

Financial statements and report of independent certified public accountants

Colorado Springs Municipal Airport

December 31, 2003 and 2002

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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, an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2003 and 2002, 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 purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado as of December 31, 2003 and 2002 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to 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, 2003 and 2002, and the changes in its financial position 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 D6, the Colorado Springs Municipal Airport has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* as of January 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2004, 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  
May 7, 2004

## Management's Discussion and Analysis (MD&A)

The following management discussion and analysis of the Colorado Springs Airport's (the Airport) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 2003 and 2002. The information contained in this discussion should be considered in conjunction with the financial results, footnotes, and supplemental information in the Airport's financial statements.

The Airport's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by Governmental Accounting Standards Board (GASB). The Airport is structured as an enterprise fund of the City of Colorado Springs, with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See notes to the financial statements for a summary of the Airport's significant accounting policies.

Following this MD & A are the financial statements of the Airport together with the notes to the financial statements, which are essential for a full understanding of the data contained in the financial statements. The Airport's financial statements are designed to provide readers with a broad overview of the Airport's finances.

### Airport Activities Highlights

The activities of the Airport for the last three calendar years were as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Passenger Enplanement	1,011,643	1,068,157	1,065,854
% increase (decrease)	(5.29)%	0.02%	-12.66%
Aircraft Operations	200,536	218,166	206,221
% increase (decrease)	(8.08)%	5.79%	-6.58%
Landed Weight (in thousands)	1,576,263	1,821,263	1,799,800
% increase (decrease)	(13.45)%	1.19%	-7.77%
Freight and Mail (tons)	18,594	21,804	21,988
% increase (decrease)	(14.72)%	(0.84)%	-12.59%

2003 vs. 2002 - Enplaned passengers and aircraft operations decreased in 2003, due in part to the continued national and local economic slowdown, the deployment of approximately 11,000 soldiers based at local military bases to Afghanistan and Iraq, and continued financial weakness in the airline industry. These factors, along with the downsizing of the St. Louis hub operation acquired from Trans World Airlines, contributed to American Airlines reduced service to the Airport by almost three (3) flights per day. In addition, the Airport continued to experience the national trend by major carriers of replacing larger jet aircraft at small hub airports with regional jets. This trend is responsible for the significant decrease in landed weight. Overall freight and mail registered a decline in activity again in 2003 due to a slower economy and security restrictions that limit the size of mail packages allowed on passenger aircraft. This resulted in the United States Postal Service no longer supporting originating (outbound) mail volumes at the Airport.

2002 vs. 2001 - The terrorist attacks of September 11, 2001 and its negative impact on the aviation industry reduced enplaned passenger levels in both 2001 and 2002. The level of enplaned passengers for both years is more than 12% below the enplanements of 1,220,400 registered in 2000. In addition, the economic slowdown on both the local and national scene contributed to the overall decrease in passenger traffic during this period. Overall aircraft operations rebounded strongly in 2002.

At the end of 2003, seven major air carriers and eight regional carriers supported the Airport with non-stop service to twelve major cities. In addition, five air cargo operators used the Airport's facilities.

## Financial Highlights

### Summary of Revenues, Expenses and Changes in Fund Net Assets

	<u>2003</u>	<u>2002</u>	<u>\$ Increase (Decrease)</u>	<u>2001</u>	<u>\$ Increase (Decrease)</u>
Operating revenues	\$20,343,900	\$ 19,810,704	\$ 533,196	\$20,175,320	(364,616)
Operating expenses	(13,012,234)	(12,040,291)	(971,943)	(11,778,010)	(262,281)
Excess before depreciation and other income, net	7,331,666	7,770,413	(438,747)	8,397,310	(626,897)
Depreciation and amortization	(6,126,517)	(8,860,754)	(2,734,237)	(7,605,426)	(1,255,328)
Operating income (loss)	1,205,149	(1,090,341)	2,295,490	791,884	(1,882,225)
Net non-operating income	(270,933)	419,078	(690,011)	(417,645)	836,723
Capital grants	1,094,727	8,000,330	(6,905,603)	802,450	7,197,880
Change in net assets	2,028,943	7,329,067	(5,300,124)	1,176,689	6,152,378
Net assets at beginning of year	163,110,735	155,781,668	7,329,067	154,604,979	1,176,689
Net assets at end of year	\$165,139,678	\$163,110,735	\$2,028,943	\$155,781,668	\$7,329,067

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2003 were as follows:

- Despite lower Airport passenger traffic, the Airport's 2003 operating revenue increased \$533,196 over 2002 due primarily to an increase in airline revenue related to adjustments to the airline rates and charges. The higher revenue was partially offset by decreases in parking revenue and non-preferential gate usage charges.
- Operating expenses increased \$971,943 over 2002 primarily due to increased personnel costs and higher medical/benefit costs. Additional expenses for deferred maintenance projects in 2002 due to the impact of the 9/11 terrorist attacks also contributed to the higher expenditures.
- The net result of the above was operating income before depreciation decreased by \$438,747 for 2003. Depreciation in 2003 decreased from \$8,860,754 to \$6,126,517 due primarily to corrections of asset in-service dates and capitalization adjustments made in 2002.
- Non-operating revenues decreased from a non-operating income of \$419,078 in 2002 to a non-operating loss of \$270,933 in 2003. The change between 2003 and 2002 relates to a decrease in investment income in 2003, attributable to the lower interest rates on the Airport's investments as well as adjustments to the investments to fair market value as required under GASB 31.
- Capital grant revenues registered \$1,094,727 and \$8,000,330 in 2003 and 2002, respectively. The decrease relates to the substantial completion of the \$11.5 million rehabilitation of runway 17R/35L project during 2002. With this large project receiving \$8 million of funding in 2002, the Airport registered lower capital expenditures in 2003, and thus a smaller amount of funds being reimbursed from Federal funding.
- For 2003, net assets increased \$2,028,943 as the result of the above activity, resulting in total net assets at the end of 2003 totaling \$165,139,678.

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2002 are as follows:

- The Airport's 2002 operating revenue decreased by \$364,616 over 2001 due primarily to lower airline rates and lower non-airline revenues of \$250,000 from a one-time receipt of prior year's fuel sales tax revenue in 2001. The lower revenue was partially offset by higher terminal building, parking, and rental car concession fees of \$392,000.

- Operating expenses increased by \$262,281 from 2001 primarily due to increased security personnel costs and higher medical insurance costs. The Airport received an operating grant from the Federal Aviation Administration (FAA) in the amount of \$171,400 in 2002 and \$154,929 in 2001 to partially offset some of the security costs.
- The net result of the above was operating income before depreciation decreased from \$8,397,310 in 2001 to \$7,770,413 in 2002. Depreciation in 2002 increased from \$7,605,426 to \$8,860,754 due primarily to adjustments of depreciation related to corrections of in-service dates and capitalization adjustments.
- Non-operating revenues increased from a non-operating expense of \$417,645 in 2001 to non-operating income of \$419,078 in 2002. The non-operating loss in 2001 related to the write-off and demolition of the Airport's old terminal building. The write off of the building resulted in a loss on abandonment of fixed assets of \$1,797,224 for 2001. The change between 2002 and 2001 also relates to unrealized gains on investments in 2001 of \$569,941 compared to unrealized losses in 2002 of (\$188,840).
- Capital grant revenues registered \$8,000,330 and \$802,450 in 2002 and 2001, respectively. The increase relates to the rehabilitation of runway 17R/35L during 2002 that resulted in higher capital expenditures, and thus a larger amount of funds being reimbursed from Federal funding.
- For 2002, net assets increased \$7,329,067 as the result of the above activity, resulting in total net assets at the end of 2002 totaling \$163,110,735.

## Financial Position Summary

	<u>2003</u>	<u>2002</u>	<u>% Change</u>	<u>2001</u>	<u>% Change</u>
Current assets (including restricted cash)	\$ 40,316,934	\$ 41,731,198	-3.39%	\$ 36,656,973	13.84%
Restricted Investments	5,834,682	5,834,682	0.00%	6,118,785	-4.64%
Bond issue cost (net)	828,955	922,587	-10.15%	-	-
Property and equipment (net)	186,460,166	187,035,931	-0.31%	183,835,608	1.74%
<b>Total Assets</b>	<b>\$233,440,737</b>	<b>\$235,524,398</b>	<b>-0.88%</b>	<b>\$226,611,366</b>	<b>3.93%</b>
Current Liabilities	\$ 6,474,232	\$ 8,177,513	-20.83%	\$ 5,050,233	61.92%
Long-term debt (less current portion)	61,487,927	63,923,953	-3.81%	65,468,470	-2.36%
Other non-current liabilities	338,900	312,197	8.55%	310,995	0.39%
Net Assets:					
Invest in capital assets (net of debt)	124,940,094	121,213,901	3.07%	115,963,045	4.53%
Restricted	16,626,213	16,244,152	2.35%	15,190,166	6.94%
Unrestricted	23,573,371	25,652,682	-8.11%	24,628,457	4.16%
<b>Net Assets</b>	<b>165,139,678</b>	<b>163,110,735</b>	<b>1.24%</b>	<b>155,781,668</b>	<b>4.70%</b>
<b>Total Liabilities and net assets</b>	<b>\$233,440,737</b>	<b>\$235,524,398</b>	<b>-0.88%</b>	<b>\$226,611,366</b>	<b>3.93%</b>

The largest portion of the Airport's net assets each year represents its investment in capital assets less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors; consequently these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

→ At December 31, 2003, the amount of \$16.6 million or 10.1% of net assets represented resources that are subject to restrictions on how they can be used. For 2002, the amount was 16.2 million or 9.96%. The restricted net assets are not available for new spending because they have already been committed as follows:

	<b>2003</b>	<b>2002</b>
Passenger Facility Charges	\$ 4,911,086	\$ 4,890,175
Bond Reserves	11,715,127	11,353,977
Total Restricted	<u>\$16,626,213</u>	<u>\$ 16,244,152</u>

The remaining unrestricted net assets of \$23.5 million and \$25.7 million for 2003 and 2002 respectively may be used to meet any of the Airport's ongoing obligations.

## Airline Signatory Rates and Charges for 2003 and 2002

The Airport and fourteen (14) airlines and cargo carriers negotiated an agreement effective January 1, 2000 for five years, which in part establishes how the airlines will be assessed annual rates and charges for their use of the Airport. The agreement establishes rates and charges through a hybrid commercial compensatory methodology with a revenue sharing component. The final rates and charges for the signatory airlines were as follows:

	<b>Year Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
Landing fees (per 1,000 lbs MGLW)	\$ 1.98	\$ 1.34
Terminal rental rate (per sq ft)	\$ 54.37	\$ 45.15
Loading bridge rate (per bridge)	\$ 41,432	\$ 40,103
Signatory airline cost (per enplaned passenger)	\$ 7.87	\$ 6.15

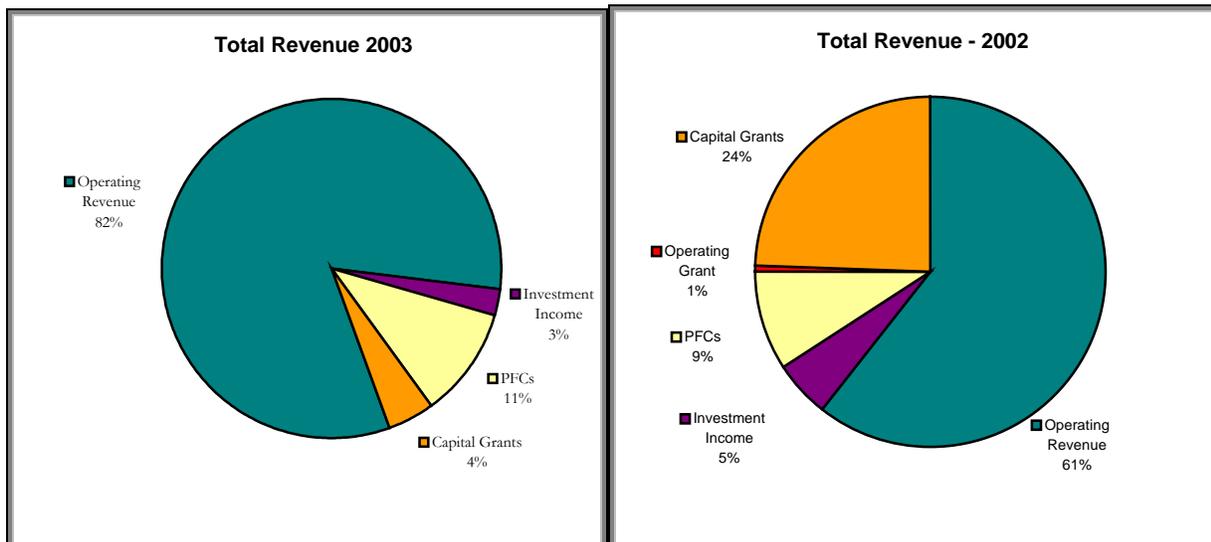
The airline derived revenue per enplaned passenger is calculated after the settlement of all rates and charges adjustments based on actual revenues and expenditures and inclusion of the net revenue sharing credited to the airlines, which was \$1,577,950 and \$2,421,388 in 2003 and 2002, respectively.

## Financial Details

### Revenues Overview:

The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2003 and 2002 with a comparison of changes in dollar amounts to the previous years.

	<b>Year End</b>	<b>Year End</b>	<b>\$ Increase/</b>	<b>Year End</b>	<b>\$ Increase</b>
	<b>12/31/2003</b>	<b>12/31/2002</b>	<b>(Decrease)</b>	<b>12/31/2001</b>	<b>(Decrease)</b>
<b>Operating Revenues</b>					
Airline	\$ 8,510,399	\$ 7,883,502	\$ 626,897	\$ 8,390,528	\$ (507,026)
Terminal Building	1,205,310	1,168,745	36,565	1,109,264	59,481
Parking	5,427,189	5,699,910	(272,721)	5,600,105	99,805
Landside Commercial	3,897,772	3,776,423	121,349	3,543,629	232,794
Other	1,303,230	1,282,124	21,106	1,531,794	(249,670)
<b>Total Operating Revenue</b>	<u>20,343,900</u>	<u>19,810,704</u>	<u>533,196</u>	<u>20,175,320</u>	<u>(364,616)</u>
<b>Other Income</b>					
Investment Income	664,780	1,751,259	(1,086,479)	2,424,609	(673,350)
Passenger Facility Charges	2,595,632	2,952,915	(357,283)	3,206,133	(253,218)
Operating Grant	-	171,140	(171,140)	154,929	16,211
Capital Grants	1,094,727	8,000,330	(6,905,603)	802,405	7,197,925
<b>Total Other Income</b>	<u>4,355,139</u>	<u>12,875,644</u>	<u>(8,520,505)</u>	<u>6,588,076</u>	<u>6,287,568</u>
<b>TOTAL INCOME</b>	<u>\$ 24,699,039</u>	<u>\$ 32,686,348</u>	<u>\$ (7,987,309)</u>	<u>\$ 26,763,396</u>	<u>\$ 5,922,952</u>



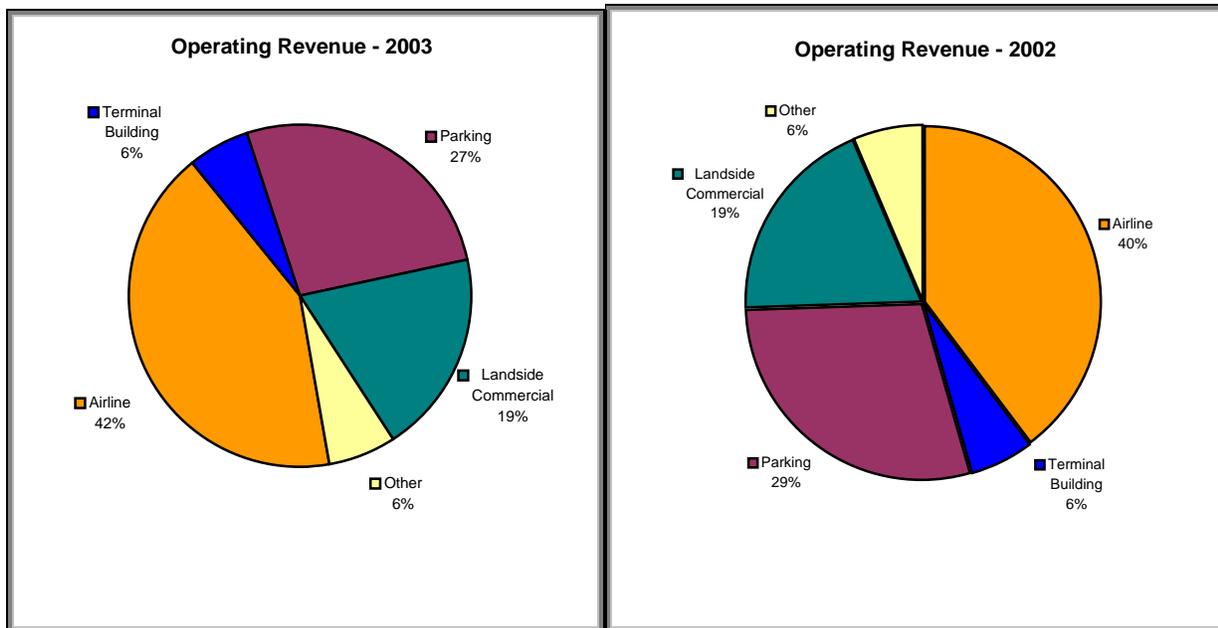
### Operating Revenues:

Significant items for 2003 as compared to 2002 were as follows:

- ➔ Airline Revenues increased by approximately \$627,000 from 2002. Landing fees increased by \$650,000 due to an increase in the landing fee rate, offset by a significant decrease in landed weight. Terminal rents increased in 2003 by \$691,000 due to an increase in rental rates related to higher operating expenses and lower net revenue available for sharing in 2003. These airline revenue increases were partially offset by a decrease in non-preferential gate usage charges due to a direct lease of Gate 5A to United Airlines and fewer non-Signatory airline uses.
- ➔ Parking revenues decreased by approximately \$273,000 due to lower passenger traffic in 2003. Terminal building revenues increased due to additional revenue related to the lease of office space for the Transportation Security Administration (TSA), partially offset by lower concession revenues due to decreased passenger traffic.
- ➔ Landside commercial concessions are primarily composed of rental car privilege and use fees. In 2003, this revenue source increased by approximately \$121,000 due primarily to higher minimum guarantee payments from bids submitted in 2000.

Significant items for 2002 as compared to 2001 were as follows:

- ➔ Airline Revenues decreased by approximately \$507,000 or from 2001. Landing fees decreased by \$53,400 due to a drop of 4.3% in the landing fee rate offset by slightly higher aircraft landed weight. Terminal rents dropped by \$224,000 due to a drop in rental rates related to lower operating expenses and deferred maintenance of facilities after the September 11, 2001 terrorist attack. In addition, 2001 airline revenues reflect \$178,000 of higher deferred revenues from a financial assistance package provided to the airlines.
- ➔ Parking revenues and terminal building concession revenues increased by \$159,000 due to slightly higher passenger traffic. In addition, the Airport's concessions benefited from longer passenger dwell times due to higher security and a modest increase in the weekly rates for public parking.
- ➔ Landside commercial concessions are primarily composed of rental car privilege and use fees. In 2002, this revenue source increased by \$232,000 due primarily to higher minimum guarantee payments from bids submitted in 2000. In addition, the Airport revenue in 2001 was reduced due to waived minimum guarantees for the months of September and October following September 11, 2001.
- ➔ Other charges decreased in 2002 by approximately \$247,000 or 16.3% due to a one-time fuel sales tax payment for prior years received in 2001.



**Other Income:**

The significant items for 2003 as compared to 2002 are as follows:

- Investment income decreased by approximately \$1,086,000 from 2002, due primarily to adjustments to unrealized loss on investments of \$(189,000) in 2002 compared to unrealized losses in 2003 of (\$554,000), in accordance with GASB Statement No. 31. In addition, lower interest rates resulted in lower investment income from \$1,751,259 in 2002 to \$664,780 in 2003.
- Passenger facility charges decreased by approximately \$357,000 compared to 2002. Passenger facility charges are recognized on a cash basis when received in accordance with GASB 33.
- Capital grants revenue decreased in 2003 approximately \$6.9 million compared to 2002. This decrease is the result of lower capital expenditures for projects approved for grant reimbursement and thus, a smaller amount of funds became available for Federal funding.

The significant items for 2002 as compared to 2001 were as follows:

- Investment income decreased by approximately \$673,000 from 2001, due primarily to adjustments to unrealized gains on investments of \$570,000 in 2001 compared to unrealized losses in 2002 of (\$189,000), in accordance with GASB Statement No. 31.
- Passenger facility charges decreased by approximately \$253,000 compared to 2001. Prior to implementation of GASB 33, the Airport recorded passenger facility charges as earned through project expenditures. When the Airport implemented GASB 33 in 2001, the passenger facility charges revenue recorded included both the cash received for the year as well as the interest earned. In 2002, this interest was included in investment income.
- Capital grants revenue increased in 2002 approximately \$7.2 million compared to 2001. This increase is the result of higher capital expenditures for project approved for grant reimbursement and thus, a larger amount of funds became available for Federal funding.

## Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2003 and 2002, along with comparisons in dollars to the prior years.

	Year End 12/31/2003	Year End 12/31/2002	\$ Increase/ (Decrease)	Year End 12/31/2001	\$ Increase (Decrease)
<b>Operating Expenses</b>					
Salaries and Benefits	\$ 6,612,203	\$ 6,219,745	\$ 392,458	\$ 5,781,576	\$ 438,169
Other Operating Expenses	6,400,031	5,820,546	579,485	5,996,434	(175,888)
<b>Total Operating Expenses</b>	13,012,234	12,040,291	971,943	11,778,010	262,281
Depreciation and gain or loss on disposal/abandonment of capital assets	6,124,422	9,054,906	(2,930,484)	9,376,650	(321,744)
Interest Expense	3,533,440	4,262,084	(728,644)	4,432,092	(170,008)
<b>TOTAL EXPENSES</b>	<u>\$ 22,670,096</u>	<u>\$ 25,357,281</u>	<u>\$ (2,687,185)</u>	<u>\$ 25,586,752</u>	<u>\$ (229,471)</u>

The significant issues effecting 2003 expenses as compared to 2002 were as follows:

- ➔ Operating expenses were approximately \$972,000 higher in 2003 compared to 2002. Additional breakdowns of operating expenses and explanations of variances are provided below under Expense by Cost Center and Expense by Category.
- ➔ Depreciation expense was \$2.9 million lower than 2002 due to prior year adjustments of accumulated depreciation due to corrections of asset in-service dates and capitalization adjustments.
- ➔ Interest expense for 2003 is approximately \$729,000 lower than 2002 due to the late 2002 refunding of \$41.3 million of bonds issued in 1994 to take advantage of significantly lower debt rates.

The significant issues effecting 2002 expenses as compared to 2001 were as follows:

- ➔ Operating expenses were \$262,000 higher in 2002 compared to 2001. Additional breakdowns of operating expenses and explanations of variances are provided below under Expense by Cost Center and Expense by Category.
- ➔ Depreciation expense and gain or loss on disposal/abandonment of fixed assets for 2002 is approximately \$322,000 less than in 2001. Depreciation expense was \$1.3 million higher than 2001 due to prior year adjustments of accumulated depreciation due to corrections of in-service dates and capitalization adjustments. The increase in depreciation was offset by a loss in 2001 on the abandonment of the Airport's former terminal building. The write-off of this building resulted in a loss of \$1.8 million.
- ➔ Interest expense for 2002 is \$170,000 lower than 2001 due primarily to reduced bond principal outstanding.

## Expense by Cost Center:

The following schedules show the major cost centers for operating expenses and percentages of operating expenses for the year ended December 31, 2003 and 2002. These expenses include indirect cost centers that are allocated to the direct cost centers as part of the airline signatory rates and charges.

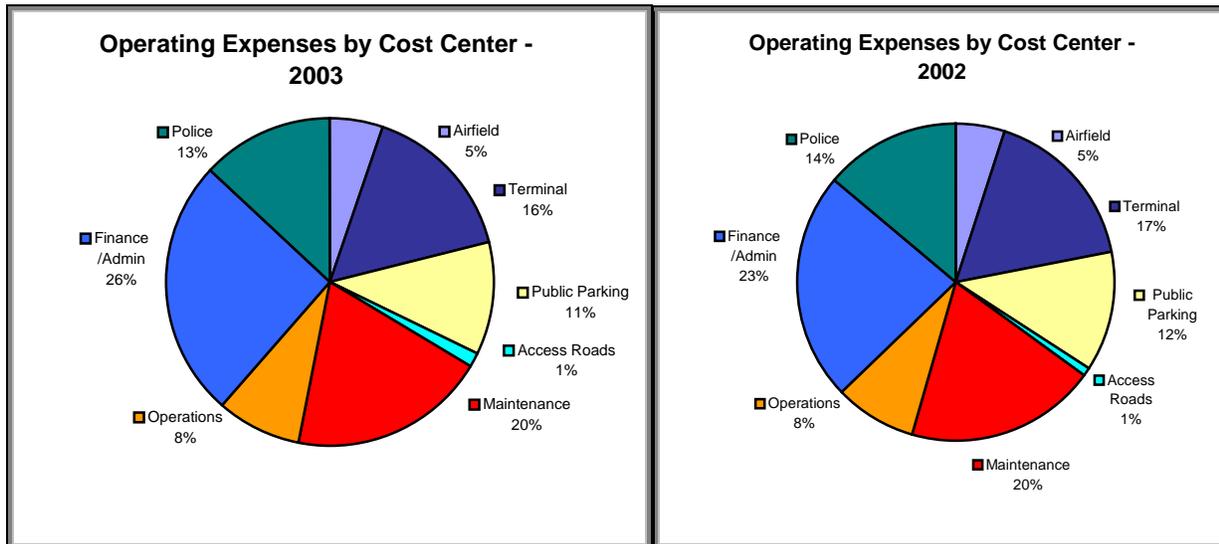
	2003 Totals	2003 % of Total	2002 Totals	\$ Increase/ (Decrease)	2002 % of Total	\$ Increase/ (Decrease)
Airfield	\$ 673,218	5.17%	\$ 614,471	\$ 58,747	5.10%	\$ 25,859
Terminal	2,055,834	15.80%	1,997,823	58,011	16.59%	(151,665)
Loading Bridges	35,362	0.27%	32,315	3,047	0.27%	(13,048)
Landside:						
Public Parking	1,313,644	10.10%	1,407,862	(94,218)	11.69%	78,724
Other	107,693	0.83%	53,019	54,674	0.44%	(659)
General Aviation	68,310	0.52%	40,677	27,633	0.34%	(97,609)
Access Roads	174,450	1.34%	116,899	57,551	0.97%	(105,509)
Maintenance	2,487,739	19.12%	2,335,717	152,022	19.40%	176,070
Operations	1,067,357	8.20%	992,452	74,905	8.24%	(12,527)
Finance/Administration	3,340,023	25.67%	2,782,075	557,948	23.11%	(69,024)
Police	1,688,604	12.98%	1,666,981	21,623	13.85%	431,669
<b>TOTAL EXPENSES</b>	<b>13,012,234</b>	<b>100.00%</b>	<b>\$ 12,040,291</b>	<b>\$ 971,943</b>	<b>100.00%</b>	<b>\$ 262,281</b>

The significant variances between 2003 expenses and 2002 were the result of:

- ➔ Public parking expenses were \$94,000 less in 2003 than in 2002 due to operational changes implemented including lower employee hours and fewer capital purchases in response to the decrease in passenger traffic during 2003.
- ➔ Maintenance expenses were \$152,000 more in 2003 than in 2002 due primarily to the postponement of major maintenance projects during 2002 because of the impact of the events of September 11, 2001.
- ➔ Finance/administration expenses increased in 2003 by \$558,000 due to primarily to an increase in the administrative prorate charge assessed by the City of Colorado Springs for services provided by the City to the Airport and increases in employee benefit costs during 2003.

The significant variances between 2002 expenses and 2001 were the result of:

- ➔ Terminal expenses were \$152,000 less than 2001 due to the postponement of several capital expenditures and major maintenance projects following the September 11, 2001 terrorist attacks.
- ➔ Police expenses increased in 2002 by \$432,000 due to increased security regulations after September 11, 2001. A portion of these expenses were reimbursed under an operating grant received from the Federal Aviation Administration (FAA) for security costs incurred during the period from September 11, 2001 through September 30, 2002.



### Expense by Category:

The following charts show the operating expenses by function for the year ended December 31, 2003 and 2002.

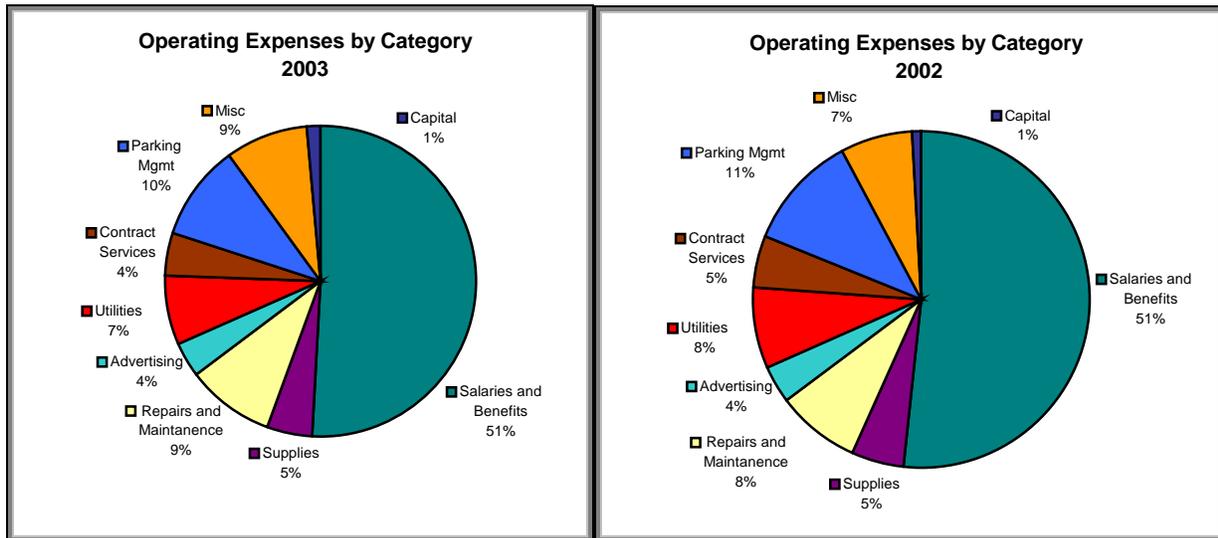
	2003 Totals	2003 % of Total	2002 Totals	\$ Increase/ (Decrease)	2002 % of Total	\$ Increase/ (Decrease)
Salaries and Benefits	\$ 6,612,203	50.82%	\$ 6,219,745	\$ 392,458	51.66%	\$ 438,168
Supplies	609,113	4.68%	590,791	18,322	4.91%	(4,780)
Repairs and Maintenance	1,212,761	9.32%	993,777	218,984	8.25%	(29,148)
Advertising	473,537	3.64%	435,731	37,806	3.62%	48,501
Utilities	913,829	7.02%	919,991	(6,162)	7.64%	(220,757)
Contract Services	579,250	4.45%	611,976	(32,726)	5.08%	34,721
Parking Management	1,313,644	10.10%	1,333,288	(19,644)	11.07%	61,195
Miscellaneous	1,104,793	8.49%	840,991	263,802	6.99%	79,132
Capital Expenditures	193,104	1.48%	94,001	99,103	0.78%	(144,751)
<b>TOTAL EXPENSES</b>	<b>\$ 13,012,234</b>	<b>100.00%</b>	<b>\$ 12,040,291</b>	<b>\$ 971,943</b>	<b>100.00%</b>	<b>\$ 262,281</b>

The significant variances between 2003 expenses and 2002 expenses were the result of:

- Salaries and benefits increased \$392,000 in 2003 due to salary progressions and an increase in medical/benefit costs.
- Repair and maintenance expenses were approximately \$219,000 higher in 2003 than in 2002 due to the replacement of terminal carpet and escalator step replacements.
- Miscellaneous expenses increased approximately \$264,000 in 2003 due primarily to an increase in the administrative prorated charge assessed by the City of Colorado Springs for services provided by the City to the Airport.

The significant variances between 2002 expenses and 2001 were the result of:

- Salaries and benefits increased \$438,000 in 2002 due to the full year impact of additional police officers as a result of increased security after September 11, 2001. A portion of these expenses was reimbursed under an operating grant received from the FAA.
- Utility expenses were \$221,000 lower in 2002 compared to 2001 due to cost saving initiatives implemented following September 11, 2001. In addition, the City of Colorado Springs in 2002 was under water saving regulations due to drought conditions in the state. This resulted in reduced water usage during 2002.



### Budgetary Highlights

	2003 Budget	2003 Actual	% Over/ (Under)	2002 Budget	2002 Actual	% Over/ (Under)
<b>Operating Revenues</b>						
Airline Revenues	\$ 9,198,471	\$ 8,510,399	-7.48%	\$ 8,495,863	\$ 7,883,502	-7.21%
Other Operating Revenues	12,769,800	11,833,501	-7.33%	12,099,620	11,927,202	-1.42%
<b>Total Operating Revenues</b>	<b>21,968,271</b>	<b>20,343,900</b>	<b>-7.39%</b>	<b>20,595,483</b>	<b>19,810,704</b>	<b>-3.81%</b>
Total Operating Expenses	14,687,088	13,012,234	-11.40%	13,242,493	12,040,291	-9.08%
<b>Total Operating Income</b>	<b>\$ 7,281,183</b>	<b>\$ 7,331,666</b>	<b>0.69%</b>	<b>\$ 7,352,990</b>	<b>\$ 7,770,413</b>	<b>5.68%</b>

The significant issues related to 2003 budget and actual figures were as follows:

- Airline revenues were approximately \$688,000 or 7.5% less than budgeted. Under the airline rates and charges methodology, this reduction is due to lower than anticipated operating expenses outlined below, which resulted in lower landing fees and terminal rents. In addition, landing fee revenues are lower due to a decrease in landed weight from lower than projected scheduled flights and the replacement of large planes with smaller regional jets.
- Other operating revenues were \$936,000 less than budgeted in 2003. Actual parking revenues were approximately \$940,000 less than budgeted due to a projected growth in enplaned passengers of 5% in 2003. Actual enplaned passengers in 2003 were 1,011,643, which was a 5.3% decrease as compared to 2002.
- Operating expenses were approximately \$1.2 million lower than originally budgeted due to the mid-year reductions made in contractual services, advertising, supply purchases, employee discretionary and capital equipment expenses. In addition, the Airport registered lower than projected utility and insurance costs in 2003. Reductions at the discretion of Airport management were made in reaction to passenger levels lower than projected and to maintain airline rates and charges at levels originally established for the first two quarters of 2003.

The significant issues related to 2002 budget and actual figures were as follows:

The Airport prepared its budget for 2002 during the early part of the third quarter of 2001. The budget was finalized before the events of September 11, 2001, and thus was prepared under assumptions of continued air traffic growth similar to previous years. Therefore, revenues included increases in traffic and landed weight that were not realized.

- Airline revenues were approximately \$612,000 or 7.2% less than budgeted. This reduction is due to lower operating expenses outlined below, which resulted in lower landing fees and terminal rents. This reduction was partially offset by an increase in non-preferential gate usage due to additional non-signatory airline use.
- Other operating revenues were \$172,000 less than budgeted in 2002, or a reduction of 1.4%. The actual parking revenues were approximately \$352,000 less than budgeted due to projected growth in enplaned passengers from 2001, whereas actual enplaned passengers remained flat in 2002. This amount was partially offset by reimbursement from the Transportation Security Administration (TSA) for police officers. These additional officers resulted in additional operating expense that also was not anticipated as part of the budget.
- Operating expenses were approximately \$1.2 million lower than originally budgeted due to adjustments following the September 11, 2001 terrorist attacks. Following September 11, 2001, the Airport postponed many capital equipment purchases and major maintenance projects. In addition, the Airport reduced many of its contractual services, supply purchases and employee discretionary expenses.

## **Passenger Facility Charges**

In December 1992, the Airport received approval from the Federal Aviation Administration (the FAA) to collect a \$3.00 passenger facility charge (PFC) on each passenger enplaning at the Airport. The Airport had collected PFC's including interest earnings thereon, totaling \$41,421,796 and \$38,687,953 for the years ended December 31, 2003 and 2002, respectively. Additional information regarding PFC's can be found in Note A(3) of the accompanying notes.

## **Long-Term Debt**

In December 2002, the City of Colorado Springs issued \$43,005,000 of Refunding Airport System Revenue Bonds, Series 2002A for a current refunding of \$41,650,000 of 1992A Airport System Revenue Bonds. The refunding was undertaken to reduce total debt service payments by \$12.6 million over the remaining scheduled payment life.

The Airport had \$65,464,950 and \$67,784,210 in bonds outstanding in five series of bonds; 2002A, 1996A, 1996B, 1992B, and 1992C as of December 31, 2003 and 2002, respectively. The bonds are payable solely from net revenues of the Airport system and from certain funds established under the bond ordinance.

Additional information regarding the refunding and the Airport's outstanding bonds can be found in Note C(3) of the accompanying notes.

## **Capital Acquisition and Construction Activities**

During fiscal years ended December 31, 2003 and 2002, the Airport expended approximately \$6.1 million and \$11.3 million in capital activities, respectively. Major construction projects principally included the extension of taxiway C, the rehabilitation of runway 17R/35L and other airport improvements. Property and equipment acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	<u>2003</u>	<u>2002</u>
Taxiway C Extension	\$ 2,699,269	\$ 1,171,000
Rehabilitation of Runway 17R/35L	1,872,179	8,889,000
Demolition of Old Terminal Facility	-	1,074,000
Maintenance Storage Facility	322,566	-
Lease Management System	254,516	-
Business Park Development	168,136	-
Miscellaneous other Airport improvements	<u>741,815</u>	<u>-</u>
Total	\$ 6,058,481	\$ 11,134,000

Acquisitions are funded using a variety of financing techniques, including federal grants, passenger facility charges, issuance of airport system revenue bonds and the Airport's capital fund.

## **Request for Information**

The financial report is designed to provide a general overview of the Airport's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be

addressed in writing to: Richard G. Gorman, Assistant Aviation Director, Finance and Administration, Colorado Springs Airport, 7770 Drennan Road, Colorado Springs, Colorado, 80916 or by email to [rgorman@springsgov.com](mailto:rgorman@springsgov.com).

Respectfully submitted,

Richard G. Gorman  
Assistant Aviation Director  
Finance and Administration

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

	2003	2002
ASSETS		
CURRENT ASSETS		
Unrestricted cash and investments	\$ 28,439,093	\$ 28,498,943
Restricted cash and investments	10,791,530	10,409,470
Accounts receivable	1,086,311	2,805,045
Due from other City funds	-	17,740
Total current assets	40,316,934	41,731,198
NONCURRENT ASSETS		
Restricted assets		
Investments	5,834,682	5,834,682
Unamortized bond issuance costs	828,955	922,587
Capital assets		
Land	18,397,886	18,660,890
Buildings	87,845,715	82,440,311
Improvements other than buildings	114,089,694	113,826,690
Machinery and equipment	3,697,236	7,882,619
Infrastructure	1,754,159	1,754,159
Vehicles	4,555,329	-
Construction in progress	16,118,762	16,369,342
Less accumulated depreciation	(59,998,615)	(53,898,080)
Total capital assets (net of accumulated depreciation and amortization)	186,460,166	187,035,931
Total noncurrent assets	193,123,803	193,793,200
Total assets	\$ 233,440,737	\$ 235,524,398

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	<u>2003</u>	<u>2002</u>
<b>CURRENT LIABILITIES</b>		
Current portion of revenue bonds payable	\$ 3,042,939	\$ 2,820,664
Accounts payable	2,291,279	3,575,059
Interest payable	-	169,380
Accrued salaries, benefits	399,632	373,275
Due to other City funds	-	201,053
Deferred revenue and other tenant deposits	<u>740,382</u>	<u>1,038,082</u>
Total current liabilities	<u>6,474,232</u>	<u>8,177,513</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	61,487,927	63,923,953
Accrued sick leave benefits	<u>338,900</u>	<u>312,197</u>
Total noncurrent liabilities	<u>61,826,827</u>	<u>64,236,150</u>
Total liabilities	<u>68,301,059</u>	<u>72,413,663</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	124,940,094	121,213,901
Restricted net assets	16,626,213	16,244,152
Unrestricted net assets	<u>23,573,371</u>	<u>25,652,682</u>
Total net assets	<u>165,139,678</u>	<u>163,110,735</u>
Total liabilities and net assets	<u>\$233,440,737</u>	<u>\$235,524,398</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
Year ended December 31,

	<u>2003</u>	<u>2002</u>
Operating revenues		
Airline revenues	\$ 8,510,399	\$ 7,883,502
Terminal building concessions	1,205,310	1,168,745
Parking concessions	5,427,189	5,699,910
Landside commercial concessions	3,897,772	3,776,423
Other charges	<u>1,303,230</u>	<u>1,282,124</u>
Total operating revenues	<u>20,343,900</u>	<u>19,810,704</u>
Operating expenses		
Salaries and benefits	6,612,203	6,219,745
Other operating expenses	6,400,031	5,820,546
Depreciation	<u>6,126,517</u>	<u>8,860,754</u>
Total operating expenses	<u>19,138,751</u>	<u>20,901,045</u>
Operating income (loss)	<u>1,205,149</u>	<u>(1,090,341)</u>
Nonoperating revenues (expenses)		
Investment income	664,780	1,751,259
Passenger facility charges	2,595,632	2,952,915
Operating grant	-	171,140
Interest expense	(3,533,440)	(4,262,084)
Gain/loss on disposal of capital assets	<u>2,095</u>	<u>(194,152)</u>
Total nonoperating revenues (expenses)	<u>(270,933)</u>	<u>419,078</u>
Income (loss) before contributions	<u>934,216</u>	<u>(671,263)</u>
Capital grants	<u>1,094,727</u>	<u>8,000,330</u>
Change in net assets	<u>2,028,943</u>	<u>7,329,067</u>
Total net assets – beginning of year	<u>163,110,735</u>	<u>155,781,668</u>
Total net assets – end of year	<u>\$165,139,678</u>	<u>\$163,110,735</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>2003</u>	<u>2002</u>
Cash flows from operating activities		
Receipts from customers	\$ 21,100,160	\$ 20,348,874
Receipts from interfund services provided	37,467	34,017
Payments to suppliers	(5,218,869)	(2,616,388)
Payments to employees	(6,559,142)	(6,264,737)
Payments for interfund services used	<u>(2,491,234)</u>	<u>(2,348,816)</u>
Net cash provided by operating activities	<u>6,868,382</u>	<u>9,152,950</u>
Cash flows from noncapital financing activities		
Operating grant	<u>-</u>	<u>171,140</u>
Cash flows from capital and related financing activities		
Capital grant	1,739,774	7,377,474
Capital expenditures	(4,047,859)	(10,608,171)
Passenger facility charges	2,595,632	2,952,915
Proceeds from issuance of refunding revenue bonds	-	42,484,362
Payment to escrow agent	-	(44,329,185)
Principal payments on revenue bonds	(2,900,000)	(2,105,000)
Interest payments on revenue bonds	(2,922,939)	(2,193,414)
Payment from accounts payable incurred for fixed asset additions	<u>(1,677,655)</u>	<u>(379,166)</u>
Net cash used in capital and related financing activities	<u>(7,213,047)</u>	<u>(6,800,185)</u>
Cash flows from investing activities		
Interest received on investments	1,219,170	1,940,099
Purchases of investments	(37,228,279)	(16,404,808)
Proceeds from sales and maturities of investments	<u>37,322,402</u>	<u>11,371,545</u>
Net cash provided by (used in) investing activities	<u>1,313,293</u>	<u>(3,093,164)</u>
Net increase (decrease) in cash and cash equivalents	968,628	(569,259)
Cash and cash equivalents – beginning of year	<u>1,012,018</u>	<u>1,581,277</u>
Cash and cash equivalents – end of year	1,980,646	1,012,018
Investments	<u>37,249,977</u>	<u>37,896,395</u>
Cash and investments	<u>\$ 39,230,623</u>	<u>\$ 38,908,413</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2002</u>
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	\$ 28,439,093	\$ 28,498,943
Restricted cash and investments	<u>10,791,530</u>	<u>10,409,470</u>
Total cash and investments	<u>\$ 39,230,623</u>	<u>\$ 38,908,413</u>

(continued)

The accompanying notes are an integral part of these statements.

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

	2003	2002
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 1,205,149	\$ (1,090,341)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	6,126,517	8,860,754
(Increase) decrease in assets		
Receivables	1,073,687	120,939
Due from other City funds	17,740	17,556
Increase (decrease) in liabilities		
Accounts payable	(1,109,018)	1,159,907
Accrued salaries, benefits, and sick leave benefits	53,060	(44,991)
Due to other City funds	(201,053)	(304,564)
Deferred revenue and other tenant deposits	(297,700)	433,690
Net cash provided by operating activities	\$ 6,868,382	\$ 9,152,950

Noncash capital and related financing and investing activities:

The Airport had unrealized losses on investments of \$554,390 and \$188,840 for the years ended December 31, 2003 and 2002, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$1,502,893 and \$1,677,655 as of December 31, 2003 and 2002, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

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 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 purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, and the changes in its financial position and its cash flows 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 financial statement presentation*

Airport funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all 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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Measurement focus, basis of accounting and financial statement presentation - continued*

The Airport distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

3. *Assets, liabilities and net assets*

A. Deposits and investments

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.

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.

B. Capital assets and depreciation

Capital assets 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.

Depreciation of capital assets 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
Infrastructure	40 – 50 years
Vehicles	5 - 15 years

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Assets, liabilities and net assets - continued*

B. Capital assets and depreciation - continued

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.

C. 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.

D. Restricted net assets

In accordance with applicable bond ordinance provisions and federal regulations, certain cash and investments are restricted and have been included in the accompanying balance sheets as restricted cash and investments and restricted investments. Additionally, the bond ordinance and federal regulations also require restriction of net assets for specific purposes, including operating expense reserves, debt service reserves and approved capital improvement projects. Net assets amounts required to be restricted are shown in the accompanying balance sheets as restricted net assets.

E. 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 runway rehabilitation and taxiway improvements. PFC revenue is recorded when cash is received. Unspent PFC revenue is recorded in the financial statements as restricted cash and restricted net assets.

F. Unamortized bond issue costs

Unamortized bond issue costs are amortized over the life of the bond issue on the effective interest method.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

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, 2003 and 2002, is presented below:

	2003	2002
Operating expenses (US GAAP basis)	\$ 19,138,751	\$ 20,901,045
Nonoperating expenses (US GAAP basis)	3,531,345	4,456,236
	22,670,096	25,357,281
Less: Depreciation expense	(6,126,517)	(8,860,754)
Add: Capital expenditures (accrual basis)	5,550,752	11,302,999
Expenditures (budgetary basis)	\$ 22,094,331	\$ 27,799,526
Appropriations	\$ 44,812,763	\$ 42,914,938

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, 2003 and 2002, amounted to \$165,470,652 and \$155,754,720, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2003 and 2002, was \$39,230,623 and \$38,908,413 respectively. The Airport's portion was approximately 24% and 25% of the total pooled cash and investments of the City as of December 31, 2003 and 2002, respectively. The pooled cash and investments of the City and the Airport as of December 31, 2003 and 2002, are as follows:

	December 31, 2003		December 31, 2002	
	City	Airport	City	Airport
Cash on hand	\$ 21,042	\$ 4,989	\$ 15,542	\$ 3,910
Deposits				
Demand, time deposits	8,332,730	1,975,657	4,006,662	1,008,108
	8,353,772	1,980,646	4,022,204	1,012,018
Investments	157,116,880	37,249,977	151,732,516	37,896,395
Total pooled cash and investments	\$ 165,470,652	\$ 39,230,623	\$ 155,754,720	\$ 38,908,413

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments - continued*

Restricted investments

As of December 31, 2003 and 2002, the Airport's restricted investments are comprised of the repurchase agreements in the amount of \$5,834,682 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.

As of December 31, 2003, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$11,174,731. Of the total bank deposits, \$180,891 was covered by Federal Depository Insurance (Category 1) and the remainder of \$10,993,840 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 2003, was \$42,887 and \$2,606,475, respectively.

As of December 31, 2002, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$8,812,557. Of the total bank deposits, \$126,703 was covered by Federal Depository Insurance (Category 1) and the remainder of \$8,685,854 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 2002, was \$31,879 and \$2,185,429, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments

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.

<u>Category</u>	<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	<u>Carrying amount</u>		<u>Carrying amount</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
I	\$ 149,964,391	\$ 35,554,229	\$ 147,144,124	\$ 36,750,408
II	-	-	-	-
III	-	-	-	-
Uncategorized	<u>7,152,489</u>	<u>1,695,748</u>	<u>4,588,392</u>	<u>1,145,987</u>
Total	<u>\$157,116,880</u>	<u>\$ 37,249,977</u>	<u>\$151,732,516</u>	<u>\$ 37,896,395</u>

The investments are comprised of the following:

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Money markets	\$ 423,778	\$ 643,403
U.S. Treasury Securities	46,681,103	31,582,166
U.S. Agency Securities	90,379,160	89,431,561
Corporate securities	2,458,902	5,535,418
Repurchase agreements	10,445,226	19,951,576
Other	<u>6,728,711</u>	<u>4,588,392</u>
	<u>\$157,116,880</u>	<u>\$151,732,516</u>

As of December 31, 2003 and 2002, 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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2003 was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 82,440,311	\$ 5,405,404	\$ -	\$ 87,845,715
Improvements other than buildings	113,826,690	263,004	-	114,089,694
Machinery and equipment	7,882,619	264,284	(4,449,667)	3,697,236
Vehicles	-	4,555,329	-	4,555,329
Infrastructure	<u>1,754,159</u>	<u>-</u>	<u>-</u>	<u>1,754,159</u>
Total capital assets being depreciated	<u>205,903,779</u>	<u>10,488,021</u>	<u>(4,449,667)</u>	<u>211,942,133</u>
Less accumulated depreciation for:				
Buildings	(17,385,536)	(2,738,308)	-	(20,123,844)
Improvements other than buildings	(31,358,363)	(2,839,417)	-	(34,197,780)
Machinery and equipment	(5,124,017)	(273,769)	25,982	(5,371,804)
Vehicles	-	(227,629)	-	(227,629)
Infrastructure	<u>(30,164)</u>	<u>(47,394)</u>	<u>-</u>	<u>(77,558)</u>
Total accumulated depreciation	<u>(53,898,080)</u>	<u>(6,126,517)</u>	<u>25,982</u>	<u>(59,998,615)</u>
Total capital assets being depreciated, net	<u>152,005,699</u>	<u>4,361,504</u>	<u>(4,423,685)</u>	<u>151,943,518</u>
Capital assets not being depreciated :				
Land	18,660,890	-	(263,004)	18,397,886
Construction in progress	<u>16,369,342</u>	<u>4,911,702</u>	<u>(5,162,282)</u>	<u>16,118,762</u>
Total capital assets, not being depreciated	<u>35,030,232</u>	<u>4,911,702</u>	<u>(5,425,286)</u>	<u>34,516,648</u>
Capital assets, net	<u>\$187,035,931</u>	<u>\$ 9,273,206</u>	<u>\$ (9,848,971)</u>	<u>\$186,460,166</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

2. *Capital assets - continued*

Capital assets activity for the year ended December 31, 2002 was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 82,457,679	\$ 56,159	\$ (73,527)	\$ 82,440,311
Improvements other than buildings	116,794,124	223,090	(3,190,524)	113,826,690
Machinery and equipment	8,647,777	116,183	(881,341)	7,882,619
Vehicles	-	-	-	-
Infrastructure	<u>-</u>	<u>1,754,159</u>	<u>-</u>	<u>1,754,159</u>
Total capital assets being depreciated	<u>207,899,580</u>	<u>2,149,591</u>	<u>(4,145,392)</u>	<u>205,903,779</u>
Less accumulated depreciation for:				
Buildings	(15,074,527)	(2,332,915)	21,906	(17,385,536)
Improvements other than buildings	(25,580,631)	(5,788,128)	10,396	(31,358,363)
Machinery and equipment	(5,337,485)	(709,547)	923,015	(5,124,017)
Vehicles	-	-	-	-
Infrastructure	<u>-</u>	<u>(30,164)</u>	<u>-</u>	<u>(30,164)</u>
Total accumulated depreciation	<u>(45,992,643)</u>	<u>(8,860,754)</u>	<u>955,317</u>	<u>(53,898,080)</u>
Total capital assets being depreciated, net	<u>161,906,937</u>	<u>(6,711,163)</u>	<u>(3,190,075)</u>	<u>152,005,699</u>
Capital assets not being depreciated :				
Land	17,587,386	1,073,504	-	18,660,890
Construction in progress	<u>4,341,285</u>	<u>12,121,357</u>	<u>(93,300)</u>	<u>16,369,342</u>
Total capital assets, not being depreciated	<u>21,928,671</u>	<u>13,194,861</u>	<u>(93,300)</u>	<u>35,030,232</u>
Capital assets, net	<u>\$183,835,608</u>	<u>\$ 6,483,698</u>	<u>\$ (3,283,375)</u>	<u>\$187,035,931</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable*

In December 2002, the City of Colorado Springs issued \$43,005,000 of Refunding Airport System Revenue Bonds, Series 2002A for a current refunding of \$41,650,000 of 1992A Airport System Revenue Bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price was above the net carrying amount of the old debt by \$1,049,331. This amount is being netted against the new debt and amortized over the old debt's life, which is equal to the life of the new debt. The transaction resulted in an economic gain of \$6,406,035 and a reduction of \$12,628,592 in future debt service payments. The Series 2002A Serial bonds of \$21,620,000 mature from 2004 to 2018 and have interest rates ranging from 3.00% to 4.75%. Series 2002A term bonds of \$6,255,000 and \$15,130,000 are due from 2016 to 2017 and 2019 to 2022, respectively, and have interest rates of 4.75% and 5.00%, respectively.

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.

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.

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. The 1992A bonds were refunded during 2002 by the 2002A Airport Refunding Revenue Bonds outlined above. The Series 1992B bonds were redeemed during 1994.

Series 1992C capital appreciation bonds of \$9,759,950 (\$4,077,388 original principal amount plus \$5,682,562 of interest accreted through December 31, 2003) mature from 2001 to 2010 and have approximate yields to maturity of 6.80% to 7.20%.

All 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, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2003:

Year ending December 31,	2002A		1996A		1996B		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	970,000	2,009,313	375,000	541,782	105,000	158,590	1,592,939	501,404	3,042,939	3,211,089
2005	1,000,000	1,980,212	390,000	524,532	110,000	153,603	1,519,620	424,344	3,019,620	3,082,691
2006	1,030,000	1,950,213	410,000	506,202	115,000	148,268	1,454,263	349,153	3,009,263	2,953,836
2007	1,060,000	1,919,312	430,000	486,523	120,000	142,575	1,388,973	275,575	2,998,973	2,823,985
2008	1,100,000	1,882,213	450,000	465,453	125,000	136,515	1,326,132	204,068	3,001,132	2,688,249
2009-2013	9,415,000	8,567,088	2,610,000	1,959,450	730,000	576,788	2,478,023	200,506	15,233,023	11,303,832
2014-2018	16,035,000	5,296,625	3,375,000	1,200,938	950,000	354,750	-	-	20,360,000	6,852,313
2019-2021	<u>11,620,000</u>	<u>1,181,000</u>	<u>2,480,000</u>	<u>264,863</u>	<u>700,000</u>	<u>78,375</u>	-	-	<u>14,800,000</u>	<u>1,524,238</u>
Totals	<u>\$ 42,230,000</u>	<u>\$24,785,976</u>	<u>\$10,520,000</u>	<u>\$5,949,743</u>	<u>\$ 2,955,000</u>	<u>\$ 1,749,464</u>	<u>\$ 9,759,950</u>	<u>\$1,955,050</u>	<u>\$65,464,950</u>	<u>\$34,440,233</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, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

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, 2003:

Year ending <u>December 31,</u>	
2004	10,494,195
2005	1,064,123
2006	919,046
2007	809,729
2008	591,772
2009-2013	<u>1,687,489</u>
	<u>\$ 15,566,354</u>

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 \$515,204 and \$727,286 for the years ended December 31, 2003 and 2002, 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> 2003	<u>December 31,</u> 2002
Land	\$ 18,397,886	\$ 18,660,890
Buildings	87,845,715	82,440,311
Improvements other than buildings	114,089,694	113,826,690
Infrastructure	<u>1,754,159</u>	<u>1,754,159</u>
	222,087,454	216,682,050
Less accumulated depreciation	<u>(54,399,182)</u>	<u>(48,774,063)</u>
	<u>\$ 167,688,272</u>	<u>\$ 167,907,987</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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE C – DETAILED NOTES – Continued

5. *Changes in long-term liabilities*

Long-term liabilities activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due within one year
Revenue bonds	\$ 67,784,210	\$ 580,740	\$ (2,900,000)	\$65,464,950	\$ 3,042,939
Deferred amounts:					
For issuance premiums	9,738	-	(974)	8,764	-
On refundings	<u>(1,049,331)</u>	<u>-</u>	<u>106,483</u>	<u>(942,848)</u>	<u>-</u>
Total bonds payable	66,744,617	580,740	(2,794,491)	64,530,866	3,042,939
Compensated absences- accrued sick leave benefits	<u>312,197</u>	<u>26,703</u>	<u>-</u>	<u>338,900</u>	<u>-</u>
Long-term liabilities	<u>\$ 67,056,814</u>	<u>\$ 607,443</u>	<u>\$ (2,794,491)</u>	<u>\$64,869,766</u>	<u>\$ 3,042,939</u>

Long-term liabilities activity for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due within one year
Revenue bonds	\$67,872,563	\$43,666,647	\$(43,755,000)	\$67,784,210	\$ 2,820,664
Deferred amounts:					
For issuance premiums	-	9,738	-	9,738	-
On refundings	<u>-</u>	<u>(1,049,331)</u>	<u>-</u>	<u>(1,049,331)</u>	<u>-</u>
Total bonds payable	67,872,563	42,627,054	(43,755,000)	66,744,617	2,820,664
Compensated absences- accrued sick leave benefits	<u>310,995</u>	<u>1,202</u>	<u>-</u>	<u>312,197</u>	<u>-</u>
Long-term liabilities	<u>\$68,183,558</u>	<u>\$42,628,256</u>	<u>\$(43,755,000)</u>	<u>\$67,056,814</u>	<u>\$ 2,820,664</u>

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. 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 2003 or 2002.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE D – OTHER INFORMATION - Continued

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>2003</u>	<u>2002</u>
Retirees with full coverage	2	2
Retirees with partial coverage	18	15
	20	17
Cost of retirement benefits	\$ 21,189	\$ 20,688

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

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 9.6% at an actuarially determined rate. The current City contribution rate is 9.6% 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, 2003, 2002 and 2001, were \$378,387, \$335,108 and \$347,790, respectively, equal to the required contributions for each year.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans - continued*

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.

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:

	2003	2002
Employees hired before April, 1978	\$ 5,967	\$ 5,694
Employees hired on or after April, 1978	\$ 80,921	\$ 71,419

4. *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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003 and 2002

NOTE D – OTHER INFORMATION – 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, 2003 and 2002:

	<u>December 31, 2003</u>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets – investments	\$ 5,834,682	\$ 5,834,682
Cash and investments	39,230,623	39,230,623
Revenue bonds payable	64,530,866	70,024,515
	<u>December 31, 2002</u>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets – investments	\$ 5,834,682	\$ 5,834,682
Cash and investments	38,908,413	38,908,413
Revenue bonds payable	66,744,617	71,632,341

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, 2003 and 2002, 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 Airlines Serving the Airport, 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  
May 7, 2004

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, 2003

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance						
January 1, 2003	\$ 1,000,000	\$ -	\$ -	\$ -	\$5,834,682	\$3,310,623
Add: Commitments as of December 31, 2002	-	265,311	-	-	-	-
Adjusted balance as of January 1, 2003	<u>1,000,000</u>	<u>265,311</u>	<u>-</u>	<u>-</u>	<u>5,834,682</u>	<u>3,310,623</u>
Calendar year 2003 activity						
Operating revenues	20,199,900	-	-	-	-	-
Non-operating revenues						
Interest earnings	131,161	-	27,170	32,343	185,905	91,670
Passenger facility charges	-	-	-	-	-	-
Other revenue (expense)	2,095	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
FAA Grant revenues	-	-	-	-	-	-
Sub-total revenues	<u>21,333,156</u>	<u>265,311</u>	<u>27,170</u>	<u>32,343</u>	<u>6,020,587</u>	<u>3,402,293</u>
Operating expenses	-	(12,819,131)	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Operating capital	-	(496,143)	-	-	-	-
Capital expenses	-	-	-	-	-	-
Non-operating expenses						
Debt service expenses	-	-	(2,000,855)	(3,652,705)	-	-
Debt service issuance expense	-	-	-	-	-	-
Sub-total expenses	<u>-</u>	<u>(13,315,274)</u>	<u>(2,000,855)</u>	<u>(3,652,705)</u>	<u>-</u>	<u>-</u>
Balances before encumbrances, commitments and transfers	<u>21,333,156</u>	<u>(13,049,963)</u>	<u>(1,973,685)</u>	<u>(3,620,362)</u>	<u>6,020,587</u>	<u>3,402,293</u>
Encumbrances at December 31, 2003	<u>-</u>	<u>(153,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers						
Operating/maintenance	(13,203,608)	13,203,608	-	-	-	-
Bond debt service	(5,653,560)	-	2,000,855	3,652,705	-	-
2003 Bond ordinance requirements	-	-	-	-	-	361,149
Income available for sharing-City's portion	-	(1,577,950)	-	-	-	-
Funding adj.-encumbrances/working capital	-	(107,218)	-	-	-	-
Closing out Equity fund to capital fund						
Non-preferential gate use fees	(166,813)	-	-	-	-	-
Net (revenue)/expense on Fountain Terminal Site	20,103	-	-	-	-	-
Interest to:						
Airlines	355,890	-	(27,170)	(32,343)	(185,905)	(91,670)
Capital account	-	-	-	-	-	-

Sub-total transfers	<u>(20,333,156)</u>	<u>13,203,608</u>	<u>1,973,685</u>	<u>3,620,362</u>	<u>(185,905)</u>	<u>269,479</u>
Ending balance- December 31, 2003	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,834,682</u>	<u>\$3,671,772</u>

Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Equity Fund Surplus Account	Totals
	Prepaid Revenue Account	Capital Account			
\$ 750,000	\$ 1,458,671	\$ 19,504,371	\$ 1,759,240	\$ 2,478,833	\$ 36,096,420
-	-	2,004,991	2,902,986	-	5,173,288
<u>750,000</u>	<u>1,458,671</u>	<u>21,509,362</u>	<u>4,662,226</u>	<u>2,478,833</u>	<u>41,269,708</u>
-	-	-	-	144,000	20,343,900
18,802	36,567	498,024	138,211	59,317	1,219,170
-	-	-	2,595,632	-	2,595,632
-	-	-	-	-	2,095
-	-	-	-	-	-
-	-	1,094,727	-	-	1,094,727
<u>768,802</u>	<u>1,495,238</u>	<u>23,102,113</u>	<u>7,396,068</u>	<u>2,682,150</u>	<u>66,525,232</u>
-	-	-	-	-	(12,819,131)
-	-	-	-	-	-
-	-	-	-	-	(496,143)
-	-	(2,322,304)	(2,925,409)	-	(5,247,713)
-	-	-	-	-	(5,653,560)
-	-	-	-	-	-
-	-	(2,322,304)	(2,925,409)	-	(24,216,547)
<u>768,802</u>	<u>1,495,238</u>	<u>20,779,809</u>	<u>4,470,660</u>	<u>2,682,150</u>	<u>42,308,685</u>
-	-	(666,259)	(860,250)	-	(1,680,154)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(361,149)	-	-	-
-	-	1,577,950	-	-	-
-	-	107,218	-	-	-
-	-	2,622,833	-	(2,622,833)	-
-	-	166,813	-	-	-
-	-	(20,103)	-	-	-
(18,802)	-	-	-	-	-
-	(36,567)	95,884	-	(59,317)	-
<u>(18,802)</u>	<u>(36,567)</u>	<u>4,189,446</u>	<u>-</u>	<u>(2,682,150)</u>	<u>-</u>

\$750,000    \$ 1,458,671    \$ 24,302,996    \$ 3,610,410    \$ -    \$ 40,628,531

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, 2003, and have issued our report thereon dated May 7, 2004. 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  
May 7, 2004