

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

Financial Statements

Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 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 information is 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, 2020, 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, 2020

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

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, 2019 and 2018. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- The business environment at the airport remained stable in 2019. The number of operations increased from 2018 and the number of gallons of fuel sold also increased from 2018. Building and land rentals increased slightly from 2018 to 2019. Overall, operating revenues for 2019 decreased slightly when compared to 2018 due primarily to a decrease in construction fees received. The Authority's operating expenses exceeded operating revenues in 2019.
- The assets of the Authority exceeded its liabilities at December 31, 2019 by \$61.3 million (net position). Of the net position balance, \$10.1 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2019 net position decreased by \$4.2 million, or 6.35%, from 2018. This is related to the decrease in grants and capital contributions and a loss on the sale of land.
- The Authority's operating revenues decreased to \$7.0 million, or 2.37%, from 2018, while operating expenses, less depreciation, increased to \$4.5 million, or 6.49%. Depreciation expense remained constant at \$5.1 million in 2019. This resulted in an operating loss of \$2.6 million, before other non-operating revenue, expense, grants, and capital contributions in 2019.
- In 2019, the Authority had a loan outstanding at year-end for construction of a new Aviation Community and Administrative Facility in the amount of \$7,285,930.
- During 2019, the Authority made capital investments of \$2.4 million.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

[OVERVIEW OF THE FINANCIAL STATEMENTS](#)

This annual report is comprised of three parts:

- Management's discussion and analysis
- Financial statements and notes to the financial statements
- Supplementary information

[REQUIRED FINANCIAL STATEMENTS](#)

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

**Statements of Net Position**

The statements of net position provide information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

The statements measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its lease revenue, fuel fees, fuel taxes and other user fee revenues.

**Statements of Cash Flows**

The primary purpose of the statements of cash flows is to report cash receipts, cash payments and net changes in cash resulting from operating, investing, and capital and related financing activities.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY

NET POSITION

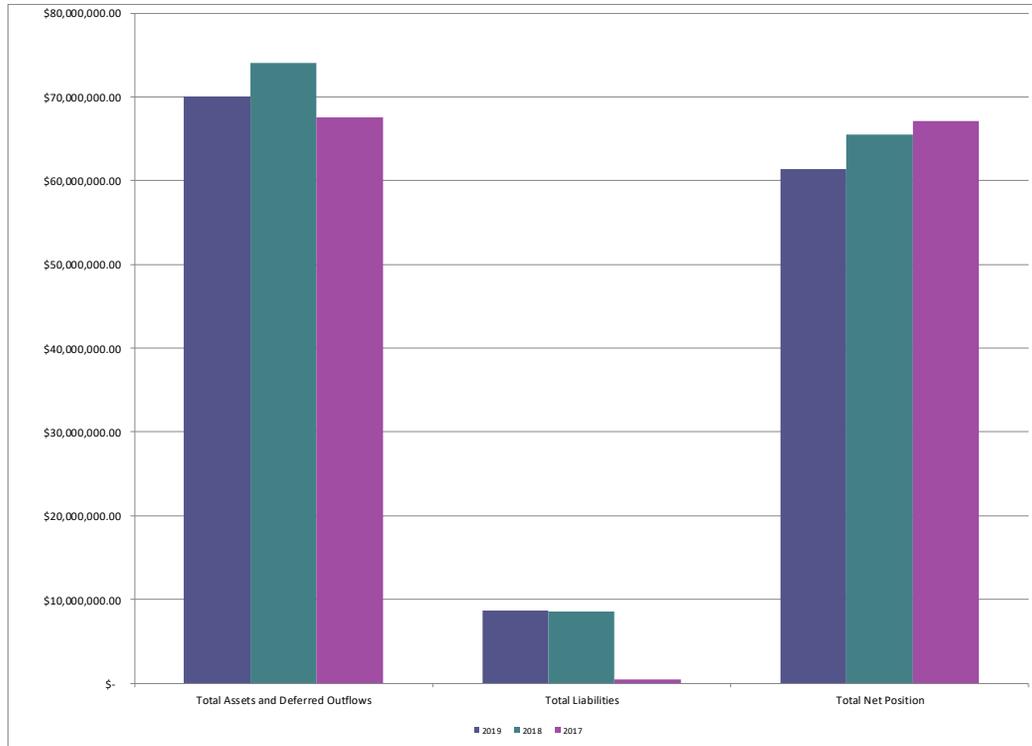
**Condensed Statements of Net Position**

	<b>December 31,</b>		
	<b>2019</b>	<b>2018*</b>	<b>2017</b>
Current assets	\$ 18,235,845	\$ 15,599,048	\$ 5,885,964
Capital assets	50,930,389	58,246,737	61,508,192
Other assets	877,382	643,958	212,747
<b>Total assets</b>	<b>70,043,616</b>	<b>74,489,743</b>	<b>67,606,903</b>
Current liabilities	1,534,381	1,242,142	425,153
Noncurrent liabilities	7,156,576	7,735,989	11,115
<b>Total liabilities</b>	<b>8,690,957</b>	<b>8,978,131</b>	<b>436,268</b>
Net investment in capital assets	51,259,881	58,077,318	61,345,369
Unrestricted	10,092,778	7,434,294	5,825,266
<b>Total net position</b>	<b>\$ 61,352,659</b>	<b>\$ 65,511,612</b>	<b>\$ 67,170,635</b>

\*Revised - see Note 1.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

**Comparison of Condensed Statements of Net Position**



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 decreased by \$4.4 million and total liabilities, which decreased by \$0.2 million. Total assets decreased primarily due to a decrease in capital assets related to the sale of land. Total liabilities decreased primarily due to the payment of long-term debt.

2018

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

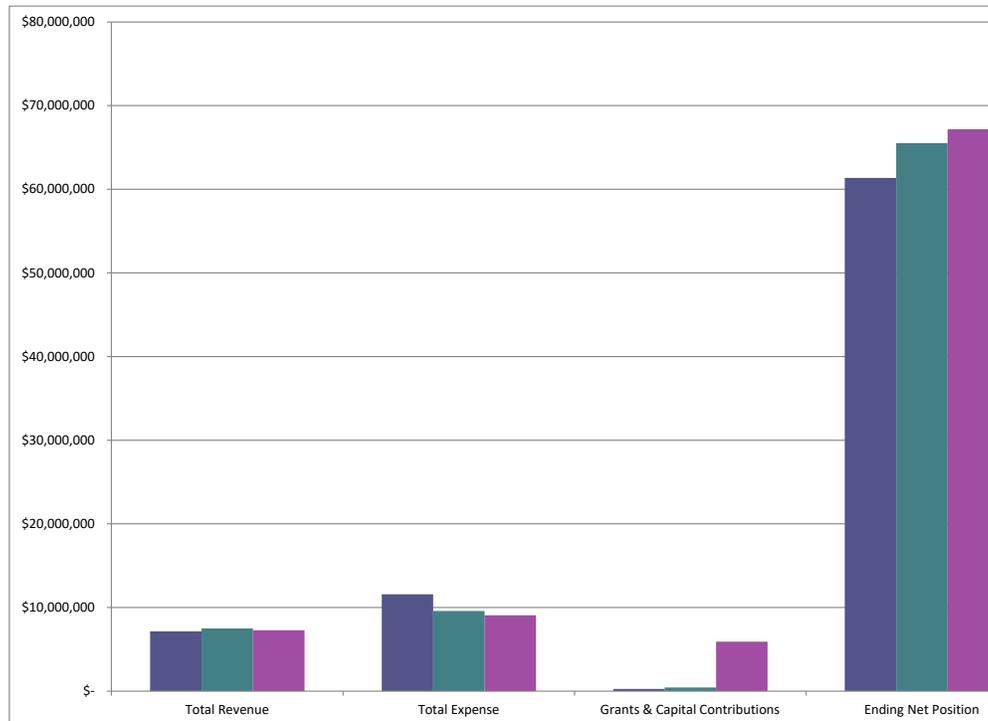
**REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

	<b>Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Operating revenues	\$ 6,977,529	\$ 7,146,865	\$ 7,202,053
Nonoperating revenues	179,365	335,074	82,885
<b>Total revenues</b>	<b>7,156,894</b>	<b>7,481,939</b>	<b>7,284,938</b>
Depreciation expense	5,069,729	5,069,585	4,978,765
Other operating expenses	4,484,902	4,211,583	4,051,278
Nonoperating expenses	2,016,765	291,315	39,999
<b>Total expenses</b>	<b>11,571,396</b>	<b>9,572,483</b>	<b>9,070,042</b>
<b>Grants and capital contributions</b>	255,549	431,521	5,918,936
<b>Change in net position</b>	<b>(4,158,953)</b>	<b>(1,659,023)</b>	<b>4,133,832</b>
Total net position, January 1	65,511,612	67,170,635	63,036,803
<b>Ending net position</b>	<b>\$ 61,352,659</b>	<b>\$ 65,511,612</b>	<b>\$ 67,170,635</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

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



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.

2018

While the statement of net position shows the change in net position, the statement of revenues, expenses and changes in net position provides answers as to the nature and source of these changes. As can be seen in the condensed statements of revenues, expenses and changes in net position as well as the chart above, ending net position decreased in 2018. This is due to the decrease in grants and capital contributions received in 2018.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

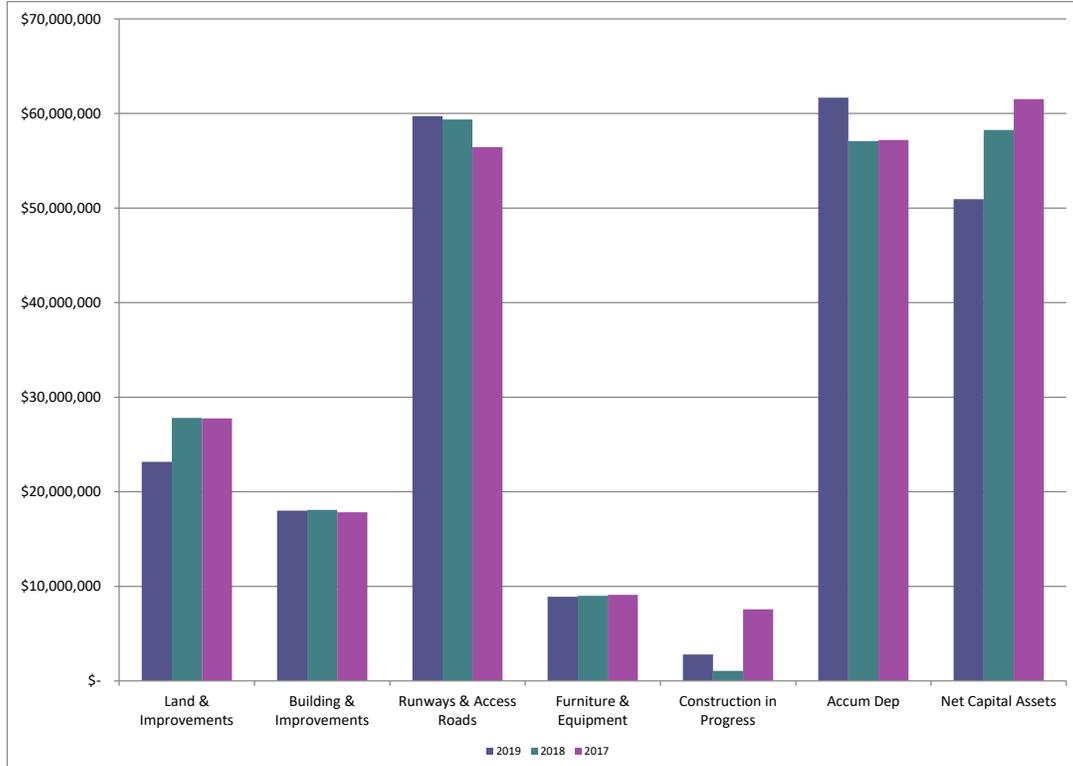
**CAPITAL ASSETS**

During 2019, the Authority invested \$2.4 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 2019, the Authority sold land, leading to a decrease in land and site improvements. During 2018, the Authority invested \$1.8 million in a broad range of capital improvements.

	<b>Capital Assets</b>		
	<b>December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Land and site improvements	\$ 23,168,715	\$ 27,803,722	\$ 27,750,577
Buildings and improvements	18,013,475	18,076,850	17,839,400
Runways, taxiways and ramps	59,701,229	59,355,326	56,443,911
Furniture and equipment	8,902,706	9,009,309	9,097,259
Construction in progress	2,802,673	1,064,658	7,567,235
<b>Subtotal</b>	<b>112,588,798</b>	<b>115,309,865</b>	<b>118,698,382</b>
Less accumulated depreciation	61,658,409	57,063,128	57,190,190
<b>Net capital assets</b>	<b>\$ 50,930,389</b>	<b>\$ 58,246,737</b>	<b>\$ 61,508,192</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

**Comparison of Capital Assets**



**Major Improvements to the Airport in 2019:**

- Airport improvements implemented with grant funds included:
  - Continuation of the Master Plan update and Geographic Information System
  - Design 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:
  - Continued design and start of construction of the new Aviation Community and Administrative Facility
  - Airfield striping and rubber removal
  - Runway 17R/35L and Taxiway B seal coat & striping
  - Upgrade security gates and cameras
  - Upgrade computers, software and servers
  - Crack seal machine
  - Various furniture purchases

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management's Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

**LONG-TERM DEBT**

At the end of 2019 and 2018, the Authority had total debt outstanding of \$7,285,930 and \$8,000,000, respectively. This represents a note that will be secured by a deed of trust on the building being 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 2019. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2019 were \$12.9 million less than budgeted primarily due to:

- Lower capital expenditures related to Federal Aviation Administration (FAA) grants than budgeted
- Lower non grant capital expenditures than budgeted
- Deferred start of construction of the Aviation Community and Administrative Facility

The total revenue in 2019 was \$539 thousand lower than budgeted primarily because FAA grant reimbursements were less than budgeted and constructions fees were less than budgeted.

**ECONOMIC FACTORS**

The following factors were considered when the Authority prepared the 2020 budget; however, the Novel Coronavirus (COVID-19) has impacted the finances of the Authority in 2020. The Authority management expects revenues to be somewhat reduced in the first quarter of 2020 and significantly reduced in the second quarter of 2020, with a slow recovery through year end 2020.

- The *IMF World Economic Outlook Update (10/2019)* reported that the pace of global economic activity has remained weak since 2018 and continued at a weak pace in 2019 with global growth projected at 3.4% in 2020. This was revised downward to 3.3% in the January 20, 2020 update. The April 2020 update projected the COVID-19 pandemic will cause the global economy to contract sharply in 2020
- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, decreased in 2019 compared to 2018, which was lower than 2017. The rate at the end of 2019 was 3.5%, which was lower than the 3.9% rate at the end of 2018, which was lower than the 4.1% rate at the end of 2016. The rate jumped to 4.4 in March 2020 presumably due to the impact of the pandemic.

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Management’s Discussion and Analysis (Continued)**  
**(Unaudited)**  
**Years Ended December 31, 2019 and 2018**

- The Authority continues to be eligible for FAA grants. New grants awarded in 2020 under the Airport Improvement Program are expected to require zero match. The Coronavirus Aid, Relief, and Economic Security (CARES) Act will increase the federal share to 100 percent for Airport Improvement Program (AIP) and supplemental discretionary grants already planned for fiscal year 2020.
- The Authority expects relief funds of \$157,000 from the CARES Act in 2020
- Most major airport tenants are well capitalized and are expected 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 are expected to decline during the 2<sup>nd</sup> quarter of 2020 and then slowly rebound through the balance of the year. It is not possible to predict recovery at this time.

In 2019, business activity continued to grow; however, growth in 2020 will be impacted by the pandemic. The Authority’s income streams will be impacted by the pandemic; however, 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, 2019 and 2018**

**Assets**

	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents, unrestricted	\$ 8,928,650	\$ 6,211,588
Cash and cash equivalents, restricted	8,000,000	8,000,000
Receivables		
Trade	820,430	721,962
Grants	28,674	229,815
Note	6,552	-
Due from other governments	221,230	235,752
Prepaid expenses	<u>230,309</u>	<u>199,931</u>
Total current assets	<u>18,235,845</u>	<u>15,599,048</u>
<b>Noncurrent Assets</b>		
Capital assets		
Nondepreciable	24,957,362	27,854,354
Depreciable	<u>87,631,436</u>	<u>87,455,511</u>
Total capital assets	112,588,798	115,309,865
Accumulated depreciation	<u>(61,658,409)</u>	<u>(57,063,128)</u>
Net capital assets	<u>50,930,389</u>	<u>58,246,737</u>
Other assets		
Investments restricted for deferred compensation plan	591,413	438,924
Note receivable - long-term	88,648	-
Other receivable	<u>197,321</u>	<u>205,034</u>
Total other assets	<u>877,382</u>	<u>643,958</u>
Total noncurrent assets	<u>51,807,771</u>	<u>58,890,695</u>
Total assets	<u>\$ 70,043,616</u>	<u>\$ 74,489,743</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Net Position (Continued)**  
**December 31, 2019 and 2018**

**Liabilities**

	<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>		
Accounts and contracts payable	\$ 519,639	\$ 264,667
Accrued liabilities	64,110	59,521
Accrued interest payable	106,502	117,260
Unearned revenue	12,712	2,770
Compensated absences	99,496	83,854
Note payable	731,922	714,070
Total current liabilities	1,534,381	1,242,142
<b>Noncurrent liabilities</b>		
Note payable, less current maturities	6,554,008	7,285,930
Deferred compensation plan liability	591,413	438,924
Deposits	11,155	11,135
Total noncurrent liabilities	7,156,576	7,735,989
Total liabilities	8,690,957	8,978,131
<b>Net Position</b>		
Net investment in capital assets	51,259,881	58,077,318
Unrestricted	10,092,778	7,434,294
Total net position	\$ 61,352,659	\$ 65,511,612

**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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues		
Building and land rental	\$ 2,658,730	\$ 2,613,417
Fuel and aircraft parking fees	3,311,555	3,398,136
Concession fees	295,536	298,248
Other airport operator fees	83,593	241,330
Custom fees	320,012	297,082
Other operating revenues	<u>308,103</u>	<u>298,652</u>
Total operating revenues	<u>6,977,529</u>	<u>7,146,865</u>
Operating expenses		
Depreciation	5,069,729	5,069,585
Salaries and related payroll expenses	2,658,288	2,516,392
Maintenance, repairs and operating supplies	537,291	473,671
Customs expense	305,477	307,448
Telephone and utilities	375,492	370,712
Insurance	120,074	117,080
Public relations	76,725	70,467
Travel and meetings	90,897	104,076
Firefighting services	55,922	9,164
Legal	64,830	36,610
Accounting and audit	36,750	43,000
Noise expense	37,185	35,520
Office expense	79,257	88,131
Office and equipment expense	30,933	29,246
Miscellaneous	<u>15,781</u>	<u>10,066</u>
Total operating expenses	<u>9,554,631</u>	<u>9,281,168</u>
Operating loss	<u>(2,577,102)</u>	<u>(2,134,303)</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Revenues, Expenses and Changes in Net Position (Continued)**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Nonoperating revenues (expenses)		
Investment income	173,533	78,239
Interest expense	(189,243)	(117,260)
Gain (loss) on disposition of capital assets	(1,806,277)	41,298
Centennial Airport Foundation income	5,832	215,537
Centennial Airport Foundation expense	(21,245)	(174,055)
	<u>(1,837,400)</u>	<u>43,759</u>
Total nonoperating revenues (expenses)		
Loss before grants and capital contributions	(4,414,502)	(2,090,544)
Grants and capital contributions	<u>255,549</u>	<u>431,521</u>
Change in net position	(4,158,953)	(1,659,023)
Total net position, beginning of year	<u>65,511,612</u>	<u>67,170,635</u>
Total net position, end of year	<u>\$ 61,352,659</u>	<u>\$ 65,511,612</u>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities</b>		
Cash received		
Services provided	\$ 4,258,359	\$ 4,714,645
Building and land rentals	2,658,730	2,613,417
Cash payments		
Suppliers of goods and services	(1,809,386)	(1,841,163)
Employees for services	(2,638,058)	(2,497,117)
	2,469,645	2,989,782
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(2,037,971)	(1,650,817)
Payment of payables incurred for capital asset acquisition	(169,419)	(162,823)
Interest paid on long-term debt	(200,001)	-
Proceeds from grants and capital contributions	456,690	415,093
Proceeds from note payable	-	8,000,000
Principal paid on notes payable	(714,070)	-
Proceeds from disposition of capital assets	2,833,855	53,404
	169,084	6,654,857
<b>Cash Flows From Investing Activities</b>		
Interest received	173,533	75,276
Issuance of note receivable	(95,200)	-
Proceeds from maturity of investments	-	290,000
	78,333	365,276
<b>Net Increase in Cash and Cash Equivalents</b>	2,717,062	10,009,915
<b>Cash and Cash Equivalents, Beginning of Year</b>	14,211,588	4,201,673
<b>Cash and Cash Equivalents, End of Year</b>	\$ 16,928,650	\$ 14,211,588
<b>Reconciliation of Cash and Cash Equivalents to Statements of Net Position</b>		
Cash and cash equivalents - unrestricted	\$ 8,928,650	\$ 6,211,588
Cash and cash equivalents - restricted	8,000,000	8,000,000
	\$ 16,928,650	\$ 14,211,588

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating loss	\$ (2,577,102)	\$ (2,134,303)
Depreciation expense	5,069,729	5,069,585
Foundation activity	(15,413)	41,482
Changes in operating assets and liabilities		
Accounts receivable	(76,234)	(23,592)
Prepaid expenses	(30,378)	57,527
Accounts payable	68,850	(32,543)
Accrued liabilities	4,589	9,546
Compensated absences	15,642	9,729
Deposits	20	20
Unearned revenue	9,942	(7,669)
	<u>\$ 2,469,645</u>	<u>\$ 2,989,782</u>
Net cash provided by operating activities	<u>\$ 2,469,645</u>	<u>\$ 2,989,782</u>
<b>Supplemental Cash Flows Information</b>		
<b>Noncash Investing Activities</b>		
Fair market value adjustment	\$ -	\$ (2,963)
<b>Noncash Capital and Related Financing Activities</b>		
Accounts payable incurred for purchase of capital assets	\$ 384,578	\$ 169,419

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**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:

	<b>2019</b>	<b>2018</b>
Assets	\$ 58,379	\$ 73,792
Liabilities (2019 - \$0 due to the Authority 2018 - \$0 due to the Authority)	-	-
Net Position	\$ 58,379	\$ 73,792
Revenue	\$ 5,832	\$ 215,537
Expenses	21,245	174,055
Change in Net Position	\$ (15,413)	\$ 41,482

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

**Arapahoe County Public Airport Authority**  
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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.

**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

**Arapahoe County Public Airport Authority**  
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**Notes to the Financial Statements**  
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**Compensated Absences**

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

**Operating Revenues**

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

One large fixed based operator (FBO) accounted for 21% of total operating revenues for the years ended December 31, 2019 and 2018. In addition, this same FBO accounts for 30% of year-end accounts receivable at December 31, 2019 and 2018.

**Cash and Cash Equivalents**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Executive Benefit Plan Revision**

The fiscal year 2018 statement of net position has been revised to include immaterial asset and liability amounts of \$438,924, respectively, related to the Authority's 457(f) Plan. The revision had no effect on total net position or change in net position for 2018.

**Arapahoe County Public Airport Authority**  
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**Notes to the Financial Statements**  
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**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

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

The Authority has noninterest-bearing transaction accounts which are covered under the FDIC Temporary Liquidity Unlimited Coverage for noninterest-bearing transaction accounts program. FDIC insurance limits as of December 31, 2019 and 2018 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, 2019 and 2018, the Authority’s cash deposits and cash on hand had carrying balances of \$8,944,290 and \$8,616,040, respectively. The bank balances were as follows:

	<b>2019</b>	<b>2018</b>
Insured deposits	\$ 9,010,087	\$ 8,624,992

**Investments**

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

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

**Arapahoe County Public Airport Authority**  
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**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

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

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

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

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

**Arapahoe County Public Airport Authority**  
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**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**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, 2019.

**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, 2019 and 2018, the Authority had \$7,984,359 and \$5,595,548, 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 and AAA by Standard and Poor's as of December 31, 2019 and 2018, respectively.

**Arapahoe County Public Airport Authority**  
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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. At December 31, 2019 and 2018, the Authority's investment in U.S. governmental agencies constituted 0%, 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, 2019 and 2018, the cash and investments are reflected on the Statements of Net Position as follows:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents, unrestricted	\$ 8,928,650	\$ 6,211,588
Cash and cash equivalents, restricted	8,000,000	8,000,000
Total cash and investments	\$ 16,928,650	\$ 14,211,588

At December 31, 2019 and 2018, cash and cash equivalents are comprised of the following:

	<b>2019</b>	<b>2018</b>
Cash deposits, certificates of deposits, money markets and cash on hand	\$ 8,944,290	\$ 8,616,040
COLOTRUST	7,984,359	5,595,548
Total cash and cash equivalents	\$ 16,928,649	\$ 14,211,588

**Arapahoe County Public Airport Authority**  
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**Notes to the Financial Statements**  
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**NOTE 3 – CAPITAL ASSETS**

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

	<b>Balance 12/31/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 12/31/19</b>
<b>Capital Assets, Not Depreciated</b>					
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>
<b>Capital Assets, Being Depreciated</b>					
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>
<b>Accumulated Depreciation</b>					
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>

**Arapahoe County Public Airport Authority**  
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A summary of changes to capital assets for the year ended December 31, 2018 follows:

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

**Arapahoe County Public Airport Authority**  
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**NOTE 4 – NONCURRENT LIABILITIES**

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

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

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

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

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 731,922	\$ 182,148	\$ 914,070
2021	750,220	163,850	914,070
2022	768,975	145,095	914,070
2023	788,200	125,870	914,070
2024	807,905	106,165	914,070
2025 - 2028	<u>3,438,708</u>	<u>217,573</u>	<u>3,656,281</u>
Total	<u>\$ 7,285,930</u>	<u>\$ 940,701</u>	<u>\$ 8,226,631</u>

**NOTE 5 – RESTRICTED ASSETS**

Restricted cash as of December 31, 2019, consist 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.

**Arapahoe County Public Airport Authority**  
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**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 \$0 and \$600,000 in FAA funding in 2019 and 2018, 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 \$0 and \$66,145 at December 31, 2019 and 2018, 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, 2019 and 2018 of \$27,426 and \$161,618, 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>2019</b>	<b>2018</b>
Total payroll for the year	\$ 2,028,104	\$ 1,899,535
Base salary for contribution calculation	\$ 1,835,696	\$ 1,710,014
Employee contributions	\$ 169,558	\$ 149,950
Authority contributions	\$ 122,101	\$ 111,084

**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 2019 and 2018. 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 8 – COMMITMENTS AND CONTINGENCIES**

**Rental Agreements**

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

Year Ended December 31,	Amount
2020	\$ 2,356,250
2021	2,371,401
2022	2,353,755
2023	2,382,725
2024	2,412,735
Thereafter	143,201,109
Total	\$ 155,077,975

Revenues under these leases amounted to \$2,658,730 and \$2,613,417 during 2019 and 2018, respectively. Included in these amounts are percentage of revenue fees associated with these leases.

The Authority has entered into lease agreements with the FAA to lease approximately 2,100 square feet of the Authority’s tower and approximately 2,300 square feet of the Authority’s administrative office building. The tower lease had an expiration date of July 9, 2006. The FAA did not exercise the option to purchase the tower. The lease was renegotiated in 2006 at an amount equivalent to the tower repairs and maintenance and expired September 30, 2015. The lease extension is currently in negotiation. The office space lease expires in September 30, 2020. Rental income under these leases amounted to \$146,725 during both 2019 and 2018. The earning stream from these agreements is included in the amounts disclosed above.

**Uniform Guidance Finding 2016-001**

The Authority and County entered into an Airport Ground Lease Purchase agreement in 1986. This agreement was amended and restated in 1993, and was subsequently amended three times – in 1997, 2002 and 2010. In 2002, the County entered into a Judicial Complex Lease with the Arapahoe County Building Finance Corporation. After this transaction, all rental payments made by the Authority were passed through for the County to make payments on this Judicial Complex Lease, of which the original reserves were funded by the Authority in 1986. The debt reserve fund was not utilized for the final debt payment. This required the Authority to utilize additional airport revenues to make the final payment and required the reserve fund to be written off as an asset of the Authority. The write off of the reserve fund results in an expenditure from the Authority to the County of \$1,611,898, which was not permitted, was not properly documented, and was not commensurate with any services received resulting in potential revenue diversion. This issue was identified in the December 31, 2016 year end Uniform Guidance audit and corrective action is still in process. A Uniform Guidance audit was not required for the years ended December 31, 2018 or 2019. Both parties have provided information to the FAA and the issue is currently under FAA review.

**Arapahoe County Public Airport Authority**  
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**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:

	<b>2019</b>	<b>2018</b>
Capital assets, net	\$ 50,930,389	\$ 58,246,737
Notes payable - current portion	(731,922)	(714,070)
Notes payable - noncurrent portion	(6,554,008)	(7,285,930)
Unspent notes payable proceeds	8,000,000	8,000,000
Accounts payable incurred for capital asset purchases	(384,578)	(169,419)
	<b>\$ 51,259,881</b>	<b>\$ 58,077,318</b>

**NOTE 11 – ADOPTION OF NEW ACCOUNTING STANDARDS**

The Authority implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The objective of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Adoption of GASB No. 84 had no significant effect on the Authority’s financial statements.

**NOTE 12 – SUBSEQUENT 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, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>
<b>Revenues</b>			
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
	<u>10,778,046</u>	<u>10,239,188</u>	<u>(538,858)</u>
<b>Total revenues</b>	<b>10,778,046</b>	<b>10,239,188</b>	<b>(538,858)</b>
<b>Expenditures</b>			
	<u>20,662,886</u>	<u>7,781,726</u>	<u>(12,881,157)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,884,840)</u>	<u>\$ 2,457,462</u>	<u>\$ 12,342,299</u>
<b>Expenditures</b>			
Principal and interest	\$ 903,656	\$ 903,313	\$ 344
Salaries and related payroll expense	2,781,956	2,658,288	123,666
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	49,226
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	4,661
Miscellaneous	68,100	15,781	52,320
Capital outlay	14,612,335	2,393,511	12,218,823
	<u>\$ 20,662,886</u>	<u>\$ 7,781,726</u>	<u>\$ 12,881,157</u>
<b>Total expenditures</b>	<b>\$ 20,662,886</b>	<b>\$ 7,781,726</b>	<b>\$ 12,881,157</b>

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Reconciliation of Non-GAAP Budgetary Basis (Actual) to Statements of**  
**Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2019**

**Revenues**

Total revenues (budgetary basis)	\$ 10,239,188
CAF income	5,832
Asset sale proceeds	<u>(2,832,578)</u>
Total revenues	<u>7,412,442</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>\$ (4,158,954)</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, 2018**

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

**Arapahoe County Public Airport Authority**  
**(A Component Unit of Arapahoe County, Colorado)**  
**Reconciliation of Non-GAAP Budgetary Basis (Actual) to Statements of**  
**Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2018**

**Revenues**

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

**Expenses**

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

Changes in net position per statements of revenues, expenses and changes in net position	<u>\$ (1,659,023)</u>
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**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, 2019, 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, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners  
Arapahoe County Public Airport Authority

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

**BKD, LLP**

Denver, Colorado  
May 14, 2020