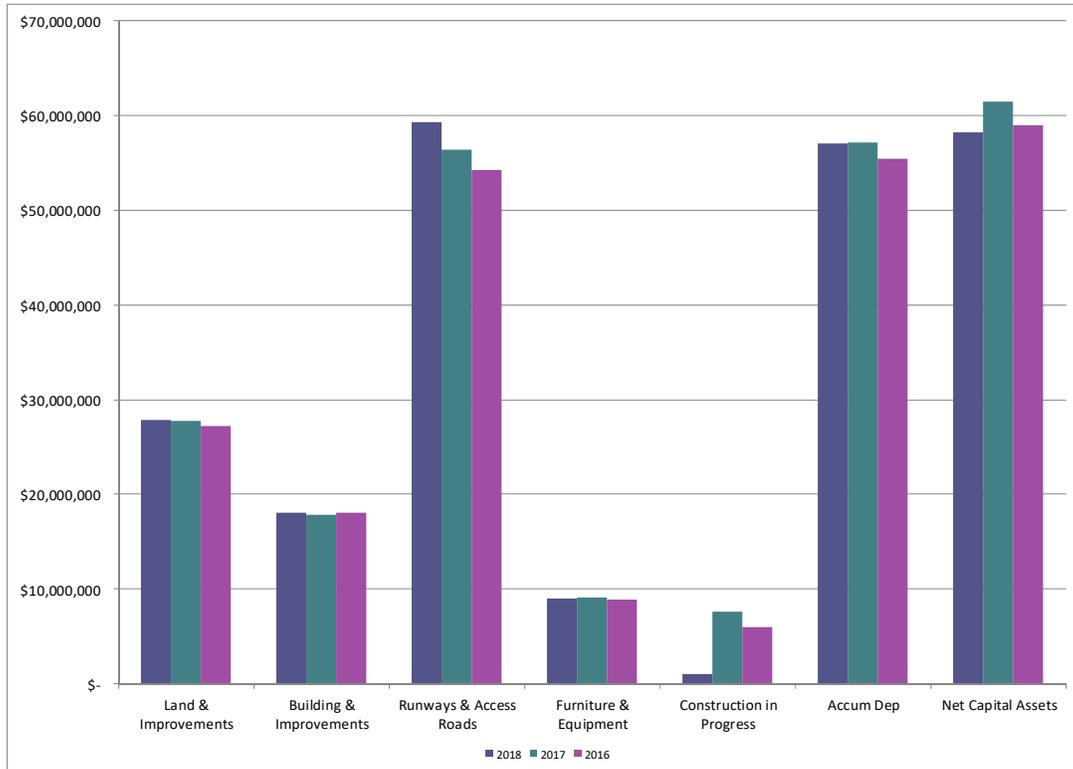
CAPITAL ASSETS

During 2018, the Authority invested \$1.8 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 2017, the Authority invested \$7.5 million in a broad range of capital improvements.

	Capital Assets		
	December 31,		
	2018	2017	2016
Land and site improvements	\$ 27,803,722	\$ 27,750,577	\$ 27,245,453
Buildings and improvements	18,076,850	17,839,400	18,046,699
Runways, taxiways and ramps	59,355,326	56,443,911	54,306,506
Furniture and equipment	9,009,309	9,097,259	8,889,916
Construction in progress	1,064,658	7,567,235	5,934,128
Subtotal	115,309,865	118,698,382	114,422,702
Less accumulated depreciation	57,063,128	57,190,190	55,414,866
Net capital assets	\$ 58,246,737	\$ 61,508,192	\$ 59,007,836

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

Comparison of Capital Assets



Major Improvements to the Airport in 2018:

- Airport improvements implemented with grant funds included:
 - Completion of the rehabilitation of Runway 17L/35R
 - Commencement of the Master Plan Upgrade and Geographic Information System

- Other major capital investments during the year included:
 - Design of new Aviation Community and Administrative Facility
 - Streetside Asphalt Improvement
 - Airfield Striping and Rubber Removal
 - Rehabilitation of Access Road
 - Seal Coat Taxilane C
 - Maintenance Building Improvements
 - Administration Building Improvements
 - Upgrade security gates and cameras
 - Upgrade computers, software and servers
 - Various equipment purchases

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

LONG-TERM DEBT

At the end of 2018, the Authority had total debt outstanding of \$8,000,000. This amount represents a note that will be secured by a deed of trust on the building being financed with the loan proceeds.

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

The Authority’s debt coverage ratio is detailed in the schedule below. Debt coverage increased in 2018 due to the reduction in annual debt service from 2017 to 2018. The annual debt service accrued in 2018 was seven months of interest on the 2018 loan.

Debt Coverage Ratio

	Years Ended December 31,		
	2018	2017	2016
Operating revenues	\$ 7,146,865	\$ 7,202,053	\$ 7,137,176
Nonoperating revenues	335,074	82,885	202,656
Total revenues	7,481,939	7,284,938	7,339,832
Operating expenses, less depreciation	4,211,583	4,051,278	4,135,765
Nonoperating expenses, less interest	174,055	26,006	1,636,717
Total expenses, less depreciation and interest expense	4,385,638	4,077,284	5,772,482
Net revenues	3,096,301	3,207,654	1,567,350
Annual debt service	117,260	628,600	2,533,137
Debt coverage ratio	26.41	5.10	0.62

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

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 2018. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2018 were \$11.9 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
- Deferred start of construction of the Aviation Community and Administrative Facility

The total revenue in 2018 was \$1.2 million lower than budgeted primarily because FAA grant reimbursements were less than budgeted.

ECONOMIC FACTORS

- The *IMF World Economic Outlook Update (10/2018)* reported that global growth is projected to remain near the 2017 levels of 3.7% in 2018 and 2019. In January 2019, they decreased the projected global growth for 2019 to 3.5%.
- There is uncertainty related to the U.S. administration relative to potential changes in policies and concern over U.S. congressional partisanship and how that may impact airports, the U.S. economy and the global economy.
- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, decreased in 2018 compared to 2017, which was lower than 2016. The rate at the end of 2018 was 3.9%, which was lower than the 4.4% rate at the end of 2017, which was lower than the 4.9% rate at the end of 2016.
- The Metro Denver Economic Development Corporation reported in their *2019 Economic Forecast* that they anticipate continued growth in Colorado but at a slower pace. The report also stated that national and international influences, including everything from policy uncertainty and national debt levels to tariffs and slowing growth with China, stand to impact the U.S. and Colorado.
- The *U.S News and World Report, 2018* ranked Denver as the second best place in the country to live based on the quality of life, job market, the value of living there, and the perception that it is a desirable place to live.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2018 and 2017

- The Authority continues to be eligible for FAA grants. New grants awarded in 2019 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.
- 2018 airport operations were greater than 2017 and fuel sales increased. The price of jet aviation fuel increased slightly in 2018.
- Interest rates paid on investments increased from 2017.

These factors were considered when the Authority prepared its 2019 budget. In 2018, business activity continued to grow, and that is expected to continue into 2019. The airport is in a competitive environment that results in low fuel prices for corporate airport customers, and this is not expected to abate. In 2018, the Authority obtained a loan for construction of an Aviation Community and Administrative Facility. The Authority’s income streams and liquidity will remain stable. The Authority continues to have sufficient cash reserves and is keeping expenses in line with the revenue stream.

CONTACT INFORMATION

If you have questions or need additional information please contact:

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Chief Financial Officer
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Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position
December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents, unrestricted	\$ 6,211,588	\$ 4,201,673
Cash and cash equivalents, restricted	8,000,000	-
Investments - unrestricted	-	287,037
Receivables		
Trade	721,962	732,090
Grants	229,815	213,388
Due from other governments	235,752	194,318
Prepaid expenses	<u>199,931</u>	<u>257,458</u>
Total current assets	<u>15,599,048</u>	<u>5,885,964</u>
Noncurrent Assets		
Capital assets		
Nondepreciable	27,854,354	34,303,786
Depreciable	<u>87,455,511</u>	<u>84,394,596</u>
Total capital assets	115,309,865	118,698,382
Accumulated depreciation	<u>(57,063,128)</u>	<u>(57,190,190)</u>
Net capital assets	<u>58,246,737</u>	<u>61,508,192</u>
Other assets		
Other receivable	<u>205,034</u>	<u>212,747</u>
Total other assets	<u>205,034</u>	<u>212,747</u>
Total noncurrent assets	<u>58,451,771</u>	<u>61,720,939</u>
Total assets	<u>\$ 74,050,819</u>	<u>\$ 67,606,903</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position (Continued)
December 31, 2018 and 2017

Liabilities

	2018	2017
Current Liabilities		
Accounts and contracts payable	\$ 264,667	\$ 290,614
Accrued liabilities	59,521	49,975
Accrued interest payable	117,260	-
Unearned revenue	2,770	10,439
Compensated absences	83,854	74,125
Note payable	714,070	-
Total current liabilities	1,242,142	425,153
Noncurrent liabilities		
Note payable, less current maturities	7,285,930	-
Deposits	11,135	11,115
Total noncurrent liabilities	7,297,065	11,115
Total liabilities	8,539,207	436,268
Net Position		
Net investment in capital assets	58,077,318	61,345,369
Unrestricted	7,434,294	5,825,266
Total net position	\$ 65,511,612	\$ 67,170,635

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Building and land rental	\$ 2,613,417	\$ 2,602,460
Fuel and aircraft parking fees	3,398,136	3,670,664
Concession fees	298,248	311,024
Other airport operator fees	241,330	77,651
Custom fees	297,082	277,498
Other operating revenues	<u>298,652</u>	<u>262,756</u>
Total operating revenues	<u>7,146,865</u>	<u>7,202,053</u>
Operating expenses		
Depreciation	5,069,585	4,978,765
Salaries and related payroll expenses	2,516,392	2,408,066
Maintenance, repairs and operating supplies	473,671	429,122
Customs expense	307,448	331,882
Telephone and utilities	370,712	364,235
Insurance	117,080	115,956
Public relations	70,467	46,358
Travel and meetings	104,076	91,235
Firefighting services	9,164	7,037
Legal	36,610	30,767
Accounting and audit	43,000	45,900
Noise expense	35,520	35,055
Office expense	88,131	82,296
Office and equipment expense	29,246	32,122
Miscellaneous	10,066	29,747
Studies requested by B.O.C.	<u>-</u>	<u>1,500</u>
Total operating expenses	<u>9,281,168</u>	<u>9,030,043</u>
Operating loss	<u>(2,134,303)</u>	<u>(1,827,990)</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Nonoperating revenues (expenses)		
Investment income	78,239	23,614
Interest expense	(117,260)	(13,993)
Gain on disposition of capital assets	41,298	40,572
Centennial Airport Foundation income	215,537	18,699
Centennial Airport Foundation expense	<u>(174,055)</u>	<u>(26,006)</u>
Total nonoperating revenues (expenses)	<u>43,759</u>	<u>42,886</u>
Loss before grants and capital contributions	(2,090,544)	(1,785,104)
Grants and capital contributions	<u>431,521</u>	<u>5,918,936</u>
Change in net position	(1,659,023)	4,133,832
Total net position, beginning of year	<u>67,170,635</u>	<u>63,036,803</u>
Total net position, end of year	<u><u>\$ 65,511,612</u></u>	<u><u>\$ 67,170,635</u></u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Cash received		
Services provided	\$ 4,714,645	\$ 4,644,876
Building and land rentals	2,613,417	2,602,460
Cash payments		
Suppliers of goods and services	(1,841,163)	(2,017,781)
Employees for services	(2,497,117)	(2,409,756)
Net cash provided by operating activities	2,989,782	2,819,799
 Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(1,650,817)	(7,319,018)
Payment of payables incurred for capital asset acquisition	(162,823)	(341,384)
Interest paid on long-term debt	-	(18,438)
Proceeds from grants and capital contributions	415,093	6,601,198
Proceeds from note payable	8,000,000	-
Principal paid on notes payable	-	(614,607)
Proceeds from disposition of capital assets	53,404	43,292
Net cash provided by (used in) capital and related financing activities	6,654,857	(1,648,957)
 Cash Flows From Investing Activities		
Interest received	75,276	21,062
Proceeds from maturity of investments	290,000	305,000
Net cash provided by investing activities	365,276	326,062
 Net Increase in Cash and Cash Equivalents	10,009,915	1,496,904
 Cash and Cash Equivalents, Beginning of Year	4,201,673	2,704,769
 Cash and Cash Equivalents, End of Year	\$ 14,211,588	\$ 4,201,673
 Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Cash and cash equivalents - unrestricted	\$ 6,211,588	\$ 4,201,673
Cash and cash equivalents - restricted	8,000,000	-
Total cash and cash equivalents	\$ 14,211,588	\$ 4,201,673

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Income to Net		
Cash Provided By Operating Activities		
Operating loss	\$ (2,134,303)	\$ (1,827,990)
Depreciation expense	5,069,585	4,978,765
Foundation activity	41,482	(7,307)
Changes in operating assets and liabilities		
Accounts receivable	(23,592)	(20,430)
Prepaid expenses	57,527	(85,854)
Accounts payable	(32,543)	(209,957)
Accrued liabilities	9,546	3,726
Compensated absences	9,729	(5,415)
Deposits	20	(5,000)
Unearned revenue	(7,669)	(739)
	<u>\$ 2,989,782</u>	<u>\$ 2,819,799</u>
Net cash provided by operating activities	<u>\$ 2,989,782</u>	<u>\$ 2,819,799</u>
Supplemental Cash Flows Information		
Noncash Investing Activities		
Fair market value adjustment	\$ (2,963)	\$ (2,827)
Noncash Capital and Related Financing Activities		
Accounts payable incurred for purchase of capital assets	169,419	162,823

Arapahoe County Public Airport Authority
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

	2018	2017
Assets	\$ 73,792	\$ 134,718
Liabilities (2018 - \$0 due to the Authority 2017 - \$49,658 due to the Authority)	-	102,408
Net Position	\$ 73,792	\$ 32,310
Revenue	\$ 215,537	\$ 18,699
Expenses	174,055	26,006
Change in Net Position	\$ 41,482	\$ (7,307)

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

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Measurement Focus and Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

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

Investments

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

Capital Assets

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

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Estimated useful lives are:

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

Compensated Absences

The Authority has a policy which allows employees to accumulate unused vacation benefits up to a maximum of 224 hours. Compensated absences are recognized as current salary costs when earned.

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 21% and 24%, respectively, of total operating revenues for the years ended December 31, 2018 and 2017. In addition, this same FBO accounts for 30% and 31% of year-end accounts receivable at December 31, 2018 and 2017, respectively.

Cash and Cash Equivalents

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

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
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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, 2018 and 2017 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, 2018 and 2017, the Authority’s cash deposits and cash on hand had carrying balances of \$8,615,699 and \$604,273, respectively. The bank balances were as follows:

	2018	2017
Insured deposits	\$ 8,624,992	\$ 745,219

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

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- Commercial paper limited to securities with highest rating category by at least one nationally recognized rating agency at time of purchase
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had the following investments at December 31, 2018:

Investment Type	Maturity	Fair Value
COLOTRUST (unrestricted)	N/A	\$ 5,595,548
Treasury Money Market	N/A	<u>341</u>
Total investments		<u><u>\$ 5,595,889</u></u>
Statement of net position classification		
Cash and cash equivalents		<u>\$ 5,595,889</u>
Total		<u><u>\$ 5,595,889</u></u>

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

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

Arapahoe County Public Airport Authority
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Recurring Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority had no recurring fair value measurements as of December 31, 2018.

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, 2018 and 2017, the Authority had \$5,595,548 and \$2,939,261, respectively, invested in COLOTRUST (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. The Trust is a local government investment pool with a stable net asset value. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities and certain obligations of U.S. government agencies. The Trust does not have any limitations or restrictions on participant withdrawals. COLOTRUST is not subject to custodial risk, interest rate risk or foreign currency risk.

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

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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, 2018 and 2017. The Tennessee Valley Authority Bond was rated AA+ and AAA by Standard & Poor's and Moody's, respectively, as of December 31, 2017.

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, 2018 and 2017, the Authority's investment in U.S. governmental agencies constituted 0% and 23%, 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.

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At December 31, 2018 and 2017, the cash and investments are reflected on the Statements of Net Position as follows:

	2018	2017
Cash and cash equivalents, unrestricted	\$ 6,211,588	\$ 4,201,673
Cash and cash equivalents, restricted	8,000,000	-
Unrestricted investments	-	287,037
Total cash and investments	\$ 14,211,588	\$ 4,488,710

At December 31, 2018 and 2017, cash and cash equivalents are comprised of the following:

	2018	2017
Cash deposits, money markets and cash on hand	\$ 8,616,040	\$ 1,262,412
COLOTRUST	5,595,548	2,939,261
Total cash and cash equivalents	\$ 14,211,588	\$ 4,201,673

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NOTE 3 – CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2018 follows:

	Balance 12/31/17	Additions	Deletions	Transfers	Balance 12/31/18
Capital Assets, Not Depreciated					
Construction in progress	\$ 7,567,235	\$ 1,178,173	\$ -	\$ (7,680,750)	\$ 1,064,658
Land	25,736,551	-	-	53,145	25,789,696
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>34,303,786</u>	<u>1,178,173</u>	<u>-</u>	<u>(7,627,605)</u>	<u>27,854,354</u>
Capital Assets, Being Depreciated					
Site improvements	1,014,026	-	-	-	1,014,026
Buildings and improvements	17,839,400	256,998	19,548	-	18,076,850
Runways, taxiways and ramps	56,443,911	189,480	4,905,670	7,627,605	59,355,326
Furniture and equipment	9,097,259	195,583	283,533	-	9,009,309
Total capital assets, being depreciated	<u>84,394,596</u>	<u>642,061</u>	<u>5,208,751</u>	<u>7,627,605</u>	<u>87,455,511</u>
Accumulated Depreciation					
Site improvements	(643,332)	(25,416)	-	-	(668,748)
Buildings and improvements	(15,406,216)	(357,311)	(18,863)	-	(15,744,664)
Runways, taxiways and ramps	(35,205,185)	(3,916,991)	(4,905,670)	-	(34,216,506)
Furniture and equipment	(5,935,457)	(769,867)	(272,114)	-	(6,433,210)
Total accumulated depreciation	<u>(57,190,190)</u>	<u>(5,069,585)</u>	<u>(5,196,647)</u>	<u>-</u>	<u>(57,063,128)</u>
Net capital assets, being depreciated	<u>27,204,406</u>	<u>(4,427,524)</u>	<u>12,104</u>	<u>7,627,605</u>	<u>30,392,383</u>
Total capital assets, net	<u>\$ 61,508,192</u>	<u>\$ (3,249,351)</u>	<u>\$ 12,104</u>	<u>\$ -</u>	<u>\$ 58,246,737</u>

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

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

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NOTE 4 – NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2018 follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018	Amounts Due in One Year
Note payable	<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ 714,070</u>

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

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Amounts Due in One Year
Note payable	<u>\$ 614,607</u>	<u>\$ -</u>	<u>\$ 614,607</u>	<u>\$ -</u>	<u>\$ -</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 made 10 annual installments with the first payment made October 4, 2008. The loan is secured by a security interest in the Authority’s fuel tax refund revenue. The final payment was made during 2017, and therefore, the outstanding balance as of December 31, 2018 is \$0.

On May 10, 2018, the Authority approved a loan agreement to borrow \$8,000,000 for the purpose of financing the construction of an aviation community and administrative facility. The loan will bear interest at a rate of 2.50% and is payable in annual amount of \$714,070 over the next 10 years. The loan will be secured by the building being financed with the loan proceeds.

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Year Ended December 31,	Principal	Interest	Total
2019	\$ 714,070	\$ 200,000	\$ 914,070
2020	731,922	182,148	914,070
2021	750,220	163,850	914,070
2022	768,975	145,095	914,070
2023	788,200	125,870	914,070
2024 - 2028	<u>4,246,613</u>	<u>323,738</u>	<u>4,570,351</u>
Total	<u>\$ 8,000,000</u>	<u>\$ 1,140,701</u>	<u>\$ 9,140,701</u>

NOTE 5 – RESTRICTED ASSETS

Restricted assets as of December 31, 2018, consist of unspent proceeds from notes payable to be used for construction of an aviation community and administrative facility.

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 \$600,000 and \$0 in FAA funding in 2018 and 2017, 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 \$66,145 and \$253,361 at December 31, 2018 and 2017, 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, 2018 and 2017 of \$161,618 and \$213,388, 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.

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

	2018	2017
Total payroll for the year	\$ 1,899,535	\$ 1,850,911
Base salary for contribution calculation	1,710,014	1,706,010
Employee contributions	149,950	145,353
Authority contributions	111,084	109,725

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 2018 and 2017.

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NOTE 8 – COMMITMENTS AND CONTINGENCIES

Rental Agreements

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

Year Ended December 31,	Amount
2019	\$ 1,917,287
2020	2,339,301
2021	2,354,232
2022	2,336,147
2023	2,364,678
Thereafter	144,431,233
Total	\$ 155,742,878

Revenues under these leases amounted to \$2,613,417 and \$2,602,460 during 2018 and 2017, 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 \$146,725 during both 2018 and 2017. The earning stream from these agreements is included in the amounts disclosed above.

Uniform Guidance Finding 2016-001

The Authority and County entered into an Airport Ground Lease Purchase agreement in 1986. This agreement was amended and restated in 1993, and was subsequently amended three times – in 1997, 2002 and 2010. In 2002, the County entered into a Judicial Complex Lease with the Arapahoe County Building Finance Corporation. After this transaction, all rental payments made by the Authority were passed through for the County to make payments on this Judicial Complex Lease, of which the original reserves were funded by the Authority in 1986. The debt reserve fund was not utilized for the final debt payment. This required the Authority to utilize additional airport revenues to make the final payment and required the reserve fund to be written off as an asset of the Authority. The write off of the reserve fund results in an expenditure from the Authority to the County of \$1,611,898,

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December 31, 2018 and 2017

which was not permitted, was not properly documented, and was not commensurate with any services received resulting in potential revenue diversion. This issue was identified in the December 31, 2016 year end Uniform Guidance audit and corrective action is still in process. A Uniform Guidance audit was not required for the year ended December 31, 2018. Both parties have provided information to the FAA and the issue is currently under FAA review.

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:

	2018	2017
Capital assets, net	\$ 58,246,737	\$ 61,508,192
Notes payable - current portion	(714,070)	-
Notes payable - noncurrent portion	(7,285,930)	-
Unspent notes payable proceeds	8,000,000	-
Accounts payable incurred for capital asset purchases	(169,419)	(162,823)
	\$ 58,077,318	\$ 61,345,369

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, 2018

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 2,198,760	\$ 431,521	\$ (1,767,239)
Building and land rental	2,568,241	2,613,417	45,176
Fuel and aircraft parking fees	2,990,000	3,398,136	408,136
Concession fees	302,000	298,248	(3,752)
Other airport operator fees	172,331	241,330	68,999
Custom fees	310,000	297,082	(12,918)
Interest income	25,000	78,239	53,239
Note payable proceeds	8,000,000	8,000,000	-
Other operating and non-operating income	337,056	339,950	2,894
	<hr/>	<hr/>	<hr/>
Total revenues	16,903,388	15,697,923	(1,205,465)
	<hr/>	<hr/>	<hr/>
Expenditures	18,040,014	6,149,077	11,890,937
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,136,626)</u>	<u>\$ 9,548,846</u>	<u>\$ 10,685,472</u>
Expenditures			
Principal and interest	\$ 454,563	\$ 117,260	\$ 337,303
Salaries and related payroll expense	2,701,760	2,516,392	185,368
Maintenance, repairs and operating supplies	797,950	473,671	324,279
Customs expense	280,000	307,448	(27,448)
Telephone and utilities	420,086	370,712	49,374
Insurance	135,810	117,080	18,730
Public relations	192,100	70,467	121,633
Travel and meetings	146,300	104,076	42,224
Firefighting services	20,000	9,164	10,836
Legal	100,000	36,610	63,390
Accounting and audit	43,000	43,000	-
Noise expense	76,000	35,520	40,480
Office expense	119,750	88,131	31,619
Office and equipment rental	33,595	29,246	4,349
Miscellaneous	77,500	10,066	67,434
Capital outlay	12,441,600	1,820,234	10,621,366
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 18,040,014</u>	<u>\$ 6,149,077</u>	<u>\$ 11,890,937</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, 2018

Revenues

Total revenues (budgetary basis)	\$ 15,697,923
CAF income	215,537
Notes payable proceeds	<u>(8,000,000)</u>
Total revenues	<u>7,913,460</u>

Expenses

Total expenditures (budgetary basis)	6,149,077
CAF expenses	174,055
Capital outlay	(1,820,234)
Depreciation and amortization	<u>5,069,585</u>
Total expenses	<u>9,572,483</u>

Changes in net position per statements of revenues, expenses and changes in net position	<u>\$ (1,659,023)</u>
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Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Schedule of Revenues, Expenditures and Changes in Funds Available -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended December 31, 2017

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

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

Revenues

Total revenues (budgetary basis)	\$	13,185,175
CAF income		18,699
		<u>18,699</u>
Total revenues		<u>13,203,874</u>

Expenses

Total expenditures (budgetary basis)		12,160,568
CAF expenses		26,006
Capital outlay		(7,480,690)
Note and capital lease principal payments		(614,607)
Depreciation and amortization		4,978,765
		<u>4,978,765</u>
Total expenses		<u>9,070,042</u>

Changes in net position per statements of revenues, expenses and changes in net position	\$	<u>4,133,832</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, 2018, 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 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and Other Matters

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
May 8, 2019