

# 2013

For the year ended December 31, 2013

## Colorado Springs Municipal Airport Financial Statements



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## Independent Auditors' Report

The Honorable Mayor,  
Members of the City Council and City Auditor  
Colorado Springs Municipal Airport  
Colorado Springs, Colorado

### Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Colorado Springs Municipal Airport (the Airport), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of December 31, 2013 and 2012, 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.

### ***Emphasis Of Matter***

As discussed in Note A, the financial statements of the Airport are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2013 and 2012, 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. Our opinion is not modified with respect to this matter.

As discussed in Note E to the financial statements, in 2013, the Airport adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 65, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets or liabilities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Report Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

*RubinBrown LLP*

June 11, 2014

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

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, 2013 and 2012. 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 using an 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 and expenses recognized when incurred. 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 herein. The Airport's financial statements are designed to provide readers with a broad overview of the Airport's finances.

### Significant Changes in 2013 Airport Activities

In early 2013 Frontier Airlines announced that it was leaving the Colorado Springs market. Frontier Airlines accounted for approximately 20% of the anticipated enplanements in 2013. In response to this announcement Airport management implemented a strategic plan called the Airport Recovery Program, with the underlying goal of optimizing the Airport's resources to lower costs. The effects of the lower enplanements and the cost reductions of the Airport Recovery Program had a significant impact of the financial operations of the Airport in 2013. These changes have been highlighted and explained throughout this management letter.

### Airport Activities Highlights

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Enplaned Passengers	650,529	822,008	814,336
% increase (decrease)	-20.9%	0.9%	-5.7%
Aircraft Operations	127,656	134,070	131,238
% increase (decrease)	-4.8%	2.2%	-6.2%
Landed Weight (in thousands)	913,555	1,150,438	1,120,533
% increase (decrease)	-20.6%	2.7%	-3.3%
Enplaned/Deplaned Freight (tons)	22,975	10,609	9,156
% increase (decrease)	116.6%	15.9%	-12.5%

Total 2013 enplanements were 20.9% below 2012 levels due to the exit of Frontier Airlines. Aircraft operations decreased 4.8%, due to decreased military operations as a result of a change in troop deployments and Frontier's exit from Colorado Springs market. General Aviation operations were the only category to increase in operations for 2013. Landed weight for 2013, 2012 and 2011 reflects scheduled carriers, cargo operators, fire operations, charters, and Boeing operations. Military aircraft landed weight has been excluded from this calculation since their landed weight does not contribute to revenues earned. Airlines carried additional freight, resulting in a 116.6% increase in enplaned and deplaned freight.

Total 2012 enplanements were 0.9% above 2011 levels due to an increase in service by Frontier Airlines. Aircraft operations increased 2.2% primarily due to increased military operations as a result of a change in troop deployments. General Aviation operations also contributed in the increase in operations for 2012. Landed weight for 2012, 2011 and 2010 reflects scheduled carriers, cargo operators, Charter, and Boeing operations. Military aircraft landed weight has been excluded from this calculation since their landed weight does not contribute to revenues earned. Airlines carried additional freight, resulting in a 15.9% increase in deplaned freight.

During 2013, six regularly scheduled air carriers supported the Airport with non-stop service to 14 major cities. In addition, two air cargo operators used the Airport's facilities.

## Financial Highlights

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

	2013	2012	\$ Increase (Decrease)	2011	\$ Increase (Decrease)
Operating Revenues	\$ 21,805,387	\$ 19,857,937	\$ 1,947,450	\$ 20,360,155	\$ (502,218)
Operating Expenses	13,313,622	14,342,230	(1,028,608)	14,399,903	(57,673)
Excess before depreciation and other income, net	8,491,765	5,515,707	2,976,058	5,960,252	(444,545)
Depreciation and amortization	19,075,135	16,991,200	2,083,935	10,851,764	6,139,436
Operating Income (loss)	(10,583,370)	(11,475,493)	892,123	(4,891,512)	(6,583,981)
Net non-operating income	(1,718,493)	1,370,686	(3,089,179)	1,199,548	171,138
Capital grants and contribution	13,466,449	21,796,203	(8,329,754)	12,630,322	9,165,881
Change in net position	1,164,586	11,691,396	(10,526,810)	8,938,358	2,753,038
Net position at beginning of year	255,801,142	244,109,746	11,691,396	235,171,388	8,938,358
Prior Period Adjustment - GASB 65	(265,670)	-	(265,670)	-	-
Net position at beginning of year restated	255,535,472	244,109,746	11,425,726	235,171,388	8,938,358
Net position at end of year	\$ 256,700,058	\$ 255,801,142	\$ 898,916	\$ 244,109,746	\$ 11,691,396

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Position for 2013 are as follows:

- ➔ Operating revenues increased approximately \$1.95 million primarily due to reimbursement from tenants for capital improvements.
- ➔ Operating expenses decreased approximately \$1 million due to reductions in staffing levels, energy efficiencies and other cost cutting measures in response to the departure of Frontier Airlines.
- ➔ The net result of the above was operating income before depreciation increased by \$2,976,058 for 2013.
- ➔ Depreciation increased due to reclassifications to the useful life of various components of the main terminal building.
- ➔ Non-operating income decreased by \$3,089,179 due to a decrease in PFC and CFC collections and a loss of \$2.3 million on assets disposed of during the year. This included costs which are no longer depreciated under the revised capitalization policy.
- ➔ Capital grant and contribution revenues totaled \$13,466,449 and \$21,796,203 in 2013 and 2012, respectively. The decrease was the result of fewer projects being under construction.

- ➔ For 2013, net position increased \$1,164,586 as the result of the above activity. Total net position at the end of 2013 was \$256,700,058.
- ➔ In 2013 there was a prior period adjustment for bond issuance costs, excluding insurance, which can no longer be amortized under GASB 65. The adjustment was \$265,670.

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Position for 2012 are as follows:

- ➔ Operating revenues decreased by approximately \$500,000 primarily due to decrease in airline rates.
- ➔ The net result of the above was operating income before depreciation decreased by \$444,545 for 2012.
- ➔ Depreciation increased significantly due to a one-time adjustment, approximately \$5.4 million, to the useful life of various components of the main terminal building and assets no longer in service.
- ➔ Non-operating income increased by \$171,138. The change from 2011 to 2012 is primarily due to a decrease in interest expense and slightly higher PFC and CFC collections.
- ➔ Capital grant and contribution revenues totaled \$21,796,203 and \$12,630,322 in 2012 and 2011, respectively. The increase was the result of two large taxiway rehabilitation projects during 2012.
- ➔ For 2012, net position increased \$11,691,396 as the result of the above activity. Total net position at the end of 2012 was \$255,801,142.

### Financial Position Summary

	2013	2012	% Change	2011	% Change
Current Assets (including restricted cash)	\$ 39,055,517	\$ 42,479,407	-8.06%	\$ 44,463,931	-4.46%
Restricted Investments	5,419,455	5,459,865	-0.74%	5,468,053	-0.15%
Bond Issuance Costs (net)	174,389	452,601	-61.47%	530,044	-14.61%
Note Receivable	1,885,545	1,937,172	-2.67%	1,984,060	-2.36%
Property and Equipment (net)	255,507,406	255,462,331	0.02%	243,377,050	4.97%
Total Assets	<u>302,042,312</u>	<u>305,791,376</u>	<u>-1.23%</u>	<u>295,823,137</u>	<u>3.37%</u>
Deferred Outflows of Resources	371,570	450,221	-17.47%	-	0.00%
Total Assets and Deferred Outflows	<u>302,413,882</u>	<u>306,241,597</u>	<u>-1.25%</u>	<u>295,823,137</u>	<u>3.52%</u>
Current Liabilities	10,197,885	10,589,744	-3.70%	8,362,837	26.63%
Long-term debt (less current portion)	34,949,367	39,146,418	-10.72%	42,627,748	-8.17%
Other non-current liabilities	566,572	704,293	-19.55%	722,807	-2.56%
Total Liabilities	<u>45,713,824</u>	<u>50,440,455</u>	<u>-9.37%</u>	<u>51,713,392</u>	<u>-2.46%</u>
Net Position:					
Net Investment in capital assets	222,190,631	218,369,494	1.75%	202,686,807	7.74%
Restricted	11,239,555	12,034,111	-6.60%	14,313,819	-15.93%
Unrestricted	23,269,872	25,397,537	-8.38%	27,109,120	-6.31%
Net Position	<u>256,700,058</u>	<u>255,801,142</u>	<u>0.35%</u>	<u>244,109,746</u>	<u>4.79%</u>
Total Liabilities and Net Position	<u>\$ 302,413,882</u>	<u>\$ 306,241,597</u>	<u>-1.25%</u>	<u>\$ 295,823,138</u>	<u>3.52%</u>

The largest portion of the Airport's net position 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, 2013, the amount of \$11.2 million or 4.3% of net position represented resources that are subject to restrictions on how they can be used. For 2012, the amount was \$12 million or 4.7% of net position. The restricted net position is not available for new spending because it has already been committed as follows:

	<b>2013</b>	<b>2012</b>
Passenger Facility Charges	\$ 181,087	\$ 466,674
Bond and Operating and Maintenance Reserves	<u>11,058,468</u>	<u>11,567,437</u>
Total Restricted	\$ 11,239,555	\$ 12,034,111

The remaining unrestricted net position of \$23.3 million for 2013 and \$25.4 million for 2012 may be used to meet any of the Airport's ongoing obligations.

### **Airline Signatory Rates and Charges for 2013 and 2012**

The Airport and eight (8) airlines and cargo carriers are currently operating under the Use and Lease agreement which has been in effect since January 1, 2000. This agreement has been extended several times and is currently on a month-to-month basis. The agreement establishes rates and charges through a hybrid commercial compensatory methodology with a revenue sharing component. The Airport calculates rentals, fees and charges annually for the Signatory Airlines based on the budgeted costs for operation and maintenance, debt service and bond requirements. These costs are allocated to various costs centers and are used to determine rates. As part of the agreement, the Airlines participate in Shared Income. The Shared Income credit is calculated as 50% of the remainder of Gross Revenues and Other Available funds. Airlines that operate without signing the Use and Lease Agreement are considered Non-Signatory in nature and pay higher rates, 125% of the Signatory rate. At the end of each Fiscal Year, a settlement is prepared based on actual results. Any airline income in excess of expenses is refunded to the Signatory airlines, or in the case that expenses exceed revenue, the Signatory airlines are billed for the deficit. Non-Signatory airlines do not share in the settlement.

The rates and charges for the signatory airlines were as follows (2013 rates are finalized after the issuance of these financial statements):

	Year Ended December 31,	
	<u>2013</u>	<u>2012</u>
Landing fees (per 1,000 lbs MGLW)	\$ 2.57	\$ 2.02
Terminal rental rate (per sq ft)	\$ 69.07	\$ 54.84
Loading bridge rate (per bridge)	\$ 9,802	\$ 12,711
Signatory airline cost (per enplaned passenger)	\$ 8.98	\$ 7.58

Following Frontier's exit from the Airport in April 2013, Airport executive management committed to incentivize remaining airlines to continue operations. To do so, the Airport stabilized Airline rates and charges at the original 2013 rate. With this decision, the Airport recognized its revenue would fall short of budget and took swift action to reduce staffing levels, reduce other operating expenses and plan for a draw from available reserves, if needed.

## 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 has collected PFCs including interest earnings thereon, totaling \$67,612,202 and \$65,405,466 through the years ended December 31, 2013 and 2012, respectively. Additional information regarding PFCs can be found in Note A(3) of the accompanying financial statements.

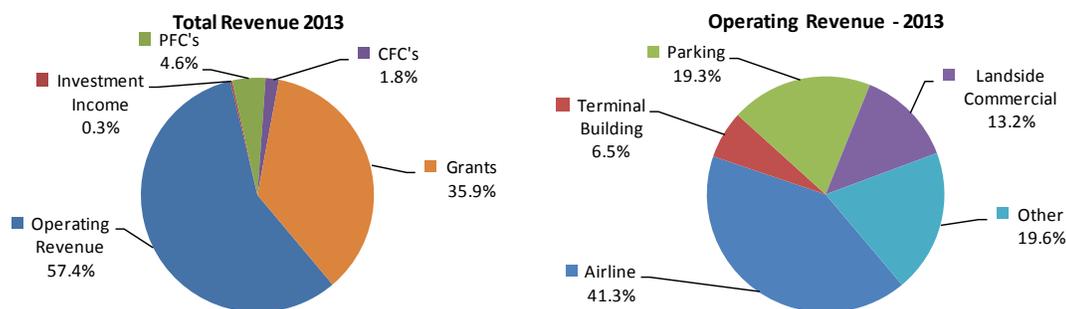
## Customer Facility Charges

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 financial 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 rental car contract date remains in effect until December 21, 2014. The rate cannot exceed \$2.50 per rental car contract date without City Council approval. This agreement expires on December 31, 2014 at which time any remaining funds revert to the Airport.

## Financial Details

### Revenues Overview:



The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2013 and 2012 with a comparison of changes in dollar amounts to the previous years.

	Year End 12/31/2013	Year End 12/31/2012	\$ Increase (Decrease)	Year End 12/31/2011	\$ Increase (Decrease)
Operating Revenues					
Airline	\$ 9,014,646	\$ 6,950,602	\$ 2,064,044	\$ 7,959,261	\$ (1,008,659)
Terminal Building	1,420,120	1,598,197	(178,077)	1,542,808	55,389
Parking	4,213,990	5,227,055	(1,013,065)	4,974,074	252,981
Landside Commercial	2,886,098	3,636,968	(750,870)	3,634,536	2,432
Other	4,270,533	2,445,115	1,825,418	2,249,476	195,639
Total Operating Revenues	21,805,387	19,857,937	1,947,450	20,360,155	(502,218)
Other Income					
Investment Income	95,730	465,831	(370,101)	775,234	(309,403)
Passenger Facility Charges	1,745,205	2,191,195	(445,990)	2,168,845	22,350
Customer Facility Charges	695,489	833,900	(138,411)	812,873	21,027
Operating Grant	194,732	191,306	3,426	156,546	34,760
Capital Grants	13,466,449	21,796,203	(8,329,754)	12,630,322	9,165,881
Total Other Income	16,197,605	25,478,435	(9,280,830)	16,543,820	8,934,615
Total Income	\$ 38,002,992	\$ 45,336,372	\$ (7,333,380)	\$ 36,903,975	\$ 8,432,397

### Operating Revenues:

Significant items for 2013 as compared to 2012 were as follows:

- ➔ Airline revenue increased by \$2,064,044 as the decrease in enplanements led to lower concessions revenue of \$750,870 in Landside Commercial and \$1,013,065 in Parking. A component of the Cost Recovery model is that a decrease in concession revenue results in higher airline rates to cover operating costs.
- ➔ Other revenue increased \$1,825,418, primarily due to reimbursements by tenants for capital improvements.

Significant items for 2012 as compared to 2011 were as follows:

- ➔ Total operating revenue decreased by \$502,218. This was the result of a decrease of \$1 million in Airline revenue which was offset by an increase in Parking revenue of \$252,981 and Other revenue of \$195,639.

### Other Income:

The significant items for 2013 as compared to 2012 are as follows:

- ➔ Investment income decreased by \$370,101 from 2012 due to lower interest rates and a decrease in market value of \$265,717.
- ➔ Passenger Facility Charges and Customer Facility Charges were lower by \$445,990 and \$138,411 respectively, due to the decrease in passenger traffic.
- ➔ Capital grants revenue decreased by \$8,329,754 in 2013 as compared to 2012. This decrease is a result of the completion of the Checked Baggage Inspection System in 2012 and only one major taxiway rehabilitation project in 2013.

The significant items for 2012 as compared to 2011 are as follows:

- ➔ Investment income decreased by \$309,403 from 2011 due to a lower interest rate and a decrease in the percentage of interest allocated to the Airport.

- ➔ Capital grants revenue increased by \$9,165,881 in 2012 as compared to 2011. This increase is a result of an OTA (Other Transaction Agreement) Grant offered by the TSA (Transportation Security Administration) to reimburse the Airport for work done on the Checked Baggage Inspection System Project in addition to the rehabilitation of two taxiways.

### Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2013 and 2012, along with comparisons in dollars to the prior years.

	Year End 12/31/2013	Year End 12/31/2012	\$ Increase (Decrease)	Year End 12/31/2011	\$ Increase (Decrease)
Operating Expenses					
Salaries and Benefits	\$ 7,735,934	\$ 8,467,180	\$ (731,246)	\$ 8,227,876	\$ 239,304
Other Operating Expenses	5,577,688	5,875,050	(297,362)	6,172,027	(296,977)
Total Operating Expenses	13,313,622	14,342,230	(1,028,608)	14,399,903	(57,673)
Depreciation and gain or loss on disposal of capital assets	21,361,155	17,022,845	4,338,310	10,851,764	6,171,081
Interest Expense	2,163,629	2,279,901	(116,272)	2,451,783	(171,882)
Total Expenses	<u>\$ 36,838,406</u>	<u>\$ 33,644,976</u>	<u>\$ 3,193,430</u>	<u>\$ 27,703,450</u>	<u>\$ 5,941,526</u>

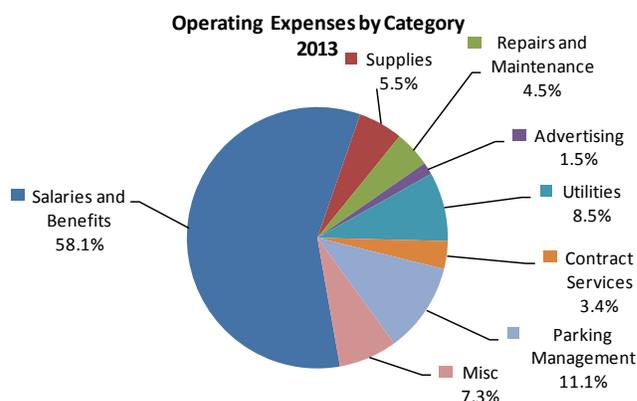
The significant issues affecting 2013 expenses as compared to 2012 were as follows:

- ➔ Salaries and benefits were \$731,246 lower due to a decrease in staffing levels.
- ➔ Other operating expenses were \$297,362 lower in 2013 compared to 2012 as a result of cost cutting measures taken by Airport management in response to Frontier's departure.
- ➔ Depreciation expense and gain or loss on disposal of capital assets was \$4,338,310 higher than 2012 as a result of reductions to the useful life of various components of the main terminal building and changes to the capitalization policy which decreased the useful life of runways.
- ➔ Interest expense for 2013 was approximately \$228,772 lower than 2012 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

The significant issues affecting 2012 expenses as compared to 2011 were as follows:

- ➔ Other operating expenses were \$296,977 lower in 2012 compared to 2011 due to a reduction in the capitalization rate.
- ➔ Depreciation expense and gain or loss on disposal of capital assets was \$6,171,081 higher than 2011 as a result of corrections to the useful life of various components of the main terminal building and the removal of several assets no longer in service.
- ➔ Interest expense for 2012 was approximately \$171,882 lower than 2011 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

## Expense by Category:



The following chart shows the operating expenses by category for the years ended December 31, 2013 and 2012.

Expense by Category	2013		2012		\$ Increase (Decrease)	2012	
	Totals	% of Total	Totals	% of Total			
Salaries and Benefits	\$ 7,735,935	58.11%	\$ 8,467,180	59.04%	\$ (731,245)		
Supplies	736,445	5.53%	778,007	5.42%	(41,562)		
Repairs and Maintenance	598,146	4.49%	643,596	4.49%	(45,450)		
Advertising	202,357	1.52%	53,492	0.37%	148,865		
Utilities	1,136,175	8.53%	1,415,214	9.87%	(279,039)		
Contract Services	456,671	3.43%	319,348	2.23%	137,323		
Parking Management	1,483,155	11.14%	1,501,313	10.47%	(18,158)		
Miscellaneous	1,003,965	7.54%	1,075,706	7.50%	(71,741)		
Capital Expenditures	(39,227)	-0.29%	88,374	0.61%	(127,601)		
<b>Total Expenses</b>	<b>\$ 13,313,622</b>	<b>100.00%</b>	<b>\$14,342,230</b>	<b>100.00%</b>	<b>\$ (1,028,608)</b>		

The significant variances between 2013 and 2012 expenses by category were the result of:

- ➔ Salaries and benefits were \$731,245 lower in 2013 due to a reduction in budgeted full-time employee positions from 121 to 96. This reduction was accomplished through attrition, early retirement and elimination of vacant positions.
- ➔ Supplies were \$41,562 lower in 2013 primarily due to lower expenditures on paint, chemical and janitorial supplies and minor equipment due to the deferral of some equipment purchases and lower usage of supplies.
- ➔ Repairs and Maintenance were lower in 2013 by \$45,450 primarily due to lower usage in the main terminal.
- ➔ Advertising services increased due to additional marketing initiatives to increase enplanements.
- ➔ Utilities decreased \$279,039 in 2013 due to xeriscaping seven acres, increased efficiency of the new baggage system and more efficient lighting and building systems.
- ➔ Contract Services increased by \$137,323 in 2013 as compared to 2012 due to an increase in contracts for air service development analysis and legal fees.
- ➔ Miscellaneous expenses decreased \$71,741 in 2013 as compared to 2012 as a result travel and training reductions, the elimination of unnecessary subscriptions and lower phone usage fees.

## Budgetary Highlights

	2013 <u>Budget</u>	2013 <u>Actual</u>	% Over/ <u>(Under)</u>	2012 <u>Budget</u>	2012 <u>Actual</u>	% Over/ <u>(Under)</u>
Operating Revenues						
Airline Revenues	\$ 8,692,779	\$ 9,014,646	3.70%	\$ 8,542,693	\$ 6,950,602	-18.64%
Other Operating Revenues	12,807,278	12,790,741	-0.13%	12,720,833	12,907,335	1.47%
Total Operating Revenues	21,500,057	21,805,387	1.42%	21,263,526	19,857,937	-6.61%
Total Operating Expenses	15,956,316	13,313,622	-16.56%	15,996,435	14,342,230	-10.34%
Total Operating Income	\$ 5,543,741	\$ 8,491,765	53.18%	\$ 5,267,091	\$ 5,515,707	4.72%

The significant variances related to the 2013 budget and actual figures were as follows:

- ➔ Airline revenue increased from 2012 to 2013 as 2013 Airline rates and charges (based upon the Cost Recovery model) were higher. A portion of the rate increase is attributable to the departure of Frontier Airlines and the resulting drop in enplanements which led to a smaller base for applying costs.
- ➔ Upon learning of Frontier's departure, Airport management implemented cost cutting measures to reduce operating costs. This was accomplished through staffing reductions, delaying capital purchases, energy efficiency savings, freezes on travel and training and fiscal diligence on other expenditures.

The significant variances related to the 2012 budget and actual figures were as follows:

- ➔ Airline revenues were approximately 18.6% less than budgeted. The Airport reduced its operating expenses, which reduced the rates airlines were charged for landing fees and terminal rents, effectively reducing the revenue the Airport receives from the airlines.

## Long-Term Debt

The Airport had \$36,470,000 and \$39,820,000 in bonds outstanding in three series of bonds: 2007A, 2007B, and 2002A as of December 31, 2013 and 2012, 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 Airport's outstanding bonds can be found in Note C(3) of the accompanying notes.

In May of 2006, the Airport signed a loan agreement with U.S. Bank to fund infrastructure improvements to a parcel of land in the Airport Business Park. Loan payments will be funded through a surcharge that will be collected from the tenant per the terms of a lease negotiated in June of 2006. On December 31, 2013 and 2012, the outstanding balance on the loan was \$2,026,524 and \$2,078,150 respectively.

In December of 2007, the Airport entered into a loan agreement with the Colorado Department of Transportation to fund improvements to the public roadway system and related signage. On December 31, 2013 and 2012, the outstanding balance on the loan was \$545,409 and \$1,074,933 respectively. The loan will be repaid with PFC revenues and matures November 2, 2014.

In July of 2008, the Airport entered into a loan agreement with the Colorado Department of Transportation to purchase equipment to enhance snow removal operations. On December 31, 2013 and 2012 the outstanding balance on the loan was \$184,275 and \$272,407 respectively. The loan will be repaid with PFC revenues and matures May 9, 2015.

In 2009, the Airport entered into a capital lease with AMPCO System Parking to furnish a parking revenue management system. The system acquired by this lease has been capitalized in the Airport's financial statements. On December 31, 2013, the minimum lease obligation totaled \$39,606.

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

	Fitch		Moody's		S & P	
Airport Revenue Bonds	BBB+	Stable	Baaa1	Stable	BBB+	Stable

### **Capital Acquisition and Construction Activities**

During fiscal years ended December 31, 2013 and 2012, the Airport expended approximately \$21.3 million and \$29 million, respectively, in capital activities. Major construction projects in 2013 included the rehabilitation of Taxiway E, G, and H Phase V, Fleet improvements, primarily for snow removal equipment, repaving the Vehicle Service Road and rehabilitation of the GA Apron and Common Area pavement. Starting in 2013 the Airport adopted recommendations by an outside firm related to treatment of costs for studies and plans and adjustment to the life of runways and taxiways. This reduced the life from 25 years to 20 years to more closely reflect the actual rehabilitation schedule. Property and equipment acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	2013	2012
Relocation of Admin Offices and Conference Rooms	\$ 3,363	\$ 405,432
Rehabilitation of Taxiway E, G, & H (Phase III)	20,374	9,682,778
Rehabilitation of Taxiway E, G, & H (Phase IV)	13,449,408	324,886
Rehabilitation of Taxiway E, G, & H (Phase V)	231,125	-
Rehabilitation of Taxiway M & F	(67,586)	7,237,570
Security Checkpoint Expansion	595,358	1,160,253
South Business Park	697,385	102,776
Modernization of Communications Center	-	44,916
Integrated Operations Center	8,522	361,844
Demo Old Terminal Building	18,422	184,116
Remodel & Upgrade Westside Lav Dump	104,822	67,760
Airport Telephone System	-	117,482
Fleet Improvement (Phase III)	230,925	298,476
Fleet Improvement (Phase IV)	224,845	865,382
Fleet Improvement (Phase V)	714,115	-
Airport Master Plan Update	191,262	369,903
Runway 12/30 (Construction)	3,861	455,241
Interior Signage	238,050	47,168
Defense Access Roads	27,293	80,297
Checked Baggage Inspection System	509,328	7,193,308
Sand Creek Drainage	240,457	-
GA Apron & Transition & Edge Taxilane Rehab	1,814,801	-
GA Apron Rehab	414,445	-
Vehicle Service Road	720,777	-
GA Common Area Pavement	722,654	-
East Terminal Unit Renovation	33,971	-
Miscellaneous other Airport Improvements	<u>191,475</u>	<u>81,465</u>
Total	<u>\$ 21,339,452</u>	<u>\$ 29,081,053</u>

Acquisitions are funded using a variety of financing techniques, including federal and state grants, passenger facility charges, customer facility charges, general airport revenue bonds, loans, capital leases and the Airport's capital fund.

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

### **Request for Information**

This 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 requests for additional information should be addressed in writing to: June Eveland, Airport Accounting Manager, Colorado Springs Airport, 7770 Milton E. Proby Parkway, Suite 50, Colorado Springs, Colorado, 80916 or by email to [jewelnd@springsgov.com](mailto:jewelnd@springsgov.com).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENT OF NET POSITION  
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Unrestricted cash and investments	\$ 28,796,967	\$ 32,890,072
Restricted cash and investments - passenger facility charges	52,519	312,052
Restricted cash and investments - bond reserves	5,639,013	6,107,572
Accounts receivable (net allowances of \$10,040 and \$2,225)	4,308,904	2,871,962
Restricted accounts receivable - passenger facility charges	128,568	154,622
Inventory	129,546	143,127
Total current assets	39,055,517	42,479,407
NONCURRENT ASSETS		
Restricted investments - bond reserves	5,419,455	5,459,865
Prepaid bond insurance costs	174,389	186,931
Unamortized bond issuance costs	-	265,670
Note receivable	1,885,545	1,937,172
Capital assets		
Land	18,416,793	18,416,793
Buildings	67,385,240	95,272,291
Improvements other than buildings	251,160,462	199,371,826
Machinery and equipment	20,717,294	23,153,458
Infrastructure	35,865,017	34,868,798
Vehicles	5,083,800	5,411,447
Intangibles	566,164	-
Construction in progress	314,030	4,897,631
Less accumulated depreciation	(144,001,394)	(125,929,913)
Total capital assets (net of accumulated depreciation and amortization)	255,507,406	255,462,331
Total noncurrent assets	262,986,795	263,311,969
Total assets	\$ 302,042,312	\$ 305,791,376
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 371,570	\$ 450,221
Total deferred outflows of resources	\$ 371,570	\$ 450,221

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENT OF NET POSITION  
December 31, 2013 and 2012

	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of revenue bonds payable	\$ 3,520,000	\$ 3,350,000
Current portion of notes payable	692,434	671,786
Current portion of capital lease	39,606	151,690
Accounts payable	4,130,850	5,470,180
Accrued salaries and benefits	195,263	202,817
Compensated absences	29,819	34,983
Due to other City funds/CSU	132,377	118,770
Unearned revenue and other tenant deposits	1,457,536	589,518
	10,197,885	10,589,744
NONCURRENT LIABILITIES		
Compensated absences	566,572	664,687
Revenue bonds payable	32,885,593	36,392,714
Notes payable	2,063,774	2,753,704
Capital lease	-	39,606
	35,515,939	39,850,711
Total liabilities	45,713,824	50,440,455
NET POSITION		
Net investment in capital assets	222,190,631	218,369,494
Restricted for passenger facility charges	181,087	466,674
Restricted for bond reserves	11,058,468	11,567,437
Unrestricted	23,269,872	25,397,537
	256,700,058	255,801,142
Total net position	\$ 256,700,058	\$ 255,801,142

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
Year ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Airline revenues	\$ 9,014,646	\$ 6,950,602
Terminal building concessions	1,420,120	1,598,197
Parking concessions	4,213,990	5,227,055
Landside commercial concessions	2,886,098	3,636,968
Other charges	4,270,533	2,445,115
Total operating revenues	21,805,387	19,857,937
Operating expenses		
Salaries and benefits	7,735,934	8,467,180
Other operating expenses	5,577,688	5,875,050
Depreciation	19,075,135	16,991,200
Total operating expenses	32,388,757	31,333,430
Operating loss	(10,583,370)	(11,475,493)
Non-operating revenues (expenses)		
Investment income	95,730	465,831
Passenger facility charges	1,745,205	2,191,195
Customer facility charges	695,489	833,900
Operating grants	194,732	191,306
Interest expense	(2,163,629)	(2,279,901)
Gain/loss on disposal of capital assets	(2,286,020)	(31,645)
Total non-operating revenues	(1,718,493)	1,370,686
Loss before contributions	(12,301,863)	(10,104,807)
Capital grants	13,466,449	21,796,203
Change in net position	1,164,586	11,691,396
Total net position – beginning of year	255,801,142	244,109,746
Prior period adjustment - GASB 65	(265,670)	-
Total net position – beginning of year restated	255,535,472	244,109,746
Total net position – end of year	\$ 256,700,058	\$ 255,801,142

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, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Receipts from customers	\$ 20,999,888	\$ 19,295,543
Receipts from interfund services provided	70,719	69,794
Payments to suppliers	(4,587,715)	(1,097,306)
Payments to employees	(7,846,766)	(8,349,147)
Payments for interfund services used	(1,847,676)	(671,210)
Net cash provided by operating activities	6,788,450	9,247,674
Cash flows from noncapital financing activities		
Operating grant	194,732	191,306
Net cash provided by noncapital financing activities	194,732	191,306
Cash flows from capital and related financing activities		
Capital grant	13,698,893	21,949,167
Capital expenditures	(22,018,766)	(24,508,328)
Passenger facility charges	1,771,259	2,243,141
Customer facility charges	680,529	887,267
Principal payments on loans	(669,282)	(646,555)
Interest payments on loans	(217,491)	(237,666)
Principal payments on capital lease	(151,690)	(141,464)
Principal payments on revenue bonds	(3,350,000)	(3,180,000)
Interest payments on revenue bonds	(1,886,639)	(2,056,363)
Proceeds from sale of capital assets	38,031	-
Net cash used in capital and related financing activities	(12,105,156)	(5,690,801)
Cash flows from investing activities		
Interest received on investments	361,447	283,260
Purchases of investments	(23,231,077)	(29,681,100)
Proceeds from sales and maturities of investments	26,725,575	25,863,995
Net cash (used in) provided by investing activities	3,855,945	(3,533,845)
Net increase (decrease) in cash and cash equivalents	(1,266,029)	214,334
Cash and cash equivalents – beginning of year	2,114,602	1,900,268
Cash and cash equivalents – end of year	\$ 848,573	\$ 2,114,602
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and cash equivalents	\$ 848,573	\$ 2,114,602
Unrestricted investments	27,948,394	30,775,470
Total unrestricted cash and investments	28,796,967	32,890,072
Restricted cash and investments - passenger facility charges	52,519	312,052
Restricted cash and investments - bond reserve	5,639,013	6,107,572
Restricted investments - bond reserve - noncurrent	5,419,455	5,459,865
Total restricted cash and investments	11,110,987	11,879,489
Cash and investments - end of year	\$ 39,907,954	\$ 44,769,561

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, 2013 and 2012

	2013	2012
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (10,583,370)	\$ (11,475,493)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	19,075,135	16,991,200
(Increase) decrease in assets		
Receivables	(1,602,797)	(126,597)
Inventory	13,580	-
Increase (decrease) in liabilities		
Accounts payable	(884,890)	4,106,534
Accrued salaries, benefits, and sick leave benefits	(110,833)	149,271
Due to other City funds	13,607	91,765
Unearned revenue and other tenant deposits	868,018	(489,006)
Net cash provided by operating activities	\$ 6,788,450	\$ 9,247,674

Noncash capital and related financing and investing activities:

The Airport had unrealized gains (loss) of (\$265,717) and \$208,586, for the years ended December 31, 2013 and 2012, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$3,544,900 and \$3,999,339 as of December 31, 2013 and 2012, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

The City of Colorado Springs owns and operates the Colorado Springs Municipal Airport (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, general aviation service providers, and business park tenants. The agreements cover not only the lease of airport building space and land to the lessees but also the lessees' payment of fees to the Airport based on the lessees' 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 Airport is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the financial position of the 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 Mayor of the City of Colorado Springs. 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 distinguishes operating revenues and expenses from non-operating 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 non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Assets, liabilities, and net position*

A. Deposits and investments

The Airport's cash and cash equivalents are considered to be cash on hand and demand deposits.

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

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	10 - 40 years
Improvements other than buildings	10 - 25 years
Machinery and equipment	5 - 25 years
Infrastructure	30 years
Vehicles	3 - 15 years
Intangibles	10 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.

C. Inventory

The Airport maintains a small amount of parts on hand for the repair and maintenance of snow removal equipment and other vehicles. The inventory is carried at purchase cost.

D. 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.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Restricted net position

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. Additionally, the bond ordinance and federal regulations also require restriction of net position for specific purposes, including operating expense reserves, debt service reserves, and approved capital improvement projects. Net position amounts required to be restricted are shown in the accompanying balance sheets as restricted net position.

F. 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 and taxiway rehabilitations, security enhancements, roadway upgrades, and drainage improvements. Governmental Accounting Standards Board (GASB) 34 requires PFCs be recognized when earned, not when received. Unspent PFC revenue is recorded in the financial statements as restricted cash and restricted net position.

G. 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 financial 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 rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

4. *Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

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 first Monday of October 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, 2013 and 2012, is presented below:

	2013	2012
Operating expenses (US GAAP basis)	\$ 32,388,757	\$ 31,333,430
Non-operating expenses (US GAAP basis)	2,163,629	2,279,901
	34,552,386	33,613,331
Less: Depreciation expense	(19,075,135)	(16,991,200)
Add: Capital expenditures (accrual basis)	20,185,177	29,272,028
Add: Revenue bonds principal payments	3,350,000	3,180,000
Expenditures (budgetary basis)	\$ 39,012,428	\$ 49,074,159
 Appropriations	 \$ 52,299,098	 \$ 83,602,901

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, 2013 and 2012, amounted to \$172,529,292 and \$166,451,638, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2013 and 2012 was \$34,488,499 and \$39,309,696, respectively. The Airport's portion was approximately 20% and 23.6% of the total pooled cash and investments of the City as of December 31, 2013 and 2012. The pooled cash and investments of the City and the Airport as of December 31, 2013 and 2012 are as follows:

	December 31, 2013		December 31, 2012	
	City	Airport	City	Airport
Cash on hand	\$ 16,564	\$ 3,312	\$ 15,793	\$ 3,728
Deposits				
Demand, time deposits	3,170,961	633,875	7,668,550	1,809,778
Investments	169,341,767	33,851,312	158,767,295	37,496,190
Total pooled cash and investments	\$ 172,529,292	\$ 34,488,499	\$ 166,451,638	\$ 39,309,696

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Restricted cash and investments

As of December 31, 2013 and 2012, the Airport’s restricted investments are comprised of \$11,110,987 and \$11,879,489, respectively, and represent reserves required by the Airport’s bond ordinance.

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, 2013 and 2012, the bank balance of the City of Colorado Springs’ bank deposits exclusive of cash not included in pooled cash and investments was \$8,734,788 and \$10,667,491, respectively. As of December 31, 2013, of the total bank deposits, \$488,719 was covered by Federal Deposit Insurance. As of December 31, 2012, of the total bank deposits, \$10,667,491 was covered by Federal Deposit Insurance. The Airport’s share of those amounts as of December 31, 2013 and 2012 was \$32,340 and \$1,809,778, respectively.

The City of Colorado Springs and the Airport’s investments are subject to interest rate, credit, and concentration of credit risk. As a home rule City the City has adopted an Investment Policy that is largely in line 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.

As of December 31, 2013 the detail of pooled cash and investments held for the City and the Airport is as follows:

Investment Type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	\$ 65,535	\$ 13,100	0.00
Colorado Statewide Investment Program	5,701,511	1,139,728	0.00
Commercial paper	15,992,194	3,196,830	0.25
US Treasury securities	35,046,094	7,005,692	2.20
US Instrumentality securities	77,372,749	15,466,765	2.63
Corporate fixed-income securities	5,655,743	1,130,579	1.50
Municipal bonds	29,507,941	5,898,619	1.43
Total fair value	169,341,767	33,851,313	
Portfolio weighted average maturity			1.98
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	3,187,525	637,186	
	<u>\$ 172,529,292</u>	<u>\$ 34,488,499</u>	

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE C – DETAILED NOTES – Continued

As of December 31, 2012, the detail of pooled cash and investments held for the City and the Airport is as follows:

Investment Type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	\$ 165,494	\$ 39,085	0.00
Colorado Statewide Investment Program	6,367,394	1,503,792	0.00
Commercial paper	4,996,922	1,180,127	0.13
US Treasury securities	42,674,708	10,078,517	2.80
US Instrumentality securities	77,038,113	18,194,148	2.68
Corporate fixed-income securities	3,575,505	844,430	2.11
Municipal bonds	23,949,159	5,656,091	1.52
Total fair value	158,767,295	37,496,190	
Portfolio weighted average maturity			2.33
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	7,684,343	1,813,506	
	<u>\$ 166,451,638</u>	<u>\$ 39,309,696</u>	

Credit Quality Distribution for Securities as a Percentage of Total Investments:

	S&P Rating	2013 % of Total	2012 % of Total
Money market mutual funds	AAA	0.04%	0.10%
Colorado Statewide Investment Program	AAAm	3.37%	4.01%
Commercial paper	A-1	9.44%	3.15%
US Treasury Securities	AA	20.70%	26.88%
US Instrumentality Securities	AA	45.69%	48.52%
Municipal bonds	AAA	0.96%	0.92%
Municipal bonds	AA	2.38%	1.33%
Domestic corporate fixed income securities	AAA	0.46%	0.70%
Domestic corporate fixed income securities	AA	16.80%	13.90%
Domestic corporate fixed income securities	A	0.16%	0.49%
		<u>100%</u>	<u>100%</u>

Colorado Springs Municipal Airport  
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NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

During 2013, the City invested in the PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the Trust). The Trust is an open-end, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high-quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's. PFM Asset Management LLC serves as the investment advisor, administrator, and transfer agent. Shares of the fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority. U.S. Bank N.A. serves as the custodian and acts as safekeeping agent. As of December 31, 2013 and 2012, the City had \$5,701,511 and \$6,367,394, respectively, invested in the PFM Funds Prime Series, of which \$1,139,728 and \$1,503,792 at December 31, 2013 and 2012, respectively, related to the Airport.

To obtain financial statements for PFM Funds Prime Series, Colorado Investors Class, you may visit its website at [www.csipinvest.com](http://www.csipinvest.com).

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NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increase	Decrease	Transfer	Ending Balance
Capital assets being depreciated:					
Buildings	\$ 95,272,291	\$ 8,522	\$ -	\$ (27,895,573)	\$ 67,385,240
Improvements other than buildings	199,371,826	11,377	(1,641)	51,778,900	251,160,462
Machinery and equipment	23,153,458	1,258,923	(1,419,066)	(2,276,021)	20,717,294
Vehicles	5,411,447	48,320	(375,967)	-	5,083,800
Infrastructure	34,868,798	20,364	(67,413)	1,043,268	35,865,017
Intangibles	-	10,000	(5,000)	561,164	566,164
Total capital assets being depreciated	<u>358,077,820</u>	<u>1,357,506</u>	<u>(1,869,087)</u>	<u>23,211,738</u>	<u>380,777,977</u>
Less accumulated depreciation for:					
Buildings	(42,721,434)	(3,268,104)	-	14,039,889	(31,949,649)
Improvements other than buildings	(67,949,187)	(11,357,810)	-	(14,043,543)	(93,350,540)
Machinery and equipment	(5,770,867)	(3,006,146)	636,510	36,886	(8,103,617)
Vehicles	(3,809,902)	(172,654)	367,144	-	(3,615,412)
Infrastructure	(5,678,523)	(1,249,054)	-	(33,232)	(6,960,809)
Intangibles	-	(21,367)	-	-	(21,367)
Total accumulated depreciation	<u>(125,929,913)</u>	<u>(19,075,135)</u>	<u>1,003,654</u>	<u>-</u>	<u>(144,001,394)</u>
Total capital assets being depreciated, net	<u>232,147,907</u>	<u>(17,717,629)</u>	<u>(865,433)</u>	<u>23,211,738</u>	<u>236,776,583</u>
Capital assets not being depreciated:					
Land	18,416,793	-	-	-	18,416,793
Construction in progress	4,897,631	20,206,820	(1,578,683)	(23,211,738)	314,030
Total capital assets, not being depreciated	<u>23,314,424</u>	<u>20,206,820</u>	<u>(1,578,683)</u>	<u>(23,211,738)</u>	<u>18,730,823</u>
Capital assets, net	<u>\$255,462,331</u>	<u>\$ 2,489,191</u>	<u>\$ (2,444,116)</u>	<u>\$ -</u>	<u>\$255,507,406</u>

In 2013 an adjustment was made to correct the life of assets placed in service in earlier periods. This is primarily reflected in the Increase column as assets were moved between the various classifications. The adjustment resulted in an additional \$4.2 million of the accumulated depreciation being recognized in the current year.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

2. *Capital assets – continued*

Capital assets activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 94,081,479	\$ 1,240,164	\$ (49,352)	\$ 95,272,291
Improvements other than buildings	173,167,137	26,591,424	(386,735)	199,371,826
Machinery and equipment	10,662,102	12,503,626	(12,270)	23,153,458
Vehicles	4,360,539	1,184,348	(133,440)	5,411,447
Infrastructure	27,218,569	7,650,229	-	34,868,798
Total capital assets being depreciated	<u>309,489,826</u>	<u>49,169,791</u>	<u>(581,797)</u>	<u>358,077,820</u>
Less accumulated depreciation for:				
Buildings	(40,134,611)	(2,630,007)	43,184	(42,721,434)
Improvements other than buildings	(55,542,272)	(12,702,012)	295,097	(67,949,187)
Machinery and equipment	(5,043,052)	(740,085)	12,270	(5,770,867)
Vehicles	(3,795,626)	(141,952)	127,676	(3,809,902)
Infrastructure	(4,901,379)	(777,144)	-	(5,678,523)
Total accumulated depreciation	<u>(109,416,940)</u>	<u>(16,991,200)</u>	<u>478,227</u>	<u>(125,929,913)</u>
Total capital assets being depreciated, net	<u>200,072,886</u>	<u>32,178,591</u>	<u>(103,570)</u>	<u>232,147,907</u>
Capital assets not being depreciated:				
Land	18,423,581	-	(6,788)	18,416,793
Construction in progress	24,880,583	29,081,053	(49,064,005)	4,897,631
Total capital assets, not being depreciated	<u>43,304,164</u>	<u>29,081,053</u>	<u>(49,070,793)</u>	<u>23,314,424</u>
Capital assets, net	<u>\$243,377,050</u>	<u>\$61,259,644</u>	<u>\$(49,174,363)</u>	<u>\$255,462,331</u>

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Colorado Springs, Colorado  
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NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable*

In April 2007, the City of Colorado Springs issued \$3,725,000 and \$8,500,000 of Refunding Airport System Revenue Bonds, Series 2007A and 2007B, for a current refunding of \$9,345,000 and \$2,625,000 of 1996A and 1996B Airport System Revenue Bonds, respectively. The refunding was undertaken to reduce annual future debt service payments. The reacquisition price was above the net carrying amount of the old debt by \$211,363. This amount is being netted against the new debt and amortized over the new debt's life. The Series 2007A bonds, of which \$3,725,000 mature from 2007 to 2021, have interest rates ranging from 4.00% to 4.50%. The Series 2007B bonds, of which \$8,500,000 mature from 2007 to 2023, have interest rates ranging from 4.00% to 5.00%.

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 \$18,270,000 mature from 2004 to 2015, have interest rates ranging from 3.00% to 5.50% and of which \$3,350,000 mature in 2018 with an interest rate of 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. The 1996A and the 1996B bonds were refunded during 2007 by the 2007A and 2007B Airport Refunding Revenue Bonds outlined above.

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.

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. The Airport issued these revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as Airport revenue bonds to finance construction projects.

	<u>Amount Pledged</u>	<u>Term of Commitment</u>
Airport Revenue Bonds	\$45,176,850	2002-2023

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NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

The total pledged revenue is not estimatable in comparison to pledged debt because future revenue levels may vary. The bond debt coverage requirement for each issue must be met or the bonds will be in default. The debt service coverage or comparison of pledged revenues net of specific operating expenses for the pledged debt is presented in the Supplementary Information for these financial statements.

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2013:

Year Ending December 31,	2007A		2007B		2002A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 260,000	\$ 88,787	\$ 340,000	\$ 278,163	\$ 2,920,000	\$ 1,344,138	\$ 3,520,000	\$ 1,711,088
2015	270,000	78,388	355,000	264,562	3,055,000	1,212,737	3,680,000	1,555,687
2016	280,000	67,587	480,000	250,362	3,200,000	1,067,625	3,960,000	1,385,574
2017	295,000	56,388	585,000	231,163	3,350,000	915,625	4,230,000	1,203,176
2018	305,000	44,587	610,000	207,762	3,510,000	756,500	4,425,000	1,008,849
2019-2023	800,000	58,763	4,235,000	602,713	11,620,000	1,181,000	16,655,000	1,842,476
Totals	<u>\$ 2,210,000</u>	<u>\$ 394,500</u>	<u>\$ 6,605,000</u>	<u>\$ 1,834,725</u>	<u>\$ 27,655,000</u>	<u>\$ 6,477,625</u>	<u>\$ 36,470,000</u>	<u>\$ 8,706,850</u>

Colorado Springs Municipal Airport  
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NOTE C – DETAILED NOTES – Continued

4. *Note Payable/Note Receivable*

On May 16, 2006, the Airport entered into a loan agreement, not to exceed \$3,047,514, with U.S. Bank National Association to fund improvements to a parcel of land in the Airport’s Business Park. The improvements consist of infrastructure development, including utility lines, roads, and general grading in order to prepare the property for development. The loan is collateralized by real property. The total amount outstanding as of December 31, 2013 is \$2,026,524. Loan payments through October 2030, will be made with funds derived from a surcharge, above and beyond the monthly land lease, that is collected from the tenant.

Related to the Note Payable is a Note Receivable that represents the tenant’s infrastructure surcharge payment discussed above. The ground lease for the land parcel has been structured such that it contains two components. The first component is the ground rent. The second component of the lease is a surcharge in the exact amount needed to repay the commercial loan. This revenue stream will be used strictly to repay the loan and will be kept separate from the flow of funds associated with the Airline Use and Lease Agreement.

The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2013:

Year Ending December 31,	Payment	Interest	Principal
2014	\$ 228,696	\$ 172,448	\$ 56,248
2015	228,696	167,404	61,292
2016	228,696	162,387	66,309
2017	228,696	155,963	72,733
2018	228,696	149,441	79,255
2019-2023	1,143,480	627,491	515,989
2024-2028	1,143,480	350,806	792,674
2029-2030	413,951	31,927	382,024
Totals	<u>\$ 3,844,391</u>	<u>\$ 1,817,867</u>	<u>\$ 2,026,524</u>

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NOTE C – DETAILED NOTES – Continued

4. *Note Payable/Note Receivable – continued*

On December 19, 2007, the Airport entered into a loan agreement in the amount of \$3,500,000 with the Colorado Department of Transportation to fund improvements to public roadway signage and to resurface the entry/exit roads to the Airport. The interest rate on the loan is 3.0%. Debt service payments on this loan will be made from PFC revenues. This loan matures on November 2, 2014. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2013:

Year Ending December 31,	Payment	Interest	Principal
2014	\$ 561,772	\$ 16,363	\$ 545,409
Totals	<u>\$ 561,772</u>	<u>\$ 16,363</u>	<u>\$ 545,409</u>

On July 3, 2008, the Airport entered into a loan agreement in the amount of \$600,000 with the Colorado Department of Transportation to purchase equipment to enhance snow removal capabilities. Debt service payments on this loan will be made from PFC revenues. This loan matures on July 3, 2015. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2013:

Year Ending December 31,	Payment	Interest	Principal
2014	\$ 96,304	\$ 5,527	\$ 90,777
2015	96,304	2,806	93,498
Totals	<u>\$ 192,608</u>	<u>\$ 8,333</u>	<u>\$ 184,275</u>

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NOTES TO FINANCIAL STATEMENTS  
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NOTE C – DETAILED NOTES – Continued

5. *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. The leases contain provisions for cancellation by either party if certain conditions are met. The car rental agreement expired on January 31, 2012, and continues under a month-to-month basis while a new agreement is negotiated. The airline agreement expires on December 31, 2014, with negotiations currently underway on a new agreement that will take effect on January 1, 2015. The Airport fully anticipates executing new airline and car rental agreements that contain similar terms to the existing agreements. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2013:

Year Ending December 31,	
2014	\$ 4,180,044
2015	3,633,403
2016	2,299,555
2017	1,136,346
2018	1,062,385
2019-2023	5,244,630
2024-2028	4,003,910
2029-2033	3,707,318
2034-2038	3,017,515
2039-2043	2,439,660
2044-2048	2,150,808
2049-2053	1,807,508
2054-2058	899,295
	<u>\$ 35,582,377</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 \$618,235 and \$525,945 for the years ended December 31, 2013 and 2012, respectively.

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NOTE C – DETAILED NOTES – Continued

5. *Leases – continued*

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

	December 31, 2013	December 31, 2012
Land	\$ 18,416,793	\$ 18,416,793
Buildings	67,385,240	95,272,291
Improvements other than buildings	251,160,462	199,371,826
Infrastructure	35,865,017	34,868,798
	372,827,512	347,929,708
Less accumulated depreciation	(125,321,557)	(116,349,144)
	\$ 247,505,955	\$ 231,580,564

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 firefighting services at the Airport as annual contributions (in-kind services) in lieu of payment of landing fees under the lease.

In 2009, the Airport entered into a capital lease with AMPCO System Parking to furnish a parking revenue management system. The system acquired by this lease has been capitalized in the Airport’s financial statements.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 are as follows:

Year Ending December 31,	Minimum Lease Obligation
2014	\$ 40,069
Minimum lease obligation	40,069
Amount representing interest	(463)
Present value of net minimum payments	\$ 39,606
Less: Current portion	(39,606)
Noncurrent capital lease	\$ -

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NOTE C – DETAILED NOTES – Continued

5. *Leases – continued*

This capital lease agreement has been included as an asset as follows:

	December 31, 2013	December 31, 2012
Machinery and equipment	\$ 674,519	\$ 674,519
Less accumulated depreciation	(317,586)	(250,134)
Net capitalized lease property	\$ 356,933	\$ 424,385

6. Changes in long-term liabilities

Long-term liabilities activity for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Revenue bonds	\$ 39,820,000	\$ -	\$ (3,350,000)	\$ 36,470,000	\$ 3,520,000
Bond discount	(77,288)	-	12,881	(64,407)	(11,905)
Total bonds payable	39,742,712	-	(3,337,119)	36,405,593	3,508,095
Note payable	3,425,490	-	(669,282)	2,756,208	692,434
Capital lease	191,296	-	(151,690)	39,606	39,606
Compensated absences- accrued sick and vacation benefits	699,670	613,973	(717,252)	596,391	29,819
Long-term liabilities	\$ 44,059,168	\$ 613,973	\$ (4,875,343)	\$ 39,797,798	\$ 4,269,954

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Colorado Springs, Colorado  
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NOTE C – DETAILED NOTES – Continued

6. *Changes in long-term liabilities – continued*

Long-term liabilities activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Revenue bonds	\$ 43,000,000	\$ -	\$ (3,180,000)	\$ 39,820,000	\$ 3,350,000
Bond discount	(90,427)	-	13,139	(77,288)	(13,140)
Total bonds payable	42,909,573	-	(3,166,861)	39,742,712	3,336,860
Note payable	4,072,045	-	(646,555)	3,425,490	671,786
Capital lease	332,760	-	(141,464)	191,296	151,690
Compensated absences- accrued sick and vacation benefits	559,485	835,595	(695,410)	699,670	34,983
Long-term liabilities	<u>\$ 47,873,863</u>	<u>\$ 835,595</u>	<u>\$ (4,650,290)</u>	<u>\$ 44,059,168</u>	<u>\$ 4,195,319</u>

7. *Interfund balances*

The composition of interfund balances as of December 31, 2013, is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Due to support services fund	\$ 4,420	\$ 4,420
Due to CSU	103,207	114,350
Due to Others	24,750	-
	<u>\$ 132,377</u>	<u>\$ 118,770</u>

8. *Commitments*

As of December 31, 2013, the Airport had commitments outstanding, in the form of contracts and purchase orders, of approximately \$1,143,590 primarily for construction projects and equipment.

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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 of 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 property coverage, the Airport has purchased a commercial insurance policy with varying deductibles. All deductibles related to this policy are paid from Airport operating funds. General liability coverage for the Airport is purchased from commercial carriers for losses up to \$200,000,000. No claims were incurred in excess of the coverage for 2013, 2012 or 2011.

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 and hired prior to August 1, 1988, receive a limited Airport contribution not to exceed \$91.40 per month.

3. *Retirement plans*

A. Defined Benefit Pension Plan

Plan Description: The City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). Prior to January 1, 2006, the LGDTF was known as the Municipal Division Trust Fund (MDTF). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All permanent employees, except uniformed police and fire, of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish and amend benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or 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).

Funding Policy: Plan members and the City are required to contribute to the LGDTF 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. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see note D.3.B Post-employment Health Care Benefits). Beginning July 1, 2005, if the City rehired a PERA retiree as an employee or under any other work arrangement, it was required to report and pay employer contributions on the amounts paid for the retiree; however, no member contributions are required. The City is also required to pay an amortization equalization disbursement (AED) equal to 2.2% of the total payroll. Additionally, the City is required to pay a

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NOTE D – OTHER INFORMATION – Continued

3. *Retirement Plans - continued*

supplemental amortization equalization disbursement (SAED) equal to 1.5% of the total payroll. The Airport's contributions to LGDTF for the years ended December 31, 2013, 2012, and 2011, were \$624,483, \$685,271 and \$679,595, respectively, equal to the required contributions for each year.

B. Post-employment Health Care Benefits

Plan Description: The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan administered by 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 and amend 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 online at [www.copera.org](http://www.copera.org) or 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 1.02% of covered salary for all PERA members as set by statute, which is included in the contribution rate of 13.7% of covered salary. 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, 2013, 2012, and 2011, were \$46,494, \$51,005 and \$50,598, respectively, equal to their required contributions for each year.

C. Defined Contribution Plan

Plan Description: The LGDTF 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. 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 (\$17,500 for 2013 and \$17,000 for 2012 calendar years). There is a catch-up provision that allows participants age 50 and older who are contributing the maximum to contribute an additional \$5,500 annually to their accounts. The 401(k) Plan member contributions from the Airport for the years ended December 31, 2013, 2012, and 2011, were \$66,770, \$62,000 and \$63,870, respectively.

Plan Description: Per authority of a City Council Resolution, members of the City may also voluntarily contribute to an ICMA 457 Plan, an Internal Revenue Code of 1986 Section 457. The plan is administered by ICMA Retirement Corporation and the Vantage Trust Company.

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NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans – continued*

Funding Policy: The ICMA and FPPA 457 plans are funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,500 annually for 2013 calendar year). In addition, employees are eligible to contribute an additional \$5,500 annually if they are 50 or older or \$17,500 if they are participating in the “pre-retirement” catch-up provision. The City provides, by authority of a City Council Resolution, an ICMA 401(a) Plan, a defined contribution plan, administered by ICMA Retirement Corporation, which defines eligibility and participation requirements. For the year ended December 31, 2013 the Airport had no participants in this plan.

D. Uniformed Employee Defined Benefit Plan

Plan Description: All fire and police officers of the City participate in one of five defined benefit pension plans. Two of these plans (Old Hire Fire and Old Hire Police) are single employer, defined benefit pension plans. The remaining plans (Statewide, Alternate Fire and Alternate Police) are cost-sharing multiple-employer, defined benefit pension plans. Membership in the various plans is dependent upon the classification of the employee (fire or police) and the start date of the employee. On October 1, 2006, FPPA and the City entered into an agreement under which FPPA administers the Alternative Fire and Alternative Police plans, collectively referred to as the Colorado Springs New Hire Pension Plan (CSNHPP).

The Old Hire plans are administered jointly by the City and the FPPA. FPPA performs certain administrative tasks in accordance with an agreement with the City in regards to the Old Hire plans. Provisions of these plans are established and amended by City Council in accordance with relevant state statute. The plans provide benefits to members based upon the provisions unique to that plan. Disability benefits to fire and police officers and death benefits to their survivors for all plans are provided by the State of Colorado through a Death and Disability Plan administered by the FPPA. Benefits are established by state statute and are available for all fire and police officers in accordance with plan provisions.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information. That report can be obtained by writing to: Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721 or by calling FPPA at 303-770-3772.

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 values of some investments are estimated based on quoted market prices for those or similar investments.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE D – OTHER INFORMATION – Continued

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

Revenue bonds payable

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

The estimated fair values of the Airport’s financial instruments as of December 31, 2013 and 2012 are:

	December 31, 2013	
	Carrying Amount	Fair Value
	Restricted assets – investments	\$ 5,419,455
Cash and investments	34,488,499	34,488,499
Revenue bonds payable	36,470,000	36,800,100
	December 31, 2012	
	Carrying Amount	Fair Value
Restricted assets – investments	\$ 5,459,865	\$ 5,459,865
Cash and investments	39,309,696	39,309,696
Revenue bonds payable	39,820,000	40,485,861

5. *Compliance with OMB Circular A-133*

The Colorado Springs Airport receives funding from the Federal Aviation Administration and the City of Colorado Springs administers these grants. As such, these grants have been audited in accordance with OMB Circular A-133 at the City level.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant. Such audits could lead to reimbursements to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. Management believes disallowances, if any, resulting from any such audits would be immaterial.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE D – OTHER INFORMATION – Continued

6. *GASB 65 Implementation*

In 2013, the Airport implemented *GASB 65 Items Previously Reported as Assets and Liabilities*. Per GASB 65, debt issuance cost, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. In 2013, with the implementation of GASB 65, the remaining balance on the previously capitalized bond issuance costs of \$265,670 was eliminated. On the Statement of Revenues, Expenses and Changes in Net Fund Position, this amount is identified as a prior period adjustment and the beginning of the year net position is restated. The Airport elected not to restate the 2012 financials as the amount does not represent a significant impact to the overall financial results.

7. *Subsequent Events*

Subsequent events have been evaluated through the date of the Independent Auditor’s Report. Management has identified the following subsequent events.

On January 28, 2014 the Airport refunded \$16.47 million of its outstanding 2002A Series Revenue Bonds and refinanced \$11.185 million with the 2014 Series Airport Revenue Bonds. The present value savings of this refinancing is \$1.5 million. The new Bond Reserve Requirement was reduced from \$5,433,850 to \$2,447,664. The new annual debt service requirements are noted below.

Year Ending December 31,	2007A		2007B		2014		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 260,000	\$ 88,787	\$ 340,000	\$ 278,163	\$ 795,000	\$ 492,450	\$ 1,395,000	\$ 859,400
2015	270,000	78,388	355,000	264,562	940,000	519,500	1,565,000	862,450
2016	280,000	67,587	480,000	250,362	990,000	472,500	1,750,000	790,449
2017	295,000	56,388	585,000	231,163	1,040,000	423,000	1,920,000	710,551
2018	305,000	44,587	610,000	207,762	1,090,000	371,000	2,005,000	623,349
2019-2023	800,000	58,763	4,235,000	602,713	6,330,000	980,000	11,365,000	1,641,476
Totals	<u>\$2,210,000</u>	<u>\$394,500</u>	<u>\$6,605,000</u>	<u>\$1,834,725</u>	<u>\$ 11,185,000</u>	<u>\$ 3,258,450</u>	<u>\$20,000,000</u>	<u>\$5,487,675</u>

On March 5, 2014 Allegiant Air announced the reinstatement of direct service to Phoenix starting May 15, 2014. At the same time Allegiant announced that it was adding additional direct service to Las Vegas on a seasonal basis. The overall estimated increase in enplanements for the new and expanded service is 16,950.

SUPPLEMENTARY AND OTHER INFORMATION

**Colorado Springs Municipal Airport**  
**Colorado Springs Colorado**  
SCHEDULE OF FINANCIAL ACTIVITY PER THE  
BOND ORDINANCE FUNDS AND ACCOUNTS  
Year ending December 31, 2013

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund	Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Customer Facility Account	Totals
			Bond Account	Interest Account				Prepaid Revenue Account	Capital Account			
Beginning balance as of January 1, 2013	1,296,023	-	-	-	5,433,850	3,999,109	750,000	1,358,463	17,387,062	1,053,619	5,933,445	37,211,570
Add: Commitments as of December 31, 2012	-	79,175	-	-	-	-	-	-	2,886,318	1,086,114	-	4,051,606
Adjusted balance as of January 1, 2013	1,296,023	79,175	-	-	5,433,850	3,999,109	750,000	1,358,463	20,273,380	2,139,732	5,933,445	41,263,176
Calendar year 2013 activity												
Operating Revenues	21,805,388											21,805,388
Non-Operating Revenues												-
Interest Earnings	11,365		15,147	4,593	51,638	33,363	6,261	11,313	185,349	1,081	41,336	361,446
Passenger facility charges										1,745,205		1,745,205
Customer facility charges	695,489										695,489	1,390,977
Other revenue (expense)	29,207								(2,315,228)			(2,286,020)
Reserve Adjustments						(468,560)						(468,560)
Operating Transfers In									(803,729)	803,729		-
FAA Grant Revenues		194,732							13,466,449			13,661,181
Bond Proceeds												-
Sub-total revenues	23,837,472	273,907	15,147	4,593	5,485,488	3,563,913	756,261	1,369,776	30,806,221	4,689,747	6,670,269	77,472,795
Operating Expenses		(13,348,302)										(13,348,302)
Operating Transfers Out												-
Operating Capital		(120,216)							(120,216)			(240,432)
Capital Expenses									(16,855,137)	(4,484,315)		(21,339,453)
Non-Operating Expenses												-
Debt Service Expenses		(217,349)	(3,350,000)	(1,886,608)								(5,453,956)
Debt Issuance Expense												-
Sub-total expenses	-	(13,685,866)	(3,350,000)	(1,886,608)	-	-	-	-	(16,975,353)	(4,484,315)	-	(40,382,142)
Balance before encumbrances, commitments, and transfers	23,837,472	(13,411,959)	(3,334,853)	(1,882,014)	5,485,488	3,563,913	756,261	1,369,776	13,830,868	205,432	6,670,269	37,090,653
Encumbrances at December 31, 2013	-	(68,194)	-	-	-	-	-	-	(922,483)	(152,914)	-	(1,143,590)
Transfers:												
Operating/Maintenance	(13,480,153)	13,480,153										-
Bond Debt Service	(5,236,608)		3,350,000	1,886,608								-
2013 Bond Ordinance Requirements												-
Income Available for Sharing-City's Portion	-											-
Funding Adj.-Encumbrances/ Working Capital	(320,522)								320,522			-
Non-Preferential Gate Use Fee	(159,403)								159,403			-
Net (Rev)/Expense on Business Park Phase I	(176,041)								176,041			-
Net (Rev)/Expense on Fountain Term Site	(139,485)								139,485			-
Third Party Capital Reinvestment	(1,961,211)								1,961,211			-
Repayment of Loans to Capital Account	(1,298,203)								1,298,203			-
Interest to:												-
Airlines	111,002	-	(15,147)	(4,593)	(51,638)	(33,363)	(6,261)					-
Capital Account								(11,313)	11,313			-
Sub-total transfers	(22,660,623)	13,480,153	3,334,853	1,882,014	(51,638)	(33,363)	(6,261)	(11,313)	4,066,178	-	-	-
Ending Balance December 31, 2013	1,176,850	-	-	-	5,433,850	3,530,550	750,000	1,358,463	16,974,563	52,518	6,670,269	35,947,062

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINES SERVING THE AIRPORT  
December 31, 2013  
(unaudited)

**Passenger Airlines**

<b><u>Carrier</u></b>	<b><u>Flown by</u></b>
Alaska Airlines	SkyWest
Allegiant Air	
American Airlines	
Continental/Continental Express Airlines	ExpressJet and Skywest
Delta/Delta Connection Air Lines	SkyWest
Frontier	Lynx Aviation and Republic Airlines
United Airlines	ExpressJet, SkyWest, Republic Airlines and Shuttle America

**All-Cargo Airlines**

Fed Ex  
Key Lime

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRLINE TRAFFIC  
For the years ended December 31, 2004 - 2013

(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
2004	715,187	319,560	1,034,747	2.3%	5,138	14,558	1,926	21,622	5.1%	139	22
2005	720,710	310,123	1,030,833	-0.4%	4,327	14,717	1,823	20,867	-3.5%	167	21
2006	735,077	281,939	1,017,016	-1.3%	4,018	13,835	1,731	19,584	-6.1%	183	20
2007	373,987	659,599	1,033,586	1.6%	3,273	14,586	1,591	19,450	-0.7%	114	45
2008	336,707	661,640	998,347	-3.4%	2,984	14,952	1,272	19,208	-1.2%	113	44
2009	288,623	640,977	929,600	-6.9%	2,549	13,718	826	17,093	-11.0%	113	47
2010	282,536	580,871	863,407	-7.1%	2,499	12,923	860	16,282	-4.7%	113	45
2011	273,379	540,957	814,336	-5.7%	2,486	12,213	880	15,579	-4.3%	110	44
2012	271,372	550,636	822,008	0.9%	2,454	11,534	850	14,838	-4.8%	111	48
2013	256,760	393,769	650,529	-20.9%	2,330	8,876	845	12,051	-18.8%	110	44

Source: Colorado Springs Municipal Airport management records.

Note: Enplaned/Aircraft Operations are based on carrier who actually flew the operation not under Carrier ticket sold

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINE SHARES OF ENPLANED PASSENGERS  
For the years ended December 31, 2004 - 2013  
(unaudited)

	2004		2005		2006		2007		2008		2009		2010		2011		2012		2013	
	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total						
<b>Major/national airlines</b>																				
Allegiant Air (1)	37,440	3.6%	30,697	3.0%	35,224	3.5%	33,281	3.2%	33,543	3.4%	32,673	3.5%	38,258	4.4%	41,855	5.1%	38,834	4.7%	25,962	4.0%
American Airlines	161,958	15.7%	190,594	18.5%	205,064	20.2%	219,085	21.2%	213,341	21.4%	208,535	22.4%	190,462	22.1%	178,324	21.9%	177,505	21.6%	174,186	26.8%
Continental Airlines (2)	10,581	1.0%	481	0.0%	185	0.0%	-	0.0%	-	0.0%	93	0.0%	149	0.0%	-	0.0%	151	0.0%	-	0.0%
Delta Air Lines (4)	85,216	8.2%	80,364	7.8%	66,019	6.5%	41,539	4.0%	36,371	3.6%	46,526	5.0%	52,997	6.1%	51,322	6.3%	52,719	6.4%	54,840	8.4%
Northwest Airlines (5)	86,261	8.3%	83,026	8.1%	75,689	7.4%	78,955	7.6%	52,286	5.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
United Airlines (6)	332,448	32.1%	334,426	32.4%	351,779	34.6%	-	0.0%	-	0.0%	-	0.0%	101	0.0%	-	0.0%	-	0.0%	-	0.0%
Charters	1,283	0.1%	1,122	0.1%	1,117	0.1%	1,127	0.1%	1,166	0.1%	796	0.1%	569	0.1%	1,878	0.2%	2,163	0.3%	1,772	0.3%
	715,187	69.0%	720,710	70.0%	735,077	72.0%	373,987	36.0%	336,707	33.7%	288,623	31.0%	282,536	32.7%	273,379	33.5%	271,372	33.0%	256,760	39.5%
<b>Regional/commuter airlines</b>																				
American Eagle Airline (7)	-	0.0%	22,239	2.1%	29,866	2.9%	17,338	1.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Atlantic Southeast Airlines (3)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,211	0.5%	-	0.0%	-	0.0%
Chautauqua Airlines (8)	5,826	0.6%	-	0.0%	-	0.0%	12,797	1.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Comair (9)	28,998	2.8%	30,226	2.9%	25,407	2.5%	18,817	1.8%	5,166	0.5%	71,734	7.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Continental Express (10)	59,186	5.7%	70,000	6.8%	79,538	7.7%	63,737	6.2%	71,763	6.9%	-	0.0%	70,045	8.1%	5,696	0.7%	23,633	2.9%	40,054	6.2%
ExpressJet Airlines (11)	-	0.0%	-	0.0%	-	0.0%	44,345	4.3%	48,050	4.6%	824	0.1%	132	0.0%	1,078	0.1%	2,140	0.3%	-	0.0%
Frontier/Lynx (16)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	62,316	6.0%	103,964	11.2%	110,371	12.8%	104,961	12.9%	154,743	18.8%	20,818	3.2%
Mesa Airlines (13)	4,643	0.4%	4,333	0.4%	2,886	0.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines dba United	-	0.0%	-	0.0%	-	0.0%	128,910	12.5%	41,481	4.0%	52,762	5.7%	10,068	1.2%	-	0.0%	-	0.0%	-	0.0%
Mesaba (16)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	16,047	1.6%	48,034	5.2%	14,306	1.7%	-	0.0%	-	0.0%	-	0.0%
Northwest Airlink (14)	-	0.0%	1,445	0.1%	2,105	0.2%	413	0.0%	4,551	0.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic Airways	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,104	1.4%	57,083	8.8%
Shuttle America dba Delta (20)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,508	0.5%	-	0.0%	-	0.0%	-	0.0%
Shuttle America dba United (21)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	367	0.0%	265	0.0%
SkyWest dba Alaska	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,908	0.4%
SkyWest dba Continental	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	67,209	8.3%	8,853	1.1%	-	0.0%
SkyWest dba Delta	-	0.0%	-	0.0%	-	0.0%	77,493	7.5%	63,520	6.1%	41,021	4.4%	56,113	6.5%	52,331	6.4%	43,673	5.3%	29,422	4.5%
SkyWest dba Midwest (4)	-	0.0%	-	0.0%	-	0.0%	11,719	1.1%	4,793	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
SkyWest dba United	107,941	10.4%	56,403	5.5%	48,059	4.6%	284,030	27.4%	261,376	25.3%	257,190	27.7%	314,811	36.5%	305,471	37.5%	306,123	37.2%	243,219	37.4%
Trans States Airlines (17)	5,538	0.5%	6,151	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
US Airways (18)	107,428	10.4%	119,326	11.5%	94,078	9.1%	-	0.0%	82,577	8.0%	65,448	7.0%	517	0.1%	-	0.0%	-	0.0%	-	0.0%
	319,560	30.8%	310,123	29.9%	281,939	27.3%	659,599	63.7%	661,640	63.9%	640,977	69.0%	580,871	67.4%	540,957	66.4%	550,636	67.0%	393,769	60.5%
<b>Total</b>	<b>1,034,747</b>	<b>100.0%</b>	<b>1,030,833</b>	<b>100.0%</b>	<b>1,017,016</b>	<b>99.0%</b>	<b>1,033,586</b>	<b>100.0%</b>	<b>998,347</b>	<b>100.0%</b>	<b>929,600</b>	<b>100.0%</b>	<b>863,407</b>	<b>100.0%</b>	<b>814,336</b>	<b>100.0%</b>	<b>822,008</b>	<b>100.0%</b>	<b>650,529</b>	<b>100.0%</b>

- Allegiant Airlines started service in February 2002.
- Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2006. ExpressJet began flying for Continental Express in 2010.
- Service was provided by Atlantic Southeast Airlines and Mesaba. Mesaba discontinued service in September 2012.
- Midwest Airlines started service in July 2007 and discontinued service April 2008.
- Northwest merged with Delta Air Lines in September 2008. Mesaba flew for Northwest, Jan - Apr 2010.
- United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express.
- American Eagle Airlines began service June 2005 and ceased service November 2007.
- Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004. Chautauqua started service as Continental Express in January 2007 and stopped May 2007.
- Comair resumed service in December 2002 as Delta Connection and ceased operations April 2008.
- Continental Express service began in April 2002. ExpressJet began flying for Continental Express in 2009. The Continental/United merger began in 2011 with the majority of Continental flights flown by ExpressJet and SkyWest.

- ExpressJet Airline started service April 2007 and ceased all brand flying in September of 2008.
- Frontier/Lynx started service in April 2008, Frontier ceased service April 2013.
- Mesa Airlines discontinued service November 2006. 2006 Operated for United discontinued in 2010.
- Northwest Airlink includes Pinnacle service that began June 2005 and discontinued service September 2005.
- Provided service for January, February, June, July, and August in 2006. Provided service for June, July, and August in 2007.
- Mesaba Airlines operated as Northwest Airlink starting September 2008.
- Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005. Trans States Airlines operated as United Express from March 2006 through September 2006. Trans States/United Express passenger activity is not reported separately by United.
- US Airways operated by Mesa Air Group after America West and US Airways merger. US Airways discontinued served January 2010.
- Republic Airways began operating for United Airlines in August 2012.
- Shuttle America began operating for Delta Airlines in June, July, August 2010.
- Shuttle America began operating for United Airlines in November 2012.

Source: Colorado Springs Municipal Airport management records.

Note: Enplanements are based on carrier who actually flew the operation not under Carrier ticket sold

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRCRAFT LANDED WEIGHT  
For the years ended December 31, 2004 - 2013  
(unaudited)

	2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		
	1,000-lb units	Percent of total																			
<b>Passenger Airlines</b>																					
<b>Major and national</b>																					
Allegiant	44,834	2.9%	36,090	2.4%	42,548	3.0%	38,781	2.9%	35,922	2.8%	34,753	3.0%	39,268	3.5%	41,895	3.8%	37,503	3.3%	24,543	3%	
American Airlines	238,368	15.2%	264,071	17.3%	287,393	20.3%	256,543	19.2%	249,202	19.2%	243,363	20.7%	231,569	20.8%	220,395	20.2%	219,278	19.1%	214,014	23%	
Continental Airlines	13,456	0.9%	481	0.0%	256	0.0%	-	0.0%	-	0.0%	110	0.0%	-	0.0%	-	0.0%	381	0.0%	157	0%	
Delta Air Lines	104,400	6.7%	104,588	6.9%	81,090	5.7%	49,302	3.7%	40,428	3.1%	50,500	4.3%	53,004	4.8%	51,266	4.7%	57,439	5.0%	60,813	7%	
Northwest Airlines	114,480	7.3%	109,674	7.2%	92,331	6.5%	95,419	7.2%	62,374	4.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
United Airlines	144,225	9.2%	54,551	3.6%	41,233	2.9%	-	0.0%	-	0.0%	-	0.0%	230	0.0%	-	0.0%	-	0.0%	-	0%	
	659,763	42.2%	569,455	37.4%	544,851	38.4%	440,045	33.0%	387,926	29.9%	328,726	28.0%	324,071	29.1%	313,556	28.7%	314,601	27.4%	299,527	33%	
<b>Regional and commuter</b>																					
Air Wisconsin Express	236,914	15.2%	160,922	10.5%	115,782	8.2%	93,609	7.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
American Eagle	-	0.0%	26,264	1.7%	39,798	2.8%	20,100	1.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Atlantic Southeast Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,074	0.5%	-	0.0%	-	0%	
Chautauqua	7,668	0.5%	-	0.0%	-	0.0%	14,997	1.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Comair dba Delta	47,366	3.0%	48,006	3.1%	33,835	2.4%	23,651	1.8%	6,901	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Continental Express	68,232	4.4%	78,282	5.1%	84,273	5.9%	62,922	4.7%	74,414	5.7%	74,728	6.4%	73,872	6.6%	13,889	1.3%	26,485	2.3%	43,817	5%	
ExpressJet	-	0.0%	-	0.0%	-	0.0%	64,312	4.8%	61,225	4.7%	1,058	0.1%	265	0.0%	1,233	0.1%	2,109	0.2%	-	0%	
Frontier/Lynx Aviation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	78,917	6.1%	123,387	10.5%	146,053	13.1%	144,095	13.2%	220,716	19.2%	33,030	4%	
GO-Jet Airlines	-	0.0%	-	0.0%	5,628	0.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Mesa Airlines	10,790	0.7%	9,462	0.6%	6,806	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Mesa dba United	55,028	3.5%	34,306	2.2%	48,886	3.4%	45,219	3.4%	55,002	4.2%	68,110	5.8%	13,134	1.2%	-	0.0%	-	0.0%	-	0%	
Mesaba dba Delta	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	18,897	1.7%	-	0.0%	-	0.0%	-	0%	
Mesaba dba Northwest Airlink	-	0.0%	-	0.0%	-	0.0%	-	0.0%	18,093	1.4%	55,424	4.7%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Northwest Airlink	-	0.0%	1,645	0.1%	2,632	0.2%	517	0.0%	5,593	0.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Republic dba United Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,856	1.0%	79,966	9%	
Shuttle America dba Delta	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,772	0.5%	-	0.0%	-	0.0%	-	0%	
Shuttle America dba United	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	825	0.1%	675	0%	
Skywest dba Alaska	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,953	0%	
Skywest dba Continental	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	80,094	7.3%	11,192	1.0%	-	0%	
Skywest dba Delta	-	0.0%	-	0.0%	-	0.0%	-	0.0%	74,058	5.7%	47,003	4.0%	31,792	2.9%	23,189	2.1%	51,442	4.5%	34,075	4%	
SkyWest dba Midwest	-	0.0%	-	0.0%	-	0.0%	16,732	1.3%	8,131	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
Skywest dba United	281,587	18.0%	396,591	26.0%	374,477	26.4%	430,309	32.3%	327,464	25.3%	320,955	27.3%	396,801	35.6%	394,046	36.1%	398,204	34.6%	306,631	34%	
Trans States	7,489	0.5%	7,699	0.5%	8,425	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%	
US Airways Express	-	0.0%	-	0.0%	-	0.0%	-	0.0%	88,932	6.9%	70,531	6.0%	517	0.0%	-	0.0%	-	0.0%	-	0%	
	715,074	45.8%	763,177	49.8%	720,542	50.8%	772,368	57.9%	798,730	61.5%	761,196	64.8%	687,103	61.6%	661,620	60.6%	722,829	62.9%	502,147	55.0%	
<b>Total Passenger Airlines</b>	1,374,837	88.0%	1,332,632	87.2%	1,265,393	89.2%	1,212,413	90.9%	1,186,656	91.4%	1,089,922	92.8%	1,011,174	90.7%	975,176	89.3%	1,037,430	90.3%	801,674	88%	
<b>All-cargo airlines</b>																					
Airborne Express	28,244	1.8%	29,634	1.9%	25,397	1.8%	25,678	1.9%	15,849	1.2%	-	-	-	-	-	-	-	-	-	-	
FedEx	151,897	9.7%	155,966	10.2%	117,927	8.3%	83,840	6.3%	84,927	6.6%	80,712	6.9%	98,452	8.9%	100,745	9.2%	99,619	8.7%	99,990	11%	
Key Lime Air	2,615	0.2%	5,918	0.4%	7,341	0.5%	9,767	0.7%	7,318	0.6%	4,495	0.4%	4,656	0.5%	4,936	0.5%	4,708	0.4%	4,658	1%	
Sundance Air	3,930	0.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	186,686	12.0%	191,518	12.5%	150,665	10.6%	119,285	8.9%	108,094	8.4%	85,207	7.3%	103,108	9.4%	105,681	9.7%	104,327	9.1%	104,648	11%	
<b>Charter</b>	2,213	0.1%	1,629	0.1%	1,235	0.1%	1,132	0.1%	1,167	0.1%	1,488	0.1%	1,162	0.2%	5,885	0.4%	7,331	0.6%	4,117	0.5%	
<b>Boeing</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1%	4,125	0.4%	1,062	0.1%	3,040	0.3%	
<b>Total</b>	1,563,736	100.0%	1,525,779	100.0%	1,417,293	100%	1,332,830	100.0%	1,295,917	100.0%	1,176,617	100.0%	1,115,444	100.0%	1,090,867	100.0%	1,150,150	100.0%	913,479	100.0%	

Colorado Springs Municipal Airport

Colorado Springs, Colorado

AVERAGE DAILY DEPARTURES BY AIRLINES

For the years ended December 31, 2004-2013

(unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Major / National airlines</b>										
Alaska Airlines (12)	0	0	0	0	0	0	0	0	0	1
Allegiant Air	1	1	1	1	1	1	1	1	1	1
American (1)	6	7	8	6	5	5	5	5	5	5
America West (2)	6	7	6	4	--	--	--	---	---	---
Continental (3)	5	5	5	5	5	5	5	4	2	3
Delta (4)	14	8	6	6	5	4	5	4	4	3
ExpressJet Airlines (5)	--	--	--	4	4	--	--	--	--	--
Frontier (11)	--	--	--	--	4	5	6	5	6	1
Mesa (6)	2	2	1	--	--	--	--	---	---	---
Midwest Airlines (7)	--	--	--	1	1	--	--	---	---	---
Northwest (8)	2	2	2	2	2	2	--	---	---	---
United (9)	18	20	20	19	19	19	20	16	21	19
US Airways (10)	--	--	--	--	4	4	0	---	---	---
<b>Total major and national airlines</b>	<b>54</b>	<b>52</b>	<b>49</b>	<b>48</b>	<b>50</b>	<b>45</b>	<b>42</b>	<b>35</b>	<b>39</b>	<b>32</b>

1 Includes departures of Chautauqua Airlines/Trans States Airlines (American Connection) and American Eagle.

2 Includes departures of America West Express. America West merged with US Airways September 2005.

3 Includes departures of Continental Express.

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

5 ExpressJet Airlines started service April 2007 ceased September 2008.

6 Mesa Airlines discontinued service November 2006.

7 Midwest Airlines started service July 2007 ceased operations April 2008.

8 Includes departures of Pinnacle and Mesaba (Northwest AirlinK).

9 Includes departures of Air Wisconsin, Atlantic Coast, Go-Jet Airlines, Mesa Air Group, SkyWest, Trans States, and ExpressJet serving as United Express carriers.

10 Includes Republic Airways and Shuttle America & US Express. US Airways merged with America West in Sept 2005.

11 Frontier Started service April 2008 and ceased service April 2013.

12 Alaska Airlines began service to Seattle in November 2013.

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, 2004-2013  
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
2004	17,754	482	18,236	-2.4%
2005	16,568	157	16,725	-8.3%
2006	16,301	1	16,302	-2.5%
2007	13,475	0	13,475	-17.3%
2008	11,994	1	11,995	-11.0%
2009	11,484	0	11,484	-4.3%
2010	11,172	0	11,172	-2.7%
2011	10,826	0	10,826	-3.1%
2012	11,559	0	11,559	6.8%
2013	11,488	0	11,488	-0.6%

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, 2004-2013  
(Unaudited)

Fiscal Year	Applicable Revenues (A)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 22,571,575	\$ 13,039,813	\$ 9,531,762	\$ 2,169,586	\$ 3,660,099	1.64
2005	22,648,070	13,216,784	9,431,286	2,167,466	3,660,882	1.62
2006	23,602,795	13,804,532	9,798,263	2,175,370	3,659,313	1.68
2007	23,855,188	14,722,292	9,132,896	2,101,895	3,546,516	1.62
2008	24,147,143	14,537,476	9,609,667	3,525,250	2,100,363	1.71
2009	23,444,173	14,914,375	8,529,798	1,729,912	3,503,526	1.63
2010	21,065,961	15,380,368	5,685,593	1,295,000	2,272,688	1.59
2011	21,995,280	14,399,903	7,595,377	3,020,000	2,217,513	1.45
2012	21,305,501	14,342,230	6,963,271	3,180,000	2,056,363	1.33
2013	23,286,217	13,313,623	9,972,594	3,350,000	1,886,638	1.90

(A) Includes Prepaid Revenue Account balances for each year; the yearly amounts are:

2004-2007  
2008-2013

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL NON-AIRLINE REVENUES  
For the years ended December 31, 2004-2013  
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Terminal Building</b>										
Concession										
Food & Beverage	\$293,139	\$335,268	\$369,325	\$380,917	\$367,591	\$331,061	\$323,087	\$308,389	\$318,086	\$274,851
Retail	344,683	334,216	399,700	462,088	451,669	398,677	368,979	336,619	327,854	321,960
Advertising	167,367	168,961	181,018	193,627	174,220	155,156	127,337	111,075	179,626	172,508
Non-Airline Space Rental	308,223	457,597	485,955	514,791	533,190	545,917	629,327	684,721	675,696	740,389
Other	120,513	122,113	114,328	115,918	119,014	112,874	96,197	94,774	89,727	89,047
	<u>1,233,925</u>	<u>1,418,155</u>	<u>1,550,326</u>	<u>1,667,341</u>	<u>1,645,684</u>	<u>1,543,685</u>	<u>1,544,927</u>	<u>1,535,578</u>	<u>1,590,989</u>	<u>1,598,755</u>
<b>Terminal Area</b>										
Public Parking	5,513,116	5,442,666	6,066,711	6,256,899	6,097,045	5,566,698	5,325,655	4,974,074	5,227,055	4,213,990
Rental Car Fees and Rents	3,846,367	3,633,315	3,643,068	3,675,676	3,672,308	3,676,794	3,508,167	3,493,309	3,464,474	2,665,820
Ground Transportation Fees	98,940	104,819	102,917	96,578	104,305	90,347	91,849	98,613	88,748	86,960
Support Building Rentals	126,425	123,718	84,502	70,642	34,422	20,765	20,185	29,375	69,696	40,117
	<u>9,584,848</u>	<u>9,304,518</u>	<u>9,897,198</u>	<u>10,099,795</u>	<u>9,908,080</u>	<u>9,354,604</u>	<u>8,945,856</u>	<u>8,595,371</u>	<u>8,849,973</u>	<u>7,006,887</u>
<b>Airfield Area</b>										
Fuel Farm Rentals	25,443	25,443	25,443	25,443	25,443	28,446	19,450	28,946	29,196	29,196
Remain Over Night	-	200	238,500	130,650	80,100	79,750	94,900	41,150	38,185	44,290
Diversions Landing Fees	31,329	59,561	31,447	19,007	23,686	50,349	68,523	60,141	19,533	49,907
	<u>56,772</u>	<u>85,204</u>	<u>295,390</u>	<u>175,100</u>	<u>129,229</u>	<u>158,545</u>	<u>182,873</u>	<u>130,237</u>	<u>86,914</u>	<u>123,393</u>
<b>Fountain Site</b>										
Ground & Building Rentals	186,011	197,879	202,192	128,717	149,832	41,948	54,960	13,059	13,341	146,755
Utility Reimbursements	33,979	45,923	32,145	19,725	-	-	-	-	-	-
	<u>219,990</u>	<u>243,802</u>	<u>234,337</u>	<u>148,442</u>	<u>149,832</u>	<u>41,948</u>	<u>54,960</u>	<u>13,059</u>	<u>13,341</u>	<u>146,755</u>
<b>Aviation Support</b>										
Fuel Sales	609,503	854,894	913,206	932,994	1,407,581	685,427	867,806	1,147,831	1,183,966	984,879
Ground and Building Rentals	625,761	512,070	526,864	605,327	686,804	716,201	710,833	750,608	908,369	679,955
	<u>1,235,264</u>	<u>1,366,964</u>	<u>1,440,070</u>	<u>1,538,321</u>	<u>2,094,385</u>	<u>1,401,628</u>	<u>1,578,639</u>	<u>1,898,439</u>	<u>2,092,335</u>	<u>1,664,834</u>
<b>Business Park Phase I</b>										
Ground & Building Rentals	-	-	-	39,330	169,652	188,885	188,885	188,885	193,384	204,785
	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,330</u>	<u>169,652</u>	<u>188,885</u>	<u>188,885</u>	<u>188,885</u>	<u>193,384</u>	<u>204,785</u>
<b>Administrative</b>										
Miscellaneous	145,328	124,817	67,114	212,143	189,309	235,818	94,491	115,237	166,477	198,251
Late Fees	12,825	15,871	19,132	32,130	52,426	81,265	87,631	18,076	9,593	9,983
TSA Reimbursement	19,758	-	-	-	-	-	-	-	-	-
Fingerprinting	10,535	15,435	13,755	20,745	18,675	14,085	21,805	23,760	22,320	18,900
	<u>188,446</u>	<u>156,123</u>	<u>100,001</u>	<u>265,018</u>	<u>260,410</u>	<u>331,168</u>	<u>203,927</u>	<u>157,073</u>	<u>198,390</u>	<u>227,134</u>
<b>Total Non-Airline Revenues</b>	<u>\$12,519,245</u>	<u>\$12,574,766</u>	<u>\$13,517,322</u>	<u>\$13,933,347</u>	<u>\$14,357,272</u>	<u>\$13,020,463</u>	<u>\$12,700,067</u>	<u>\$12,518,642</u>	<u>\$13,025,326</u>	<u>\$10,972,543</u>

Source: City of Colorado Springs, Airport records, except as noted.  
2004-2012 Airline Rates and Changes Settlement Accrual, Exhibit F-6.