

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

Financial Statements

Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in 2020, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 audits were 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 audits 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners
Arapahoe County Public Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 14, 2021, 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 14, 2021

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis
(Unaudited)
Years Ended December 31, 2020 and 2019

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, 2020 and 2019. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The business environment at the airport was significantly impacted by the COVID-19 pandemic. The number of operations decreased from 2019 by 5.9% and the number of gallons of fuel sold also decreased from 2019 by 14.6%. Building and land rentals increased from 2019 to 2020. Aviation fuel fees were down from 2019 to 2020. Overall, operating revenues for 2020 remained flat when compared to 2019. The Authority's operating expenses exceeded operating revenues in 2020.
- The Authority was awarded a \$157,000 grant in 2020 through the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).
- The assets of the Authority exceeded its liabilities as of December 31, 2020 by \$64.3 million (net position). Of the net position balance, \$10.5 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This adoption of GASB No. 87 had a significant effect on the Authority's financial statements. It led to recognition of a lease receivable and corresponding deferred inflow of resources for non-regulated leases, as well as a reclassification of a portion of land rent to interest income. 2019 financial statements were restated for comparative purposes. The 2018 presentation was not changed as a result of the implementation of the statement.
- The Authority's 2020 net position increased by \$3.0 million, or 4.82%, from 2019. This is related to the increase in grants and capital contributions.
- The Authority's operating revenues remained stable at \$7.0 million compared to 2019. Operating expenses, less depreciation, remained stable at \$4.5 million compared to 2019. Depreciation expense decreased to \$4.7 million in 2020, down 6.53% from 2019. This resulted in operating income of \$2.5 million, before other nonoperating revenue, nonoperating expense, depreciation, grants, and capital contributions in 2020.
- In 2020, the Authority had a loan outstanding at year-end for construction of the new Aviation Community & Administrative Facility in the amount of \$6.6 million. Construction of this new building was completed during 2020.
- During 2020, the Authority made capital investments of \$14.5 million.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

[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) and deferred inflows of resources. 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 measure 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, 2020 and 2019

FINANCIAL ANALYSIS OF THE AUTHORITY

NET POSITION

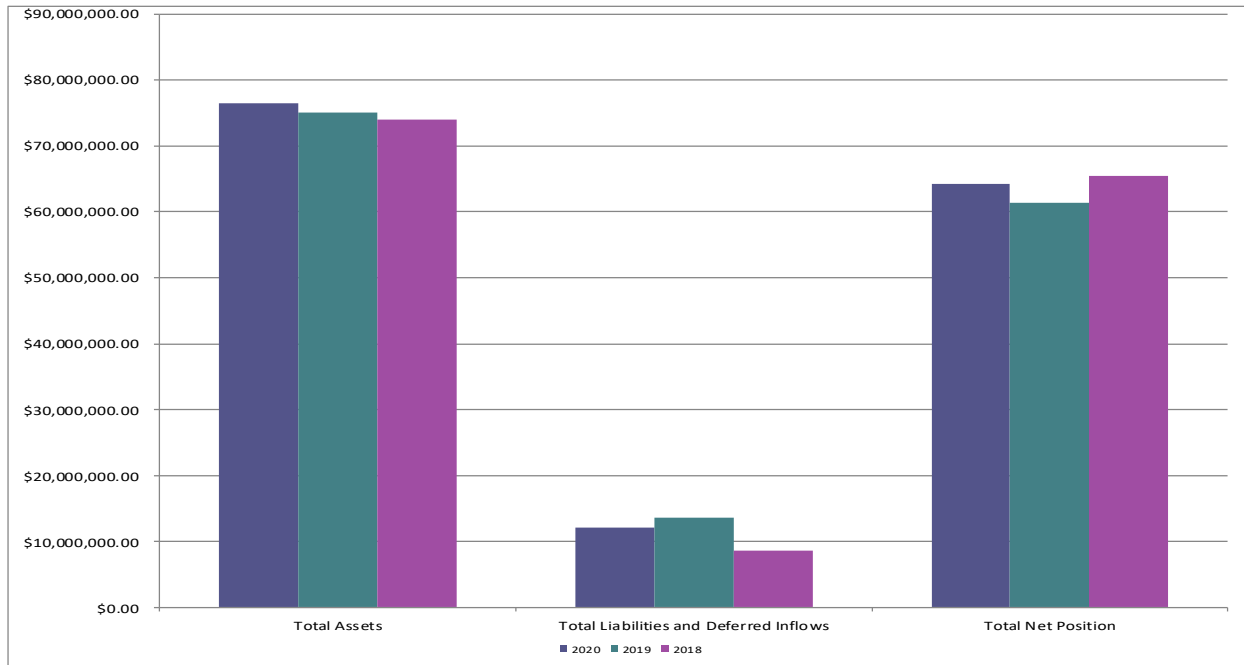
Condensed Statements of Net Position

	December 31,		
	2020	2019**	2018
Current assets	\$ 11,116,675	\$ 19,409,274	\$ 15,599,048
Capital assets	60,695,716	50,930,389	58,246,737
Other assets	4,679,004	4,722,469	643,958
Total assets	76,491,395	75,062,132	74,489,743
Current liabilities	1,808,884	1,534,381	1,242,142
Noncurrent liabilities	6,525,267	7,156,576	7,735,989
Total liabilities	8,334,151	8,690,957	8,978,131
Deferred inflows of resources	3,845,087	5,018,516	-
Net investment in capital assets	53,811,062	51,259,881	58,077,318
Unrestricted	10,501,095	10,092,778	7,434,294
Total net position	\$ 64,312,157	\$ 61,352,659	\$ 65,511,612

**Restated - see Note 12

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

Comparison of Condensed Statements of Net Position



2020

As can be seen from the condensed statements of net position and chart above, the total net position increased by \$3.0 million in 2020 to \$64.3 million. This is up from \$61.3 million in 2019. The chart also shows that the 2020 change in net position is a result of the changes in total assets which increased by \$1.4 million and total liabilities and deferred inflows of resources, which decreased by \$1.5 million. Total assets increased primarily due to an increase in grants and capital contributions. Total liabilities and deferred inflows of resources decreased primarily due to the payment of long-term debt.

2019

As can be seen from the condensed statements of net position and chart above, the total net position decreased by \$4.2 million in 2019 to \$61.3 million. This is down from \$65.5 million in 2018. The chart also shows that the 2019 change in net position is a result of the changes in total assets which increased by \$0.5 million and total liabilities and deferred inflows of resources, which increased by \$4.7 million. Total assets increased primarily due to adoption of the new lease accounting standard. Total liabilities and deferred inflows of resources increased primarily due to adoption of the new lease accounting standard.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

REVENUES, EXPENSES AND CHANGES IN NET POSITION

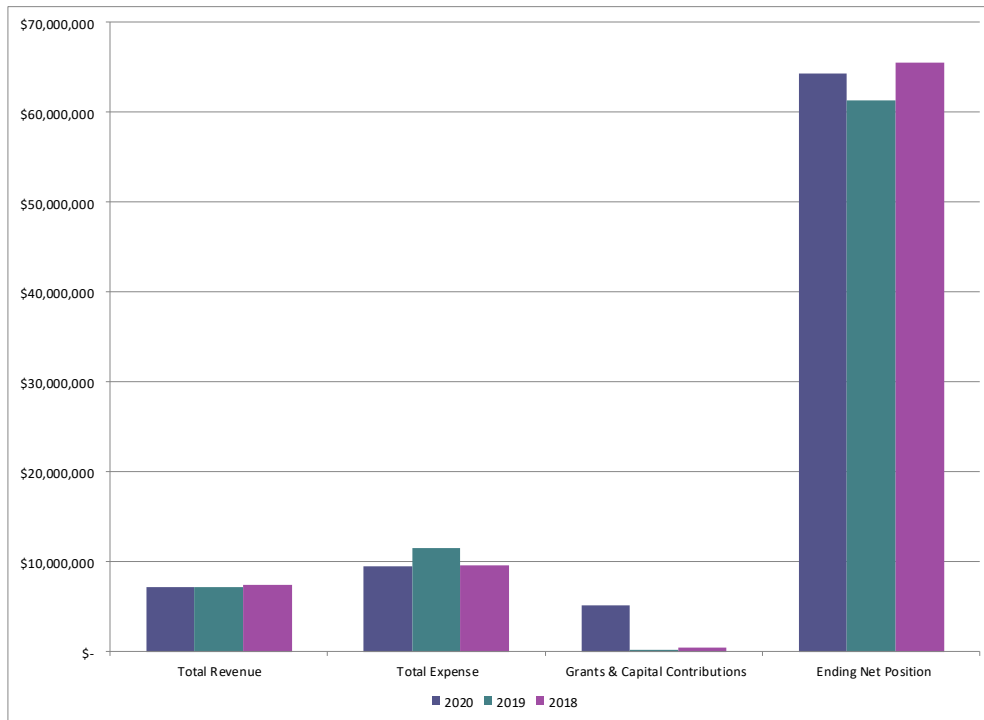
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2020	2019**	2018
Operating revenues	\$ 6,984,650	\$ 6,891,590	\$ 7,146,865
Nonoperating revenues	233,858	265,304	335,074
Total revenues	7,218,508	7,156,894	7,481,939
Depreciation expense	4,738,900	5,069,729	5,069,585
Other operating expenses	4,514,013	4,484,902	4,211,583
Nonoperating expenses	190,648	2,016,765	291,315
Total expenses	9,443,561	11,571,396	9,572,483
Grants and capital contributions	5,184,551	255,549	431,521
Change in net position	2,959,498	(4,158,953)	(1,659,023)
Total net position, January 1	61,352,659	65,511,612	67,170,635
Ending net position	\$ 64,312,157	\$ 61,352,659	\$ 65,511,612

**Restated - see Note 12

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

Comparison of Revenues, Expenses, Grants and Fund Net Position



2020

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 2020. This is due to the increase in grants and capital contributions received in 2020.

2019

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 2019. This is due to the decrease in grants and capital contributions received in 2019 and the loss on the sale of land.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

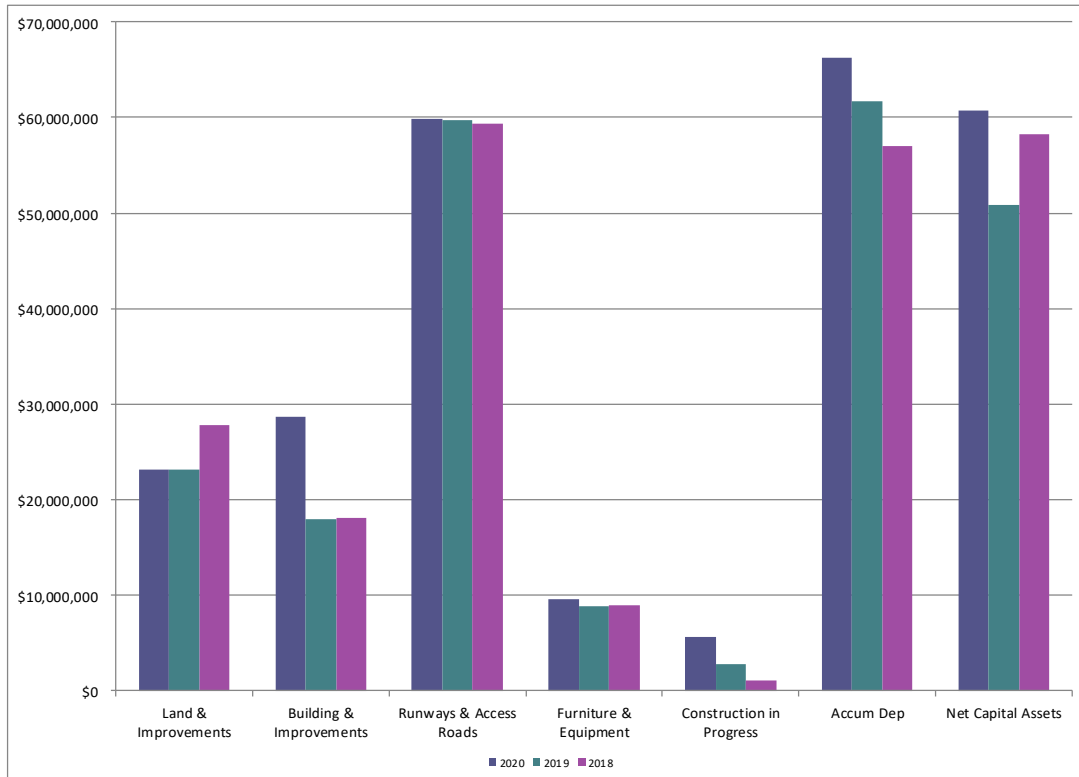
CAPITAL ASSETS

During 2020, the Authority invested \$14.5 million in a broad range of capital improvements. As shown in the following schedule and chart, the Authority continues to maintain and improve its infrastructure and equipment to meet the demands of the second busiest general aviation airport in the nation. During 2020, the Authority finished construction of the new Aviation Community & Administrative Facility leading to an increase in buildings and improvements. During 2019, the Authority invested \$2.4 million in a broad range of capital improvements.

	December 31,		
	2020	2019	2018
Land and site improvements	\$ 23,170,565	\$ 23,168,715	\$ 27,803,722
Buildings and improvements	28,667,620	18,013,475	18,076,850
Runways, taxiways and ramps	59,848,613	59,701,229	59,355,326
Furniture and equipment	9,585,502	8,902,706	9,009,309
Construction in progress	5,682,354	2,802,673	1,064,658
Subtotal	126,954,654	112,588,798	115,309,865
Less accumulated depreciation	66,258,938	61,658,409	57,063,128
Net capital assets	\$ 60,695,716	\$ 50,930,389	\$ 58,246,737

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

Comparison of Capital Assets



Major Improvements to the Airport in 2020:

- Airport improvements implemented with grant funds included:
 - Continuation of the Master Plan Update and Geographic Information System
 - Construction for the rehabilitation of Taxiway N and lighting and electrical rehabilitation of Runway 17R/35L and Taxiway B
- Other major capital investments during the year included:
 - Completed construction of the new Aviation Community & Administrative Facility including related furnishings and equipment
 - Airfield striping and rubber removal
 - Reconstruct East Control Tower Road
 - Upgrade security gates and cameras
 - Upgrade computers, software and servers
 - Various other equipment

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

LONG-TERM DEBT

At the end of 2020 and 2019, the Authority had total debt outstanding of \$6,554,008 and \$7,285,930, respectively. This amount represents a note that is secured by the deed of trust on the building financed with the loan proceeds.

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 2020. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2020 were \$4.8 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
- Lower expenditures than budgeted on the construction of the Aviation Community & Administrative Facility
- Operating expenses were less than budgeted
- Salaries and related personnel expense was less than budgeted as hiring of additional personnel was deferred. The Authority did not furlough or layoff any staff in 2020.

The total revenue in 2020 was \$2.3 million less than budgeted primarily due to the impact of the COVID-19 pandemic and related government restrictions, most significantly in the following areas:

- FAA grant reimbursements were less than budgeted
- Aviation fuel fees were less than budgeted
- Concession fees were less than budgeted
- Investment income was less than budgeted

ECONOMIC FACTORS

The following factors were considered when the Authority prepared the 2021 budget; however, the Novel Coronavirus (COVID-19) impacted the finances of the Authority in 2020 and into 2021. The Authority management expects revenues to continue a slow recovery during 2021.

- High uncertainty continues to surround the global economic outlook, primarily related to the path of the COVID-19 pandemic. The *IMF World Economic Outlook Update (4/2021)* estimates a -3.3 percent contraction of the global economy in 2020 but projects the global economy to grow 6 percent in 2021. The recovery depends on the path of the health crisis, including policy actions and if the vaccines are effective against the new COVID-19 strains.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2020 and 2019

- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, increased significantly during 2020 compared to 2019 due to the pandemic. The rate at the end of 2020 was 6.7%, which was higher than the 3.6% rate at the end of 2019, which was lower than the 3.9% rate at the end of 2018. The highest unemployment rate during the pandemic was 14.8% in April 2020.
- The Authority continues to be eligible for FAA grants. New grants awarded in 2021 under the Airport Improvement Program are expected to require a ten percent match.
- The Authority expects relief funds of \$57,000 from the Airport Coronavirus Response Grant Program in 2021.
- Most major airport tenants are well capitalized and are continuing to recover from the impact of the pandemic.
- The Authority will monitor any businesses that may be adversely impacted by the economic fallout of the pandemic.
- Fuel revenues stabilized at the end of 2020 and a continued rebound is expected in 2021.

In 2020, business activity was flat and in 2021 will continue to be impacted by the pandemic. The Authority’s income streams have been impacted by the pandemic and are expected to increase slowly in 2021. Liquidity is expected to remain stable. The Authority has sufficient cash reserves to maintain the status quo but is prepared to make adjustments when necessary. The Authority 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, 2020 and 2019

Assets

	2020	2019 (As Restated)
Current Assets		
Cash and cash equivalents, unrestricted	\$ 8,912,192	\$ 8,928,650
Cash and cash equivalents, restricted	305,929	8,000,000
Receivables		
Leases	126,557	1,173,429
Trade	875,601	820,430
Grants	389,581	28,674
Note	5,697	6,552
Due from other governments	158,300	221,230
Interest	34,977	-
Prepaid expenses	<u>307,841</u>	<u>230,309</u>
Total current assets	<u>11,116,675</u>	<u>19,409,274</u>
Noncurrent Assets		
Capital assets		
Nondepreciable	27,837,043	24,957,362
Depreciable	<u>99,117,611</u>	<u>87,631,436</u>
Total capital assets	126,954,654	112,588,798
Accumulated depreciation	<u>(66,258,938)</u>	<u>(61,658,409)</u>
Net capital assets	<u>60,695,716</u>	<u>50,930,389</u>
Other assets		
Investments restricted for deferred compensation plan	710,384	591,413
Lease receivable - long-term	3,718,530	3,845,087
Note receivable - long-term	60,482	88,648
Other receivable	<u>189,608</u>	<u>197,321</u>
Total other assets	<u>4,679,004</u>	<u>4,722,469</u>
Total noncurrent assets	<u>65,374,720</u>	<u>55,652,858</u>
Total assets	<u>\$ 76,491,395</u>	<u>\$ 75,062,132</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position (Continued)
December 31, 2020 and 2019

Liabilities

	2020	2019 (As Restated)
Current Liabilities		
Accounts and contracts payable	\$ 725,612	\$ 519,639
Accrued liabilities	75,163	64,110
Accrued interest payable	96,066	106,502
Unearned revenue	23,890	12,712
Compensated absences	137,933	99,496
Note payable	750,220	731,922
	1,808,884	1,534,381
Noncurrent liabilities		
Note payable, less current maturities	5,803,788	6,554,008
Deferred compensation plan liability	710,384	591,413
Deposits	11,095	11,155
	6,525,267	7,156,576
	8,334,151	8,690,957
 Deferred Inflows of Resources		
Leases	3,845,087	5,018,516
 Net Position		
Net investment in capital assets	53,811,062	51,259,881
Unrestricted	10,501,095	10,092,778
	\$ 64,312,157	\$ 61,352,659

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, 2020 and 2019

	2020	2019 (As Restated)
Operating revenues		
Building and land rental	\$ 2,953,670	\$ 2,572,791
Fuel and aircraft parking fees	2,810,375	3,311,555
Concession fees	164,450	295,536
Other airport operator fees	537,492	83,593
Custom fees	206,731	320,012
Other operating revenues	311,932	308,103
	<hr/>	<hr/>
Total operating revenues	6,984,650	6,891,590
	<hr/>	<hr/>
Operating expenses		
Depreciation	4,738,900	5,069,729
Salaries and related payroll expenses	2,628,139	2,658,288
Maintenance, repairs and operating supplies	553,353	537,291
Customs expense	276,095	305,477
Telephone and utilities	405,140	375,492
Insurance	138,905	120,074
Public relations	32,399	76,725
Travel and meetings	34,752	90,897
Firefighting services	8,363	55,922
Legal	131,701	64,830
Accounting and audit	48,000	36,750
Noise expense	95,016	37,185
Office expense	122,150	79,257
Office and equipment expense	26,799	30,933
Miscellaneous	13,201	15,781
	<hr/>	<hr/>
Total operating expenses	9,252,913	9,554,631
	<hr/>	<hr/>
Operating loss	(2,268,263)	(2,663,041)
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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, 2020 and 2019

	2020	2019 (As Restated)
Nonoperating revenues (expenses)		
Investment income	73,204	173,533
Lease interest income	157,164	85,939
Interest expense	(171,712)	(189,243)
Loss on disposition of capital assets	(4,688)	(1,806,277)
Centennial Airport Foundation income	3,490	5,832
Centennial Airport Foundation expense	(14,248)	(21,245)
Total nonoperating revenues (expenses)	43,210	(1,751,461)
Loss before grants and capital contributions	(2,225,053)	(4,414,502)
Grants and capital contributions	5,184,551	255,549
Change in net position	2,959,498	(4,158,953)
Total net position, beginning of year	61,352,659	65,511,612
Total net position, end of year	\$ 64,312,157	\$ 61,352,659

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019 (As Restated)
Cash Flows From Operating Activities		
Cash received		
Services provided	\$ 4,061,485	\$ 4,258,359
Building and land rentals	2,953,670	2,572,791
Cash payments		
Suppliers of goods and services	(1,591,758)	(1,809,386)
Employees for services	(2,578,649)	(2,638,058)
	<u>2,844,748</u>	<u>2,383,706</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(14,305,080)	(2,037,971)
Payment of payables incurred for capital asset acquisition	(384,578)	(169,419)
Interest paid on long-term debt	(182,148)	(200,001)
Proceeds from grants and capital contributions	4,823,644	456,690
Principal paid on notes payable	(731,922)	(714,070)
Proceeds from disposition of capital assets	395	2,833,855
	<u>(10,779,689)</u>	<u>169,084</u>
Net cash provided by (used in) capital and related financing activities	<u>(10,779,689)</u>	<u>169,084</u>
Cash Flows From Investing Activities		
Interest received	73,204	173,533
Lease interest income	122,186	85,939
Note receivable	29,022	(95,200)
	<u>224,412</u>	<u>164,272</u>
Net cash provided by investing activities	<u>224,412</u>	<u>164,272</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,710,529)</u>	<u>2,717,062</u>
Cash and Cash Equivalents, Beginning of Year	<u>16,928,650</u>	<u>14,211,588</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,218,121</u>	<u>\$ 16,928,650</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Cash and cash equivalents - unrestricted	\$ 8,912,192	\$ 8,928,650
Cash and cash equivalents - restricted	305,929	8,000,000
	<u>\$ 9,218,121</u>	<u>\$ 16,928,650</u>
Total cash and cash equivalents	<u>\$ 9,218,121</u>	<u>\$ 16,928,650</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019 (As Restated)
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating loss	\$ (2,268,263)	\$ (2,663,041)
Depreciation expense	4,738,900	5,069,729
Foundation activity	(10,758)	(15,413)
Changes in operating assets and liabilities		
Accounts receivable	15,472	(76,234)
Prepaid expenses	(77,532)	(30,378)
Accounts payable	386,321	68,850
Accrued liabilities	11,053	4,589
Compensated absences	38,437	15,642
Deposits	(60)	20
Unearned revenue	11,178	9,942
	<u>\$ 2,844,748</u>	<u>\$ 2,383,706</u>
 Supplemental Cash Flows Information		
Noncash Capital and Related Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 204,230	\$ 384,578
Earned retainage	\$ 432,345	\$ -

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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:

	2020	2019
Assets	\$ 48,044	\$ 58,379
Liabilities (2020 - \$0 due to the Authority 2019 - \$0 due to the Authority)	425	-
Net Position	\$ 47,619	\$ 58,379
Revenue	\$ 3,490	\$ 5,832
Expenses	14,250	21,245
Change in Net Position	\$ (10,760)	\$ (15,413)

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. Investments restricted for the deferred compensation plan are mutual funds that are carried at fair value. Investments in local government investment pools are carried at net asset value per share.

Leases

The Authority, as lessor, reports its leases in accordance with the provisions of GASB Statement No. 87, *Leases*.

Leases are contracts that convey control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is the period of time where there is a noncancelable right to use the underlying asset. For regulated lessor contracts, the Authority recognizes inflows of resources (revenues) based on the payment provisions of the lease contract. For non-regulated lessor contracts, lease receivables and deferred inflows of resources are reported at present value using the stated interest rate is the contract if that is the rate charged the lessee. If

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there is no stated rate, or the stated rate is not used to charge the lessee, then the rate implicit in the lease is used, if determinable, otherwise the Authority's own incremental borrowing rate is the discount rate.

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 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 25% and 21% of total operating revenues for the years ended December 31, 2020 and 2019, respectively. In addition, this same FBO accounts for 22% and 30% of year-end accounts receivable at December 31, 2020 and 2019, 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.

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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, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

The Authority has noninterest-bearing transaction accounts which are covered under the FDIC Temporary Liquidity Unlimited Coverage for noninterest-bearing transaction accounts program. FDIC insurance limits as of December 31, 2020 and 2019 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, 2020 and 2019, the Authority’s cash deposits and cash on hand had carrying balances of \$1,105,300 and \$8,944,291, respectively. The bank balances were as follows:

	2020	2019
Insured deposits	\$ 1,694,720	\$ 9,010,087

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, 2020:

Investment Type	Maturity	Fair Value
COLOTRUST (unrestricted)	N/A	<u>\$ 8,112,820</u>
Total investments		<u><u>\$ 8,112,820</u></u>
Statement of net position classification		
Cash and cash equivalents		<u>\$ 8,112,820</u>
Total		<u><u>\$ 8,112,820</u></u>

The Authority had the following investments at December 31, 2019:

Investment Type	Maturity	Fair Value
COLOTRUST (unrestricted)	N/A	\$ 7,984,359
Treasury Money Market	N/A	<u>-</u>
Total investments		<u><u>\$ 7,984,359</u></u>
Statement of net position classification		
Cash and cash equivalents		<u>\$ 7,984,359</u>
Total		<u><u>\$ 7,984,359</u></u>

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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, 2020.

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, 2020 and 2019, the Authority had \$8,112,820 and \$7,894,359, respectively, invested in COLOTRUST (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. The Trust is a local government investment pool with a stable net asset value. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities and certain obligations of U.S. government agencies. The Trust does not have any limitations or restrictions on participant withdrawals. COLOTRUST is not subject to custodial risk, interest rate risk or foreign currency risk.

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

Credit Risk

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

COLOTRUST PRIME and COLOTRUST PLUS+ were rated AAAM by Standard and Poor's as of December 31, 2020 and 2019, respectively.

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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.

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, 2020 and 2019, the cash and investments are reflected on the Statements of Net Position as follows:

	2020	2019
Cash and cash equivalents, unrestricted	\$ 8,912,192	\$ 8,928,650
Cash and cash equivalents, restricted	305,929	8,000,000
Total cash and investments	\$ 9,218,121	\$ 16,928,650

At December 31, 2020 and 2019, cash and cash equivalents are comprised of the following:

	2020	2019
Cash deposits, certificates of deposits, money markets and cash on hand	\$ 1,105,301	\$ 8,944,291
COLOTRUST	8,112,820	7,984,359
Total cash and cash equivalents	\$ 9,218,121	\$ 16,928,650

NOTE 3 – RESTRICTED ASSETS

Restricted cash as of December 31, 2020, consists of unspent proceeds from notes payable to be used for construction of an aviation community and administrative facility. Restricted other assets consist of investments for the deferred compensation plan.

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NOTE 4 – CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2020 follows:

	Balance 12/31/19	Additions	Deletions	Transfers	Balance 12/31/20
Capital Assets, Not Depreciated					
Construction in progress	\$ 2,802,673	\$ 14,240,114	\$ -	\$ (11,360,433)	\$ 5,682,354
Land	21,154,689	-	-	-	21,154,689
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>24,957,362</u>	<u>14,240,114</u>	<u>-</u>	<u>(11,360,433)</u>	<u>27,837,043</u>
Capital Assets, Being Depreciated					
Site improvements	1,014,026	1,850	-	-	1,015,876
Buildings and improvements	18,013,475	16,352	19,682	10,657,475	28,667,620
Runways, taxiways and ramps	59,701,229	-	-	147,384	59,848,613
Furniture and equipment	8,902,706	250,993	123,771	555,574	9,585,502
Total capital assets, being depreciated	<u>87,631,436</u>	<u>269,195</u>	<u>143,453</u>	<u>11,360,433</u>	<u>99,117,611</u>
Accumulated Depreciation					
Site improvements	(694,164)	(25,462)	-	-	(719,626)
Buildings and improvements	(15,952,500)	(420,597)	(17,051)	-	(16,356,046)
Runways, taxiways and ramps	(38,198,062)	(3,604,444)	-	-	(41,802,506)
Furniture and equipment	(6,813,683)	(688,397)	(121,320)	-	(7,380,760)
Total accumulated depreciation	<u>(61,658,409)</u>	<u>(4,738,900)</u>	<u>(138,371)</u>	<u>-</u>	<u>(66,258,938)</u>
Net capital assets, being depreciated	<u>25,973,027</u>	<u>(4,469,705)</u>	<u>5,082</u>	<u>11,360,433</u>	<u>32,858,673</u>
Total capital assets, net	<u>\$ 50,930,389</u>	<u>\$ 9,770,409</u>	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 60,695,716</u>

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A summary of changes to capital assets for the year ended December 31, 2019 follows:

	Balance 12/31/18	Additions	Deletions	Transfers	Balance 12/31/19
Capital Assets, Not Depreciated					
Construction in progress	\$ 1,064,658	\$ 2,083,918	\$ -	\$ (345,903)	\$ 2,802,673
Land	25,789,696	-	4,635,007	-	21,154,689
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>27,854,354</u>	<u>2,083,918</u>	<u>4,635,007</u>	<u>(345,903)</u>	<u>24,957,362</u>
Capital Assets, Being Depreciated					
Site improvements	1,014,026	-	-	-	1,014,026
Buildings and improvements	18,076,850	89,454	152,829	-	18,013,475
Runways, taxiways and ramps	59,355,326	-	-	345,903	59,701,229
Furniture and equipment	9,009,309	220,140	326,743	-	8,902,706
Total capital assets, being depreciated	<u>87,455,511</u>	<u>309,594</u>	<u>479,572</u>	<u>345,903</u>	<u>87,631,436</u>
Accumulated Depreciation					
Site improvements	(668,748)	(25,416)	-	-	(694,164)
Buildings and improvements	(15,744,664)	(355,540)	(147,704)	-	(15,952,500)
Runways, taxiways and ramps	(34,216,506)	(3,981,556)	-	-	(38,198,062)
Furniture and equipment	(6,433,210)	(707,216)	(326,743)	-	(6,813,683)
Total accumulated depreciation	<u>(57,063,128)</u>	<u>(5,069,728)</u>	<u>(474,447)</u>	<u>-</u>	<u>(61,658,409)</u>
Net capital assets, being depreciated	<u>30,392,383</u>	<u>(4,760,134)</u>	<u>5,125</u>	<u>345,903</u>	<u>25,973,027</u>
Total capital assets, net	<u>\$ 58,246,737</u>	<u>\$ (2,676,216)</u>	<u>\$ 4,640,132</u>	<u>\$ -</u>	<u>\$ 50,930,389</u>

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NOTE 5 – NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2020 follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020	Amounts Due in One Year
Note payable	<u>\$ 7,285,930</u>	<u>\$ -</u>	<u>\$ 731,922</u>	<u>\$ 6,554,008</u>	<u>\$ 750,220</u>

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019	Amounts Due in One Year
Note payable	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 714,070</u>	<u>\$ 7,285,930</u>	<u>\$ 731,922</u>

Notes Payable

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 \$914,070 over the next 10 years. The loan will be secured by the building being financed with the loan proceeds.

Year Ended December 31,	Principal	Interest	Total
2021	\$ 750,220	\$ 163,850	\$ 914,070
2022	768,975	145,095	914,070
2023	788,200	125,870	914,070
2024	807,905	106,165	914,070
2025	828,102	85,968	914,070
2026 - 2028	<u>2,610,606</u>	<u>131,604</u>	<u>2,742,210</u>
Total	<u>\$ 6,554,008</u>	<u>\$ 758,552</u>	<u>\$ 7,312,560</u>

NOTE 6 – LEASE REVENUE (As Restated)

The Authority has rental agreements with fixed base operators and leases 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. Some rental agreements and leases include arrangements for the lessee to pay the Authority a fee based upon a percentage of their revenue. All aviation-related leases between the Authority and aeronautical users are subject to FAA rules and regulation. Since aeronautical

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leases are subject to FAA rules and regulation, the Authority is not required to include aeronautical leases as part of the lease receivable.

The total amount of revenue recognized for regulated and non-regulated leases for the years ended December 31, 2020 and 2019 is as follows:

2020	Regulated	Non-Regulated	Total
Land and building rent	\$ 2,467,560	\$ 223,455	\$ 2,691,015
Interest revenue	\$ -	\$ 157,164	\$ 157,164
Other lease revenue	\$ 31,106	\$ 231,549	\$ 262,655

2019	Regulated	Non-Regulated	Total
Land and building rent	\$ 2,012,840	\$ 238,609	\$ 2,251,449
Interest revenue	\$ -	\$ 85,939	\$ 85,939
Other lease revenue	\$ 28,836	\$ 292,506	\$ 321,342

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 expired on September 30, 2020. The Authority entered into a new lease agreement with the FAA to lease approximately 4,050 square foot of the Authority's administrative office building commencing on December 1, 2020. Rental income under these leases amounted to \$151,108 and \$146,725 during 2020 and 2019, respectively. The earning stream from these agreements is included in the amounts disclosed above.

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Non-regulated Leases

The Authority recognized revenue of \$171,549 and \$232,506 for variable and other payments from non-regulated leases not previously recognized in the lease receivable for the years ended December 31, 2020 and 2019, respectively. The following is a schedule of future minimum payments under non-regulated leases that are included in the measurement of the lease receivable:

Year Ending December	Total to be Paid	Principal	Interest
2021	\$ 220,644	\$ 126,557	\$ 94,087
2022	225,317	134,508	90,809
2023	230,129	142,801	87,328
2024	235,085	151,451	83,634
2025	240,190	160,471	79,719
2026-2030	1,285,276	953,956	331,320
2031-2035	1,440,711	1,246,798	193,913
2036-2040	673,125	614,832	58,293
2041-2045	232,176	204,949	27,227
2046-2050	<u>111,878</u>	<u>108,764</u>	<u>3,114</u>
Total	<u>\$ 4,894,531</u>	<u>\$ 3,845,087</u>	<u>\$ 1,049,444</u>

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Regulated Leases

The Authority recognized revenue of \$31,106 and \$28,836 for variable and other payments from regulated leases not previously included in expected future minimum payments for the years ended December 31, 2020 and 2019, respectively. The following is a schedule of future minimum payments under regulated leases:

Year Ending December	Total to be Paid
2021	\$ 2,183,788
2022	2,158,816
2023	2,179,675
2024	2,201,137
2025	2,223,219
2026-2030	11,164,897
2031-2035	11,224,688
2036-2040	12,551,890
2041-2045	15,780,440
2046-2050	16,078,446
2051-2055	14,712,050
2056-2060	9,428,193
2061-2065	7,267,488
2066-2070	6,971,497
2071-2075	6,336,284
2076-2080	6,951,203
2081-2085	5,794,613
2086-2090	5,420,932
2091-2095	4,860,411
2096-2100	850,750
Total	\$ 146,340,417

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NOTE 7 – 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 \$5,555,555 and \$0 in FAA funding in 2020 and 2019, 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 \$930,723 and \$0 at December 31, 2020 and 2019, 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, 2020 and 2019 of \$389,414 and \$27,426, 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 8 – 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:

	2020	2019
Total payroll for the year	\$ 1,983,246	\$ 2,028,104
Base salary for contribution calculation	\$ 1,805,707	\$ 1,835,696
Employee contributions	\$ 179,566	\$ 169,558
Authority contributions	\$ 121,587	\$ 122,101

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 \$30,000 and \$60,000 in 2020 and 2019, respectively. As the Plan assets are subject and available to the Authority’s creditors the related assets and liabilities have been included in the Authority’s financial statements.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

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, 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. Both parties have provided information to the FAA and the issue is currently under FAA review.

NOTE 10 – 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 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets is comprised of the following:

	2020	2019
Capital assets, net	\$ 60,695,716	\$ 50,930,389
Notes payable - current portion	(750,220)	(731,922)
Notes payable - noncurrent portion	(5,803,788)	(6,554,008)
Unspent notes payable proceeds	305,929	8,000,000
Accounts payable incurred for capital asset purchases	(204,230)	(384,578)
Earned retainage	(432,345)	-
	\$ 53,811,062	\$ 51,259,881

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 12 – ADOPTION OF NEW ACCOUNTING STANDARDS

The Authority implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which establishes new criteria for accounting for leases. The objective of this statement is to increase the usefulness of financial statements by requiring lessees to recognize a lease liability and an intangible right-to-use lease asset and requiring lessors to recognize a lease receivable and a deferred inflow of resources. For purposes of implementing GASB 87, the Authority’s non-regulated leases are measured based upon facts and circumstances that existed at the beginning of the period of implementation, January 1, 2019. This standard also has provisions for recognition requirements for certain regulated leases.

Adoption of GASB No. 87 had a significant effect on the Authority’s financial statements. It led to recognition of a lease receivable and corresponding deferred inflow of resources for non-regulated leases, as well as a reclassification of a portion of land rent to interest income. Adoption of GASB 87 had no effect on beginning net position as of January 1, 2019. 2019 financial statements were restated for comparative purposes and the impacts of the restatement to the financial statements are as follows:

	December 31, 2019 As Reported	GASB 87 Adjustment December 31, 2019	December 31, 2019 As Restated
Statement of Net Position			
Lease Receivable Current	\$ -	\$ 1,173,429	\$ 1,173,429
Lease Receivable Non-Current	\$ -	\$ 3,845,087	\$ 3,845,087
Deferred Inflows of Resources	\$ -	\$ 5,018,516	\$ 5,018,516
Statement of Revenues, Expenses and Changes in Net Position			
Building and Land Rental	\$ 2,658,730	\$ (85,939)	\$ 2,572,791
Lease Interest Revenue	\$ -	\$ 85,939	\$ 85,939
Statement of Cash Flows			
Buildings and Land Rentals	\$ 2,658,730	\$ (85,939)	\$ 2,572,791
Lease Interest Income	\$ -	\$ 85,939	\$ 85,939

NOTE 13 – SIGNIFICANT EVENT

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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, 2020

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 6,661,250	\$ 5,184,551	\$ (1,476,699)
Building and land rental	2,933,138	2,953,670	20,532
Fuel and aircraft parking fees	3,317,000	2,810,375	(506,625)
Concession fees	277,700	164,450	(113,250)
Other airport operator fees	535,813	537,492	1,679
Custom fees	325,000	206,731	(118,269)
Interest income	353,280	230,368	(122,912)
Note receivable principal payments	7,238	29,022	21,784
Other operating and non-operating income	281,062	311,932	30,870
	<hr/>	<hr/>	<hr/>
Total revenues	14,691,481	12,428,591	(2,262,890)
Expenditures			
	<hr/>	<hr/>	<hr/>
	24,707,766	19,926,955	4,780,811
Excess (deficiency) of revenues over (under) expenditures			
	<u>\$ (10,016,285)</u>	<u>\$ (7,498,364)</u>	<u>\$ 2,517,921</u>
Expenditures			
Principal and interest	\$ 903,396	\$ 903,634	\$ (238)
Salaries and related payroll expense	2,972,428	2,628,139	344,289
Maintenance, repairs and operating supplies	827,900	553,353	274,547
Customs expense	320,000	276,095	43,905
Telephone and utilities	454,436	405,140	49,296
Insurance	165,300	138,905	26,395
Public relations	86,600	32,399	54,201
Travel and meetings	142,300	34,752	107,548
Firefighting services	25,000	8,363	16,637
Legal	100,000	131,701	(31,701)
Accounting and audit	55,300	48,000	7,300
Noise expense	169,500	95,016	74,484
Office expense	156,122	122,150	33,972
Office and equipment rental	36,309	26,799	9,510
Miscellaneous	82,259	13,201	69,058
Capital outlay	18,210,916	14,509,308	3,701,608
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 24,707,766</u>	<u>\$ 19,926,955</u>	<u>\$ 4,780,811</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, 2020

Revenues

Total revenues (budgetary basis)	\$ 12,428,591
Note receivable principal payments	(29,022)
CAF income	<u>3,490</u>
Total revenues	<u>12,403,059</u>

Expenses

Total expenditures (budgetary basis)	19,926,955
CAF expenses	14,248
Capital outlay	(14,509,308)
Note principal payments	(731,922)
Loss on disposition of capital assets	4,688
Depreciation and amortization	<u>4,738,900</u>
Total expenses	<u>9,443,561</u>

Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ 2,959,498</u></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, 2019

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 1,120,000	\$ 255,549	\$ (864,451)
Building and land rental	2,611,815	2,658,729	46,914
Fuel and aircraft parking fees	3,297,400	3,311,555	14,155
Concession fees	270,400	295,536	25,136
Other airport operator fees	323,096	83,593	(239,503)
Custom fees	315,000	320,012	5,012
Interest income	69,700	173,533	103,833
Asset sale proceeds	2,500,000	2,832,578	332,578
Other operating and non-operating income	270,635	308,103	37,468
Total revenues	10,778,046	10,239,188	(538,858)
Expenditures			
	20,662,886	7,781,726	12,881,160
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,884,840)</u>	<u>\$ 2,457,462</u>	<u>\$ 12,342,302</u>
Expenditures			
Principal and interest	\$ 903,656	\$ 903,313	\$ 343
Salaries and related payroll expense	2,781,956	2,658,288	123,668
Maintenance, repairs and operating supplies	781,450	537,291	244,159
Customs expense	315,000	305,477	9,523
Telephone and utilities	424,719	375,492	49,227
Insurance	146,675	120,074	26,601
Public relations	91,600	76,725	14,875
Travel and meetings	139,700	90,897	48,803
Firefighting services	20,000	55,922	(35,922)
Legal	100,000	64,830	35,170
Accounting and audit	45,150	36,750	8,400
Noise expense	75,500	37,185	38,315
Office expense	121,450	79,257	42,193
Office and equipment rental	35,595	30,933	4,662
Miscellaneous	68,100	15,781	52,319
Capital outlay	14,612,335	2,393,511	12,218,824
Total expenditures	<u>\$ 20,662,886</u>	<u>\$ 7,781,726</u>	<u>\$ 12,881,160</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, 2019

Revenues

Total revenues (budgetary basis)	\$ 10,239,188
CAF income	5,832
Asset sale proceeds	<u>(2,832,577)</u>
Total revenues	<u>7,412,443</u>

Expenses

Total expenditures (budgetary basis)	7,781,726
CAF expenses	21,245
Capital outlay	(2,393,511)
Note principal payments	(714,070)
Loss on disposition of capital assets	1,806,277
Depreciation and amortization	<u>5,069,729</u>
Total expenses	<u>11,571,396</u>

Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ (4,158,953)</u></u>
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**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2021, which contained an emphasis of matter paragraph regarding a change in accounting principle.

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) as a basis for designing 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 financial statements. 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 14, 2021