

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

Financial Statements

Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying budgetary schedules as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, 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  
June 15, 2017

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

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, 2016 and 2015. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The business environment at the airport remained stable in 2016. The number of operations and the number of gallons of fuel sold increased from 2015. The revenue to the Authority from fuel sales increased; however fuel tax revenues remained approximately the same as 2015. Building and land rentals increased slightly from 2015 to 2016. Overall, operating revenues for 2016 increased when compared to 2015. The Authority's operating expenses exceeded operating revenues in 2016.
- The assets and deferred outflows of resources of the Authority exceeded its liabilities at December 31, 2016 by \$63.0 million (net position). Of the net position balance, \$5.0 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2016 net position increased by \$1.6 million, or 2.53%, from 2015. This is related primarily to grants and capital contributions.
- The Authority's operating revenues increased to \$7.1 million, or 2.74%, from 2015, while operating expenses, net of depreciation, increased to \$4.1 million. Depreciation expense when compared to 2015 increased to \$4.3 million, or 11.87%, from 2015. This resulted in an operating loss of \$1.3 million, before other non-operating revenue, expense, grants and capital contributions in 2016.
- In 2016, the Authority made the final payment on the capital lease.
- During 2016, the Authority made capital investments of \$6.2 million.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

[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, 2016 and 2015**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

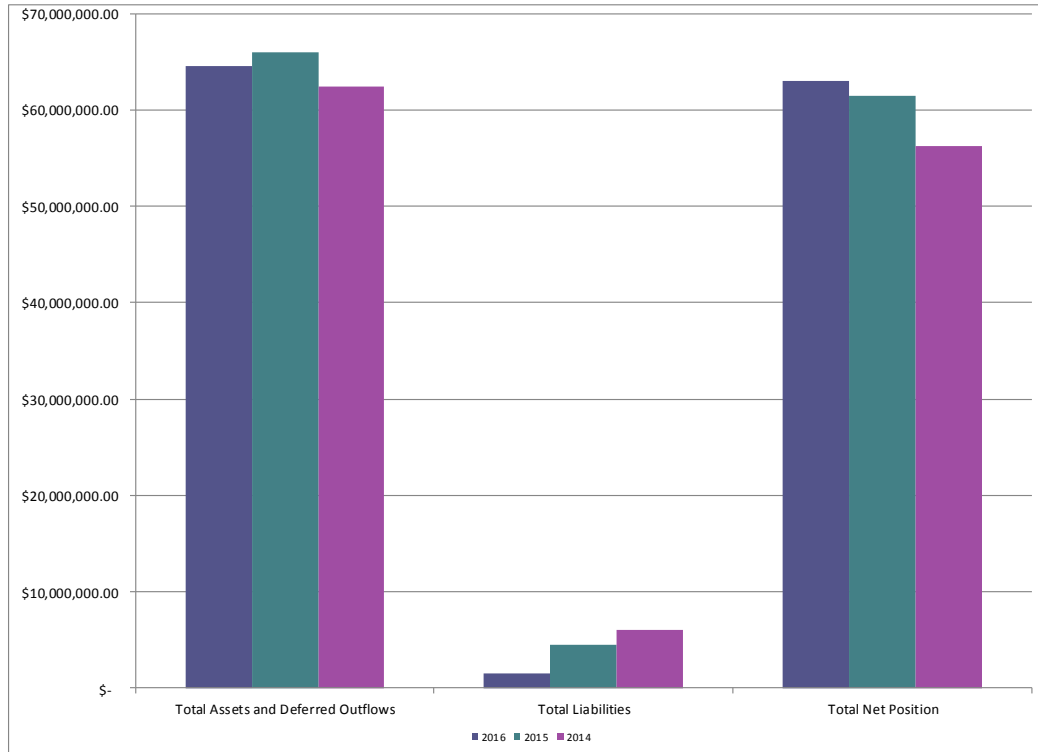
**NET POSITION**

**Condensed Statements of Net Position**

	<b>December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current assets	\$ 5,025,464	\$ 5,708,316	\$ 5,709,225
Capital assets	59,007,836	57,184,990	53,184,312
Other assets	504,426	2,652,062	2,656,796
<b>Total assets</b>	<b>64,537,726</b>	<b>65,545,368</b>	<b>61,550,333</b>
Deferred outflows of resources	-	395,484	826,922
Current liabilities	1,484,808	3,808,994	2,979,725
Noncurrent liabilities	16,115	653,320	3,115,165
<b>Total liabilities</b>	<b>1,500,923</b>	<b>4,462,314</b>	<b>6,094,890</b>
Net investment in capital assets	58,051,845	53,767,756	48,200,491
Restricted	-	1,582,934	1,589,519
Unrestricted	4,984,958	6,127,848	6,492,355
<b>Total net position</b>	<b>\$ 63,036,803</b>	<b>\$ 61,478,538</b>	<b>\$ 56,282,365</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

**Comparison of Condensed Statement of Net Position**



2016

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

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 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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

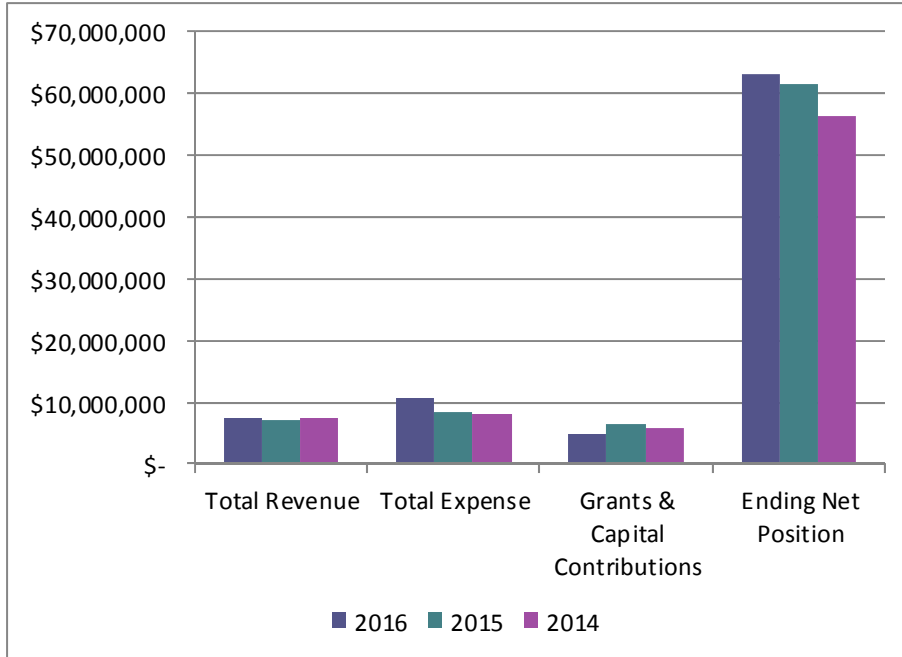
**REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating revenues	\$ 7,137,176	\$ 6,947,017	\$ 7,331,308
Nonoperating revenues	202,656	101,221	163,588
<b>Total revenues</b>	<b>7,339,832</b>	<b>7,048,238</b>	<b>7,494,896</b>
Depreciation expense	4,332,910	3,873,111	3,682,632
Other operating expenses	4,135,765	3,942,342	3,693,788
Nonoperating expenses	2,125,707	649,020	751,180
<b>Total expenses</b>	<b>10,594,382</b>	<b>8,464,473</b>	<b>8,127,600</b>
<b>Grants and capital contributions</b>	<b>4,812,815</b>	<b>6,612,408</b>	<b>5,705,275</b>
<b>Change in net position</b>	<b>1,558,265</b>	<b>5,196,173</b>	<b>5,072,571</b>
Total net position, January 1	61,478,538	56,282,365	51,209,794
<b>Ending net position</b>	<b>\$ 63,036,803</b>	<b>\$ 61,478,538</b>	<b>\$ 56,282,365</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

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



2016

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

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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

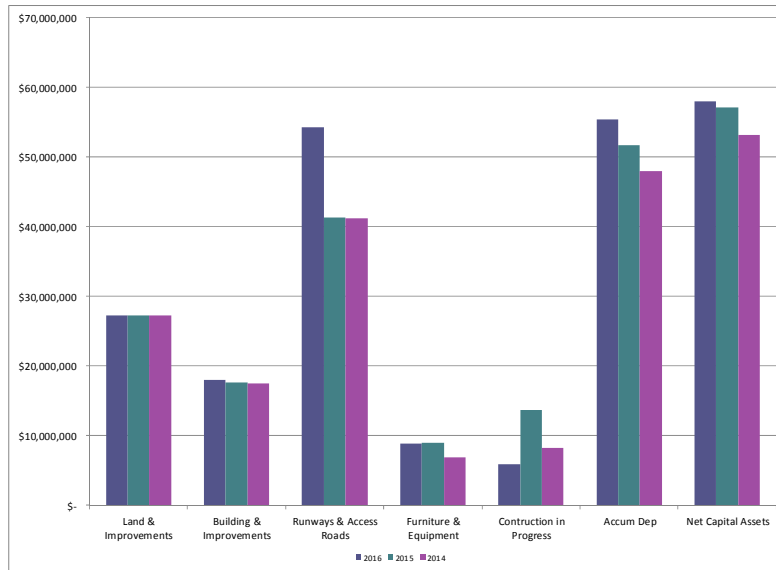
**CAPITAL ASSETS**

During 2016, the Authority invested \$6.2 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 2015, the Authority invested \$7.9 million in a broad range of capital improvements.

	<b>Capital Assets</b>		
	<b>December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land and site improvements	\$ 27,245,453	\$ 27,245,453	\$ 27,245,453
Buildings and improvements	18,046,699	17,685,289	17,557,131
Runways, taxiways and ramps	54,306,506	41,337,742	41,193,386
Furniture and equipment	8,889,916	8,978,911	6,855,518
Construction in progress	5,934,128	13,697,985	8,294,350
<b>Subtotal</b>	<b>114,422,702</b>	<b>108,945,380</b>	<b>101,145,838</b>
Less accumulated depreciation	55,414,866	51,760,390	47,961,526
<b>Net capital assets</b>	<b>\$ 59,007,836</b>	<b>\$ 57,184,990</b>	<b>\$ 53,184,312</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

**Comparison of Capital Assets**



**Major Improvements to the Airport in 2016:**

- Airport improvements implemented with grant funds included:
  - Completion of the Rehabilitation of Runway 10/28
  - Completion of the Rehabilitation of Taxiway A
  - Continuation of the Extension of Taxiway C
  - Continuation of the Development of Noise Exposure Maps
  - Rehabilitation of Runway 17L/35R
  - Completion of the Alert Notification System
  
- Other major capital investments during the year included:
  - Runway LED Lighting
  - Airfield striping, paving, and fencing
  - Parking lot rehabilitation
  - Administration Building Improvements
  - Development of GIS Lease Parcel Database
  - Stormwater Improvements
  - Upgrade security gates and cameras
  - Upgrade computers, software and servers
  - Various furniture, equipment and vehicle purchases

The completion of two significant grant funded projects is the primary cause of the decrease in construction in progress of \$7.8 million in 2016.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

**LONG-TERM DEBT**

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

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.

The Authority's debt coverage ratio is detailed in the schedule below. Debt coverage decreased significantly in 2016 as a reflection of a balloon payment on debt secured by land in 2016 as well as the write-off of the debt reserve fund in 2016. This was the final payment for that debt. The final payment on the Authority's capital lease was also paid in 2016.

**Debt Coverage Ratio**

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating revenues	\$ 7,137,176	\$ 6,947,017	\$ 7,331,308
Nonoperating revenues	202,656	101,221	163,588
<b>Total revenues</b>	<b>7,339,832</b>	<b>7,048,238</b>	<b>7,494,896</b>
Operating expenses, less depreciation	4,135,765	3,942,342	3,693,788
Nonoperating expenses, less interest	1,636,717	21,688	31,412
<b>Total expenses, less depreciation and interest expense</b>	<b>5,772,482</b>	<b>3,964,030</b>	<b>3,725,200</b>
<b>Net revenues</b>	1,567,350	3,084,208	3,769,696
<b>Annual debt service</b>	<b>2,533,137</b>	<b>2,315,870</b>	<b>2,317,345</b>
<b>Debt coverage ratio</b>	<b>0.62</b>	<b>1.33</b>	<b>1.63</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2016 and 2015**

**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 2016. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2016 were \$4.9 million less than budgeted primarily due to:

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

The total revenue in 2016 was \$5.6 million lower than budgeted primarily because FAA grant reimbursements were less than budgeted.

**ECONOMIC FACTORS**

- The *IMF World Economic Outlook Update (10/2016)* reported that global growth would slow to 3.1 in 2016 before recovering to 3.4 percent in 2017. In January 2017, they again projected global growth for 2017 at 3.4 percent. In January 2017, they also reported that advanced economies are projected to grow 1.9 percent.
- There is uncertainty related to the new 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 impact on the global economy of the United Kingdom vote to leave the European Union is unclear.
- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, decreased in 2016 compared to 2015, which was lower than 2014. The rate at the end of 2016 was 4.7%, which was lower than the 5.0% rate at the end of 2015, which was lower than the 5.6% rate at the end of 2014.
- The Metro Denver Economic Development Corporation reported in their *2017 Economic Forecast* that Colorado is expected to be among the top 10 states for employment growth in 2017. The strength and diversity of the Metro Denver economy will ensure that the region continues to thrive in 2017.
- The *U.S News and World Report, 2016* ranked Denver as the best place in the country to live because of its healthy job market, cost of living, and perception as 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, 2016 and 2015**

- According to the *2016 GAMA Statistical Databook & 2017 Industry Outlook* in 2016, \$24 billion in new general aviation aircraft were delivered which was a decline from 2015, 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 declined in 2016 compared to 2015. Turboprop shipments maintained pace in 2016. There was a decline in shipments of turbine, piston, and piston rotocraft aircraft in 2016. The worldwide business aircraft fleet continued to grow in 2016 and the number of active business airplane operators is also growing. The report stated that the global fractional aircraft fleet grew for the second year in a row. 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 2017 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.
- 2016 airport operations and fuel sales increased. The price of jet aviation fuel increased slightly in 2016.
- Interest rates paid on investments increased slightly from 2015.

These factors were considered when the Authority prepared its 2017 budget. In 2016, business activity continued to recover and that is expected to continue into 2017. 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 2016, the Authority made the final payment on its most significant long-term debt. This will positively affect the Authority's income streams 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, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,704,769	\$ 3,842,771
Investments - unrestricted	305,518	33,516
Investments - restricted	-	6,934
Receivables		
Trade	777,502	785,579
Grants	895,650	666,700
Due from other governments	170,421	231,271
Prepaid expenses	171,604	141,545
Total current assets	5,025,464	5,708,316
<b>Noncurrent Assets</b>		
Capital assets		
Nondepreciable	32,165,555	39,929,412
Depreciable	82,257,147	69,015,968
Total capital assets	114,422,702	108,945,380
Accumulated depreciation	(55,414,866)	(51,760,390)
Net capital assets	59,007,836	57,184,990
Other assets		
Investments - reserve funds	-	1,576,000
Investments - unrestricted	283,966	833,682
Other receivable	220,460	235,886
Prepaid bond insurance	-	6,494
Total other assets	504,426	2,652,062
Total noncurrent assets	59,512,262	59,837,052
Total assets	64,537,726	65,545,368
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding of debt	-	395,484
Total deferred outflows of resources	-	395,484

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Net Position (Continued)**  
**December 31, 2016 and 2015**

**Liabilities**

	<b>2016</b>	<b>2015</b>
<b>Current Liabilities</b>		
Accounts and contracts payable	728,789	1,229,554
Accrued liabilities	46,249	32,806
Accrued interest payable	4,445	15,572
Unearned revenue	11,178	24,453
Compensated absences	79,540	69,554
Notes payable	614,607	852,055
Capital lease payable	-	1,585,000
	<u>1,484,808</u>	<u>3,808,994</u>
<b>Noncurrent liabilities</b>		
Net unamortized premium	-	22,578
Notes payable	-	614,607
Deposits	16,115	16,135
	<u>16,115</u>	<u>653,320</u>
<b>Total liabilities</b>	<u>1,500,923</u>	<u>4,462,314</u>
<b>Net Position</b>		
Net investment in capital assets	58,051,845	53,767,756
Restricted	-	1,582,934
Unrestricted	4,984,958	6,127,848
	<u>\$ 63,036,803</u>	<u>\$ 61,478,538</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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Operating revenues		
Building and land rental	\$ 2,638,367	\$ 2,509,053
Fuel and aircraft parking fees	3,520,627	3,578,010
Concession fees	301,459	277,316
Other airport operator fees	80,859	77,294
Custom fees	308,368	285,203
Other operating revenues	287,496	220,141
Total operating revenues	7,137,176	6,947,017
Operating expenses		
Depreciation	4,332,910	3,873,111
Salaries and related payroll expenses	2,371,581	2,157,569
Maintenance, repairs and operating supplies	510,646	493,061
Customs expense	306,645	286,155
Telephone and utilities	351,897	351,496
Insurance	125,389	112,503
Public relations	70,555	70,691
Travel and meetings	97,687	101,746
Firefighting services	6,685	14,211
Legal	66,523	127,068
Accounting and audit	43,650	31,000
Noise expense	36,066	36,727
Office expense	95,864	108,878
Office and equipment expense	30,342	30,899
Miscellaneous	18,735	20,338
Studies requested by B.O.C.	3,500	-
Total operating expenses	8,468,675	7,815,453
Operating loss	(1,331,499)	(868,436)

**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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Nonoperating revenues (expenses)		
Investment income	69,535	84,712
Interest expense	(488,990)	(627,332)
Writedown of debt reserve fund	(1,611,898)	-
Paying agent fee	(2,640)	(2,640)
Bond insurance amortization	(6,494)	(7,086)
Gain on disposition of capital assets	119,145	1,321
Centennial Airport Foundation income	13,976	15,188
Centennial Airport Foundation expense	(15,685)	(11,962)
Total nonoperating revenues (expenses)	(1,923,051)	(547,799)
Loss before grants and capital contributions	(3,254,550)	(1,416,235)
Grants and capital contributions	4,812,815	6,612,408
Change in net position	1,558,265	5,196,173
Total net position, beginning of year	61,478,538	56,282,365
Total net position, end of year	\$ 63,036,803	\$ 61,478,538

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Cash received		
Services provided	\$ 4,583,843	\$ 4,256,609
Building and land rentals	2,638,367	2,509,053
Cash payments		
Suppliers of goods and services	(1,913,599)	(1,468,437)
Employees for services	(2,348,152)	(2,145,773)
	<u>2,960,459</u>	<u>3,151,452</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(5,896,433)	(7,135,311)
Payment of payables incurred for capital asset acquisition	(738,478)	(627,277)
Interest paid on long-term debt	(127,210)	(231,275)
Proceeds from grants and capital contributions	4,583,865	6,597,469
Principal paid on capital lease	(1,585,000)	(1,505,000)
Principal paid on notes payable	(852,055)	(579,596)
Payments of agency fees	(2,640)	(2,640)
Proceeds from disposition of capital assets	201,206	1,321
	<u>(4,416,745)</u>	<u>(3,482,309)</u>
 <b>Cash Flows From Investing Activities</b>		
Interest received	68,284	95,521
Purchase of investments	-	(585,557)
Proceeds from maturity of investments	250,000	575,026
	<u>318,284</u>	<u>84,990</u>
 <b>Net Decrease in Cash and Cash Equivalents</b>	<u>(1,138,002)</u>	<u>(245,867)</u>
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,842,771</u>	<u>4,088,638</u>
 <b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,704,769</u>	<u>\$ 3,842,771</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating loss	\$ (1,331,499)	\$ (868,436)
Depreciation expense	4,332,910	3,873,111
Foundation activity	(1,709)	3,226
Changes in operating assets and liabilities		
Accounts receivable	84,353	(218,469)
Prepaid expenses	(30,059)	(14,180)
Accounts payable	(103,671)	342,478
Accrued liabilities	13,443	9,082
Compensated absences	9,986	2,714
Deposits	(20)	(160)
Unearned revenue	(13,275)	22,086
	\$ 2,960,459	\$ 3,151,452
 <b>Supplemental Cash Flows Information</b>		
<b>Noncash Investing Activities</b>		
Fair market value adjustment	\$ (3,678)	\$ 1,752
 <b>Noncash Capital and Related Financing Activities</b>		
Amortization of prepaid bond insurance	6,494	7,086
Amortization of bond premium and deferred loss on refunding	418,062	431,438
Writedown of debt reserve fund	1,611,898	-
Accounts payable incurred for purchase of capital assets	341,384	738,478

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2016 and 2015**

**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.

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, 2016 and 2015**

**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 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.

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, 2016 and 2015**

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

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

**Operating Revenues**

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

One large fixed based operator (FBO) accounted for 24% of total operating revenues for the years ended December 31, 2016 and 2015. In addition, this same FBO accounts for 29% and 30% of year-end accounts receivable at December 31, 2016 and 2015, respectively.

**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, 2016 and 2015**

**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, 2016 and 2015 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, 2016 and 2015, the Authority’s cash deposits and cash on hand had carrying balances of \$533,097 and \$1,938,695, respectively. The bank balances were as follows:

	<b>2016</b>	<b>2015</b>
Insured deposits	\$ 577,589	\$ 2,010,586

**Investments**

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

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

- Guaranteed investment contracts
- Local government investment pools

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

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

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

<b>Investment Type</b>	<b>Maturity</b>	<b>Fair Value</b>
FHLB Note	6/1/2016	\$ 1,591,890
FHLB Bond	5/24/2017	304,481
TVA Bond	5/15/2018	279,566
Certificates 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><u>\$ 4,354,208</u></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><u>\$ 4,354,208</u></u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Recurring Measurements**

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

The Authority has the following recurring fair value measurements as of December 31, 2016:

- U.S. government agency securities of \$589,484 are valued using a matrix pricing model (Level 2 inputs)

**Investment Risk Factors**

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

As of December 31, 2016 and 2015, the Authority had \$1,910,823 and \$1,905,853, 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.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

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, 2016 and 2015. The FHLB Note was rated A-1+ and P-1, respectively, by Standard and Poor's and Moody's as of December 31, 2016 and 2015. 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, 2015. The FNMA Note was rated AA+ and Aaa by Standard & Poor's and Moody's, respectively, as of December 31, 2015.

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.

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, 2016 and 2015, the Authority's investment in U.S. governmental agencies constituted 31% and 44%, 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, 2016 and 2015, the cash and investments are reflected on the Statement of Net Position as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 2,704,769	\$ 3,842,771
Unrestricted investments	589,484	867,198
Restricted investments	-	6,934
Reserve funds	-	1,576,000
	<hr/>	<hr/>
Total cash and investments	<u>\$ 3,294,253</u>	<u>\$ 6,292,903</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

At December 31, 2016 and 2015, cash and cash equivalents are comprised of the following:

	<b>2016</b>	<b>2015</b>
Cash deposits and cash on hand	\$ 793,946	\$ 1,938,695
Other liquid investment	-	5,157
COLOTRUST	1,910,823	1,898,919
Total cash and cash equivalents	\$ 2,704,769	\$ 3,842,771

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**NOTE 3 – CAPITAL ASSETS**

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

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

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

	<b>Balance 12/31/14</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 12/31/15</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, 2016 and 2015**

**NOTE 4 – NONCURRENT LIABILITIES**

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

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

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>

**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, 2016 and 2015**

There are a number of covenants contained in the lease agreement. At December 31, 2015, the Authority believes it was in compliance with these restrictive covenants. At December 31, 2016, the final lease payment has been made. As the County elected not to use the debt reserve fund for the final lease payment, additional Authority funds were utilized, and the debt reserve fund was written off.

**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, 2016 is \$614,607.

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

Scheduled note principal and interest payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 614,607</u>	<u>\$ 18,438</u>	<u>\$ 633,045</u>
Total	<u><u>\$ 614,607</u></u>	<u><u>\$ 18,438</u></u>	<u><u>\$ 633,045</u></u>

**NOTE 5 – RESTRICTED ASSETS**

Restricted assets are detailed below:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Capital lease agreement: one-sixth of the next rental payment	\$ -	\$ 6,934
Reserve fund	-	<u>1,576,000</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 1,582,934</u></u>

**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 \$7,109,595 and \$4,161,665 in FAA funding in 2016 and 2015, respectively. This does not include

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

possible grants that the Airport has applied for and not yet received. The Authority has construction commitments related to grant funding of approximately \$6,949,668 and \$3,945,741 at December 31, 2016 and 2015, 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, 2016 and 2015 of \$748,494 and \$666,700, 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.

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:

	<b>2016</b>	<b>2015</b>
Total payroll for the year	\$ 1,776,018	\$ 1,641,919
Base salary for contribution calculation	1,676,325	1,440,285
Employee contributions	141,266	113,793
Authority contributions	111,886	71,496

**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 2016 and 2015.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**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>
2017	\$ 1,845,767
2018	1,817,214
2019	1,850,949
2020	2,272,067
2021	2,286,518
Thereafter	<u>155,842,514</u>
Total	<u><u>\$ 165,915,029</u></u>

Revenues under these leases amounted to \$2,638,368 and \$2,509,053 during 2016 and 2015, 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 2016 and 2015. The earning stream from these agreements is included in the amounts disclosed above.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**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>2016</u>	<u>2015</u>
Capital assets, net	\$ 59,007,836	\$ 57,184,990
Unamortized deferred loss on refunding of debt	-	395,484
Notes payable - current portion	(614,607)	(852,055)
Capital lease - current portion	-	(1,585,000)
Notes payable - noncurrent portion	-	(614,607)
Net unamortized premium	-	(22,578)
Accounts payable incurred for capital asset purchases	(341,384)	(738,478)
	<u>\$ 58,051,845</u>	<u>\$ 53,767,756</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, 2016**

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

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

Revenues	
Total revenues (budgetary basis)	\$ 12,138,671
CAF income	<u>13,976</u>
Total revenues	<u>12,152,647</u>
Expenses	
Total expenditures (budgetary basis)	14,511,984
CAF expenses	15,685
Capital outlay	(6,228,544)
Note and capital lease principal payments	(2,437,055)
Depreciation and amortization	<u>4,732,312</u>
Total expenses	<u>10,594,382</u>
Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ 1,558,265</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, 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 income	250,608	221,462	(29,146)
	<hr/>	<hr/>	<hr/>
Total revenues	17,681,536	13,645,458	(4,036,078)
<b>Expenditures</b>			
	<hr/>	<hr/>	<hr/>
	19,506,729	14,123,892	5,382,837
<b>Excess (deficiency) of revenues over (under) expenditures</b>			
	<u>\$ (1,825,193)</u>	<u>\$ (478,434)</u>	<u>\$ 1,346,759</u>
<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
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 19,506,729</u>	<u>\$ 14,123,892</u>	<u>\$ 5,382,837</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, 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>
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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, 2016, 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 June 15, 2017.

***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  
June 15, 2017