

Financial statements and report of independent certified public accountants
Colorado Springs Municipal Airport
December 31, 2001 and 2000

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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 balance sheets of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of December 31, 2001 and 2000 and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph, 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, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note D7 to the financial statements, the Colorado Springs Municipal Airport adopted Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, during the year ended December 31, 2001. GASB 33 establishes accounting and reporting standards for nonexchange transactions, including contributed capital.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Colorado Springs, Colorado
March 22, 2002

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

	<u>2001</u>	<u>2000</u> <u>(as restated)</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 34,318,549	\$ 32,822,621
Accounts receivable, net of allowance for doubtful accounts of \$-0- in 2001 and \$260,952 in 2000	2,303,128	849,793
Due from other City funds	<u>35,296</u>	<u>744,909</u>
Total current assets	<u>36,656,973</u>	<u>34,417,323</u>
RESTRICTED ASSETS		
Investments	<u>6,118,785</u>	<u>6,118,785</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	17,587,386	17,583,412
Buildings	82,457,679	89,200,659
Improvements other than buildings	116,794,124	118,527,361
Machinery and equipment	8,647,777	8,117,284
Less accumulated depreciation	<u>(45,992,643)</u>	<u>(50,537,130)</u>
Net property, plant and equipment in service	179,494,323	182,891,586
Construction in progress	<u>4,341,285</u>	<u>5,231,873</u>
Net property, plant and equipment	<u>183,835,608</u>	<u>188,123,459</u>
Total assets	<u>\$ 226,611,366</u>	<u>\$ 228,659,567</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND FUND EQUITY	<u>2001</u>	<u>2000</u> <u>(as restated)</u>
CURRENT LIABILITIES		
Current portion of long-term obligations	\$ 2,404,093	\$ 2,362,553
Accounts payable	1,222,358	3,237,715
Accrued salaries, benefits	419,468	409,072
Due to other City funds	399,922	2,864
Deferred revenue and other tenant deposits	<u>604,392</u>	<u>566,466</u>
Total current liabilities	<u>5,050,233</u>	<u>6,578,670</u>
LONG-TERM OBLIGATIONS		
Revenue bonds payable	65,468,470	67,210,917
Accrued sick leave benefits	<u>310,995</u>	<u>265,001</u>
Total long-term obligations	<u>65,779,465</u>	<u>67,475,918</u>
Total liabilities	<u>70,829,698</u>	<u>74,054,588</u>
FUND EQUITY		
Contributed capital	102,413,112	102,413,112
Retained earnings		
Reserved for debt service	6,118,785	6,118,785
Other reserves	5,457,889	5,457,889
Unreserved	<u>41,791,882</u>	<u>40,615,193</u>
Total fund equity	<u>155,781,668</u>	<u>154,604,979</u>
Total liabilities and fund equity	<u>\$ 226,611,366</u>	<u>\$ 228,659,567</u>

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

	<u>2001</u>	<u>2000</u> <u>(as restated)</u>
Operating revenues		
Airline revenues	\$ 8,390,528	\$ 6,313,929
Terminal building concessions	1,109,264	1,160,523
Parking concessions	5,600,105	6,131,834
Landside commercial concessions	3,543,629	4,048,883
Operating grant	154,929	-
Other charges	<u>1,531,794</u>	<u>1,070,364</u>
Total operating revenues	<u>20,330,249</u>	<u>18,725,533</u>
Operating expenses		
Salaries and benefits	5,781,576	5,150,092
Other operating expenses	6,124,889	5,942,798
Depreciation	<u>7,605,426</u>	<u>7,221,551</u>
Total operating expenses	<u>19,511,891</u>	<u>18,314,441</u>
Operating income	<u>818,358</u>	<u>411,092</u>
Nonoperating revenues (expenses)		
Investment income	2,424,609	2,605,622
Passenger facility charges	3,206,133	3,663,388
Capital grants	802,450	3,774,322
Interest expense	(4,432,092)	(4,571,892)
Loss on disposal/abandonment of fixed assets	<u>(1,771,224)</u>	<u>(3,287)</u>
Total nonoperating revenues (expenses)	<u>229,876</u>	<u>5,468,153</u>
Income before operating transfers	<u>1,048,234</u>	<u>5,879,245</u>
Operating transfers in	<u>128,455</u>	<u>147,967</u>
Net income	1,176,689	6,027,212
Less capital grants that increase contributed capital	<u>-</u>	<u>(3,774,322)</u>
Increase in retained earnings	1,176,689	2,252,890
Retained earnings – beginning of year, as previously reported	52,191,867	45,240,655
Adjustment for correction of depreciation calculation for addition of fixed assets and recognition of passenger facility charges as revenue when received	<u>-</u>	<u>4,698,322</u>
Retained earnings – beginning of year, as restated	<u>52,191,867</u>	<u>49,938,977</u>
Retained earnings – end of year	<u>\$ 53,368,556</u>	<u>\$ 52,191,867</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>2001</u>	<u>2000</u> <u>(as restated)</u>
Cash flows from operating activities		
Operating income	\$ 818,358	\$ 411,092
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	7,605,426	7,221,551
(Increase) decrease in assets		
Receivables	(1,453,335)	(237,630)
Due from other City funds	709,613	(222,809)
Increase (decrease) in liabilities		
Accounts payable	(646,602)	506,337
Accrued salaries, benefits, and sick leave benefits	56,390	(86,550)
Due to other City funds	397,058	(49,859)
Deferred revenue and other tenant deposits	<u>37,926</u>	<u>540,416</u>
Net cash provided by operating activities	<u>7,524,834</u>	<u>8,082,548</u>
Cash flows from noncapital financing activities		
Operating transfers in	<u>128,455</u>	<u>147,967</u>
Cash flows from capital and related financing activities		
Capital grant	802,450	3,774,322
Capital expenditures	(6,570,022)	(9,520,009)
Passenger facility charges	3,206,133	3,663,388
Principal payments on bonds	(2,445,000)	(2,305,000)
Interest payments on bonds	<u>(3,687,999)</u>	<u>(3,827,798)</u>
Net cash used in capital and related financing activities	<u>(8,694,438)</u>	<u>(8,215,097)</u>
Cash flows from investing activities		
Interest received on investments	1,854,668	1,902,478
Purchases of investments	(15,467,603)	(10,847,568)
Proceeds from sales and maturities of investments	<u>15,442,392</u>	<u>9,402,623</u>
Net cash provided by (used in) investing activities	<u>1,829,457</u>	<u>457,533</u>
Net increase in cash and cash equivalents	788,308	472,951
Cash and cash equivalents – beginning of year	<u>792,969</u>	<u>320,018</u>
Cash and cash equivalents – end of year	1,581,277	792,969
Investments	<u>32,737,272</u>	<u>32,029,652</u>
Cash and investments	<u>\$ 34,318,549</u>	<u>\$ 32,822,621</u>

Noncash capital and related financing and investing activities:

The Airport had unrealized gains on investments of \$569,941 and \$703,144 for the years ended December 31, 2001 and 2000, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$379,166 and \$1,747,921 as of December 31, 2001 and 2000, respectively.

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

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 various terminal concession operators. 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. In addition, the City is a party to a parking management contract in which the City receives all revenues from its public parking facility and pays operating expenses as a management fee to the operator. 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 accounting principles generally accepted in the United States of America.

A Director of Aviation directs and manages the Airport. This Director reports to the Deputy City 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 Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board pronouncements (including those issued after November 30, 1989) unless those pronouncements conflict with or contradict 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, 2001 and 2000

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 grants for airport construction from the Federal Aviation Administration (FAA) and facilities built under special facility bonds. The construction project costs are capitalized and the contribution is retained in contributed capital prior to 2001. With the adoption of GASB 33 (see note D7), FAA grants are recorded as capital grants revenue.

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.

7. *Restricted and reserved amounts*

In accordance with applicable bond ordinance provisions, certain investments are restricted and have been included in the accompanying balance sheets 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 sheets as reserved for debt service and other reserves.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. *Passenger facility charges*

The 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, airfield drainage, runway rehabilitation, taxiway improvements and purchase of snow removal equipment. With the adoption of GASB 33 (see note D7), PFC revenue is recorded when cash is received.

9. *Reclassifications*

Certain 2000 financial information has been reclassified in order to be consistent with the 2001 presentation.

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 accounting principles generally accepted in the United States of America (US GAAP), a reconciliation of resultant basis, timing and perspective for the years ended December 31, 2001 and 2000, is presented below:

	2001	2000
Operating expenses (US GAAP basis)	\$ 19,509,440	\$ 18,314,441
Nonoperating expenses (US GAAP basis)	6,203,211	4,575,179
	25,712,651	22,889,620
Less: Depreciation expense	(7,605,426)	(7,221,551)
Add: Capital expenditures (accrual basis)	5,201,162	11,266,643
Expenditures (budgetary basis)	\$ 23,308,387	\$ 26,934,712
Appropriations	\$ 34,180,481	\$ 41,197,933

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

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, 2001 and 2000, amounted to \$142,948,815 and \$141,193,528, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2001 and 2000, was \$34,318,549 and \$32,822,621, respectively. The Airport's portion was approximately 24% and 23% of the total pooled cash and investments of the City as of December 31, 2001 and 2000, respectively. The pooled cash and investments of the City and the Airport as of December 31, 2001 and 2000, are as follows:

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
Cash on hand	\$ 15,717	\$ 3,773	\$ 14,867	\$ 3,456
Deposits				
Demand, time deposits	<u>6,570,859</u>	<u>1,577,504</u>	<u>3,396,295</u>	<u>789,513</u>
	6,586,576	1,581,277	3,411,162	792,969
Investments	<u>136,362,239</u>	<u>32,737,272</u>	<u>137,782,366</u>	<u>32,029,652</u>
Total pooled cash and investments	<u>\$142,948,815</u>	<u>\$ 34,318,549</u>	<u>\$141,193,528</u>	<u>\$ 32,822,621</u>

Restricted investments

As of December 31, 2001 and 2000, 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, 2001 and 2000

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Deposits – continued

As of December 31, 2001, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$11,039,293. Of the total bank deposits, \$119,148 was covered by Federal Depository Insurance (Category 1) and the remainder of \$10,920,145 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 2001, was \$28,605 and \$2,621,662, respectively.

As of December 31, 2000, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$7,133,073. Of the total bank deposits, \$144,346 was covered by Federal Depository Insurance (Category 1) and the remainder of \$6,988,727 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 2000, was \$33,555 and \$1,624,621, 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, 2001 and 2000

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments – continued

<u>Category</u>	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Carrying amount</u>		<u>Carrying amount</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
I	\$ 130,768,560	\$ 31,394,365	\$ 130,188,687	\$ 30,264,383
II	-	-	-	-
III	-	-	-	-
Uncategorized	<u>5,593,679</u>	<u>1,342,907</u>	<u>7,593,679</u>	<u>1,765,269</u>
Total	<u>\$ 136,362,239</u>	<u>\$ 32,737,272</u>	<u>\$ 137,782,366</u>	<u>\$ 32,029,652</u>

The investments are comprised of the following:

	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Money markets	\$ 9,018	\$ 44,611
Certificates of deposit	71,195	14,946
U.S. Treasury Securities	39,995,590	52,700,505
U.S. Agency Securities	73,459,950	56,730,000
Commercial paper	-	4,973,400
Corporate securities	6,038,009	5,581,863
Repurchase agreements	11,194,798	10,143,362
Other	<u>5,593,679</u>	<u>7,593,679</u>
	<u>\$ 136,362,239</u>	<u>\$ 137,782,366</u>

As of December 31, 2001 and 2000, 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, 2001 and 2000

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 \$13,527,563 (\$6,582,687 original principal amount plus \$6,944,876 of interest accreted through December 31, 2001) mature from 2001 to 2010 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, 2001 and 2000

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, 2001:

Year ending December 31,	1996A		1996B		1992A		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 340,000	\$ 572,718	\$ 95,000	\$ 167,563	\$ 380,000	\$ 2,906,270	\$ 1,589,093	\$ 661,647	\$ 2,404,093	\$ 4,308,198
2003	355,000	557,758	100,000	163,240	400,000	2,881,000	1,511,327	580,740	2,366,327	4,182,738
2004	375,000	541,782	105,000	158,590	430,000	2,854,200	1,438,818	501,404	2,348,818	4,055,976
2005	390,000	524,532	110,000	153,603	460,000	2,825,175	1,369,240	424,341	2,329,240	3,927,651
2006	410,000	506,202	115,000	148,268	490,000	2,793,435	1,307,106	349,153	2,322,106	3,797,058
Thereafter	<u>9,345,000</u>	<u>4,377,224</u>	<u>2,625,000</u>	<u>1,289,008</u>	<u>39,490,000</u>	<u>28,164,565</u>	<u>4,641,979</u>	<u>680,151</u>	<u>56,101,979</u>	<u>34,510,948</u>
Totals	<u>\$ 11,215,000</u>	<u>\$7,080,216</u>	<u>\$3,150,000</u>	<u>\$2,080,272</u>	<u>\$41,650,000</u>	<u>\$42,424,645</u>	<u>\$11,857,563</u>	<u>\$3,197,436</u>	<u>\$67,872,563</u>	<u>\$54,782,569</u>

Interest on the 1992C bonds shown above is added to the original issue amount 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 2001 through 2005 and in the amount of \$1,675,000 in each of the years 2006 through 2010.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE C – DETAILED NOTES – Continued

2. *Revenue bonds payable – continued*

Changes in revenue bonds payable for the year ended December 31, 2001, are as follows:

Balance, beginning of year	\$ 69,573,470
Principal payments	(2,445,000)
Accretion of interest on 1992C bonds	<u>744,093</u>
Balance, end of year	<u>\$ 67,872,563</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>2001</u>	<u>2000</u> (as restated)
Balance beginning of year	\$102,413,112	\$ 98,638,790
Additions to contributed capital	<u>-</u>	<u>3,774,322</u>
Balance end of year	<u>\$102,413,112</u>	<u>\$102,413,112</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, 2001:

<u>Year ending</u> <u>December 31,</u>	
2002	\$ 9,611,168
2003	10,059,452
2004	10,266,845
2005	401,475
2006	293,343
Thereafter	<u>1,124,319</u>
	<u>\$ 31,756,602</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

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 \$5,780,637 and \$9,564,228 for the years ended December 31, 2001 and 2000, 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:

	December 31, <u>2001</u>	December 31, 2000 <u>(as restated)</u>
Land	\$ 17,587,386	\$ 17,583,412
Buildings	82,457,679	82,033,473
Improvements other than buildings	<u>116,794,124</u>	<u>111,440,503</u>
	216,839,189	211,057,388
Less accumulated depreciation	<u>(40,157,253)</u>	<u>(34,149,483)</u>
	<u>\$176,681,936</u>	<u>\$176,907,905</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, 2001 and 2000

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 2001 or 2000.

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>2001</u>	<u>2000</u>
Retirees with full coverage	2	-
Retirees with partial coverage	14	15
	16	15
Cost of retirement benefits	<u>\$ 18,470</u>	<u>\$ 12,775</u>

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, 2001 and 2000

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 9.43% at an actuarially determined rate. The current City contribution rate is 9.43% 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, 2001, 2000 and 1999, were \$347,790, \$321,754 and \$300,605, 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, 2001 and 2000

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:

	2001	2000
Employees hired before April, 1978	\$ 8,860	\$ 54,511
Employees hired on or after April, 1978	\$ 53,838	\$ 46,920

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 \$340,464 and \$327,360 for the years ended December 31, 2001 and 2000, respectively.

5. *Loss on disposal/abandonment of fixed assets*

Included in loss on disposal/abandonment of fixed assets on the 2001 statement of revenues, expenses and changes in retained earnings is the loss on the abandonment of the old airport terminal building. The Airport abandoned the terminal building in 2001. The building had been recorded on the balance sheet at a cost of \$13,827,423 with accumulated depreciation of \$12,030,199. Abandonment of the building caused the Airport to recognize a loss on abandonment of fixed assets in the amount of \$1,797,224 for the year ended December 31, 2001. Currently, the Airport is demolishing the old terminal building and parking area. The approximately thirty acres will then be prepared for leasing to potential tenants.

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 and cash and investments

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.

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.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE D – OTHER INFORMATION – Continued

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

The estimated fair values of the Airport's financial instruments are as follows as of December 31, 2001 and 2000:

	December 31, 2001	
	Carrying amount	Fair value
Restricted assets – investments	\$ 6,118,785	\$ 6,118,785
Cash and investments	34,318,549	34,318,549
Revenue bonds payable	67,872,563	74,226,868
	December 31, 2000	
	Carrying amount	Fair value
Restricted assets – investments	\$ 6,118,785	\$ 6,118,785
Cash and investments	32,822,621	32,822,621
Revenue bonds payable	69,573,470	74,770,793

7. *Accounting changes*

During the year ended December 31, 2001, the Airport adopted Statements No. 33 and No. 36 of the GASB. GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB 36, *Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33*, establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. Under GASB 33, certain of these nonexchange transactions, such as PFC revenue and FAA grants, should be recognized as revenue in the statement of revenues, expenses, and changes in retained earnings.

In accordance with the provisions of GASB 33, the Airport has reported the effect of applying GASB 33 as a restatement of PFC revenue and capital grants revenue for the year ended December 31, 2000. The effect of the restatement was to decrease PFC revenue by \$120,839 and increase capital grants revenue by \$3,774,322. Retained earnings as of January 1, 2000 was increased by \$5,685,995 for PFC revenue that had been deferred prior to adoption of GASB 33. Under the provisions of GASB 33, contributed capital arising from periods prior to implementation of this statement is not restated. Accordingly, the restated 2000 capital grant revenue for adoption of GASB 33 has been closed to contributed capital and the restatement as it relates to capital grants has no effect on retained earnings as of December 31, 1999 or 2000.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2001 and 2000

NOTE D – OTHER INFORMATION – Continued

7. *Accounting changes - continued*

The Airport increased its depreciation expense by \$246,918 for the year ended December 31, 2000 to recognize depreciation on five buildings that should have been recognized as fixed asset additions and contributed capital in a prior year. The correction decreased retained earnings by \$987,673 as of January 1, 2000, increased fixed assets and contributed capital by \$4,938,362 and increased accumulated depreciation by \$1,234,591.

8. *Future effect of recently issued accounting pronouncements*

The GASB has issued Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. GASB 34 and 37 will be applicable to the Airport’s December 31, 2002 financial statements. GASB 34 and 37 establish the basic financial statements and required supplementary information for governments which should consist of management’s discussion and analysis, government-wide financial statements, consisting of a statement of net assets and a statement of activities using the accrual basis of accounting, fund financial statements that report governmental fund financial statements using the modified accrual basis of accounting and that report proprietary fund financial statements using the accrual basis of accounting, notes to the financial statements, and required supplementary information.

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, 2001 and 2000, 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 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 22, 2002

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, 2001

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance January 1, 2001	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 6,118,785	\$ 2,999,355
Add: Commitments as of December 31, 2000	-	218,373	-	-	-	-
Adjusted balance as of January 1, 2001	<u>1,000,000</u>	<u>218,373</u>	<u>-</u>	<u>-</u>	<u>6,118,785</u>	<u>2,999,355</u>
Calendar year 2001 activity						
Operating revenues	20,031,320	-	-	-	-	-
Non-operating revenues						
Interest earnings	250,912	-	43,428	71,417	373,242	151,505
Passenger facility charges	-	-	-	-	-	-
Other revenue (expense)	26,118	-	-	-	-	-
Operating transfers in	128,455	-	-	-	-	-
FAA Grant revenues	<u>154,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total revenues	<u>21,591,734</u>	<u>218,373</u>	<u>43,428</u>	<u>71,417</u>	<u>6,492,027</u>	<u>3,150,860</u>
Operating expenses	-	(11,667,712)	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Operating capital	-	(438,658)	-	-	-	-
Capital expenses	-	-	-	-	-	-
Non-operating expenses						
Debt service expenses	<u>-</u>	<u>-</u>	<u>(2,445,000)</u>	<u>(3,687,997)</u>	<u>-</u>	<u>-</u>
Sub-total expenses	<u>-</u>	<u>(12,106,370)</u>	<u>(2,445,000)</u>	<u>(3,687,997)</u>	<u>-</u>	<u>-</u>
Balances before encumbrances, commitments and transfers	<u>21,591,734</u>	<u>(11,887,997)</u>	<u>(2,401,572)</u>	<u>(3,616,580)</u>	<u>6,492,027</u>	<u>3,150,860</u>
Encumbrances at December 31, 2001	<u>-</u>	<u>(219,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers						
Operating/maintenance	(12,107,343)	12,107,343	-	-	-	-
Bond debt service	(6,132,997)	-	2,445,000	3,687,997	-	-
2001 Bond ordinance requirements	-	-	-	-	-	174,058
Income available for sharing-City's portion	(1,837,177)	-	-	-	-	-
Prior year airline settlement amounts	(75,347)	-	-	-	-	-
Funding adj.-encumbrances/working capital	857	-	-	-	-	-
Non-preferential gate use fees	(294,633)	-	-	-	-	-
Deferral amount for airline rates and charges	(820,574)	-	-	-	-	-
Close out of 1996 bond project	-	-	-	-	-	-
Interest to:						
Airlines	675,480	-	(43,428)	(71,417)	(373,242)	(151,505)
Capital account	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total transfers	<u>(20,591,734)</u>	<u>12,107,343</u>	<u>2,401,572</u>	<u>3,616,580</u>	<u>(373,242)</u>	<u>22,553</u>
Ending balance- December 31, 2001	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,118,785</u>	<u>\$ 3,173,413</u>

Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	1996 Project Fund	Equity Fund Surplus Account	Totals
	Prepaid Revenue Account	Capital Account				
\$ 750,000	\$ 1,534,476	\$ 14,432,308	\$2,768,418	\$ -	\$ 1,870,943	\$ 31,474,285
-	-	859,872	2,796,738	459,698	-	4,334,681
750,000	1,534,476	15,292,180	5,565,156	459,698	1,870,943	35,808,966
-	-	-	-	-	144,000	20,175,320
35,888	73,427	756,560	-	9,441	88,848	1,854,668
-	-	-	3,206,133	-	-	3,206,133
-	-	-	-	-	-	26,118
-	-	-	-	-	-	128,455
-	-	802,450	-	-	-	957,379
785,888	1,607,903	16,851,190	8,771,289	469,139	2,103,791	62,157,039
-	-	-	-	-	-	(11,667,712)
-	-	1,210,463	(1,210,463)	-	-	-
-	-	-	-	-	-	(438,658)
-	-	(937,721)	(3,976,237)	(1,053)	-	(4,915,011)
-	-	-	-	-	-	(6,132,997)
-	-	272,742	(5,186,700)	(1,053)	-	(23,154,378)
785,888	1,607,903	17,123,932	3,584,589	468,086	2,103,791	39,002,661
-	-	(1,492,589)	(705,307)	-	-	(2,417,242)
-	-	-	-	-	-	-
-	-	(174,058)	-	-	-	-
-	-	1,837,177	-	-	-	-
-	-	75,347	-	-	-	-
-	-	(857)	-	-	-	-
-	-	294,633	-	-	-	-
-	-	820,574	-	-	-	-
-	-	468,086	-	(468,086)	-	-
(35,888)	-	-	-	-	-	-
-	(73,427)	-	-	-	73,427	-
(35,888)	(73,427)	3,320,902	-	(468,086)	73,427	-
\$ 750,000	\$ 1,534,476	\$ 18,952,245	\$2,879,282	\$ -	\$ 2,177,218	\$ 36,585,419

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL AIRLINE TRAFFIC
For the years ended December 31, 1982-2001
(unaudited)

Year	Enplaned passengers				Aircraft departures (a)				Enplaned passengers per departure (a)	
	Major/ national airlines	Regional/ commuter airlines	Total	Percent increase (decrease)	Major/ national airlines	Regional/ commuter airlines	Total	Percent increase (decrease)	Major/ national airlines	Regional/ commuter airlines
1982	206,794	3,511	210,305	--	4,595	804	5,399	--	45	4
1983	248,657	115,431	364,088	73.1%	4,024	7,662	11,686	116.4%	62	15
1984	412,155	94,553	506,708	39.2%	7,762	6,789	14,551	24.5%	53	14
1985	529,737	73,127	602,864	19.0%	8,342	5,467	13,809	-5.1%	64	13
1986	600,541	53,811	654,352	8.5%	8,990	3,209	12,199	-11.7%	67	17
1987	599,423	93,161	692,584	5.8%	10,317	4,955	15,272	25.2%	58	19
1988	572,413	75,110	647,523	-6.5%	10,841	3,302	14,143	-7.4%	53	23
1989	567,925	47,788	615,713	-4.9%	11,543	3,565	15,108	6.8%	49	13
1990	538,325	53,438	591,763	-3.9%	10,664	3,382	14,046	-7.0%	50	16
1991	609,675	10,413	620,088	4.8%	12,156	1,649	13,805	-1.7%	50	6
1992	702,120	11,284	713,404	15.0%	11,116	1,483	12,599	-8.7%	63	8
1993	730,641	26,292	756,933	6.1%	12,064	2,268	14,332	13.8%	61	12
1994	744,378	43,498	787,876	4.1%	10,915	3,604	14,519	1.3%	68	12
1995	1,402,270	8,516	1,410,786	79.1%	16,544	1,908	18,452	27.1%	85	4
1996	2,386,065	29,124	2,415,189	71.2%	28,483	1,929	30,412	64.8%	84	15
1997	1,969,165	79,500	2,048,665	-15.2%	24,628	6,177	30,805	1.3%	80	13
1998	1,285,971	34,379	1,320,350	-35.6%	15,140	2,356	17,496	-43.2%	85	15
1999	1,192,327	49,421	1,241,748	-6.0%	15,799	2,700	18,499	5.7%	75	18
2000	1,152,221	64,696	1,216,917	-2.0%	14,259	3,171	17,430	-5.8%	81	20
2001	964,872	89,395	1,054,267	-13.4%	13,198	3,362	16,560	-5.0%	73	27

Note: Data exclude charter activity.

(a) Aircraft departures for 1982 through 1989 are estimates based on data from the U.S. Department of Transportation, Federal Aviation Administration.

Source: City of Colorado Springs, Airport records, except as noted.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
AIRLINE SHARES OF ENPLANED PASSENGERS
For the years ended December 31, 1999-2001
(unaudited)

	1999		2000		2001	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Major/national airlines						
United Airlines (a)	374,720	30.2%	341,247	28.0%	284,446	27.0%
American Airlines	197,178	15.9%	269,455	22.1%	236,590	22.5%
Delta Air Lines	197,112	15.9%	251,817	20.7%	190,221	18.0%
Trans World Airlines (b)	82,011	6.6%	86,505	7.1%	69,915	6.6%
Northwest Airlines	80,099	6.4%	79,924	6.6%	68,021	6.5%
Continental Airlines	60,498	4.9%	55,373	4.6%	56,926	5.4%
America West Airlines (c)	88,860	7.1%	67,900	5.6%	57,235	5.4%
Vanguard Airlines (d)	0	0.0%	0	0.0%	1,518	0.1%
Reno Air (e)	96,325	7.8%	0	0.0%	0	0.0%
Access Air (f)	15,524	1.2%	0	0.0%	0	0.0%
	<u>1,192,327</u>	<u>96.0%</u>	<u>1,152,221</u>	<u>94.7%</u>	<u>964,872</u>	<u>91.5%</u>
Regional/commuter airlines						
America West Express (g)	4,672	0.4%	35,652	2.9%	43,246	4.1%
SkyWest (h)	9,434	0.7%	13,082	1.1%	32,887	3.1%
Continental Express (i)	2,769	0.2%	2,091	0.2%	3,964	0.4%
Mesa Airlines	6,947	0.6%	7,836	0.6%	6,833	0.7%
Great Plains Airlines (j)	0	0.0%	0	0.0%	2,465	0.2%
Comair (k)	25,599	2.1%	6,035	0.5%	0	0.0%
	<u>49,421</u>	<u>4.0%</u>	<u>64,696</u>	<u>5.3%</u>	<u>89,395</u>	<u>8.5%</u>
Total	<u><u>1,241,748</u></u>	<u><u>100.0%</u></u>	<u><u>1,216,917</u></u>	<u><u>100.0%</u></u>	<u><u>1,054,267</u></u>	<u><u>100.0%</u></u>

Note: Data exclude charter activity.

- (a) Data for Air Wisconsin is included with United.
- (b) Trans World Airlines merged with American Airlines in December 2001.
- (c) America West transferred its operations to America West Express after October 2001.
- (d) Vanguard Airlines started service December 2001.
- (e) Reno Air was acquired by American Airlines in September 1999.
- (f) Access Air service from June 1999 through November 1999.
- (g) America West Express started service in October 1999.
- (h) SkyWest started service in April 1999.
- (i) Continental Express started service in October 1999. Ceased service as of March 2000. Provided service May through September 2001 only.
- (j) Great Plains started service October 2001.
- (k) Comair ceased service as of April 2000.

Source: City of Colorado Springs, Airport records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL AIRCRAFT LANDED WEIGHT
For the years ended December 31, 1999-2001
(unaudited)

	1999		2000		2001	
	1,000-lb units	Percent of total	1,000-lb units	Percent of total	1,000-lb units	Percent of total
Passenger airlines						
Major and national						
American Airlines	295,062	13.9%	403,390	20.7%	379,416	21.1%
Delta Air Lines	286,198	13.4%	359,984	18.4%	330,292	18.4%
United Airlines	452,048	21.2%	386,061	19.8%	263,612	14.7%
Air Wisconsin (United Express)	131,205	6.2%	120,689	6.2%	113,231	6.3%
Trans World Airlines (a)	113,654	5.3%	106,470	5.4%	109,010	6.1%
Northwest Airlines	111,426	5.2%	108,617	5.6%	101,678	5.6%
America West Airlines (b)	169,400	8.0%	102,663	5.3%	85,899	4.8%
Continental Airlines	94,067	4.4%	82,776	4.2%	85,066	4.7%
Vanguard Airlines (c)	-	0.0%	-	0.0%	2,349	0.1%
Reno Air (d)	159,590	7.5%	-	0.0%	-	0.0%
Access Air (e)	63,702	3.0%	-	0.0%	-	0.0%
	1,876,352	88.1%	1,670,650	85.6%	1,470,553	81.8%
Regional and commuter						
America West Express (f)	8,173	0.4%	48,700	2.5%	57,998	3.2%
SkyWest (g)	12,314	0.6%	16,685	0.9%	49,303	2.7%
Mesa Airlines	24,087	1.1%	25,265	1.3%	14,226	0.8%
Continental Express (h)	3,710	0.2%	3,133	0.2%	4,978	0.3%
Great Plains Airlines	-	0.0%	-	0.0%	3,168	0.2%
Comair (i)	33,887	1.6%	8,366	0.4%	-	0.0%
	82,171	3.9%	102,149	5.3%	129,673	7.2%
Total Passenger Airlines	1,958,523	92.0%	1,772,799	90.9%	1,600,226	89.0%
All-cargo airlines						
FedEx	117,736	5.5%	119,834	6.1%	127,116	7.1%
Airborne Express	48,327	2.3%	51,608	2.6%	43,859	2.4%
Corporate Air (j)	-	0.0%	-	0.0%	3,453	0.2%
Sundance Air (k)	-	0.0%	-	0.0%	2,947	0.2%
Key Lime Air (l)	-	0.0%	-	0.0%	1,589	0.1%
	166,063	7.8%	171,442	8.7%	178,964	10.0%
Charter	3,619	0.2%	7,215	0.4%	18,436	1.0%
Total	2,128,205	100.0%	1,951,456	100.0%	1,797,626	100.0%

- (a) Trans World Airlines merged with American Airlines in December 2001.
(b) America West Airlines transferred its operations to America West Express after October 2001.
(c) Vanguard Airlines started service December 2001.
(d) Reno Air was acquired by American Airlines in September 1999.
(e) Access Air provided service from June 1999 through November 1999.
(f) America West Express started service in October 1999.
(g) SkyWest started service in April 1999.
(h) Continental Express started service in October 1999. Ceased service as of March 2000. Provided service May through September 2001 only.
(i) Comair started service in October 1998 as Delta Connection. Ceased service as of April 2000.
(j) Corporate Air started cargo service January 2001.
(k) Sundance Air started cargo service January 2001.
(l) Key Lime Air started cargo service January 2001.

Source: City of Colorado Springs, Airport records

Colorado Springs Municipal Airport
Colorado Springs, Colorado
AVERAGE DAILY DEPARTURES BY AIRLINES
For the years ended December 31, 1994-2001
(unaudited)

	1994	1995	1996	1997	1998	1999	2000	2001
Airlines								
Access Air	--	--	--	--	--	2	--	--
American	4	6	7	8	6	7	10	9
America West (a)	4	4	5	4	4	5	5	6
Continental (b)	1	1	5	5	2	2	2	2
Delta (c)	6	7	8	8	8	9	9	9
Great Plains Airlines (d)	--	--	--	--	--	--	--	--
Mesa	--	5	4	4	4	4	4	2
Morris Air	2	--	--	--	--	--	--	--
Northwest	--	2	4	3	2	2	2	2
Reno Air	--	2	3	3	5	3	--	--
Trans World	2	3	3	3	3	2	2	2
United (e)	11	10	12	13	13	14	13	13
Vanguard Airlines (f)	--	--	--	--	--	--	--	--
Western Pacific	--	12	30	21	--	--	--	--
Total major and national airlines	30	52	81	72	47	50	48	45

(a) Includes departures of America West Express.

(b) Includes departures of Continental Express.

(c) Includes departures of Comair (Delta Connection) and SkyWest.

(d) Great Plains started service October 2001.

(e) Includes departures of Air Wisconsin (United Express)

(f) Vanguard started service December 2001.

Source: City of Colorado Springs, Airport records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
RECENT TRENDS IN TOTAL AIR CARGO
For the years ended December 31, 1992-2001
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
1992	1,417	1,412	2,829	--
1993	2,398	1,772	4,170	47.4%
1994	15,569	2,179	17,748	325.6%
1995	13,491	2,623	16,114	-9.2%
1996	18,316	5,389	23,705	47.1%
1997	17,684	7,306	24,990	5.4%
1998	18,432	4,996	23,428	-6.3%
1999	22,832	4,238	27,070	15.5%
2000	21,817	3,337	25,154	-7.1%
2001	19,767	2,221	21,988	-12.6%

Source: City of Colorado Springs, Airport records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL ANNUAL DEBT SERVICE COVERAGE
For the years ended December 31, 1997-2001
(unaudited)

Year	Net Revenues (a)	Other Available Funds	Total	Debt Service Requirements on Parity Bonds (b)	Annual Debt Service Coverage
1997	\$8,519,186	\$1,534,476	\$10,053,662	\$4,041,031	2.49
1998	\$8,666,943	\$1,534,476	\$10,201,419	\$6,135,122	1.66
1999	\$8,312,887	\$1,534,476	\$9,847,363	\$6,126,268	1.61
2000	\$8,530,052	\$1,534,476	\$10,064,528	\$6,132,798	1.64
2001	\$9,350,176	\$1,534,476	\$10,884,652	\$6,132,998	1.77

(a) Total operating revenue plus interest on investments defined as Gross Revenue less operating expenses excluding depreciation.

(b) Debt Service expenses per Schedule of Financial Activity on the Various Bond Ordinance Created Funds and Accounts.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL NON-AIRLINE REVENUES
For the years ended December 31, 1997-2001
(unaudited)

	1997	1998	1999	2000	2001
Terminal Building					
Concession					
Food & Beverage	\$403,759	\$269,791	\$261,653	\$274,570	\$261,176
Retail	495,027	338,105	348,015	361,580	333,980
Advertising	126,947	140,778	148,654	167,650	212,649
Non-Airline Space Rental	145,244	170,260	173,959	176,346	153,215
Other	202,542	150,378	153,417	180,377	148,244
	<u>1,373,519</u>	<u>1,069,312</u>	<u>1,085,698</u>	<u>1,160,523</u>	<u>1,109,264</u>
Terminal Area					
Public Parking	6,014,409	5,751,634	6,011,228	6,131,834	5,600,105
Rental Car Fees and Rents	4,267,940	3,360,929	3,438,689	3,797,497	3,312,186
Ground Transportation Fees	60,669	70,752	120,772	135,165	109,825
Support Building Rentals	-	90,000	90,000	116,222	121,619
	<u>10,343,018</u>	<u>9,273,315</u>	<u>9,660,689</u>	<u>10,180,718</u>	<u>9,143,735</u>
Airfield Area					
Fuel Farm Rentals	-	21,949	23,540	23,611	23,576
Remain Over Night	-	2,675	125	7,270	(5,600)
Diversion Landing Fees	-	39,044	17,010	28,448	43,885
	<u>8,977</u>	<u>63,668</u>	<u>40,675</u>	<u>59,329</u>	<u>61,861</u>
Aviation Support					
Fuel Sales	458,180	622,440	374,624	429,768	873,269
Ground and Building Rentals	310,631	315,002	278,390	327,538	343,029
Old Terminal Rentals	285,073	78,238	63,585	76,132	58,582
	<u>1,053,884</u>	<u>1,015,680</u>	<u>716,599</u>	<u>833,438</u>	<u>1,274,880</u>
Administrative					
Miscellaneous	23,295	14,347	44,759	20,063	102,217
Late Fees	-	-	-	58,367	36,696
CSC Group Support Reimbursement	-	-	-	128,200	128,455
	<u>23,295</u>	<u>14,347</u>	<u>44,759</u>	<u>206,630</u>	<u>267,368</u>
Total Non-Airline Revenues	<u><u>\$12,802,693</u></u>	<u><u>\$11,436,322</u></u>	<u><u>\$11,548,420</u></u>	<u><u>\$12,440,638</u></u>	<u><u>\$11,857,108</u></u>

Source: City of Colorado Springs, Airport records, except as noted.
1998-2000 Airline Rates and Changes Settlement, summary of revenues
other than airline rentals, fees and charges

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, 2001, and have issued our report thereon dated March 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 22, 2002