

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

Financial Statements

Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Commissioners
Arapahoe County Public Airport Authority
Englewood, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Arapahoe County Public Airport Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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

Board of Commissioners
Arapahoe County Public Airport Authority

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 (Subjected to Auditing Procedures)

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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated May 13, 2022, 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 13, 2022

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis
(Unaudited)
Years Ended December 31, 2021 and 2020

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, 2021 and 2020. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The business environment at the airport continued to be impacted by the COVID-19 pandemic. The number of operations decreased from 2020 by 6.2%; however, the number of gallons of fuel sold increased from 2020 by 37.0%. Building and land rentals increased from 2020 to 2021. Aviation fuel fee revenue increased from 2020 to 2021. Overall, operating revenues for 2021 increased compared to 2020. The Authority's operating expenses exceeded operating revenues in 2021.
- The Authority was awarded a \$57,000 federal grant in 2021 through the *Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)* under the *Airport Coronavirus Response Grant Program (ACRGP)*.
- The Authority was awarded a \$148,000 federal grant in 2021 through the *American Rescue Plan Act (ARPA)*. The grant award will be claimed in 2022.
- The Authority was awarded a \$25,000 state grant in 2019 for the purchase of ARFF Foam Testing Equipment. The equipment was purchased during 2021 and the Authority was reimbursed in 2021.
- The assets of the Authority exceeded its liabilities as of December 31, 2021 by \$63.1 million (net position). Of the net position balance, \$12.0 million is unrestricted and available to meet the Authority's ongoing obligations.
- The Authority's 2021 net position decreased by \$1.2 million, or 1.90%, from 2020. This is related to the decrease in grants and capital contributions.
- The Authority's operating revenues increased by \$1.4 million, or 19.83%, compared to 2020. Operating expenses, less depreciation, increased by \$0.4 million, or 9.65%, compared to 2020. Depreciation expense remained stable at \$4.8 million in 2021, up only 0.80% from 2020. This resulted in net operating income of \$3.4 million, before other nonoperating revenue, nonoperating expense, depreciation, grants, and capital contributions in 2021.
- In 2021, the Authority had a loan outstanding at year-end for construction of the Aviation Community & Administrative Facility in the amount of \$5.8 million. Construction of this new building was completed during 2020.
- During 2021, the Authority made capital investments of \$1.2 million.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

[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, 2021 and 2020

FINANCIAL ANALYSIS OF THE AUTHORITY

NET POSITION

Condensed Statements of Net Position

	December 31,		
	2021	2020	2019
Current assets	\$ 12,620,473	\$ 11,116,675	\$ 19,409,274
Capital assets	57,153,760	60,695,716	50,930,389
Other assets	4,438,632	4,679,004	4,722,469
Total assets	74,212,865	76,491,395	75,062,132
Current liabilities	1,557,826	1,808,884	1,534,381
Noncurrent liabilities	5,846,104	6,525,267	7,156,576
Total liabilities	7,403,930	8,334,151	8,690,957
Deferred inflows of resources	3,718,530	3,845,087	5,018,516
Net investment in capital assets	51,096,383	53,811,062	51,259,881
Unrestricted	11,994,022	10,501,095	10,092,778
Total net position	\$ 63,090,405	\$ 64,312,157	\$ 61,352,659

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

Comparison of Condensed Statements of Net Position



2021

As can be seen from the condensed statements of net position and chart above, the total net position decreased by \$1.2 million in 2021 to \$63.1 million. This is down from \$64.3 million in 2020. The chart also shows that the 2021 change in net position is a result of the changes in total assets which decreased by \$2.3 million and total liabilities and deferred inflows of resources, which decreased by \$1.1 million. Total assets decreased from expenses exceeding revenues, primarily from limited grants and contributions. Total liabilities and deferred inflows of resources decreased primarily due to the payment of long-term debt.

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.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management's Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

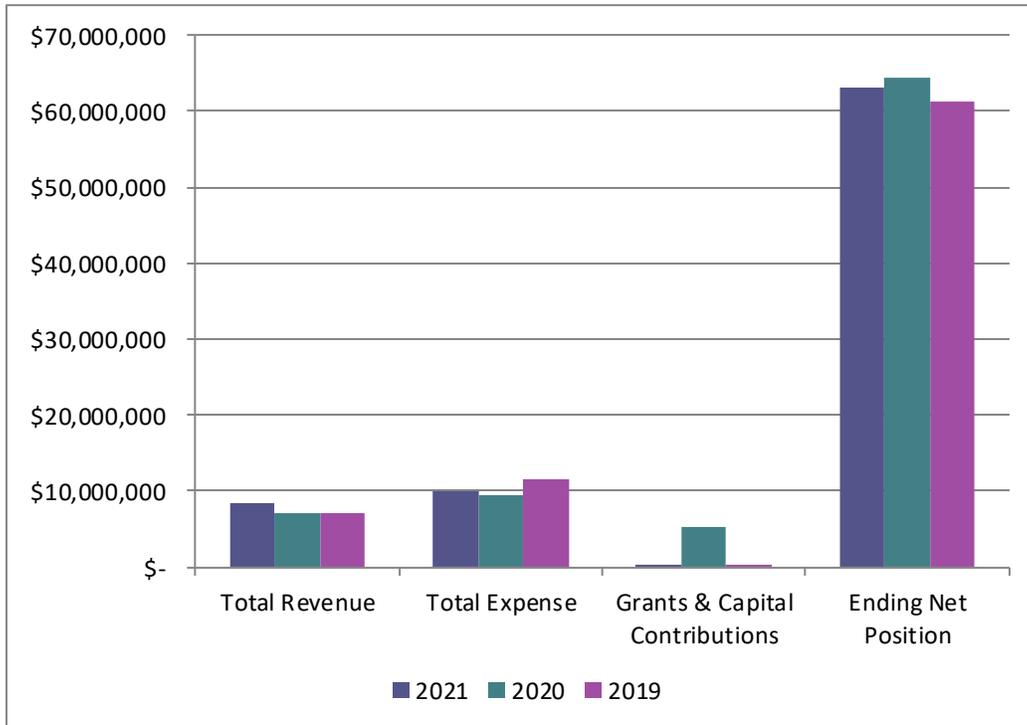
REVENUES, EXPENSES AND CHANGES IN NET POSITION

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2021	2020	2019
Operating revenues	\$ 8,370,045	\$ 6,984,650	\$ 6,891,590
Nonoperating revenues	109,201	233,858	265,304
Total revenues	8,479,246	7,218,508	7,156,894
Depreciation expense	4,776,724	4,738,900	5,069,729
Other operating expenses	4,949,753	4,514,013	4,484,902
Nonoperating expenses	162,969	190,648	2,016,765
Total expenses	9,889,446	9,443,561	11,571,396
Grants and capital contributions	188,448	5,184,551	255,549
Change in net position	(1,221,752)	2,959,498	(4,158,953)
Total net position, January 1	64,312,157	61,352,659	65,511,612
Ending net position	\$ 63,090,405	\$ 64,312,157	\$ 61,352,659

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

Comparison of Revenues, Expenses, Grants and Fund Net Position



2021

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 2021. This is due to limited grants and capital contributions received in 2021.

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.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

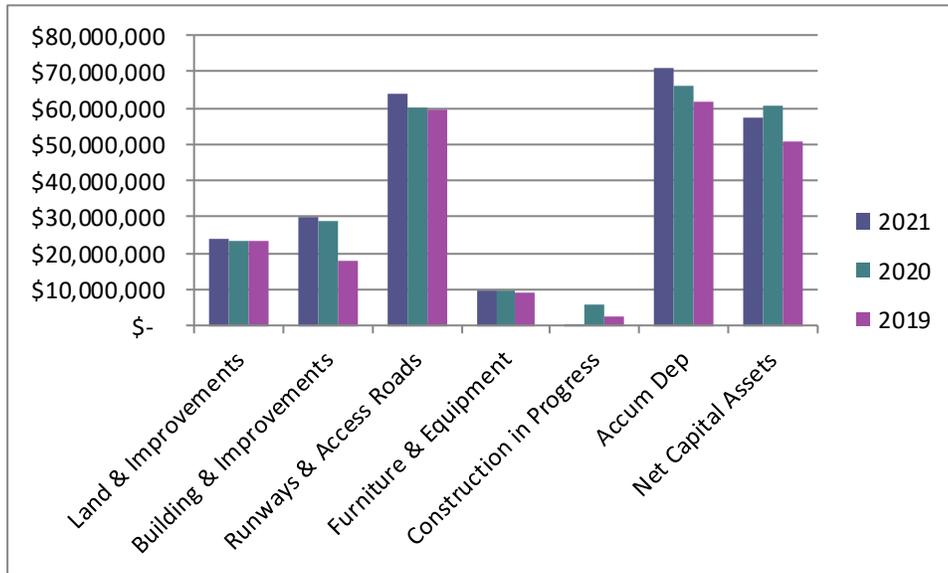
CAPITAL ASSETS

During 2021, the Authority invested \$1.2 million in a broad range of capital improvements. As shown in the following schedule and chart, the Authority continues to maintain and improve its infrastructure and equipment to meet the demands of the second busiest general aviation airport in the nation. During 2020, the Authority finished construction of the new Aviation Community & Administrative Facility leading to an increase in buildings and improvements. During 2020, the Authority invested \$14.5 million in a broad range of capital improvements.

	Capital Assets		
	December 31,		
	2021	2020	2019
Land and site improvements	\$ 23,849,953	\$ 23,170,565	\$ 23,168,715
Buildings and improvements	29,806,610	28,667,620	18,013,475
Runways, taxiways and ramps	64,075,027	59,848,613	59,701,229
Furniture and equipment	9,823,466	9,585,502	8,902,706
Construction in progress	617,034	5,682,354	2,802,673
Subtotal	128,172,090	126,954,654	112,588,798
Less accumulated depreciation	71,018,330	66,258,938	61,658,409
Net capital assets	\$ 57,153,760	\$ 60,695,716	\$ 50,930,389

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
Years Ended December 31, 2021 and 2020

Comparison of Capital Assets



Major Improvements to the Airport in 2021:

- Airport improvements implemented with grant funds included:
 - Completion of the Master Plan Update and Geographic Information System
 - Completion of the rehabilitation of Taxiway N and lighting and electrical rehabilitation of Runway 17R/35L and Taxiway B
 - Began design work for the rehabilitation of Runway 17R/35L, Taxiway B, North Run-up, and construction of a Mid-field Run-up
- Other major capital investments during the year included:
 - Finishing costs related to the new Aviation Community & Administrative Facility
 - Airfield striping and rubber removal
 - Design work for the SRE maintenance building expansion
 - Upgrade security gates and cameras
 - Upgrade computers, software and servers
 - Gate One driveway improvements
 - Upgrade radios
 - ARFF foam testing equipment
 - Furniture and fixtures
 - 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, 2021 and 2020

LONG-TERM DEBT

At the end of 2021 and 2020, the Authority had total debt outstanding of \$5,803,788 and \$6,554,008, 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 2021. The Authority's budget to actual statements are included as supplementary information to the audited financial statements.

The total expenditures in 2021 were \$6.0 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 finishing costs for the Aviation Community & Administrative Facility
- Operating expenses were less than budgeted

The total revenue in 2021 was \$3.9 million less than budgeted primarily due:

- FAA grant reimbursements were less than budgeted
- Other airport operator fees, particularly construction fees, were less than budgeted
- Investment income was less than budgeted

ECONOMIC FACTORS

The COVID-19 pandemic has impacted the finances of the Authority; however, the Authority has seen a strong rebound in revenues during 2021 and management expects revenues to continue a recovery during 2022.

- High uncertainty continues to surround the global economic outlook, primarily related to the Russian-Ukraine war and the continued path of the COVID-19 pandemic. The *IMF World Economic Outlook Update (4/2022)* estimates 6.1 percent growth of the global economy in 2021 and projects the global economy to grow 3.6 percent in 2022. The global economic outlook depends on the path of the health crisis and the Russian-Ukraine war, and the policies and actions taken to counteract these issues.

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(A Component Unit of Arapahoe County, Colorado)
Management’s Discussion and Analysis (Continued)
(Unaudited)
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- The national unemployment rate, according to the *Bureau of Labor Statistics Data*, decreased during 2021 compared to 2020. The rate at the end of 2021 was 3.9%, which was lower than the 6.7% rate at the end of 2020, which was higher than the 3.6% rate at the end of 2019. The highest unemployment rate during the pandemic was 14.7% in April 2020.
- Inflation became a significant concern during 2021. According to the *Bureau of Labor Statistics Data*, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased by 7.8% at the end of 2021 compared to 2020.
- The Authority continues to be eligible for FAA grants. New grants awarded in 2022 under the Airport Improvement Program are expected to require a ten percent match.
- The Authority expects relief funds of \$148,000 from the Airport Rescue Grant Program in 2022.
- 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 in 2021 increased greatly over 2020 fuel revenues, indicating a strong rebound and a continued rebound is expected in 2022.

In 2021, business activity rebounded and in 2022 will continue to recover from the pandemic. The Authority’s income streams have seen improvement and further recovery is expected in 2022. 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, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents, unrestricted	\$ 10,864,704	\$ 8,912,192
Cash and cash equivalents, restricted	-	305,929
Receivables		
Leases	134,508	126,557
Trade	924,033	875,601
Grants	52,152	389,581
Note	6,048	5,697
Due from other governments	290,887	158,300
Interest	33,575	34,977
Prepaid expenses	<u>314,566</u>	<u>307,841</u>
Total current assets	<u>12,620,473</u>	<u>11,116,675</u>
Noncurrent Assets		
Capital assets		
Nondepreciable	23,441,197	27,837,043
Depreciable	<u>104,730,893</u>	<u>99,117,611</u>
Total capital assets	128,172,090	126,954,654
Accumulated depreciation	<u>(71,018,330)</u>	<u>(66,258,938)</u>
Net capital assets	<u>57,153,760</u>	<u>60,695,716</u>
Other assets		
Investments restricted for deferred compensation plan	800,176	710,384
Lease receivable - long-term	3,584,023	3,718,530
Note receivable - long-term	54,433	60,482
Other receivable	<u>-</u>	<u>189,608</u>
Total other assets	<u>4,438,632</u>	<u>4,679,004</u>
Total noncurrent assets	<u>61,592,392</u>	<u>65,374,720</u>
Total assets	<u>\$ 74,212,865</u>	<u>\$ 76,491,395</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Net Position (Continued)
December 31, 2021 and 2020

Liabilities

	2021	2020
Current Liabilities		
Accounts and contracts payable	\$ 450,183	\$ 725,612
Accrued liabilities	92,200	75,163
Accrued interest payable	85,069	96,066
Unearned revenue	39,990	23,890
Compensated absences	121,409	137,933
Note payable	768,975	750,220
Total current liabilities	1,557,826	1,808,884
Noncurrent liabilities		
Note payable, less current maturities	5,034,813	5,803,788
Deferred compensation plan liability	800,176	710,384
Deposits	11,115	11,095
Total noncurrent liabilities	5,846,104	6,525,267
Total liabilities	7,403,930	8,334,151
Deferred Inflows of Resources		
Leases	3,718,530	3,845,087
Net Position		
Net investment in capital assets	51,096,383	53,811,062
Unrestricted	11,994,022	10,501,095
Total net position	\$ 63,090,405	\$ 64,312,157

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Building and land rental	\$ 3,086,990	\$ 2,953,670
Fuel and aircraft parking fees	3,967,004	2,810,375
Concession fees	248,469	164,450
Other airport operator fees	369,490	537,492
Custom fees	345,718	206,731
Other operating revenues	<u>352,374</u>	<u>311,932</u>
Total operating revenues	<u>8,370,045</u>	<u>6,984,650</u>
Operating expenses		
Depreciation	4,776,724	4,738,900
Salaries and related payroll expenses	2,709,352	2,628,139
Maintenance, repairs and operating supplies	734,128	553,353
Customs expense	388,518	276,095
Telephone and utilities	469,984	405,140
Insurance	156,299	138,905
Public relations	55,112	32,399
Travel and meetings	64,898	34,752
Firefighting services	2,279	8,363
Legal	61,890	131,701
Accounting and audit	57,900	48,000
Noise expense	107,600	95,016
Office expense	81,649	122,150
Office and equipment expense	32,825	26,799
Miscellaneous	<u>27,319</u>	<u>13,201</u>
Total operating expenses	<u>9,726,477</u>	<u>9,252,913</u>
Operating loss	<u>(1,356,432)</u>	<u>(2,268,263)</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating revenues (expenses)		
Investment income	11,738	73,204
Lease interest income	94,087	157,164
Interest expense	(152,854)	(171,712)
Gain (loss) on disposition of capital assets	115	(4,688)
Centennial Airport Foundation income	3,376	3,490
Centennial Airport Foundation expense	(10,230)	(14,248)
	<u>(53,768)</u>	<u>43,210</u>
Total nonoperating revenues (expenses)		
Loss before grants and capital contributions	(1,410,200)	(2,225,053)
Grants and capital contributions	<u>188,448</u>	<u>5,184,551</u>
Change in net position	(1,221,752)	2,959,498
Total net position, beginning of year	<u>64,312,157</u>	<u>61,352,659</u>
Total net position, end of year	<u>\$ 63,090,405</u>	<u>\$ 64,312,157</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received		
Services provided	\$ 5,310,715	\$ 4,061,485
Building and land rentals	3,086,990	2,953,670
Cash payments		
Suppliers of goods and services	(2,149,377)	(1,591,758)
Employees for services	(2,708,839)	(2,578,649)
	<u>3,539,489</u>	<u>2,844,748</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(984,534)	(14,305,080)
Payment of payables incurred for capital asset acquisition	(636,575)	(384,578)
Interest paid on long-term debt	(163,851)	(182,148)
Proceeds from grants and capital contributions	525,877	4,823,644
Principal paid on notes payable	(750,220)	(731,922)
Proceeds from disposition of capital assets	3,473	395
	<u>(2,005,830)</u>	<u>(10,779,689)</u>
Cash Flows From Investing Activities		
Interest received	11,738	73,204
Lease interest income	95,489	122,186
Note receivable	5,697	29,022
	<u>112,924</u>	<u>224,412</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,646,583</u>	<u>(7,710,529)</u>
Cash and Cash Equivalents, Beginning of Year	<u>9,218,121</u>	<u>16,928,650</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,864,704</u>	<u>\$ 9,218,121</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Cash and cash equivalents - unrestricted	\$ 10,864,704	\$ 8,912,192
Cash and cash equivalents - restricted	-	305,929
	<u>\$ 10,864,704</u>	<u>\$ 9,218,121</u>

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net		
Cash Provided By Operating Activities		
Operating loss	\$ (1,356,432)	\$ (2,268,263)
Depreciation expense	4,776,724	4,738,900
Foundation activity	(6,854)	(10,758)
Changes in operating assets and liabilities		
Accounts receivable	8,589	15,472
Prepaid expenses	(6,725)	(77,532)
Accounts payable	107,554	386,321
Accrued liabilities	17,037	11,053
Compensated absences	(16,524)	38,437
Deposits	20	(60)
Unearned revenue	16,100	11,178
	<u>\$ 3,539,489</u>	<u>\$ 2,844,748</u>
Net cash provided by operating activities	<u>\$ 3,539,489</u>	<u>\$ 2,844,748</u>
Supplemental Cash Flows Information		
Noncash Capital and Related Financing Activities		
Accounts payable incurred for purchase of capital assets	253,589	\$ 204,230
Earned retainage	-	\$ 432,345

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2021 and 2020

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:

	2021	2020
Assets	\$ 40,765	\$ 48,044
Liabilities (2021 - \$0 due to the Authority 2020 - \$0 due to the Authority)	-	425
Net Position	\$ 40,765	\$ 47,619
Revenue	\$ 3,376	\$ 3,490
Expenses	10,230	14,250
Change in Net Position	\$ (6,854)	\$ (10,760)

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 lease obligations are recorded as a reduction in the related liability. 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 in 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 23% and 25% of total operating revenues for the years ended December 31, 2021 and 2020, respectively. In addition, this same FBO accounts for 23% and 22% of year-end accounts receivable at December 31, 2021 and 2020, 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.

Arapahoe County Public Airport Authority
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Notes to the Financial Statements
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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, 2021 and 2020 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, 2021 and 2020, the Authority’s cash deposits and cash on hand had carrying balances of \$998,256 and \$1,105,300, respectively. The bank balances were as follows:

	2021	2020
Insured deposits	\$ 1,048,999	\$ 1,694,720

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, 2021:

Investment Type	Maturity	Fair Value
COLOTRUST (unrestricted)	N/A	<u>\$ 9,866,448</u>
Total investments		<u><u>\$ 9,866,448</u></u>
Statement of net position classification		
Cash and cash equivalents		<u>\$ 9,866,448</u>
Total		<u><u>\$ 9,866,448</u></u>

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>

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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, 2021.

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, 2021 and 2020, the Authority had \$9,866,448 and \$8,112,820, 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, 2021 and 2020, 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, 2021 and 2020, the cash and investments are reflected on the Statements of Net Position as follows:

	2021	2020
Cash and cash equivalents, unrestricted	\$ 10,864,704	\$ 8,912,192
Cash and cash equivalents, restricted	-	305,929
Total cash and investments	<u>\$ 10,864,704</u>	<u>\$ 9,218,121</u>

At December 31, 2021 and 2020, cash and cash equivalents are comprised of the following:

	2021	2020
Cash deposits, certificates of deposits, money markets and cash on hand	\$ 998,256	\$ 1,105,301
COLOTRUST	9,866,448	8,112,820
Total cash and cash equivalents	<u>\$ 10,864,704</u>	<u>\$ 9,218,121</u>

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 which were fully expended as of December 31, 2021. 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, 2021 follows:

	Balance 12/31/2020	Additions	Deletions	Transfers	Balance 12/31/2021
Capital Assets, Not Depreciated					
Construction in progress	\$ 5,682,354	\$ 788,873	\$ -	\$ (5,854,193)	\$ 617,034
Land	21,154,689	-	-	669,474	21,824,163
Restrictive covenant on land	1,000,000	-	-	-	1,000,000
Total capital assets, not depreciated	<u>27,837,043</u>	<u>788,873</u>	<u>-</u>	<u>(5,184,719)</u>	<u>23,441,197</u>
Capital Assets, Being Depreciated					
Site improvements	1,015,876	9,914	-	-	1,025,790
Buildings and improvements	28,667,620	17,600	-	1,121,390	29,806,610
Runways, taxiways and ramps	59,848,613	163,085	-	4,063,329	64,075,027
Furniture and equipment	9,585,502	258,654	20,690	-	9,823,466
Total capital assets, being depreciated	<u>99,117,611</u>	<u>449,253</u>	<u>20,690</u>	<u>5,184,719</u>	<u>104,730,893</u>
Accumulated Depreciation					
Site improvements	(719,626)	(25,756)	-	-	(745,382)
Buildings and improvements	(16,356,046)	(602,744)	-	-	(16,958,790)
Runways, taxiways and ramps	(41,802,506)	(3,491,373)	-	-	(45,293,879)
Furniture and equipment	(7,380,760)	(656,852)	(17,333)	-	(8,020,279)
Total accumulated depreciation	<u>(66,258,938)</u>	<u>(4,776,725)</u>	<u>(17,333)</u>	<u>-</u>	<u>(71,018,330)</u>
Net capital assets, being depreciated	<u>32,858,673</u>	<u>(4,327,472)</u>	<u>3,357</u>	<u>5,184,719</u>	<u>33,712,563</u>
Total capital assets, net	<u>\$ 60,695,716</u>	<u>\$ (3,538,599)</u>	<u>\$ 3,357</u>	<u>\$ -</u>	<u>\$ 57,153,760</u>

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

	Balance 12/31/2019	Additions	Deletions	Transfers	Balance 12/31/2020
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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NOTE 5 – NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities, exclusive of deposits, for the year ended December 31, 2021 follows:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021	Amounts Due in One Year
Note payable	<u>\$ 6,554,008</u>	<u>\$ -</u>	<u>\$ 750,220</u>	<u>\$ 5,803,788</u>	<u>\$ 768,975</u>

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>

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 bears interest at a rate of 2.50% and is payable in annual amounts of \$914,070 over the next 10 years. The loan is secured by the building financed with the loan proceeds.

Year Ended December 31,	Principal	Interest	Total
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	848,805	65,265	914,070
2027 - 2028	<u>1,761,801</u>	<u>66,339</u>	<u>1,828,140</u>
Total	<u>\$ 5,803,788</u>	<u>\$ 594,702</u>	<u>\$ 6,398,490</u>

NOTE 6 – LEASE REVENUE

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, 2021 and 2020 is as follows:

2021	Regulated	Non-Regulated	Total
Land and building rent	\$ 2,660,060	\$ 161,864	\$ 2,821,924
Interest revenue	\$ -	\$ 94,087	\$ 94,087
Other lease revenue	\$ 30,076	\$ 234,990	\$ 265,066

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

The Authority has entered into lease agreements with the FAA to lease approximately 2,100 square feet of the Authority's tower and approximately 4,050 square feet of the Authority's tower office space. The Authority's tower lease had an expiration date of September 30, 2015. This lease extension is currently in negotiation. On December 1, 2020, the Authority entered into a lease agreement with the FAA to lease the Authority's tower office space. Income under these leases amounted to \$197,431 and \$151,108 during 2021 and 2020, 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 \$174,990 and \$171,549 for variable and other payments from non-regulated leases not previously recognized in the lease receivable for the years ended December 31, 2021 and 2020, 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	Year Ending December	Total to be Paid	Principal	Interest
Year 1	2022	\$ 225,317	\$ 134,508	\$ 90,809
Year 2	2023	230,129	142,801	87,328
Year 3	2024	235,085	151,451	83,634
Year 4	2025	240,190	160,471	79,719
Year 5	2026	245,896	170,324	75,572
Year 6-10	2027-2031	1,314,589	1,007,877	306,712
Year 11-15	2032-2036	1,474,026	1,312,206	161,820
Year 16-20	2037-2041	408,332	361,482	46,850
Year 21-25	2042-2046	239,141	217,177	21,964
Year 26-30	2047-2051	<u>61,182</u>	<u>60,233</u>	<u>949</u>
	Total	<u>\$ 4,673,887</u>	<u>\$ 3,718,530</u>	<u>\$ 955,357</u>

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Regulated Leases

The Authority recognized revenue of \$30,076 and \$31,106 for variable and other payments from regulated leases not previously included in expected future minimum payments for the years ended December 31, 2021 and 2020, respectively. The following is a schedule of future minimum payments under regulated leases:

Year Ending December	Total to be Paid
2022	\$ 2,086,839
2023	2,107,834
2024	2,129,434
2025	2,151,657
2026	2,174,522
2027-2031	10,753,660
2032-2036	11,016,861
2037-2041	12,876,612
2042-2046	15,349,053
2047-2051	15,841,506
2052-2056	13,284,776
2057-2061	9,225,610
2062-2066	7,774,818
2067-2071	7,363,867
2072-2076	6,899,553
2077-2081	7,530,773
2082-2086	6,523,534
2087-2091	5,963,012
2092-2096	5,468,000
2097-2101	56,283
Total	\$ 146,578,204

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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 \$205,000 and \$5,555,555 in FAA funding in 2021 and 2020, 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 \$930,723 at December 31, 2021 and 2020, 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, 2021 and 2020 of \$52,152 and \$389,414, 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:

	2021	2020
Total payroll for the year	\$ 2,072,829	\$ 1,983,246
Base salary for contribution calculation	\$ 1,848,322	\$ 1,805,707
Employee contributions	\$ 179,755	\$ 179,566
Authority contributions	\$ 124,765	\$ 121,587

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 \$20,000 and \$30,000 in 2021 and 2020, 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.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2021 and 2020

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 provided information to the FAA and on April 20, 2022, the FAA ruled in favor of the Authority, including a requirement that the funds be returned to the Authority. This corrective action is in process.

COVID-19

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.

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.

Arapahoe County Public Airport Authority
(A Component Unit of Arapahoe County, Colorado)
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets is comprised of the following:

	2021	2020
Capital assets, net	\$ 57,153,760	\$ 60,695,716
Notes payable - current portion	(768,975)	(750,220)
Notes payable - noncurrent portion	(5,034,813)	(5,803,788)
Unspent notes payable proceeds	-	305,929
Accounts payable incurred for capital asset purchases	(253,589)	(204,230)
Earned retainage	-	(432,345)
	\$ 51,096,383	\$ 53,811,062

NOTE 12 – SUBSEQUENT EVENT

A ground lease terminated on its own terms and the related leasehold improvements reverted to the Authority on January 1, 2022. The leasehold improvements included a 92,000 square foot hangar and office space. The Authority plans to sell the leasehold improvements and enter a new ground lease with the purchaser.

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, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Grants and contributions	\$ 5,091,623	\$ 188,448	\$ (4,903,175)
Building and land rental	3,016,630	3,086,990	70,360
Fuel and aircraft parking fees	2,977,250	3,967,004	989,754
Concession fees	170,305	248,469	78,164
Other airport operator fees	693,550	369,490	(324,060)
Custom fees	209,000	345,718	136,718
Interest income	117,429	105,825	(11,604)
Note receivable principal payments	5,679	5,697	18
Other operating and non-operating income	284,444	352,374	67,930
	<u>\$ 12,565,910</u>	<u>\$ 8,670,015</u>	<u>\$ (3,895,895)</u>
Expenditures			
Principal and interest	\$ 903,074	\$ 903,074	\$ -
Salaries and related payroll expense	2,763,132	2,709,352	53,780
Maintenance, repairs and operating supplies	900,139	734,128	166,011
Customs expense	285,000	388,518	(103,518)
Telephone and utilities	504,850	469,984	34,866
Insurance	172,000	156,299	15,701
Public relations	58,600	55,112	3,488
Travel and meetings	80,500	64,898	15,602
Firefighting services	20,000	2,279	17,721
Legal	100,000	61,890	38,110
Accounting and audit	50,450	57,900	(7,450)
Noise expense	130,500	107,600	22,900
Office expense	121,115	81,649	39,466
Office and equipment rental	34,403	32,825	1,578
Miscellaneous	62,773	27,319	35,454
Capital outlay	6,949,826	1,238,126	5,711,699
	<u>\$ 13,136,362</u>	<u>\$ 7,090,953</u>	<u>\$ 6,045,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (570,452)</u>	<u>\$ 1,579,062</u>	<u>\$ 2,149,514</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, 2021

Revenues

Total revenues (budgetary basis)	\$ 8,670,015
Note receivable principal payments	(5,697)
CAF income	<u>3,376</u>
Total revenues	<u>8,667,694</u>

Expenses

Total expenditures (budgetary basis)	7,090,953
CAF expenses	10,230
Capital outlay	(1,238,126)
Note principal payments	(750,220)
Gain on disposition of capital assets	(115)
Depreciation and amortization	<u>4,776,724</u>
Total expenses	<u>9,889,446</u>

Changes in net position per statements of revenues, expenses and changes in net position	<u><u>\$ (1,221,752)</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, 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)
Asset sale proceeds	7,238	29,022	21,784
Other operating and non-operating income	281,062	311,932	30,870
	<u>\$ 14,691,481</u>	<u>\$ 12,428,591</u>	<u>\$ (2,262,890)</u>
Total revenues			
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
	<u>\$ 24,707,766</u>	<u>\$ 19,926,955</u>	<u>\$ 4,780,811</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,016,285)</u>	<u>\$ (7,498,364)</u>	<u>\$ 2,517,921</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	3,490
	12,403,059
Total revenues	12,403,059

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	4,738,900
	9,443,561
Total expenses	9,443,561

Changes in net position per statements of revenues, expenses and changes in net position	\$ 2,959,498
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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, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2022.

Report on 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

Report on 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 13, 2022