

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

COLORADO SPRINGS MUNICIPAL AIRPORT

DECEMBER 31, 1999 AND 1998

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Report of Independent Certified Public Accountants

The Honorable Mayor and
Members of City Council
City of Colorado Springs, Colorado

We have audited the accompanying financial statements of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the City of Colorado Springs, Colorado's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note A1, the financial statements present only the Colorado Springs Municipal Airport, an enterprise fund of the City of Colorado Springs, Colorado. The financial statements do not represent the general-purpose financial statements of the City of Colorado Springs, Colorado and are, therefore, not intended to present fairly the financial position of the City of Colorado Springs, Colorado and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the financial position of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2000, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Colorado Springs, Colorado
March 16, 2000

Colorado Springs Municipal Airport
Colorado Springs, Colorado
BALANCE SHEETS
December 31,

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 30,201,581	\$ 26,919,840
Accounts receivable	612,163	2,152,589
Interest receivable	-	32,597
Due from other City funds	<u>522,100</u>	<u>682,121</u>
Total current assets	<u>31,335,844</u>	<u>29,787,147</u>
RESTRICTED ASSETS		
Investments	<u>6,118,785</u>	<u>6,118,785</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	17,583,412	16,587,405
Buildings	84,239,142	84,239,142
Improvements other than buildings	111,723,389	69,545,571
Machinery and equipment	8,226,270	7,606,681
Less accumulated depreciation	<u>(42,574,914)</u>	<u>(35,911,591)</u>
Net property, plant and equipment in service	179,197,299	142,067,208
Construction in progress	<u>930,379</u>	<u>41,899,376</u>
Net property, plant and equipment	<u>180,127,678</u>	<u>183,966,584</u>
Total assets	<u>\$ 217,582,307</u>	<u>\$ 219,872,516</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND FUND EQUITY	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Current portion of long-term obligations	\$ 2,305,000	\$ 2,170,000
Accounts payable	981,457	3,515,470
Accrued salaries, benefits	442,760	302,941
Due to other City funds	52,723	939,071
Deferred revenue	<u>5,712,045</u>	<u>3,095,884</u>
Total current liabilities	<u>9,493,985</u>	<u>10,023,366</u>
LONG-TERM OBLIGATIONS		
Revenue bonds payable	68,829,376	70,390,282
Accrued sick leave benefits	<u>317,863</u>	<u>188,403</u>
Total long-term obligations	<u>69,147,239</u>	<u>70,578,685</u>
Total liabilities	<u>78,641,224</u>	<u>80,602,051</u>
FUND EQUITY		
Contributed capital	93,700,428	91,650,344
Retained earnings		
Reserved for debt service	6,118,785	6,118,785
Other reserves	5,283,830	5,256,598
Unreserved	<u>33,838,040</u>	<u>36,244,738</u>
Total fund equity	<u>138,941,083</u>	<u>139,270,465</u>
Total liabilities and fund equity	<u>\$ 217,582,307</u>	<u>\$ 219,872,516</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
Year ended December 31,

	<u>1999</u>	<u>1998</u>
Operating revenues		
Airline charges	\$ 6,922,337	\$ 5,948,944
Parking concessions	6,011,228	5,751,634
Car rental concessions	3,537,338	3,459,577
Other rental	75,312	71,612
Other charges	<u>1,775,927</u>	<u>1,999,667</u>
Total operating revenues	<u>18,322,142</u>	<u>17,231,434</u>
Operating expenses		
Salaries and benefits	5,034,769	4,407,566
Other operating expenses	5,890,212	5,316,077
Depreciation	<u>6,859,135</u>	<u>5,206,564</u>
Total operating expenses	<u>17,784,116</u>	<u>14,930,207</u>
Operating income	<u>538,026</u>	<u>2,301,227</u>
Nonoperating revenues (expenses)		
Interest on investments	1,145,426	1,978,455
Passenger facility charges	887,763	4,681,592
Interest expense	(4,700,362)	(4,819,216)
Other revenues (expenses)	<u>(402,792)</u>	<u>(6,213)</u>
Total nonoperating revenues (expenses)	<u>(3,069,965)</u>	<u>1,834,618</u>
Income (loss) before operating transfers	<u>(2,531,939)</u>	<u>4,135,845</u>
Operating transfers in	<u>152,473</u>	<u>151,669</u>
Net income (loss)	(2,379,466)	4,287,514
Retained earnings - beginning of year	<u>47,620,121</u>	<u>43,332,607</u>
Retained earnings - end of year	<u>\$ 45,240,655</u>	<u>\$ 47,620,121</u>

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Operating income	\$ 538,026	\$ 2,301,227
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	6,859,135	5,206,564
Loss on sale of fixed asset	-	5,717
Other revenues (expense)	(402,792)	(6,213)
(Increase) decrease in assets		
Receivables	1,573,023	(925,708)
Due from other City funds	160,021	(67,049)
Increase (decrease) in liabilities		
Accounts payable	(2,534,013)	(864,466)
Accrued salaries, benefits, and sick leave benefits	269,279	(883,011)
Due to other funds	(886,348)	774,454
Deferred revenue	<u>2,616,161</u>	<u>-</u>
Net cash provided by operating activities	<u>8,192,492</u>	<u>5,541,515</u>
Cash flows from noncapital financing activities		
Operating transfers in	<u>152,473</u>	<u>151,669</u>
Cash flows from capital and related financing activities		
Increase in contributed capital	2,050,084	5,305,828
Capital expenditures	(3,020,229)	(10,194,548)
Passenger facility charges	887,763	4,681,592
Principal payments on bonds	(2,170,000)	(2,060,000)
Interest payments on bonds	(3,956,268)	(4,075,122)
Proceeds from sale of fixed assets	<u>-</u>	<u>268,158</u>
Net cash used in capital and related financing activities	<u>(6,208,650)</u>	<u>(6,074,092)</u>

(Continued)

Colorado Springs Municipal Airport
Colorado Springs, Colorado
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>1999</u>	<u>1998</u>
Cash flows from investing activities		
Interest received on investments	1,669,326	1,978,455
Net change in restricted investments	-	2,221,772
Purchases of investments	(15,900,551)	(21,232,313)
Proceeds from sales and maturities of investments	<u>12,257,605</u>	<u>16,628,859</u>
Net cash used in investing activities	<u>(1,973,620)</u>	<u>(403,227)</u>
Net increase (decrease) in cash and cash equivalents	162,695	(784,135)
Cash and cash equivalents - beginning of year	<u>157,323</u>	<u>941,458</u>
Cash and cash equivalents - end of year	320,018	157,323
Investments	<u>29,881,563</u>	<u>26,762,517</u>
Cash and investments	<u>\$ 30,201,581</u>	<u>\$ 26,919,840</u>

Noncash capital and related financing and investing activities:

The Airport had unrealized losses on investments of \$523,900 and \$97,281 for the years ended December 31, 1999 and 1998, respectively.

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

The City of Colorado Springs owns and operates the Colorado Springs Municipal Airport which provides air transportation services for Colorado Springs, El Paso County and surrounding communities. The Airport is located in the southeastern part of the City of Colorado Springs, Colorado.

The City, as lessor, has entered into lease agreements with various airlines, rental car companies, and a parking management company. The agreements cover not only the lease of airport space to the lessees, but also the lessee's payment of fees to the Airport based on the lessee's revenues. Substantially all Airport revenue is generated from these agreements.

The Colorado Springs Municipal Airport (Airport) is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the Colorado Springs Municipal Airport. These financial statements do not present the financial position of all funds of the City of Colorado Springs, Colorado, or the results of the City's operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

A Director of Aviation directs and manages the Airport. This Director reports to the Colorado Springs Companies Group Support Manager who is appointed by the City Manager, who, in turn, is appointed by the City Council. Major policy decisions are subject to the approval of the City Council.

2. *Measurement focus, basis of accounting and basis of presentation*

Airport funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Airport applies all applicable FASB and GASB pronouncements in accounting and reporting for its operations.

3. *Property, plant, equipment, and depreciation*

Property, plant and equipment are carried at cost. The Airport capitalizes acquired property that is of a tangible nature, has an estimated useful life of three years or more, and has a value of at least \$5,000.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Property, plant, equipment, and depreciation - continued*

Depreciation of property, plant, and equipment for the Airport is provided for using the straight-line method based on the estimated service lives of the assets which are as follows:

Buildings	40 - 45 years
Improvements other than buildings	25 - 30 years
Machinery and equipment	5 - 15 years

Interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred.

4. *Compensated absences*

The Airport's employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation and sick leave benefits at year-end is accrued and shown on the balance sheet.

5. *Contributed capital*

Contributed capital represents contributions for airport construction from the Federal Aviation Administration. The construction project costs are capitalized and the contribution is retained in a separate account.

6. *Statement of cash flows*

For purposes of the statement of cash flows, the Airport's cash includes cash on hand and demand deposit amounts in the pooled cash and investments account of the City of Colorado Springs.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. *Restricted and reserved amounts*

In accordance with applicable bond ordinance provisions, certain investments are restricted and have been included in the accompanying balance sheet as restricted investments. Additionally, the bond ordinance also requires reservation of retained earnings for specific purposes, including potential retirement of debt and specified operating expenses. Retained earnings amounts required to be reserved are shown in the accompanying balance sheet as reserved for debt service and other reserves.

8. *Passenger facility charges*

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as the construction of the terminal building connector, the aircraft apron, airfield drainage, runway rehabilitation, and taxiway improvements.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary information*

In accordance with City Charter, the Airport is required to submit a balanced budget to City Council on or before the third Monday of November of each year. The budget is reviewed and modified as appropriate and an appropriation ordinance is prepared to adopt the budget no later than December 31 of each year. Annual appropriations lapse at year-end. The budget of the Airport is prepared on a modified accrual, non-GAAP, basis of accounting.

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the net income for the years ended December 31, 1999 and 1998, is presented below:

	1999	1998
Operating expenses (GAAP basis)	\$ 17,784,116	\$ 14,930,207
Nonoperating expenses (GAAP basis)	5,103,154	4,825,429
	22,887,270	19,755,636
Less: Depreciation expense	(6,859,135)	(5,206,564)
Add: Capital expenditures	3,020,229	10,194,548
Expenditures (budgetary basis)	\$ 19,048,364	\$ 24,743,620
Appropriations	\$ 32,478,132	\$ 32,011,233

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES

1. *Deposits and investments*

The City of Colorado Springs pools the cash and investments of its funds, including the Airport. The City's pooled cash and investments as of December 31, 1999 and 1998, amounted to \$136,220,714 and \$131,664,844, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 1999 and 1998, was \$30,201,581 and \$26,919,840, respectively. The Airport's portion was approximately 22% and 20% of the total pooled cash and investments of the City as of December 31, 1999 and 1998, respectively. The pooled cash and investments of the City and the Airport as of December 31, 1999 and 1998, are as follows:

	December 31, 1999		December 31, 1998	
	City	Airport	City	Airport
Cash on hand	\$ 14,867	\$ 2,686	\$ 14,867	\$ 3,040
Deposits				
Demand, time deposits	1,756,255	317,332	754,611	154,283
	1,771,122	320,018	769,478	157,323
Investments	134,449,592	29,881,563	130,895,366	26,762,517
Total pooled cash and investments	\$ 136,220,714	\$ 30,201,581	\$ 131,664,844	\$ 26,919,840

Restricted investments

As of December 31, 1999 and 1998, the Airport's restricted investments are comprised of the repurchase agreements in the amount of \$6,118,785 for both years.

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds, and the market value of the securities in the pool is required to be in excess of one hundred two percent of the financial institution's total uninsured public deposits.

Deposits are categorized to give an indication of risk assumed related to custody of assets by the government at the end of the year. Category 1 includes deposits insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name and deposits required to be collateralized in single institution pools. Category 3 includes uncollateralized deposits.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

1. *Deposits and investments – continued*

Deposits – continued

As of December 31, 1999, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$4,549,213. Of the total bank deposits, \$171,171 was covered by Federal Depository Insurance (Category 1) and the remainder of \$4,378,042 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 1999, was \$30,928 and \$791,049, respectively.

As of December 31, 1998, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$29,958,123. Of the total bank deposits, \$100,000 was covered by Federal Depository Insurance (Category 1) and the remainder of \$29,858,123 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 1998 was \$20,450 and \$6,105,986, respectively.

Investments

In accordance with Colorado state statutes, the City is authorized to invest in obligations of the United States and certain of its agencies; certain international agency securities; general obligation or revenue bonds of any state or local government of the U.S.; bankers acceptances of certain banks, certain commercial paper; local government investment pools; written repurchase agreements properly collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. Investments are carried at market value. Interest income is accrued as realized.

The investments of the City and the Airport, exclusive of the City's investments that are not pooled, are categorized below to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

1. *Deposits and investments - continued*

Investments – continued

	<u>December 31, 1999</u>		<u>December 31, 1998</u>	
	<u>Carrying amount</u>		<u>Carrying amount</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
I	\$ 121,282,139	\$ 26,955,083	\$ 130,895,366	\$ 26,762,517
II	-	-	-	-
III	-	-	-	-
Uncategorized	<u>13,167,453</u>	<u>2,926,480</u>	-	-
Total	<u>\$ 134,449,592</u>	<u>\$ 29,881,563</u>	<u>\$ 130,895,366</u>	<u>\$ 26,762,517</u>

The investments are comprised of the following:

	<u>December 31, 1999</u>	<u>December 31, 1998</u>
Money markets	\$ 140,438	\$ -
Certificates of deposit	-	355,883
U.S. Treasury Securities	64,315,185	50,831,139
U.S. Agency Securities	48,749,556	51,981,768
Commercial paper	1,997,720	15,067,488
Corporate securities	6,079,240	4,921,804
Repurchase agreements	<u>13,167,453</u>	<u>7,737,284</u>
	<u>\$ 134,449,592</u>	<u>\$ 130,895,366</u>

As of December 31, 1999 and 1998, the City had entered into several repurchase agreements in order to temporarily invest excess cash. Underlying collateral for these agreements is composed of direct obligations of the U.S. Government or its agencies and market value of this collateral exceeds 100% of carrying value.

2. *Revenue bonds payable*

In December 1996, the City of Colorado Springs issued \$12,450,000 Airport System Revenue Bonds, Series 1996A and \$3,485,000 Airport System Revenue Bonds, Series 1996B for the purposes of paying a portion of the costs of capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

2. Revenue bonds payable – continued

Series 1996A serial bonds of \$5,180,000 mature from 1999 to 2012 and have interest rates ranging from 4.00% to 5.20%. Series 1996A term bonds of \$3,045,000 and \$3,935,000 are due in 2017 and 2022 and both have an interest rate of 5.25%, respectively. Series 1996B serial bonds of \$1,440,000 mature from 1999 to 2012 and have interest rates ranging from 4.15% to 5.35%. Series 1996B term bonds of \$1,965,000 are due in 2022 with an interest rate of 5.50%. The 1996A and 1996B term bonds are subject to mandatory sinking fund redemption at varying dates at a redemption price equal to the principal amount of such 1996A and 1996B term bonds redeemed plus accrued interest to the respective redemption dates.

The 1996 Bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance.

In October 1992, the City of Colorado Springs, Colorado issued \$47,390,000 Airport System Revenue Bonds, Series 1992A, \$9,000,000 Airport System Revenue Bonds, Series 1992B and \$6,582,687 Airport System Revenue Bonds, Series 1992C for the purposes of paying a portion of the costs of a new terminal building and other capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance.

Series 1992A serial bonds of \$5,260,000 mature from 1999 to 2005 and have interest rates ranging from 6.15% to 6.75%. Series 1992A term bonds of \$5,625,000 and \$34,815,000 are due in 2012 and 2022 and have interest rates of 6.90% and 7.00%, respectively. Series 1992B term bonds of \$9,000,000 were redeemed during 1994. Series 1992C capital appreciation bonds of \$12,039,376 (\$6,582,687 original principal amount plus \$5,456,689 of interest accreted through December 31, 1999) mature from 2002 to 2011 and have approximate yields to maturity of 6.80% to 7.20%. The 1992A term bonds are subject to mandatory sinking fund redemption at varying dates at a redemption price equal to the principal amount of such 1992A bonds redeemed plus accrued interest to the respective redemption dates.

The 1992 bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

2. Revenue bonds payable - continued

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 1999:

Year ending December 31,	1996A		1996B		1992A		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 315,000	\$ 600,138	\$ 85,000	\$ 175,266	\$ 1,905,000	\$ 3,052,395	\$ -	\$ 744,094	\$ 2,305,000	\$ 4,571,893
2001	330,000	586,908	90,000	171,568	355,000	2,929,523	-	744,094	775,000	4,432,093
2002	340,000	572,718	95,000	167,563	380,000	2,906,270	1,505,106	661,647	2,320,106	4,308,198
2003	355,000	557,758	100,000	163,240	400,000	2,881,000	1,427,279	580,740	2,282,279	4,182,738
2004	375,000	541,782	105,000	158,590	430,000	2,854,200	1,352,648	501,404	2,262,648	4,055,976
Thereafter	<u>10,145,000</u>	<u>5,407,958</u>	<u>2,850,000</u>	<u>1,590,879</u>	<u>40,440,000</u>	<u>33,783,175</u>	<u>7,754,343</u>	<u>1,453,645</u>	<u>61,189,343</u>	<u>42,235,657</u>
Totals	<u>\$ 11,860,000</u>	<u>\$8,267,262</u>	<u>\$3,325,000</u>	<u>\$2,427,106</u>	<u>\$43,910,000</u>	<u>\$48,406,563</u>	<u>\$12,039,376</u>	<u>\$4,685,624</u>	<u>\$71,134,376</u>	<u>\$63,786,555</u>

Interest on the 1992C bonds shown above is added to the original issue amount of the bonds and will be paid at the maturity of the bonds. Payments on the 1992C bonds of principal and interest will be made in the amount of \$1,670,000 in each of the years 2002 through 2006 and in the amount of \$1,675,000 in each of the years 2007 through 2011.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

2. *Revenue bonds payable - continued*

Changes in revenue bonds payable for the year ended December 31, 1999, are as follows:

Balance, beginning of year	\$ 72,560,282
Principal payments	(2,170,000)
Accretion of interest on 1992C bonds	<u>744,094</u>
Balance, end of year	<u>\$ 71,134,376</u>

3. *Changes in contributed capital account*

The changes in the contributed capital account of the Airport are as follows:

	<u>Year ended December 31,</u>	
	<u>1999</u>	<u>1998</u>
Balance beginning of year	\$ 91,650,344	\$ 86,344,516
Additions to contributed capital	<u>2,050,084</u>	<u>5,305,828</u>
Balance end of year	<u>\$ 93,700,428</u>	<u>\$ 91,650,344</u>

4. *Leases*

The Airport leases facilities and land to various airlines, concessionaires, and others. Substantially all of the leases are operating leases for land, buildings, and terminal space, most of which expire during 2004. The leases contain provisions for cancellation by either party if certain conditions are met. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 1999:

<u>Year ending</u> <u>December 31,</u>	
2000	\$ 9,181,074
2001	9,593,473
2002	9,594,566
2003	9,739,868
2004	9,896,378
Thereafter	<u>1,442,296</u>
	<u>\$ 49,447,655</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE C - DETAILED NOTES - Continued

4. *Leases - continued*

Minimum future rentals do not include contingent rentals which may be received under certain leases on the basis of revenue, fuel flow, or number of uses. Contingent rentals amounted to \$10,475,933 and \$11,556,863 for the years ended December 31, 1999 and 1998, respectively.

The following is an analysis of the Airport's investment in property on operating leases and property held for lease by major classes as of the dates indicated:

	<u>December 31,</u> <u>1999</u>	<u>December 31,</u> <u>1998</u>
Land	\$ 16,592,603	\$ 8,861,447
Buildings	84,239,132	74,852,659
Improvements other than buildings	<u>71,618,375</u>	<u>50,694,545</u>
	172,450,110	134,408,651
Less accumulated depreciation	<u>(40,129,772)</u>	<u>(15,026,049)</u>
	<u>\$ 132,320,338</u>	<u>\$ 119,382,602</u>

Additionally, the United States Air Force leases property from the City pursuant to a ninety-nine year lease and in turn Peterson Air Force Base furnishes all aircraft rescue and fire fighting services at the Airport as annual contributions (in-kind services) in lieu of rent under the lease.

NOTE D - OTHER INFORMATION

1. *Risk management*

The City of Colorado Springs has established a risk management division to coordinate and administer workers' compensation, property and general liability insurance programs for all its activities and operations. For workers' compensation coverage, the City has purchased commercial insurance to cover losses in excess of \$500,000 per occurrence. The City pays losses less than this amount through its Workers Compensation Self-Insurance fund. The Airport is included in the Workers Compensation Self-Insurance program.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE D - OTHER INFORMATION - Continued

1. *Risk management - continued*

For major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the individual department so affected. The Airport is included in the property coverage of the City.

General liability coverage for the Airport is purchased from commercial carriers for losses up to \$100,000,000. No claims were incurred in excess of the coverage for 1999 or 1998.

2. *Post-retirement health care and life insurance benefits*

In accordance with the City of Colorado Springs' Personnel Policy, the Airport offers a health care plan, including life insurance benefits, to retirees with the Airport's contribution determined by City Council. Employees retiring prior to 1979 receive this health care plan benefit without cost to the employee. Those retiring during or after 1979 receive a limited Airport contribution not to exceed \$91.40 per month.

Benefits were provided as follows:

	<u>Year ended December 31.</u>	
	<u>1999</u>	<u>1998</u>
Retirees with full coverage	2	8
Retirees with partial coverage	13	7
	15	15
Cost of retirement benefits	\$ 10,585	\$ 10,597

Post-retirement health care and life insurance benefits are funded through current revenue sources appropriated and accounted for in the City's annual budget.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE D - OTHER INFORMATION - Continued

3. *Retirement plans*

The City contributes to the Public Employees' Retirement Association of Colorado (PERA), a cost-sharing, multiple-employer defined benefit pension plan (Plan). The Plan provides benefits to members at retirement or disability, or to their beneficiaries in the event of death. Title 24, Article 51 of the Colorado Revised Statutes, as amended, assigns the authority to establish and amend benefit provisions to the PERA Board of Trustees. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA. That report may be obtained by writing to Public Employees' Retirement Association of Colorado, 1300 Logan Street, Denver, Colorado 80203, or by calling (303) 832-9550.

Plan members are required to contribute 8% of their annual covered salary and the City is required to contribute 10% at an actuarially determined rate. The current City contribution rate is 10% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the PERA Board of Trustees. The Airport's contributions to PERA for the years ended December 31, 1999, 1998 and 1997, were \$300,605, \$261,201 and \$223,344, respectively, equal to the required contributions for each year.

All full-time police officers of the City participate in the State of Colorado Fire and Police Pension Association (FPPA), a cost-sharing, multiple-employer defined benefit public employee retirement system.

All full-time police officers of the City are eligible to participate in the Plan. A post retirement death benefit is available for all police officers where the surviving spouse and/or children receive up to two thirds of the benefit to which the officer was entitled at the time of death. This benefit is paid until the spouse dies or remarries and/or until the children attain the age of 18.

FPPA issues a publicly available financial report that includes financial statements and required supplementary information for FPPA. That report may be obtained by writing to Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111-2721 or by calling (303) 770-3772.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE D - OTHER INFORMATION - Continued

3. *Retirement plans - continued*

Contribution requirements are actuarially determined, in accordance with Colorado statutes, on a biannual basis. The following table illustrates the Airport contributions for the years ended December 31:

	1999	1998
Employees hired before April, 1978	\$ 59,887	\$ 26,388
Employees hired on or after April, 1978	\$ 45,122	\$ 48,655

4. *Payments to the City of Colorado Springs*

The Airport paid the City of Colorado Springs for administrative fees, data processing fees, and other charges for services that the City provided to the Airport in the amount of \$314,784 for each of the years ended December 31, 1999 and 1998.

5. *Contingencies*

The Airport received demands from the Trustee for the bankruptcy estate of Western Pacific Airlines, Inc., for repayment of what the Trustee regards as preferential payments to the Airport in the amount of approximately \$900,000. Management intends to vigorously defend against these demands. In the opinion of management, the ultimate outcome of these claims will not have a material impact on the Airport's financial statements.

6. *Disclosures about fair value of financial instruments*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Restricted assets - investments, cash and investments, and interest receivable

The carrying amount approximates fair value because of the short maturity of most of these instruments. The fair value of some investments are estimated based on quoted market prices for those or similar investments.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE D - OTHER INFORMATION - Continued

6. *Disclosures about fair value of financial instruments - continued*

Revenue bonds payable

The fair value of the Airport's revenue bonds payable is estimated based on the quoted market prices of the debt in secondary bond markets.

The estimated fair values of the Airport's financial instruments are as follows as of December 31, 1999 and 1998:

	<u>December 31, 1999</u>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets - investments	\$ 6,118,785	\$ 6,118,785
Cash and investments	30,201,581	30,201,581
Revenue bonds payable	71,134,376	74,005,500
	<u>December 31, 1998</u>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets - investments	\$ 6,118,785	\$ 6,118,785
Cash and investments	26,919,840	26,919,840
Interest receivable	32,597	32,597
Revenue bonds payable	72,560,282	81,955,693

SUPPLEMENTARY AND OTHER INFORMATION

Report of Independent Certified Public Accountants
on Supplementary Information

The Honorable Mayor and
Members of City Council
City of Colorado Springs, Colorado

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Colorado Springs Municipal Airport as of and for the years ended December 31, 1999 and 1998, which are presented in the preceding section of this report. The Schedule of Financial Activity of the Various Bond Ordinance Created Funds and Accounts for the Colorado Springs Municipal Airport Project, Historical Annual Debt Service Coverage, and Historical Non-Airline Revenues supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The nonfinancial data shown in Historical Airline Traffic, Airline Shares of Enplaned Passengers, Historical Aircraft Landed Weight, Average Daily Departures by Major and National Airlines and Recent Trends in Total Air Cargo is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This data has been summarized from Colorado Springs Municipal Airport records and was not subjected to the audit procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion on such data.

Colorado Springs, Colorado
March 16, 2000

Colorado Springs Municipal Airport
Colorado Springs, Colorado
SCHEDULE OF FINANCIAL ACTIVITY OF THE VARIOUS
BOND ORDINANCE CREATED FUNDS AND ACCOUNTS FOR
THE COLORADO SPRINGS MUNICIPAL AIRPORT PROJECT
Year ended December 31, 1999

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Fund	O & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance January 1, 1999	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 6,118,785	\$ 2,750,162
Add: Commitments as of December 31, 1998	-	434,411	-	-	-	-
Adjusted balance as of January 1, 1999	<u>1,000,000</u>	<u>434,411</u>	<u>-</u>	<u>-</u>	<u>6,118,785</u>	<u>2,750,162</u>
Calendar year 1999 activity						
Operating revenues	18,178,142	-	-	-	-	-
Non-operating revenues						
Interest earnings	240,703	-	63,384	59,043	371,351	144,724
Passenger facility charges	-	-	-	-	-	-
Other revenue (expense)	5,073	-	-	-	-	-
Operating transfers in	128,473	-	-	-	-	-
FAA Grant revenues	-	-	-	-	-	-
Sub-total revenues	<u>19,552,391</u>	<u>434,411</u>	<u>63,384</u>	<u>59,043</u>	<u>6,490,136</u>	<u>2,894,886</u>
Operating expenses	-	(10,739,488)	-	-	-	-
Operating capital	-	(490,184)	-	-	-	-
Capital expenses	-	-	-	-	-	-
Non-operating expenses						
Debt service expenses	-	-	(2,170,000)	(3,956,268)	-	-
Sub-total expenses	<u>-</u>	<u>(11,229,672)</u>	<u>(2,170,000)</u>	<u>(3,956,268)</u>	<u>-</u>	<u>-</u>
Balances before encumbrances, commitments and transfers	<u>19,552,391</u>	<u>(10,795,261)</u>	<u>(2,106,616)</u>	<u>(3,897,225)</u>	<u>6,490,136</u>	<u>2,894,886</u>
Encumbrances at December 31, 1999	<u>-</u>	<u>(358,723)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other commitments at December 31, 1999						
Landside improvements/ East unit connector	-	-	-	-	-	-
Sub-total commitments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers						
Operating/maintenance	(11,153,984)	11,153,984	-	-	-	-
Bond debt service	(6,126,268)	-	2,170,000	3,956,268	-	-
Close out of 1994 bond project	-	-	-	-	-	-
1999 Bond ordinance requirements	-	-	-	-	-	221,961
Non-airline revenue estimate	(2,072,162)	-	-	-	-	-
Amortization of equipment purchase	125,000	-	-	-	-	-
Interest to:						
Airlines	675,023	-	(63,384)	(59,043)	(371,351)	(144,724)
Capital account	-	-	-	-	-	-
Sub-total transfers	<u>(18,552,391)</u>	<u>11,153,984</u>	<u>2,106,616</u>	<u>3,897,225</u>	<u>(371,351)</u>	<u>77,237</u>
Ending balance December 31, 1999	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,118,785</u>	<u>\$ 2,972,123</u>

Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Charges	1994 Project Fund	1996 Project Fund	Equity Fund Surplus Account	Totals
	Prepaid Revenue Account	Capital Account					
\$ 750,000	\$ 1,534,476	\$ 9,663,968	\$ -	\$ -	\$ -	\$ 1,233,740	\$ 23,051,131
-	-	2,972,087	-	363,113	976,639	-	4,746,250
<u>750,000</u>	<u>1,534,476</u>	<u>12,636,055</u>	<u>-</u>	<u>363,113</u>	<u>976,639</u>	<u>1,233,740</u>	<u>27,797,381</u>
-	-	-	-	-	-	144,000	18,322,142
36,521	74,720	545,769	-	30,259	37,863	64,989	1,669,326
-	-	-	887,763	-	-	-	887,763
-	-	500,000	-	-	-	-	505,073
-	-	-	-	-	-	24,000	152,473
-	-	<u>2,050,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,084</u>
<u>786,521</u>	<u>1,609,196</u>	<u>15,731,908</u>	<u>887,763</u>	<u>393,372</u>	<u>1,014,502</u>	<u>1,466,729</u>	<u>51,384,242</u>
-	-	-	-	-	-	-	(10,739,488)
-	-	-	-	-	-	-	(490,184)
-	-	(2,337,947)	(887,763)	(5,448)	(392,244)	-	(3,623,402)
-	-	-	-	-	-	-	(6,126,268)
-	-	<u>(2,337,947)</u>	<u>(887,763)</u>	<u>(5,448)</u>	<u>(392,244)</u>	<u>-</u>	<u>(20,979,342)</u>
<u>786,521</u>	<u>1,609,196</u>	<u>13,393,961</u>	<u>-</u>	<u>387,924</u>	<u>622,258</u>	<u>1,466,729</u>	<u>30,404,900</u>
-	-	<u>(1,041,273)</u>	<u>-</u>	<u>-</u>	<u>(236,215)</u>	<u>-</u>	<u>(1,636,211)</u>
-	-	-	-	-	<u>(386,043)</u>	-	<u>(386,043)</u>
-	-	-	-	-	<u>(386,043)</u>	-	<u>(386,043)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	387,924	-	(387,924)	-	-	-
-	-	(221,961)	-	-	-	-	-
-	-	2,072,162	-	-	-	-	-
-	-	(125,000)	-	-	-	-	-
(36,521)	-	-	-	-	-	-	-
-	<u>(74,720)</u>	-	-	-	-	<u>74,720</u>	-
<u>(36,521)</u>	<u>(74,720)</u>	<u>2,113,125</u>	<u>-</u>	<u>(387,924)</u>	<u>-</u>	<u>74,720</u>	<u>-</u>
<u>\$ 750,000</u>	<u>\$ 1,534,476</u>	<u>\$ 14,465,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,541,449</u>	<u>\$ 28,382,646</u>

Report of Independent Certified Public Accountants on
Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

The Honorable Mayor
and Members of City Council
City of Colorado Springs, Colorado

We have audited the financial statements of the Colorado Springs Municipal Airport (the Airport), as of and for the year ended December 31, 1999, and have issued our report thereon dated March 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Airport's management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Colorado Springs, Colorado
March 16, 2000