

Financial statements and reports of independent certified public accountants  
Colorado Springs Airport  
December 31, 2004 and 2003

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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, 2004 and 2003, 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004 and 2003 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, 2004 and 2003, 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 C-1, during 2004 the Airport adopted Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosure*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Colorado Springs, Colorado  
May 10, 2005

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

The following management's 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, 2004 and 2003. 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 the Governmental Accounting Standards Board (GASB) and other standards-setting bodies. 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>2004</u>	<u>2003</u>	<u>2002</u>
Enplaned Passengers	1,034,747	1,011,643	1,068,157
% increase (decrease)	2.28%	-5.29%	0.02%
Aircraft Operations	174,909	200,536	218,166
% increase (decrease)	-12.78%	-8.08%	5.79%
Landed Weight (in thousands)	1,563,735	1,576,794	1,821,263
% increase (decrease)	-0.83%	-13.42%	1.19%
Freight and Mail (tons)	18,236	18,688	21,804
% increase (decrease)	1.93%	-14.29%	-0.84%

Comparing 2004 activity to 2003, enplaned passengers increased in 2004 due to a general improvement in the economic condition of the City and the nation as a whole. A significant factor was the return to the Colorado Springs area of a significant number of military personnel deployed to Afghanistan and Iraq. There was a significant decrease in aircraft operations primarily due to a decrease in the number of military flights, a consequence of reduced military activity and deployments during 2004, and the impact of higher fuel prices on general aviation activity. Landed weight was down only slightly in 2004 compared to 2003. The pace of airlines replacing their jet aircraft with regional jets slowed during 2004. As a partial offset, higher cargo landed weight increased by 8.0% over 2003 due to improved regional economic conditions. Freight and mail

decreased slightly from 2003 to 2004, due primarily to the continued drop in originating (outbound) mail.

Comparing 2003 activity to 2002, enplaned passengers and aircraft operations decreased in 2003, due to the 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. Downsizing by American Airlines of its St. Louis hub operation, acquired from Trans World Airlines, resulted in a reduction of 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.

At the end of 2004, six major air carriers and seven regional carriers supported the Airport with non-stop service to twelve major cities. In addition, four air cargo operators used the Airport's facilities.

### Financial Highlights

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

	2004	2003	\$ Increase (Decrease)	2002	\$ Increase (Decrease)
Operating revenues	\$ 20,669,259	\$ 20,343,900	\$ 325,359	\$ 19,810,704	\$ 533,196
Operating expenses	<u>13,039,814</u>	<u>13,012,234</u>	<u>27,580</u>	<u>12,040,291</u>	<u>971,943</u>
Excess before depreciation and other income, net	7,629,445	7,331,666	297,779	7,770,413	(438,747)
Depreciation and amortization	<u>7,955,285</u>	<u>6,126,517</u>	<u>1,828,768</u>	<u>8,860,754</u>	<u>(2,734,237)</u>
Operating income (loss)	(325,840)	1,205,149	(1,530,989)	(1,090,341)	2,295,490
Net nonoperating income	3,624,305	(270,933)	3,895,238	419,078	(690,011)
Capital grants	<u>3,602,446</u>	<u>1,094,727</u>	<u>2,507,719</u>	<u>8,000,330</u>	<u>(6,905,603)</u>
Change in net assets	6,900,911	2,028,943	4,871,968	7,329,067	(5,300,124)
Net assets at beginning of year	<u>165,139,678</u>	<u>163,110,735</u>	<u>2,028,943</u>	<u>155,781,668</u>	<u>7,329,067</u>
Net assets at end of year	<u>\$ 172,040,589</u>	<u>\$ 165,139,678</u>	<u>\$ 6,900,911</u>	<u>\$ 163,110,735</u>	<u>\$ 2,028,943</u>

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2004 were as follows:

- The increase in passenger traffic and its impact on public parking and rental car concession revenue led to an overall increase in the Airport's 2004 operating revenues of \$325,359 over 2003. In addition, lower airline revenues of \$265,035 due to lower airline rates and charges were partially offset by a settlement payment of \$204,340 to resolve a contract dispute with an airport third-party developer.
- Operating expenses increased \$27,580 over 2003 primarily due to increased personnel costs and higher medical/benefit costs. Additional expenses for utilities, offset by lower costs for advertising, also contributed to the higher expenditure level.

- The net result of the above was that operating income before depreciation increased by \$297,779 for 2004. Due to in-service date corrections made in 2003, depreciation in 2004 increased from \$6,126,517 to \$7,955,286. In addition, several projects reflected as Construction In Progress for 2003 were brought into service during 2004.
- Net nonoperating revenues increased from a loss of \$270,933 in 2003 to nonoperating revenue of \$3,624,305 in 2004. The change between 2004 and 2003 relates primarily to the Airport's one-time receipt of customer facility charges (CFCs) associated with the closeout of the 1994 Tarable Airport Rental Car Special Facilities Bonds. A customer facility charge of \$1.50 per rental car contract date was established to pay the debt service on this bond issue. When the bonds were retired on September 1, 2004, there was an excess held by the bond trustee of \$3,576,541. Per the bond documents, these funds were returned to the Airport. In addition, an ordinance was approved by the City Council allowing the Airport to continue to collect a \$1.50 CFC per rental car contract date for the purpose of funding rental car improvement projects. For the period of September 1, 2004 to December 31, 2004, these collections were reflected as nonoperating revenues.
- Capital grant revenues received were \$3,602,446 and \$1,094,727 in 2004 and 2003, respectively. The increase in 2004 relates to the substantial completion of the Taxiway C extension and the associated reimbursement from the Federal Aviation Administration (FAA).
- For 2004, net assets increased \$6,900,911 as the result of the above activity, resulting in total net assets at the end of 2004 totaling \$172,040,589.

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

- Despite lower Airport passenger traffic, the Airport's 2003 operating revenue increased \$553,196 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 use 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 and amortization 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 2003.
- Nonoperating 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 rate earned on the Airport's investment portfolio as well as an adjustment to reflect 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 FAA 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.

### Financial Position Summary

	2004	2003	% Change	2002	% Change
Current assets (including restricted cash)	\$ 43,958,549	\$ 40,316,934	9.03%	\$ 41,731,198	-3.39%
Restricted Investments	5,834,682	5,834,682	0.00%	5,834,682	0.00%
Bond issue cost (net)	746,335	828,955	-9.97%	922,587	-10.15%
Property and equipment (net)	190,358,031	186,460,166	2.09%	187,035,931	-0.31%
<b>Total Assets</b>	<b>\$240,897,597</b>	<b>\$233,440,737</b>	<b>3.19%</b>	<b>\$235,524,398</b>	<b>-0.88%</b>
Current Liabilities	\$ 9,617,935	\$ 6,474,232	48.56%	\$ 8,177,513	-20.83%
Long-term debt (less current portion)	58,910,558	61,487,927	-4.19%	63,923,953	-3.81%
Other non-current liabilities	328,515	338,900	-3.06%	312,197	8.55%
Net Assets:					
Invested in capital assets (net of debt)	128,352,663	124,940,094	2.73%	121,213,001	3.07%
Restricted	18,010,591	16,626,213	8.33%	16,244,152	2.35%
Unrestricted	25,677,335	23,573,371	8.93%	25,652,682	-8.11%
<b>Net Assets</b>	<b>172,040,589</b>	<b>165,139,678</b>	<b>4.18%</b>	<b>163,110,735</b>	<b>1.24%</b>
<b>Total Liabilities and net assets</b>	<b>\$240,897,597</b>	<b>\$233,440,737</b>	<b>3.19%</b>	<b>\$235,524,398</b>	<b>-0.88%</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, 2004, the amount of \$18.01 million or 10.5% of net assets represented resources that are subject to restrictions on how they can be used. For 2003, the amount was \$16.6 million or 10.1%. The restricted net assets are not available for new spending because they have already been committed as follows:

	2004	2003
Passenger Facility Charges	\$ 6,295,465	\$ 4,911,086
Bond and Operating and Maintenance Reserves	11,715,126	11,715,127
<b>Total Restricted</b>	<b>\$18,010,591</b>	<b>\$ 16,626,213</b>

The remaining unrestricted net assets of \$25.7 million and \$23.6 million for 2004 and 2003, respectively, may be used to meet any of the Airport's ongoing obligations.

**Airline Signatory Rates and Charges for 2004 and 2003**

The Airport and fourteen (14) airlines and cargo carriers negotiated an agreement effective January 1, 2000, for five years, which 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:

	Year Ended December 31,	
	2004	2003
Landing fees (per 1,000 lbs MGLW)	\$ 1.97	\$ 1.98
Terminal rental rate (per sq ft)	\$ 53.31	\$ 54.37
Loading bridge rate (per bridge)	\$ 39,695	\$ 41,432
Signatory airline cost (per enplaned passenger)	\$ 7.49	\$ 7.87

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 \$1,802,190 and \$1,577,950 in 2004 and 2003, respectively.

During 2004, the Airport and the airlines successfully negotiated an extension of the existing Use and Lease Agreement, which will be effective from January 1, 2005 through December 31, 2009, with similar terms and conditions.

**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 \$44,216,269 and \$41,421,796 through the years ended December 31, 2004 and 2003, respectively. Additional information regarding PFC's can be found in Note A(3) of the accompanying notes.

**Customer Facility Charges**

In 1994, the City of Colorado Springs issued \$6,093,000 aggregate principal amount of its Special Facility Bonds to finance the construction of service and storage facilities for rental car companies located on the Airport. The customer facility charge (CFC) was originally established to pay the debt service and expired on September 1, 2004. When the bonds were retired, there was an excess within the fund of \$3,576,541. Per the bond documents, these funds were given to the Airport where \$250,000 was set aside as reserved funds per the rental car agreement and the remaining was recorded as CFC revenue on the financials statements.

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rented car contract date will remain in effect for the first year of the ordinance. Thereafter the rate cannot exceed \$2.50 per rental car contract date without City Council approval.

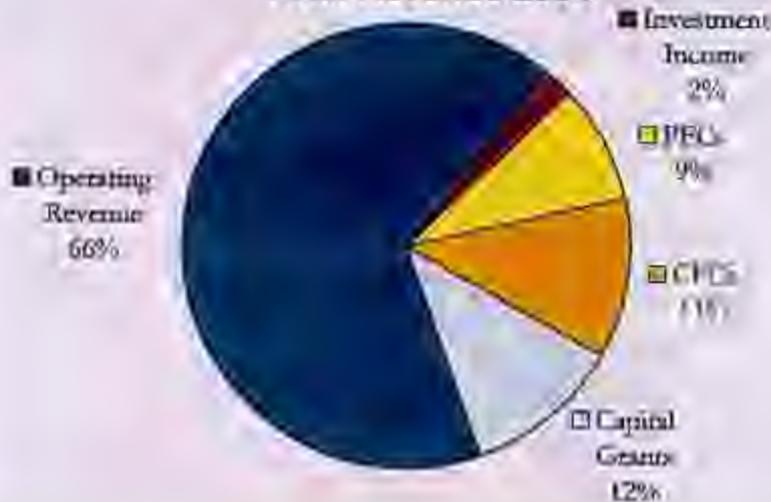
## Financial Details

### Revenues Overview:

The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2004 and 2003 with a comparison of changes in dollar amounts to the previous years.

	Year End 12/31/2004	Year End 12/31/2003	\$ Increase/ (Decrease)	Year End 12/31/2002	\$ Increase (Decrease)
<b>Operating Revenues</b>					
Airline	\$ 8,245,364	\$ 8,510,399	\$ (265,035)	\$ 7,883,502	\$ 626,897
Terminal Building	1,233,925	1,205,310	28,615	1,168,745	36,565
Parking	5,513,116	5,427,189	85,927	5,699,910	(272,721)
Landside Commercial	4,071,732	3,897,772	173,960	3,776,423	121,349
Other	1,605,122	1,303,230	301,892	1,282,124	21,106
<b>Total Operating Revenues</b>	<b>20,669,259</b>	<b>20,343,900</b>	<b>325,359</b>	<b>19,810,704</b>	<b>533,196</b>
<b>Other Income</b>					
Investment Income	735,318	664,780	70,538	1,751,259	(1,086,479)
Passenger Facility Charges	2,682,961	2,595,632	87,329	2,952,915	(357,283)
Customer Facility Charges	3,590,110	-	3,590,110	-	-
Operating Grant	-	-	-	171,140	(171,140)
Capital Grants	3,602,446	1,094,727	2,507,719	8,000,330	(6,905,603)
<b>Total Other Income</b>	<b>10,610,835</b>	<b>4,355,139</b>	<b>6,255,696</b>	<b>12,875,644</b>	<b>8,520,505</b>
<b>TOTAL INCOME</b>	<b>\$ 31,280,094</b>	<b>\$ 24,699,039</b>	<b>\$ 6,581,055</b>	<b>\$ 32,686,348</b>	<b>\$ (7,987,309)</b>

**Total Revenue 2004**



## Operating Revenues:

Significant items for 2004 as compared to 2003 were as follows:

- Airline revenues decreased in 2004 by approximately \$265,000 from 2003. Gate use charges decreased by approximately \$67,000 due to a reduction in non-signatory airlines gate usage. Terminal rents decreased by approximately \$83,000 in 2004 due to a decrease in rental rates resulting from lower operating expenses. Landing fees for diversions decreased in 2004 by approximately \$52,000 due to a reduction in training and touch and go flights.
- Terminal building revenues from non-airline tenants increased by \$28,600 in 2004 due to the full year impact of additional leased space by the Transportation Security Administration and a new lease with an aviation services provider.
- Due to the increase in passenger traffic in 2004, public parking revenues increased by approximately \$85,900 in 2004 compared to 2003.
- Landside commercial concessions are primarily composed of rental car privilege and use fees. In 2004, this revenue source increased by approximately \$174,000 due primarily to higher minimum guarantee payments from bids submitted in 2000.
- Other revenues increase by approximately \$301,900 due to higher fuel flowage fees resulting from competitive pricing offered by Airport Fixed Based Operators and a one-time settlement payment to resolve a ground lease dispute with an airport third party developer.



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.

#### **Other Income**

The significant items for 2004 as compared to 2003 are as follows:

- ➔ Investment income increased by approximately \$71,000 from 2003, due primarily to unrealized loss on investments of approximately \$(554,000) in 2003 compared to an unrealized loss in 2004 of approximately \$(442,000). These adjustments are in accordance with GASB Statement No. 31.
- ➔ Passenger facility charges for 2004 increased by approximately \$87,000 due to higher passenger activity. Passenger facility charges are recognized on a cash basis when received in accordance with GASB 33.
- ➔ Customer facility charges are a new source of revenue for the Airport during 2004. As of September 1, 2004, the Airport was authorized by City Council to collect a Customer Facility Charge (CFC) for the purpose of funding new rental car improvements. A collection rate of \$1.50 per rental car contract date was authorized for the first year and these fees in the amount of \$263,569 are reflected as 2004 non-operating revenues. This revenue is for the period of September 1, 2004 to December 31, 2004.

In addition, the Airport received a one-time payment in 2004 in the amount of \$3,576,541 due to the maturity of the 1994 Airport Special Facility Bonds (Rental Car Projects). This bond issue was used to finance the construction of service and storage facilities for the rental car companies. A customer facility charge (CFC) was established in 1994 to pay the debt service on these bonds and higher than anticipated rental car activity resulted in fee collections in excess of the debt service requirements. This excess amount was held by the bond trustee prior to the maturity and these funds were returned to the Airport upon full repayment as provided under the bond documents. Upon receipt of the funds, \$250,000 was set aside as reserved funds, as

required under the rental car concession agreement, and the remaining was recorded as CFC revenue on the 2004 income statement.

- Capital grants revenue increased in 2004 by approximately \$2.5 million compared to 2003. This increase is a result of increased capital expenditures for projects approved for grant reimbursement by the Federal Aviation Administration (FAA).

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

- Investment income decreased by approximately \$1,086,500 from 2002, due primarily to adjustments to unrealized loss on investments of \$(188,800) in 2002 compared to unrealized losses in 2003 of (\$554,400), in accordance with GASB Statement No. 31. In addition, lower interest rates resulted in lower investment income of \$1,219,200 in 2003 from \$1,940,100 in 2002.
- 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 available for grant reimbursement by the FAA.

#### Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2004 and 2003, along with comparisons in dollars to the prior years.

	Year End 12/31/2004	Year End 12/31/2003	\$ Increase/ (Decrease)	Year End 12/31/2002	\$ Increase (Decrease)
<b>Operating Expenses</b>					
Salaries and Benefits	\$ 6,832,347	\$ 6,612,203	\$ 220,144	\$ 6,219,745	\$ 392,458
Other Operating Expenses	6,207,467	6,400,031	(192,564)	5,820,546	579,485
<b>Total Operating Expenses</b>	<b>13,039,814</b>	<b>13,012,234</b>	<b>27,580</b>	<b>12,040,291</b>	<b>971,943</b>
Depreciation and gain or loss on disposal of capital assets	7,952,562	6,124,422	1,828,140	9,054,906	(2,930,484)
Interest Expense	3,386,807	3,533,440	(146,633)	4,262,084	(728,644)
<b>TOTAL EXPENSES</b>	<b>\$24,379,183</b>	<b>\$22,670,096</b>	<b>\$1,709,087</b>	<b>\$ 25,357,281</b>	<b>\$(2,687,185)</b>

Operating expenses were approximately \$28,000 higher in 2004 compared to 2003.

- Additional breakdowns of operating expenses and explanations of variances are provided below under Expense by Category.
- Depreciation expense was \$1.8 million higher in 2004 compared to 2003 due to an adjustment in accumulated depreciation in 2003 to correct asset in-service dates for improvements capitalized in prior years. This one-time adjustment resulted in 2003 depreciation being lower than the current year depreciation on assets in service.
- Interest expense for 2004 was approximately \$147,000 lower than 2003 due to the amortization

schedule applying a greater portion of the substantially level debt service payments toward principal and less toward interest each year.

The significant issues affecting 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 Category.
- ➔ Depreciation expense was \$2.9 million lower than 2002 due to an adjustment in accumulated depreciation and current year depreciation expense to correct in-service dates for improvements capitalized in prior years.
- ➔ Interest expense for 2003 was 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.

#### Expense by Category:

The following charts show the operating expenses by category for the years ended December 31, 2004 and 2003.

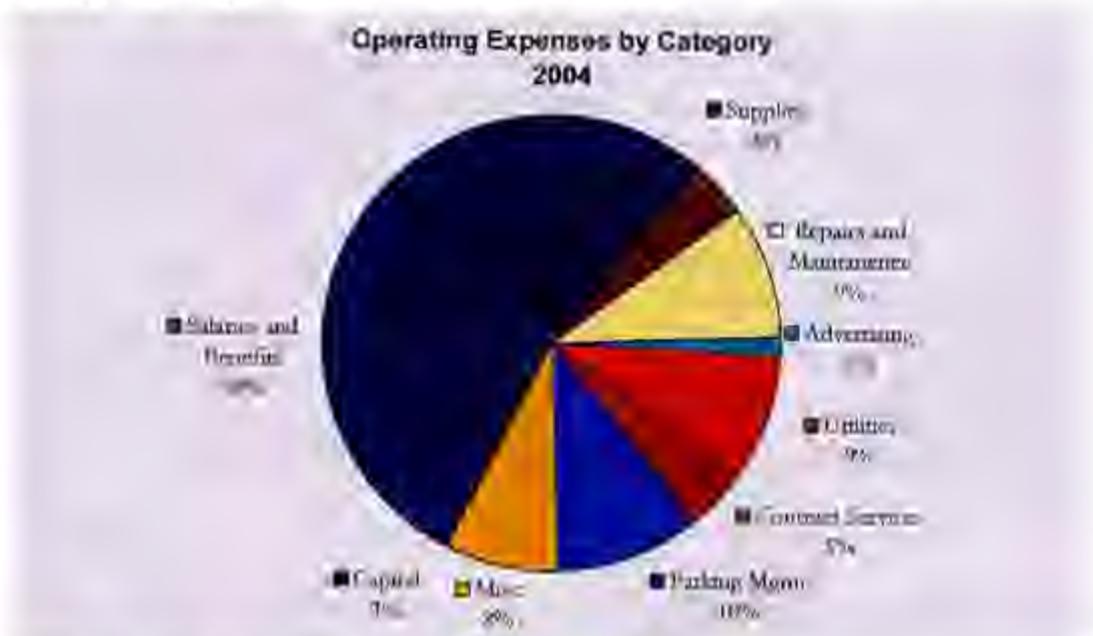
	2004 Totals	2004 % of Total	2003 Totals	\$ Increase/ (Decrease)	2003 % of Total
Salaries and Benefits	\$ 6,832,347	52.40%	\$ 6,612,203	\$ 220,144	50.82%
Supplies	560,774	4.30%	609,113	(48,339)	4.68%
Repairs and Maintenance	1,226,170	9.40%	1,212,761	13,409	9.32%
Advertising	199,690	1.53%	473,537	(273,847)	3.64%
Utilities	1,125,938	8.64%	913,829	212,109	7.02%
Contract Services	591,900	4.54%	579,250	12,650	4.45%
Parking Management	1,343,054	10.30%	1,313,644	29,410	10.10%
Miscellaneous	1,069,369	8.20%	1,104,793	(35,424)	8.49%
Capital Expenditures	90,572	.69%	193,104	(102,532)	1.48%
<b>TOTAL EXPENSES</b>	<b>\$ 13,039,814</b>	<b>100.00%</b>	<b>\$ 13,012,234</b>	<b>\$ 27,580</b>	<b>100.00%</b>

The significant variances between 2004 and 2003 expenses by category are the result of:

- ➔ Salaries and benefits increased approximately \$220,000 in 2004 due to the 4% pay increase for civilian employees and the 6% pay increase for sworn officers during 2004, as well as increases in medical and benefit costs.
- ➔ Advertising costs decreased approximately \$274,000 in 2004 compared to 2003 due to a decision to focus on direct air service marketing with less use of television, radio, and print advertising.
- ➔ Utility costs for 2004 increased approximately \$212,000 compared to 2003 due to increased rates for electric, natural gas, and water services.
- ➔ Capital expenditures decreased approximately \$103,000 in 2004 compared to 2003 due to a decrease in capital expenditures under the City's capitalization threshold.

The significant variances between 2003 and 2002 expenses by category 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 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.



### Budgetary Highlights

	2004 Budget	2004 Actual	% Over/ (Under)	2003 Budget	2003 Actual	% Over/ (Under)
<b>Operating Revenues</b>						
Airline Revenues	\$ 8,568,113	\$ 8,245,364	-3.77 %	\$ 9,198,471	\$8,510,399	-7.48 %
Other Operating Revenues	12,260,800	12,423,895	1.33 %	12,769,800	11,833,501	-7.33 %
<b>Total Operating Revenues</b>	<b>20,828,913</b>	<b>20,669,259</b>	<b>-0.77 %</b>	<b>21,968,271</b>	<b>20,343,900</b>	<b>-7.39 %</b>
<b>Total Operating Expenses</b>	<b>14,130,411</b>	<b>13,039,814</b>	<b>-7.72 %</b>	<b>14,687,088</b>	<b>13,012,234</b>	<b>-11.40 %</b>
<b>Total Operating Income</b>	<b>\$ 6,698,502</b>	<b>\$ 7,629,445</b>	<b>13.90 %</b>	<b>\$ 7,281,183</b>	<b>\$ 7,331,666</b>	<b>0.69 %</b>

The significant variances related to 2004 budget and actual figures are as follows:

- Airline revenues were approximately \$325,000 or 3.8% 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.

- Operating expenses were approximately \$1.1 million lower than originally budgeted due to salary savings from vacant positions and significant reductions in contractual services and advertising. The Airport also registered lower than budgeted costs for insurance, parking management services, and employee training and travel. These reductions were partially offset by \$100,000 in higher than anticipated utility costs due to rate increases for electrical, natural gas, and water services.

The significant variances 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 under Expense by Category, 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.

### Long-Term Debt

The Airport had \$62,846,355 and \$65,464,950 in bonds outstanding in five series of bonds; 2002A, 1996A, 1996B, 1992B, and 1992C as of December 31, 2004 and 2003, 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.

The Airport currently has public bond ratings from the three major rating agencies. Currently the rates are as follows:

	Fitch		Moody's		S & P	
Airport Revenue Bonds	A-	Stable	A3	Stable	A-	Stable

### Capital Acquisition and Construction Activities

During fiscal years ended December 31, 2004 and 2003, the Airport expended approximately \$11.9 and \$6.1 million in capital activities, respectively. Major construction projects in 2004 included the extension of Taxiway C, the expansion of the security checkpoint and concession areas in the terminal building, and development of an airport business park. Property and equipment

acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	<u>2004</u>	<u>2003</u>
Taxiway C Extension	\$ 4,599,471	\$ 2,699,269
Rehabilitation of Runway 17R/35L	(200,547)	1,872,179
Taxiway H Extension	177,824	-
Rental Car/ Public Parking/ Roadway Improvements	712,438	93,000
Maintenance Storage Facility	268,758	322,566
Vehicle Service Road	172,490	78,930
Lease Management System	46,113	254,516
Terminal Expansion Improvements	2,588,828	49,923
Business Park Development	1,281,698	168,136
Relocation of ETD Equipment	525,812	-
Aviation Way Expansion	541,253	50,535
GA Taxi lane/Holding Bay	807,061	40,150
Miscellaneous other Airport improvements	<u>334,894</u>	<u>429,277</u>
Total	\$ 11,856,093	\$ 6,058,481

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.

Additional information regarding capital assets can be found in Note C(2).

### **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: Shelli Morgan, Airport Accounting Manager, Colorado Springs Airport, 7770 Drennan Road, Colorado Springs, Colorado, 80916 or by email to [smorgan@springsgov.com](mailto:smorgan@springsgov.com).

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

	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted cash and investments	\$ 28,521,094	\$ 28,439,093
Restricted cash and investments	12,175,909	10,791,530
Accounts receivable	3,242,483	1,086,311
Due from other City funds	19,063	-
Total current assets	43,958,549	40,316,934
<b>NONCURRENT ASSETS</b>		
Restricted assets		
Investments	5,834,682	5,834,682
Unamortized bond issuance costs	746,335	828,955
Capital assets		
Land	18,423,581	18,397,886
Buildings	88,460,646	87,845,715
Improvements other than buildings	114,089,694	114,089,694
Machinery and equipment	4,104,780	3,697,236
Infrastructure	16,795,306	1,754,159
Vehicles	4,555,329	4,555,329
Construction in progress	11,875,138	16,118,762
Less accumulated depreciation	(67,946,443)	(59,998,615)
Total capital assets (net of accumulated depreciation and amortization)	190,358,031	186,460,166
Total noncurrent assets	196,939,048	193,123,803
Total assets	\$ 240,897,597	\$ 233,440,737

The accompanying notes are an integral part of these statements.

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of revenue bonds payable	\$ 3,094,810	\$ 3,042,939
Accounts payable	4,750,266	2,291,279
Accrued salaries, benefits	526,577	399,632
Due to other City funds	103,576	-
Deferred revenue and other tenant deposits	<u>1,142,706</u>	<u>740,382</u>
Total current liabilities	<u>9,617,935</u>	<u>6,474,232</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	58,910,558	61,487,927
Accrued sick leave benefits	<u>328,515</u>	<u>338,900</u>
Total noncurrent liabilities	<u>59,239,073</u>	<u>61,826,827</u>
Total liabilities	<u>68,857,008</u>	<u>68,301,059</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	128,352,663	124,940,094
Restricted net assets	18,010,591	16,626,213
Unrestricted net assets	<u>25,677,335</u>	<u>23,573,371</u>
Total net assets	<u>172,040,589</u>	<u>165,139,678</u>
Total liabilities and net assets	<u>\$ 240,897,597</u>	<u>\$ 233,440,737</u>

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

	<u>2004</u>	<u>2003</u>
Operating revenues		
Airline revenues	\$ 8,245,364	\$ 8,510,399
Terminal building concessions	1,233,925	1,205,310
Parking concessions	5,513,116	5,427,189
Landside commercial concessions	4,071,732	3,897,772
Other charges	<u>1,605,122</u>	<u>1,303,230</u>
Total operating revenues	<u>20,669,259</u>	<u>20,343,900</u>
Operating expenses		
Salaries and benefits	6,832,347	6,612,203
Other operating expenses	6,207,467	6,400,031
Depreciation	<u>7,955,285</u>	<u>6,126,517</u>
Total operating expenses	<u>20,995,099</u>	<u>19,138,751</u>
Operating income (loss)	<u>(325,840)</u>	<u>1,205,149</u>
Nonoperating revenues (expenses)		
Investment income	735,318	664,780
Passenger facility charges	2,682,961	2,595,632
Customer facility charges	3,590,110	-
Interest expense	(3,386,807)	(3,533,440)
Gain/loss on disposal of capital assets	<u>2,723</u>	<u>2,095</u>
Total nonoperating revenues (expense)	<u>3,624,305</u>	<u>(270,933)</u>
Income before contributions	3,298,465	934,216
Capital grants	<u>3,602,446</u>	<u>1,094,727</u>
Change in net assets	6,900,911	2,028,943
Total net assets – beginning of year	<u>165,139,678</u>	<u>163,110,735</u>
Total net assets – end of year	<u>\$172,040,589</u>	<u>\$165,139,678</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>2004</u>	<u>2003</u>
Cash flows from operating activities		
Receipts from customers	\$ 20,863,665	\$ 21,100,160
Receipts from interfund services provided	12,530	37,467
Payments to suppliers	(3,582,859)	(5,218,869)
Payments to employees	(6,715,787)	(6,559,142)
Payments for interfund services used	<u>(2,449,981)</u>	<u>(2,491,234)</u>
Net cash provided by operating activities	<u>8,127,568</u>	<u>6,868,382</u>
Cash flows from capital and related financing activities		
Capital grant	1,622,599	1,739,774
Capital expenditures	(7,965,264)	(4,047,859)
Passenger facility charges	2,682,961	2,595,632
Customer facility charges	3,590,110	
Principal payments on revenue bonds	(3,119,999)	(2,900,000)
Interest payments on revenue bonds	(2,709,686)	(2,922,939)
Payment from accounts payable incurred for fixed asset additions	<u>(1,502,893)</u>	<u>(1,677,655)</u>
Net cash used in capital and related financing activities	<u>(7,402,172)</u>	<u>(7,213,047)</u>
Cash flows from investing activities		
Interest received on investments	1,176,915	1,219,170
Purchases of investments	(39,868,784)	(37,228,279)
Proceeds from sales and maturities of investments	<u>37,537,828</u>	<u>37,322,402</u>
Net cash provided by (used in) investing activities	<u>(1,154,041)</u>	<u>1,313,293</u>
Net increase (decrease) in cash and cash equivalents	(428,645)	968,628
Cash and cash equivalents – beginning of year	<u>1,980,646</u>	<u>1,012,018</u>
Cash and cash equivalents – end of year	1,552,001	1,980,646
Investments	<u>44,979,684</u>	<u>37,249,977</u>
Cash and investments	<u>\$ 46,531,685</u>	<u>\$ 39,230,623</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2004</u>	<u>2003</u>
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	\$ 28,521,094	\$ 28,439,093
Restricted cash and investments	<u>18,010,591</u>	<u>16,626,212</u>
Total cash and investments	<u>\$ 46,531,685</u>	<u>\$ 45,065,305</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,

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (325,840)	\$ 1,205,149
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	7,955,285	6,126,517
(Increase) decrease in assets		
Receivables	(176,325)	1,073,687
Due from other City funds	(19,063)	17,740
Increase (decrease) in liabilities		
Accounts payable	71,051	(1,109,018)
Accrued salaries, benefits, and sick leave benefits	116,560	53,060
Due to other City funds	103,576	(201,053)
Deferred revenue and other tenant deposits	402,324	(297,700)
Net cash provided by operating activities	<u>\$ 8,127,568</u>	<u>\$ 6,868,382</u>

Noncash capital and related financing and investing activities:

The Airport had unrealized losses on investments of \$441,597 and \$554,390 for the years ended December 31, 2004 and 2003, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$3,890,829 and \$1,502,893 as of December 31, 2004 and 2003, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

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, terminal concession operators, and general aviation service providers. The agreements cover not only the lease of airport building space and land 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 and 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 using the accrual basis of accounting and the flow of economic resources measurement focus. 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.

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The Airport's cash and cash equivalents are considered to be cash on hand, demand deposits, repurchase agreements and amounts in the pooled cash and investments account of the City of Colorado Springs.

Investments are stated at fair value determined by quoted market prices.

The Airport adopted GASB No. 40, *Deposit and Investment Risk Disclosures* during the fiscal year ended December 31, 2004 and will comply with the provisions prospectively. GASB Statement No. 40 was issued in order to modify custodial credit risk disclosures and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. Disclosures required by GASB Statement No. 40 are located in Note C.1. Adoption of GASB Statement No. 40 had no effect on beginning net assets or change in net assets.

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

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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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, new taxiways and building facility construction, roadway upgrades and drainage 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. Customer facility charges

In 1994, the City of Colorado Springs issued \$6,093,000 aggregate principal amount of its Special Facility Bonds to finance the construction of service and storage facilities for rental car companies located on the Airport. The customer facility charge (CFC) was originally established to pay the debt service and expired on September 1, 2004. When the bonds were retired, there was an excess held by the bond trustee of \$3,576,541. Per the bond documents, these funds were returned to the Airport where \$250,000 was set aside as reserved funds as required under the rental car concession agreement and the remaining was recorded as CFC revenue on the financial statements.

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFCs for the purpose of funding rental car improvement projects. The collection rate of \$1.50 per rental car contract date will remain in effect for the first

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

F. Customer facility charges – continued

year of the ordinance. Thereafter the rate cannot exceed \$2.50 per rental car-contract day without City Council approval.

G. Unamortized bond issue costs

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

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, 2004 and 2003, is presented below:

	2004	2003
Operating expenses (US GAAP basis)	\$ 20,995,099	\$ 19,138,751
Nonoperating expenses (US GAAP basis)	<u>3,384,084</u>	<u>3,531,345</u>
	24,379,183	22,670,096
Less: Depreciation expense	(7,955,285)	(6,126,517)
Add: Capital expenditures (accrual basis)	<u>11,856,093</u>	<u>5,550,752</u>
Expenditures (budgetary basis)	<u>\$ 28,279,991</u>	<u>\$ 22,094,331</u>
Appropriations	<u>\$ 67,090,890</u>	<u>\$ 44,812,763</u>

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, 2004 and 2003, amounted to

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments - continued*

\$171,933,530 and \$165,470,652, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2004 and 2003, was \$40,697,003 and \$39,230,623, respectively. The Airport's portion was approximately 24% of the total pooled cash and investments of the City as of December 31, 2004 and 2003. The pooled cash and investments of the City and the Airport as of December 31, 2004 and 2003, are as follows:

	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
Cash on hand	\$ 20,892	\$ 4,945	\$ 21,042	\$ 4,989
Deposits				
Demand, time deposits	<u>6,537,997</u>	<u>1,547,056</u>	<u>8,332,730</u>	<u>1,975,657</u>
	6,558,889	1,552,001	8,353,772	1,980,646
Investments	<u>165,374,641</u>	<u>39,145,002</u>	<u>157,116,880</u>	<u>37,249,977</u>
Total pooled cash and investments	<u>\$171,933,530</u>	<u>\$ 40,697,003</u>	<u>\$165,470,652</u>	<u>\$ 39,230,623</u>

Restricted investments

As of December 31, 2004 and 2003, the Airport's restricted investments are comprised of the repurchase agreements that expire on December 31, 2006 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.

As of December 31, 2004, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$11,201,574. Of the total bank deposits, \$200,000 was covered by Federal Depository Insurance and the remainder of \$11,001,574 was uninsured but collateralized in accordance with Colorado state law. The Airport's share of those amounts as of December 31, 2004, was \$47,340 and \$2,604,094, respectively.

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 and the remainder of \$10,993,840 was uninsured but collateralized in accordance with Colorado state law. The Airport's share of those amounts as of December 31, 2003, was \$42,887 and \$2,606,475, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments

The City of Colorado Springs and the Airport, adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* during the fiscal year ended December 31, 2004 and will comply with the provisions prospectively. The City's investments are subject to interest rate, credit risk and concentration of credit risk. The City has adopted an Investment Policy authorizing all investments be made in accordance with Colorado revised statutes. As a means of limiting its exposure to fair value losses arising from rising interest, the City's investment policy limits investment maturities to five years.

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
Money market mutual funds	\$ 30,574	0.00
Repurchase agreements	6,087,507	0.14
Commercial paper	8,656,662	0.03
US Treasury securities	41,013,050	1.29
US Instrumentality securities	103,384,131	2.01
Corporate fixed-income securities	1,736,673	1.47
Mortgages pooled	<u>4,466,044</u>	3.35
Total fair value	165,374,641	
Portfolio weighted average maturity		1.69
Reconciliation to Total Cash and Investments		
Add: Cash on hand and in banks	<u>6,558,889</u>	
	<u>\$ 171,933,530</u>	

Credit Quality Distribution for Securities as a Percentage of Total Investments

	<u>S&amp;P Rating</u>	<u>% of Total</u>
Money market mutual funds	AAAm	0.02%
Repurchase agreements	-	3.68%
Commercial paper	A	5.23%
US Treasury securities	AAA	24.80%
Federal Farm Credit Banks	AAA	2.31%
Federal Home Loan Bank System	AAA	26.42%
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA	15.97%
Fannie May (Federal National Mortgage Association)	AAA	17.82%
Corporate bonds	AAA	0.31%
Corporate bonds	AA	0.59%
Corporate bonds	A	0.15%
Mortgage bonds	AAA	<u>2.70%</u>
		<u>100.00%</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments – continued

As of December 31, 2004 and 2003, 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.

As of December 31, 2003 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>Carrying amount</u>	
	<u>City</u>	<u>Airport</u>
I	\$ 149,964,391	\$ 35,554,229
II	-	-
III	-	-
Uncategorized	7,152,489	1,695,748
Total	\$ 157,116,880	\$ 37,249,977

The investments are comprised of the following as of December 31, 2003:

Money markets	\$ 423,778
U.S. Treasury Securities	46,681,103
U.S. Agency Securities	90,379,160
Corporate securities	2,458,902
Repurchase agreements	10,445,226
Other	6,728,711
	\$ 157,116,880

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C - DETAILED NOTES - Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2004 was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 87,845,715	\$ 614,931	\$ -	\$ 88,460,646
Improvements other than buildings	114,089,694	-	-	114,089,694
Machinery and equipment	3,697,236	417,944	(10,400)	4,104,780
Vehicles	4,555,329	-	-	4,555,329
Infrastructure	<u>1,754,159</u>	<u>15,041,147</u>	<u>-</u>	<u>16,795,306</u>
Total capital assets being depreciated	<u>211,942,133</u>	<u>16,074,022</u>	<u>(10,400)</u>	<u>228,005,755</u>
Less accumulated depreciation for:				
Buildings	(20,123,844)	(2,375,095)	-	(22,498,939)
Improvements other than buildings	(34,197,780)	(4,613,124)	-	(38,810,904)
Machinery and equipment	(1,764,790)	(330,718)	7,457	(2,088,051)
Vehicles	(3,834,643)	(233,049)	-	(4,067,692)
Infrastructure	<u>(77,558)</u>	<u>(403,299)</u>	<u>-</u>	<u>(480,857)</u>
Total accumulated depreciation	<u>(59,998,615)</u>	<u>(7,955,285)</u>	<u>7,457</u>	<u>(67,946,443)</u>
Total capital assets being depreciated, net	<u>151,943,518</u>	<u>8,118,737</u>	<u>(2,943)</u>	<u>160,059,312</u>
Capital assets not being depreciated:				
Land	18,397,886	25,695	-	18,423,581
Construction in progress	<u>16,118,762</u>	<u>11,707,108</u>	<u>(15,950,732)</u>	<u>11,875,138</u>
Total capital assets, not being depreciated	<u>34,516,648</u>	<u>11,732,803</u>	<u>(15,950,732)</u>	<u>30,298,719</u>
Capital assets, net	<u>\$ 186,460,166</u>	<u>\$ 19,851,540</u>	<u>\$ (15,953,675)</u>	<u>\$ 190,358,031</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C - DETAILED NOTES - Continued

2. *Capital assets - continued*

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)	3,632,996	(1,764,790)
Vehicles	-	(3,834,643)	-	(3,834,643)
Infrastructure	<u>(30,164)</u>	<u>(47,394)</u>	<u>-</u>	<u>(77,558)</u>
Total accumulated depreciation	<u>(53,898,080)</u>	<u>(9,733,531)</u>	<u>3,632,996</u>	<u>(59,998,615)</u>
Total capital assets being depreciated, net	<u>152,005,699</u>	<u>754,490</u>	<u>(816,671)</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>\$ 5,666,192</u>	<u>\$ (6,241,957)</u>	<u>\$ 186,460,166</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

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 Series 2002A Serial bonds, of which \$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 \$8,591,354 (\$3,357,783 original principal amount plus \$5,233,571 of interest accreted through December 31, 2004) 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, 2004 and 2003

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, 2004:

Year ending December 31,	2002A		1996A		1996B		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 1,000,000	\$ 1,980,212	\$ 390,000	\$ 524,532	\$ 110,000	\$ 153,603	\$ 1,594,810	\$ 424,344	\$ 3,094,810	\$ 3,082,691
2006	1,030,000	1,950,213	410,000	506,202	115,000	148,267	1,527,842	349,153	3,082,842	2,953,835
2007	1,060,000	1,919,312	430,000	486,523	120,000	142,575	1,460,480	275,575	3,070,480	2,823,985
2008	1,100,000	1,882,213	450,000	465,453	125,000	136,515	1,395,905	204,068	3,070,905	2,688,249
2009	750,000	1,840,962	470,000	442,952	130,000	130,077	1,334,590	134,294	2,684,590	2,548,285
2010-2014	11,585,000	8,070,262	2,745,000	1,823,885	770,000	537,460	1,277,727	66,212	16,377,727	10,497,819
2015-2019	16,800,000	4,533,488	3,555,000	1,023,750	1,000,000	302,500	-	-	21,355,000	5,859,738
2020-2021	7,935,000	600,000	1,695,000	134,663	480,000	39,875	-	-	10,110,000	774,538
<b>Totals</b>	<b>\$ 41,260,000</b>	<b>\$ 23,776,662</b>	<b>\$ 10,145,000</b>	<b>\$ 5,407,960</b>	<b>\$ 2,850,000</b>	<b>\$ 1,590,872</b>	<b>\$ 8,591,354</b>	<b>\$ 1,453,646</b>	<b>\$ 62,846,354</b>	<b>\$ 31,229,140</b>

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, 2004 and 2003

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 expired and were reissued 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, 2004:

<u>Year ending</u> <u>December 31,</u>	
2005	\$ 10,799,057
2006	10,936,728
2007	10,889,105
2008	10,749,875
2009	10,639,310
2010-2013	<u>2,376,371</u>
	<u>\$ 56,390,446</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 \$504,604 and \$515,204 for the years ended December 31, 2004 and 2003, respectively.

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

	<u>December 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Land	\$ 18,423,581	\$ 18,397,886
Buildings	88,460,646	87,845,715
Improvements other than buildings	114,089,694	114,089,694
Infrastructure	<u>16,795,306</u>	<u>1,754,159</u>
	237,769,227	222,087,454
Less accumulated depreciation	<u>(61,790,700)</u>	<u>(54,399,182)</u>
	<u>\$ 175,978,527</u>	<u>\$ 167,688,272</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 payment of landing fees under the lease.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE C – DETAILED NOTES – Continued

5. *Changes in long-term liabilities*

Long-term liabilities activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due within one year
Revenue bonds	\$ 65,464,950	\$ 501,404	\$ (3,119,999)	\$ 62,846,355	\$ 3,094,810
Deferred amounts:					
For issuance premiums	8,764	-	(876)	7,888	-
On refundings	(942,848)	-	93,973	(848,875)	-
Total bonds payable	64,530,866	501,404	(3,026,902)	62,005,368	3,094,810
Compensated absences- accrued sick leave benefits	338,900	-	(10,385)	328,515	-
Long-term liabilities	<u>\$ 64,869,766</u>	<u>\$ 501,404</u>	<u>\$ (3,037,287)</u>	<u>\$ 62,333,883</u>	<u>\$ 3,094,810</u>

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	(1,049,331)	-	106,483	(942,848)	-
Total bonds payable	66,744,617	580,740	(2,794,491)	64,530,866	3,042,939
Compensated absences- accrued sick leave benefits	312,197	26,703	-	338,900	-
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>

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 \$750,000 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 departments so affected. The

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE D – OTHER INFORMATION - Continued

1. *Risk management continued*

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 2004 or 2003.

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>2004</u>	<u>2003</u>
Retirees with full coverage	2	2
Retirees with partial coverage	23	18
	25	20
Cost of retirement benefits	<u>\$ 24,942</u>	<u>\$ 21,189</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.

3. *Retirement plans*

A. Defined Benefit Pension Plan

Plan Description: The City contributes to the Municipal Division Trust Fund (MDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). MDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All permanent employees of City are members of the MDTF. Title 24, Article 51 of the Colorado Revised Statutes, as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available financial report that includes financial statements and required supplementary information for the MDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans - continued*

A. Defined Benefit Pension Plan - continued

Funding Policy: Plan members and the City are required to contribute to the MDTF at a rate set by statute. The contribution requirements of the plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the City it is 10% of covered salary. Beginning with payroll periods ending on or after January 1, 2001 and before June 1, 2004, the employer contribution paid to MDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan. The match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for January through May 31, 2004 was 1.0%). Any unused defined contribution match money is forwarded to the MDTF. With the passage and signing of Senate Bill 04-132 the employer match was suspended on June 1, 2004. Also, a portion of the City's contribution (1.10% of covered salary January 1, 2004, through June 30, 2004, 1.02% of covered salary July 1, 2004, through December 31, 2004) is allocated for the Health Care Trust Fund (see note D.2.B). The Airport's contributions to MDTF for the years ended December 31, 2004, 2003 and 2002, were \$406,466, \$378,387 and \$335,108, respectively, equal to the required contributions for each year.

B. Postemployment Healthcare Benefits

Plan Description: The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: The City is required to contribute at a rate of 1.10% of covered salary from January 1, 2004 through June 30, 2004 and 1.02% from July 1, 2004 through December 31, 2004, for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Airport's contributions to HCTF for the years ending December 31, 2004, 2003, and 2002 were \$4,309, \$6,395, and \$7,724 respectively, equal to their required contributions for each year.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans - continued*

C. Defined Contribution Plan

Plan Description: The MDTF members of the City may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy: The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$13,000 in 2004). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a member's eligible tax-deferred retirement program contributions limited by 1.0% in 2004 (through May 31, 2004) per payroll of the PERA-includable salary. With the passage and signing of Senate Bill 04-132 the employer match was suspended on June 1, 2004. The contribution requirements for the City are established under Title 24, Article 51, Section 1402 of the Colorado Revised Statutes, as amended. The 401(k) Plan member contributions from the Airport for the year ended December 31, 2004, 2003 and 2002, were \$397,482, \$332,709 and \$271,686, respectively. The employer contributions to the 401(k) Plan from the Airport for the year ended December 31, 2004, 2003, and 2002, were \$8,984, \$45,678 and \$62,697, respectively.

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:

	2004	2003
Employees hired before April, 1978	\$ 6,126	\$ 5,967
Employees hired on or after April, 1978	\$ 84,642	\$ 80,921

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE D – OTHER INFORMATION – Continued

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.

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, 2004 and 2003:

	December 31, 2004	
	Carrying amount	Fair value
Restricted assets – investments	\$ 5,834,682	\$ 5,834,682
Cash and investments	40,697,003	40,697,003
Revenue bonds payable	62,005,368	66,925,144
	December 31, 2003	
	Carrying amount	Fair value
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

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, 2004 and 2003, 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 10, 2005

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, 2004

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	C) & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance January 1, 2004	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 5,834,682	\$ 3,671,772
Add: Commitments as of December 31, 2003	-	153,645	-	-	-	-
Adjusted balance as of January 1, 2004	1,000,000	153,645	-	-	5,834,682	3,671,772
Calendar year 2004 activity						
Operating revenues	20,669,259	-	-	-	-	-
Non-operating revenues						
Interest earnings	97,046	-	28,024	31,122	(182,011)	87,557
Passenger facility charges	-	-	-	-	-	-
Customer facility charges	-	-	-	-	-	-
Other revenue (expense)	5,666	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
FAA Grant revenues	-	-	-	-	-	-
Sub-total revenues	21,771,971	153,645	28,024	31,122	6,016,693	3,759,329
Operating expenses	-	(12,949,241)	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Operating capital	-	(215,486)	-	-	-	-
Capital expenses	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-
Debt service expenses	-	-	(2,169,586)	(3,660,099)	-	-
Debt service issuance expense	-	-	-	-	-	-
Sub-total expenses	-	(13,164,727)	(2,169,586)	(3,660,099)	-	-
Balances before encumbrances, commitments and transfers	21,771,971	(13,011,082)	(2,141,562)	(3,628,977)	6,016,693	3,759,329
Encumbrances at December 31, 2004	-	(43,616)	-	-	-	-
Transfers						
Operating/maintenance	(13,054,698)	13,054,698	-	-	-	-
Bond debt service	(5,829,685)	-	2,169,586	3,660,099	-	-
Income available for sharing-City's portion	(1,802,190)	-	-	-	-	-
Funding adj.-encumbrances/working capital	(42,503)	-	-	-	-	-
Non-preferential gate use fees	(99,756)	-	-	-	-	-
Net (revenue)/expense on Fountain Terminal Site	(126,063)	-	-	-	-	-
Repayment of loans to Capital Account	(163,675)	-	-	-	-	-
Interest to:						
Airlines	346,599	-	(28,024)	(31,122)	(182,011)	(87,557)
Capital account	-	-	-	-	-	-
Sub-total transfers	(20,773,971)	13,054,698	2,141,562	3,628,977	(182,011)	(87,557)
Ending balance- December 31, 2004	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 5,834,682	\$ 3,671,772

Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Customer Facility Account	Totals
	Prepaid Revenue Account	Capital Account			
\$ 750,000	\$ 1,458,671	\$ 24,302,996	\$ 3,610,410	\$ -	\$ 40,628,531
-	-	666,259	860,250	-	1,680,154
750,000	1,458,671	24,969,255	4,470,660	-	42,308,685
-	-	-	-	-	20,669,259
17,885	34,709	571,263	116,240	11,058	1,176,915
-	-	7,756	2,675,204	-	2,682,960
-	-	-	-	3,590,110	3,590,110
-	-	-	-	-	5,666
-	-	3,602,446	-	-	3,602,446
767,885	1,493,380	29,150,720	7,262,104	3,601,168	74,036,041
-	-	-	-	-	(12,949,241)
-	-	-	-	-	(215,486)
-	-	(10,764,121)	(966,593)	-	(11,730,714)
-	-	-	-	-	(5,829,685)
-	-	(10,764,121)	(966,593)	-	(30,725,126)
767,885	1,493,380	18,386,599	6,295,511	3,601,168	43,310,915
-	-	(4,021,202)	21,584	-	(4,043,234)
-	-	-	-	-	-
-	-	1,802,190	-	-	-
-	-	42,503	-	-	-
-	-	99,756	-	-	-
-	-	126,063	-	-	-
-	-	163,675	-	-	-
(17,885)	-	-	-	-	-
-	(34,709)	34,709	-	-	-
(17,885)	(34,709)	2,268,896	-	-	-
\$ 750,000	\$ 1,458,671	\$ 16,634,293	\$ 6,317,095	\$ 3,601,168	\$ 39,267,681

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINES SERVING THE AIRPORT  
December 31, 2004  
(unaudited)

**Passenger Airlines**

**Major and National**

Allegiant Air  
American Airlines  
Continental Airlines  
Delta Air Lines  
Northwest Airlines  
United Airlines

**Regional and Commuter**

Air Wisconsin (United Express)  
Comair (Delta Connection)  
ExpressJet Airlines (Continental Express)  
Mesa Air Group (America West Express,  
Mesa Airlines and United Express)  
SkyWest Airlines (Delta Connection and  
United Express)  
Trans States Airlines (American Connection)

**All-Cargo Airlines**

Airborne Express  
FedEx  
Key Lime Air  
Sundance Air

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
 Colorado Springs, Colorado  
 HISTORICAL AIRLINE TRAFFIC  
 For the years ended December 31, 1994-2004  
 (unaudited)

Year	Enplaned passengers				Aircraft Operations (No. of Departures)					Enplaned passengers per departure	
	Major/ National Airlines	Regional/ Commuter Airlines	Total	Percent Increase (Decrease)	Major/ National Airlines	Regional/ Commuter Airlines	Cargo Airlines	Total	Percent Increase (Decrease)	Major/ national airlines	Regional/ commuter airlines
1994	747,659	43,498	791,157	—	11,032	3,604	n.a. <sup>2</sup>	14,636	—	68	12
1995	1,407,427	8,516	1,415,943	79.0%	16,649	1,908	527	19,084	30.4%	85	4
1996	2,386,738	29,124	2,415,862	70.6%	28,524	1,929	798	31,251	63.8%	84	15
1997 <sup>1</sup>	1,969,690	79,500	2,049,190	-15.2%	24,670	6,177	785	31,630	1.2%	80	13
1998	1,286,570	34,379	1,320,949	-35.5%	15,160	2,356	834	18,350	-42.0%	85	15
1999	1,193,993	49,421	1,243,414	-5.9%	15,828	2,700	1,222	19,750	7.6%	75	18
2000	1,155,670	64,696	1,220,366	-1.9%	14,324	3,171	1,256	18,751	-5.1%	81	20
2001	976,459	89,395	1,065,854	-12.7%	13,318	3,362	2,221	18,901	0.8%	73	27
2002	846,693	221,464	1,068,157	0.2%	12,361	7,242	2,441	22,044	16.6%	68	31
2003	755,056	256,587	1,011,643	-5.3%	11,059	7,474	2,032	20,565	-6.7%	68	34
2004	715,187	319,560	1,034,747	2.3%	10,477	9,204	1,926	21,607	5.1%	68	35

<sup>1</sup> Western Pacific Airlines moved its hub from the Airport to Denver International Airport in June 1997, which at the time held the largest market share of enplaned passengers at the Airport.

<sup>2</sup> No cargo airline landing information available.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
**AIRLINE SHARES OF ENPLANED PASSENGERS**  
For the year ended December 31, 2002-2004  
(unaudited)

	2002		2003		2004	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
<b>Major/national airlines</b>						
United Airlines (1)	283,933	26.6%	317,321	31.4%	332,448	32.1%
American Airlines	275,207	25.8%	205,365	20.3%	161,958	15.7%
Northwest Airlines	66,214	6.2%	78,327	7.7%	86,261	8.3%
Delta Air Lines	112,858	10.6%	69,157	6.8%	85,216	8.3%
Allegiant Air (2)	18,152	1.7%	35,825	3.5%	37,440	3.6%
Continental Airlines	47,611	4.5%	10,295	1.0%	10,581	1.0%
America West Airlines (3)	4,748	0.4%	38,249	3.8%	—	—
Vanguard Airlines (4)	26,635	2.5%	—	—	—	—
Charters	11,335	1.0%	517	0.1%	1,283	0.1%
	<b>846,693</b>	<b>79.3%</b>	<b>755,056</b>	<b>74.6%</b>	<b>715,187</b>	<b>69.1%</b>
<b>Regional/commuter airlines</b>						
Skywest (5)	83,622	7.8%	93,554	9.3%	107,941	10.4%
America West Express	92,953	8.7%	69,221	6.8%	107,428	10.4%
Continental Express (6)	24,346	2.3%	59,071	5.8%	59,186	5.7%
Comair (7)	2,406	0.2%	25,030	2.5%	28,998	2.8%
Chautauqua Airlines (8)	—	—	1,760	0.2%	5,826	0.6%
Trans States Airlines (9)	—	—	—	—	5,538	0.5%
Mesa Airlines	5,085	0.5%	5,179	0.5%	4,643	0.5%
Great Plains Airlines (10)	13,052	1.2%	2,772	0.3%	—	—
	<b>221,464</b>	<b>20.7%</b>	<b>256,587</b>	<b>25.4%</b>	<b>319,560</b>	<b>30.9%</b>
<b>Total</b>	<b>1,068,157</b>	<b>100.0%</b>	<b>1,011,643</b>	<b>100.0%</b>	<b>1,034,747</b>	<b>100.0%</b>

- 1 Data includes Air Wisconsin, Atlantic Coast, Mesa, and Skywest serving as United Express carriers. United does not report passenger activity for United Express carriers separately.
- 2 Allegiant Airlines started service in February 2002.
- 3 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group.
- 4 Vanguard started service December 2001. On July 30, 2002, Vanguard filed for bankruptcy protection and subsequently ceased all operations at the Airport.
- 5 Skywest enplaned passenger represents activity serving as a Delta Connection carrier.
- 6 Continental Express started service in October 1999, Ceased service as of May 2000. Provided service May through September 2001. Began service again in April 2002.
- 7 Comair started service in October 1998 as Delta Connection and ceased service as of April 2000. Comair resumed service in December 2002 as Delta Connection.
- 8 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 9 Trans States Airlines began service and discontinued service as American Connection in January 2004. Service started again August 2004.
- 10 Great Plains started service in October 2001. Ceased service as of March 2003.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
**HISTORICAL AIRCRAFT LANDED WEIGHT**  
For the years ended December 31, 2002 - 2004  
(unaudited)

	2002		2003		2004	
	1,000-lb units	Percent of total	1,000-lb units	Percent of total	1,000-lb units	Percent of total
<b>Passenger Airlines</b>						
<b>Major and national</b>						
American Airlines	463,875	25.5%	326,804	20.7%	238,368	15.2%
United Airlines	256,244	14.1%	188,819	12.0%	144,225	9.2%
Northwest Airlines	100,966	5.5%	102,209	6.5%	114,480	7.3%
SkyWest Airlines (United Express) (1)	36,784	2.0%	50,525	3.2%	114,408	7.3%
Air Wisconsin (United Express)	111,965	6.1%	163,342	10.4%	108,501	6.9%
Delta Air Lines	171,492	9.4%	97,614	6.2%	104,400	6.7%
Mesa Air Group (United Express) (2)	-	-	4,641	0.3%	55,028	3.5%
Allegiant (3)	32,392	1.8%	43,215	2.7%	44,834	2.9%
Continental Airlines	67,132	3.7%	12,716	0.8%	13,456	0.9%
America West Airlines (4)	7,167	0.4%	56,478	3.6%	-	-
Atlantic Coast (United Express) (5)	5,593	0.3%	13,959	0.9%	-	-
Vanguard Airlines (6)	46,112	2.5%	-	-	-	-
	1,299,722	71.3%	1,060,322	67.3%	937,700	59.9%
<b>Regional and commuter</b>						
Skywest (Delta Connection)	118,607	6.5%	127,464	8.1%	167,179	10.7%
Mesa Air Group (America West Express)	117,641	6.5%	87,467	5.5%	128,413	8.2%
Continental Express (7)	25,647	1.4%	63,277	4.0%	68,232	4.4%
Comair (Delta Connection) (8)	4,067	0.2%	45,474	2.9%	47,366	3.0%
Mesa Airlines	10,026	0.6%	9,960	0.6%	10,790	0.7%
Chautauque Airlines (American Connection) (9)	-	-	2,514	0.2%	7,668	0.5%
Trans States Airlines (American Connection) (10)	-	-	-	-	7,489	0.5%
Great Plains Airlines (11)	28,920	1.6%	6,616	0.4%	-	-
	304,908	16.8%	342,772	21.7%	437,137	28.0%
	1,604,630	88.1%	1,403,094	89.0%	1,374,837	87.9%
<b>Total Passenger Airlines</b>						
<b>All-cargo airlines</b>						
FedEx	162,861	8.9%	137,372	8.7%	151,897	9.7%
Airborne Express	26,517	1.5%	26,926	1.7%	28,244	1.8%
Sundance Air	4,992	0.3%	4,934	0.3%	3,930	0.3%
Key Lime Air	1,855	0.1%	2,149	0.1%	2,614	0.2%
Superior (12)	3,351	0.2%	1,288	0.1%	-	-
Corporate Air (13)	1,496	0.1%	-	-	-	-
	201,074	11.1%	172,669	10.9%	186,685	12.0%
<b>Charter</b>	15,471	0.8%	831	0.1%	2,213	0.1%
<b>Total</b>	1,821,175	100.0%	1,576,794	100.0%	1,563,735	100.0%

1) SkyWest Airlines (United Express) began service March 2002.

2) Mesa Air Group (United Express) started service October 2003.

3) Allegiant Air began service in February 2002.

4) America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group.

5) Atlantic Coast (United Express Connection) started service November 2002 and ceased service May 2003.

6) Vanguard started service December 2001. On July 30, 2002, Vanguard filed for bankruptcy protection and subsequently ceased all operations.

7) Continental Express started service in October 1999. Ceased service as of May 2000. Provided service May through September 2001. Resumed service again in April 2002.

8) Comair started service in October 1998 as Delta Connection and ceased service as of April 2000. Comair resumed service in December 2002 as Delta Connection.

9) Chautauque Airlines began service in November 2003 as American Connection and stopped service July 2004.

10) Trans States Airlines began service and discontinued service as American Connection in January 2004. Service started again August 2004.

11) Great Plains Airlines started service in October 2001. Ceased service as of March 2003.

12) Superior ceased cargo service May 2003.

13) Corporate Air ceased cargo service July 2002.

Source:

Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
 Colorado Springs, Colorado  
 AVERAGE DAILY DEPARTURES BY AIRLINES  
 For the years ended December 31, 1995-2004  
 (unaudited)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Major / National airlines</b>										
Access Air	—	—	—	—	2	—	—	—	—	—
Allegiant Air (1)	—	—	—	—	—	—	—	1	1	1
American (2)	6	7	8	6	7	10	9	10	7	6
America West (3)	4	5	4	4	5	5	6	7	6	6
Continental (4)	1	5	5	2	2	2	2	3	4	5
Delta (5)	7	8	8	8	9	9	9	10	11	14
Great Plains Airlines (6)	—	—	—	—	—	—	—	3	1	—
Mesa	5	4	4	4	4	4	2	2	2	2
Northwest	2	4	3	2	2	2	2	2	2	2
Reno Air	2	3	3	5	3	—	—	—	—	—
Trans World (7)	3	3	3	3	2	2	2	—	—	—
United (8)	10	12	13	13	14	13	13	15	17	18
Vanguard Airlines (9)	—	—	—	—	—	—	—	1	—	—
Western Pacific	12	30	21	—	—	—	—	—	—	—
<b>Total major and national airlines</b>	<b>52</b>	<b>81</b>	<b>72</b>	<b>47</b>	<b>50</b>	<b>47</b>	<b>45</b>	<b>54</b>	<b>51</b>	<b>54</b>

1 Allegiant Air started service February 2002.

2 Includes departures of Chautauqua Airlines/Trans States Airlines (American Connection).

3 Includes departures of America West Express.

4 Includes departures of Continental Express.

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

6 Great Plains started service October 2001. Ceased service March 2003.

7 TWA filed for bankruptcy protection in January 2001, and substantially all of the assets and certain liabilities of TWA were subsequently acquired by American through the bankruptcy proceedings. TWA was integrated into American during 2001 and effectively ceased to be operated as a separately branded airline in December 2001.

8 Includes departures of Air Wisconsin, Atlantic Coast, Mesa Air Group, and SkyWest serving as United Express carriers.

9 Vanguard started service December 2001. On July 30, 2002, Vanguard filed bankruptcy protection and subsequently ceased all operations at the Airport.

Source: City of Colorado Springs, Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
RECENT TRENDS IN TOTAL AIR CARGO  
For the years ended December 31, 1994-2004  
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
1994	15,569	2,179	17,748	—
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%
2002	20,291	1,513	21,804	-0.8%
2003	18,161	527	18,688	-14.3%
2004	17,754	482	18,236	-2.4%

Source: City of Colorado Springs, Airport management records.

**Colorado Springs Municipal Airport**  
**Colorado Springs, Colorado**  
**HISTORICAL ANNUAL DEBT SERVICE COVERAGE**  
**For the years ended December 31, 2000-2004**  
**(unaudited)**

Year	Net Revenues (a)	Other Available Funds	Total	Debt Service Requirements on Parity Bonds (b)	Annual Debt Service Coverage
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
2002	9,122,898	1,458,671	10,581,569	6,053,771	1.75
2003	7,863,631	1,458,671	9,322,302	5,653,560	1.65
2004	8,073,091	1,458,671	9,531,762	5,829,685	1.64

(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.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
**HISTORICAL NON-AIRLINE REVENUES**  
For the years ended December 31, 2000-2004  
(Unaudited)

	2000	2001	2002	2003	2004
<b>Terminal Building</b>					
Concession					
Food & Beverage	\$ 274,570	\$ 261,176	\$ 296,239	\$ 285,409	\$ 293,139
Retail	361,580	333,980	367,271	350,534	344,683
Advertising	167,650	212,649	185,378	178,774	167,367
Non-Airline Space Rental	176,346	153,215	178,666	251,448	308,223
Other	180,377	148,244	141,192	139,145	120,513
	<u>1,160,523</u>	<u>1,109,264</u>	<u>1,168,746</u>	<u>1,205,310</u>	<u>1,233,925</u>
<b>Terminal Area</b>					
Public Parking	6,131,834	5,600,105	5,699,910	5,427,189	5,513,116
Rental Car Fees and Rents	3,797,497	3,312,186	3,541,358	3,671,807	3,846,367
Ground Transportation Fees	135,165	109,825	106,690	100,090	98,940
Support Building Rentals	116,222	121,619	128,375	125,875	126,425
	<u>10,180,718</u>	<u>9,143,735</u>	<u>9,476,333</u>	<u>9,324,961</u>	<u>9,584,848</u>
<b>Airfield Area</b>					
Fuel Farm Rentals	23,611	23,576	23,576	23,576	25,443
Remain Over Night	7,270	(5,600)	425	100	-
Diversion Landing Fees	28,448	43,885	29,847	83,675	31,329
	<u>59,329</u>	<u>61,861</u>	<u>53,848</u>	<u>107,351</u>	<u>56,772</u>
<b>Fountain Site</b>					
Ground & Building Rentals	76,132	58,582	40,382	44,419	186,011
Utility Reimbursements	-	-	20,737	28,482	33,979
	<u>76,132</u>	<u>58,582</u>	<u>61,119</u>	<u>72,901</u>	<u>219,990</u>
<b>Aviation Support</b>					
Fuel Sales	429,768	873,269	436,601	517,231	609,503
Ground and Building Rentals	327,538	343,029	356,550	390,716	625,761
	<u>757,306</u>	<u>1,216,298</u>	<u>793,151</u>	<u>907,947</u>	<u>1,235,264</u>
<b>Administrative</b>					
Miscellaneous	20,063	102,217	104,526	45,003	145,328
Late Fees	58,367	36,696	25,069	13,196	12,825
TSA Reimbursement	-	-	-	-	19,758
CSC Group Support Reimbursement	128,200	128,455	44,044	-	-
Fingerprinting	-	-	12,375	5,635	10,535
	<u>206,630</u>	<u>267,368</u>	<u>186,014</u>	<u>63,834</u>	<u>188,446</u>
<b>Total Non-Airline Revenues</b>	<u>\$12,440,638</u>	<u>\$11,857,108</u>	<u>\$11,739,211</u>	<u>\$11,682,304</u>	<u>\$12,519,245</u>

Source: City of Colorado Springs, Airport records, except as noted.  
2000-2004 Airline Rates and Changes Settlement Accrual, Exhibit B-4

Report on Internal Control Over Financial Reporting  
Reporting and on Compliance and Other Matters  
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, 2004, and have issued our report thereon dated May 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion on the internal control over financial reporting. Accordingly, we express no such opinion. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Brent Thompson LLP". The signature is written in a cursive, flowing style.

Colorado Springs, Colorado  
May 10, 2005