

Financial statements and report of independent certified public accountants

Colorado Springs Municipal Airport

December 31, 2002 and 2001

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Report of Independent Certified Public Accountants

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

We have audited the accompanying financial statements of Colorado Springs Municipal Airport, an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the City of Colorado Springs, Colorado's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note A1, the financial statements present only the Colorado Springs Municipal Airport, an enterprise fund of the City of Colorado Springs, Colorado. The financial statements do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado as of December 31, 2002 and 2001 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of December 31, 2002 and 2001, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note D7, the Colorado Springs Municipal Airport has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of January 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, on our consideration of the Airport’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Colorado Springs, Colorado

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

	<u>2002</u>	<u>2001</u> (as restated)
ASSETS		
CURRENT ASSETS		
Cash and investments		
Unrestricted cash and investments	\$28,498,943	\$25,247,168
Restricted cash and investments	<u>10,409,470</u>	<u>9,071,381</u>
Total Cash and Investments	38,908,413	34,318,549
Accounts receivable	2,805,044	2,303,128
Due from other City funds	<u>217,234</u>	<u>35,296</u>
Total current assets	<u>41,930,691</u>	<u>36,656,973</u>
NONCURRENT ASSETS		
Restricted assets		
Investments	<u>5,834,682</u>	<u>6,118,785</u>
Capital assets		
Land	18,660,890	17,587,386
Buildings	82,440,311	82,457,679
Improvements other than buildings	115,580,849	116,794,124
Machinery and equipment	7,882,619	8,647,777
Construction in progress	16,369,342	4,341,285
Less accumulated depreciation	<u>(53,898,080)</u>	<u>(45,992,643)</u>
Total capital assets (net of accumulated depreciation and amortization)	<u>187,035,931</u>	<u>183,835,608</u>
Total noncurrent assets	192,870,613	189,954,393
Total assets	<u>\$ 234,801,304</u>	<u>\$ 226,611,366</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	<u>2002</u>	<u>2001</u> <u>(as restated)</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term obligations	\$ 2,820,664	\$ 2,404,093
Accounts payable	3,660,906	1,222,358
Interest payable	169,380	-
Accrued salaries, benefits	373,275	419,468
Due to other City funds	314,700	399,922
Deferred revenue and other tenant deposits	<u>1,038,081</u>	<u>604,392</u>
Total current liabilities	<u>8,377,006</u>	<u>5,050,233</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	63,001,367	65,468,470
Accrued sick leave benefits	<u>312,196</u>	<u>310,995</u>
Total noncurrent liabilities	<u>63,313,563</u>	<u>65,779,465</u>
Total liabilities	<u>71,690,569</u>	<u>70,829,698</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	121,213,900	115,963,045
Restricted net assets		
Debt Service	11,353,977	11,576,674
Passenger Facility Charges	4,890,175	3,613,492
Unrestricted net assets	<u>25,652,683</u>	<u>24,628,457</u>
Total net assets	<u>163,110,735</u>	<u>155,781,668</u>
Total liabilities and net assets	<u>\$ 234,801,304</u>	<u>\$ 226,611,366</u>

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

	<u>2002</u>	<u>2001</u> <u>(as restated)</u>
Operating revenues		
Airline revenues	\$ 7,883,502	8,390,528
Terminal building concessions	1,168,745	1,109,264
Parking concessions	5,699,910	5,600,105
Landside commercial concessions	3,776,423	3,543,629
Operating grant	171,140	154,929
Other charges	<u>1,282,124</u>	<u>1,531,794</u>
Total operating revenues	<u>19,981,844</u>	
	<u>20,330,249</u>	
Operating expenses		
Salaries and benefits	6,219,745	5,781,576
Other operating expenses	5,864,591	6,124,889
Depreciation	<u>8,860,754</u>	<u>7,605,426</u>
Total operating expenses	<u>20,945,090</u>	<u>19,511,891</u>
Operating income	<u>( 963,246)</u>	<u>818,358</u>
Nonoperating revenues (expenses)		
Investment income	1,751,259	2,424,609
Passenger facility charges	2,952,915	3,206,133
Interest expense	(4,262,084)	
(4,432,092)		
Loss on disposal/abandonment of fixed assets	<u>(194,152)</u>	
	<u>(1,771,224)</u>	
Total nonoperating revenues (expenses)	<u>247,938</u>	<u>(572,574)</u>
Income before contributions and transfers	<u>( 715,308)</u>	<u>245,784</u>
Capital grants	8,000,330	802,450
Transfers in	<u>44,045</u>	<u>128,455</u>
Change in net assets	<u>7,329,067</u>	<u>1,176,689</u>
Total net assets – beginning of year	<u>155,781,668</u>	<u>154,604,979</u>
Total net assets – end of year	<u>\$163,110,735</u>	
	<u>155,781,668</u>	

The accompanying notes are an integral part of these statements.



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

	<u>2002</u>
Cash flows from operating activities	
Receipts from customers	\$ 19,475,278
Receipts from interfund services provided	34,017
Payments to suppliers	(4,555,151)
Payments to employees	(6,264,737)
Payments for interfund services used	<u>(2,243,119)</u>
Net cash provided by operating activities	<u>6,446,288</u>
 Cash flows from noncapital financing activities	
Transfers in	<u>44,045</u>
 Cash flows from capital and related financing activities	
Capital grant	8,000,330
Capital expenditures	(11,302,499)
Passenger facility charges	2,952,915
Principal payments on bonds	(1,648,965)
Interest payments on bonds	(4,482,585)
Redemption of 1992 bonds	(41,650,000)
Issuance of 2002 bonds	43,005,000
Payment from accounts payable incurred for fixed asset additions	<u>(379,166)</u>
Net cash used in capital and related financing activities	<u>(5,504,970)</u>
 Cash flows from investing activities	
Interest received on investments	1,751,260
Purchases of investments	(16,404,807)
Proceeds from sales and maturities of investments	<u>14,253,400</u>
Net cash provided by (used in) investing activities	<u>(400,147)</u>
 Net increase in cash and cash equivalents	585,216
Cash and cash equivalents – beginning of year	<u>1,581,277</u>
Cash and cash equivalents – end of year	2,166,493
Investments	<u>36,741,919</u>
Cash and investments	<u><u>\$38,908,412</u></u>

Noncash capital and related financing and investing activities:

The Airport had unrealized gains (losses) on investments of (\$188,840) and \$569,941 for the years ended December 31, 2002 and 2001, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$ 1,677,655 and \$379,166 as of December 31, 2002 and 2001, respectively.

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,

	2002
Reconciliation of operating income to net cash provided by (used in) operating activities	
Operating income	\$ (963,246)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	8,860,754
(Increase) decrease in assets	
Receivables	(501,915)
Due from other City funds	17,557
Increase (decrease) in liabilities	
Accounts payable	887,560
Accrued salaries, benefits, and sick leave benefits	(44,992)
Due to other City funds	(2,243,119)
Deferred revenue and other tenant deposits	433,689
Net cash provided by operating activities	\$ 6,446,288

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

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

The City, as lessor, has entered into lease agreements with various airlines, rental car companies, and various terminal concession operators. The agreements cover not only the lease of airport space to the lessees, but also the lessee's payment of fees to the Airport based on the lessee's revenues. In addition, the City is a party to a parking management contract in which the City receives all revenues from its public parking facility and pays operating expenses as a management fee to the operator. Substantially all Airport revenue is generated from these agreements.

The Colorado Springs Municipal Airport (Airport) is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the Colorado Springs Municipal Airport. These financial statements do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

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

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

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

The Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board pronouncements (including those issued after November 30, 1989) unless those pronouncements conflict with or contradict GASB pronouncements, in accounting and reporting for its operations.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

3. *Assets, liabilities and net assets*

A. Deposits and investments

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

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

B. Capital assets and depreciation

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

Depreciation of capital assets for the Airport is provided for using the straight-line method based on the estimated service lives of the assets which are as follows:

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

B. Capital assets and depreciation - continued

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

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

C. Compensated absences

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

D. Restricted net assets

In accordance with applicable bond ordinance provisions, certain investments are restricted and have been included in the accompanying balance sheets as restricted investments. Additionally, the bond ordinance also requires restriction of net assets for specific purposes, including potential retirement of debt and specified operating expenses. Net assets amounts required to be restricted are shown in the accompanying balance sheets as restricted net assets.

E. Passenger facility charges

The FAA has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as runway rehabilitation and taxiway improvements. PFC revenue is recorded when cash is received.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary information*

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

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), a reconciliation of resultant basis, timing and perspective for the years ended December 31, 2002 and 2001, is presented below:

	2002	2001
Operating expenses (US GAAP basis)	\$20,945,090	\$ 19,511,891
Nonoperating expenses (US GAAP basis)	4,456,236	<u>6,203,316</u>
	\$25,401,326	25,715,207
Less: Depreciation expense	(8,860,754)	(7,605,426)
Add: Capital expenditures (accrual basis)	11,302,999	<u>5,201,162</u>
Expenditures (budgetary basis)	<u>\$27,843,071</u>	<u>\$ 23,310,943</u>
Appropriations	<u>\$42,914,938</u>	<u>\$ 34,180,481</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

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, 2002 and 2001, amounted to \$\_\_\_\_\_ and \$142,948,815, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2002 and 2001, was \$\_\_\_\_\_ and \$34,318,549, respectively. The Airport's portion was approximately \_\_\_\_% and 24% of the total pooled cash and investments of the City as of December 31, 2002 and 2001, respectively. The pooled cash and investments of the City and the Airport as of December 31, 2002 and 2001, are as follows:

	December 31, 2002		December 31, 2001	
	City	Airport	City	Airport
Cash on hand	\$	\$	\$ 15,717	\$ 3,773
Deposits				
Demand, time deposits	_____	_____	6,570,859	1,577,504
			6,586,576	1,581,277
Investments	_____	_____	136,362,239	32,737,272
Total pooled cash and investments	\$ _____	\$ _____	\$ 142,948,815	\$ 34,318,549

Restricted investments

As of December 31, 2002 and 2001, the Airport's restricted investments are comprised of the repurchase agreements in the amount of \$6,118,785 for both years.

Deposits

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

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Deposits – continued

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

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

Investments

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



Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments – continued

<u>Category</u>	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Carrying amount</u>		<u>Carrying amount</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
I	\$	\$	\$ 130,768,560	\$ 31,394,365
II			-	-
III			-	-
Uncategorized			<u>5,593,679</u>	<u>1,342,907</u>
Total	<u>\$</u>	<u>\$</u>	<u>\$ 136,362,239</u>	<u>\$ 32,737,272</u>

The investments are comprised of the following:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Money markets	\$	\$ 9,018
Certificates of deposit		71,195
U.S. Treasury Securities		39,995,590
U.S. Agency Securities		73,459,950
Commercial paper		-
Corporate securities		6,038,009
Repurchase agreements		11,194,798
Other		<u>5,593,679</u>
	<u>\$</u>	<u>\$ 136,362,239</u>

As of December 31, 2002 and 2001, the City had entered into several repurchase agreements in order to temporarily invest excess cash. Underlying collateral for these agreements is composed of direct obligations of the U.S. Government or its agencies and market value of this collateral exceeds 100% of carrying value.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

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

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 82,457,679	\$ 56,159	\$ (73,527)	\$82,440,311
Improvements other than buildings	116,794,124	235,662	(1,448,937)	115,580,849
Machinery and equipment	<u>8,647,777</u>	<u>115,732</u>	<u>(880,890)</u>	<u>7,882,619</u>
Total capital assets being depreciated	<u>\$207,889,580</u>	<u>\$ 407,553</u>	<u>\$(2,403,354)</u>	<u>\$205,903,779</u>
Less accumulated depreciation for:				
Buildings				\$17,385,536
Improvements other than buildings				31,388,527
Machinery and equipment				<u>5,124,017</u>
Total accumulated depreciation	<u>\$45,992,643</u>			<u>\$53,898,080</u>
Total capital assets being depreciated, net	<u>\$161,906,937</u>			<u>\$152,005,699</u>
Capital assets not being depreciated :				
Land	17,587,386	1,073,504		18,660,890
Construction in progress	<u>4,341,285</u>	<u>12,121,357</u>	<u>(93,300)</u>	<u>16,369,342</u>
Total capital assets, not being depreciated	<u>21,928,671</u>	<u>13,194,861</u>	<u>(93,300)</u>	<u>35,030,232</u>
Capital assets, net	<u>\$183,835,608</u>	<u>\$</u>	<u>\$187,035,931</u>	

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

2. *Capital assets - continued*

Capital assets activity for the year ended December 31, 2001 was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$89,200,659	\$	\$	\$82,457,679
Improvements other than buildings	118,527,361			116,794,124
Machinery and equipment	<u>8,117,284</u>			<u>8,647,777</u>
Total capital assets being depreciated	<u>\$215,845,304</u>			<u>\$207,899,580</u>
Less accumulated depreciation for:				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Total accumulated depreciation	<u>50,537,130</u>			<u>45,992,674</u>
Total capital assets being depreciated, net	<u>\$165,308,174</u>		<u>\$161,906,937</u>	
Capital assets not being depreciated :				
Land	17,583,412			17,587,386
Construction in progress	<u>5,231,873</u>			<u>4,341,285</u>
Total capital assets, not being depreciated	<u>22,815,285</u>			<u>21,928,671</u>
Capital assets, net	<u>\$188,123,459</u>	\$	<u>\$183,835,608</u>	

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable*

In December 2002, the City of Colorado Springs issued \$43,005,000 of refunding Airport System Revenue Bonds, Series 2002A for a current refunding of \$41,650,000 of 1992A Airport System Revenue Bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price was above the net carrying amount of the old debt by \$1,049,331. This amount is being netted against the new debt and amortized over the old debt's life, which is equal to the life of the new debt. The transaction resulted in an economic gain of \$7,392,777 and a reduction of \$9,354,957 in future debt service payments.

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

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

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

In October 1992, the City of Colorado Springs, Colorado issued \$47,390,000 Airport System Revenue Bonds, Series 1992A, \$9,000,000 Airport System Revenue Bonds, Series 1992B and \$6,582,687 Airport System Revenue Bonds, Series 1992C for the purposes of paying a portion of the costs of a new terminal building and other capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance. The 1992A bonds were refunded during 2002 by the 2002A Airport Revenue Bonds outlined above. The Series 1992B bonds were redeemed during 1994.

Series 1992C capital appreciation bonds of \$13,527,563 (\$6,582,687 original principal amount plus \$7,606,523 of interest accreted through December 31, 2002) mature from 2001 to 2010 and have approximate yields to maturity of 6.80% to 7.20%. The 1992A term bonds are subject to mandatory sinking fund redemption at varying dates at a redemption price equal to the principal amount of such 1992A bonds redeemed plus accrued interest to the respective redemption dates.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2002:

Year ending December 31,	2002A		1996A		1996B		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 775,000	\$2,032,563	\$ 355,000	\$ 557,758	\$ 100,000	\$ 163,240	\$1,590,664	\$ 580,740	\$2,820,644	\$3,334,301
2004	970,000	2,009,313	375,000	541,782	105,000	158,590	1,515,473	501,404	2,965,473	3,211,089
2005	1,000,000	1,980,212	390,000	524,532	110,000	153,603	1,441,895	424,341	2,941,895	3,082,688
2006	1,030,000	1,950,213	410,000	506,202	115,000	148,268	1,370,388	349,153	2,925,388	2,953,836
2007	1,060,000	1,919,312	430,000	486,523	120,000	142,575	1,300,614	275,575	2,910,614	2,823,985
2008-2012	7,745,000	8,952,813	2,485,000	2,087,327	695,000	613,753	3,630,176	404,576	14,555,176	12,058,469
2013-2017	15,295,000	6,036,612	3,205,000	1,369,200	900,000	404,250	--	--	19,400,000	7,810,062
2018-2021	15,130,000	1,937,500	3,225,000	434,175	910,000	128,425	--	--	19,265,000	2,500,000
Totals	<u>\$43,005,000</u>	<u>\$26,818,538</u>	<u>\$10,875,000</u>	<u>\$6,507,499</u>	<u>\$3,055,000</u>	<u>\$1,912,704</u>	<u>\$10,849,210</u>	<u>\$2,535,789</u>	<u>\$67,784,210</u>	<u>\$37,774,530</u>

Interest on the 1992C bonds shown above is added to the original issue amount of the bonds.

Payments on the 1992C bonds of principal and interest will be made in the amount of \$1,670,000 in each of the years 2001 through 2005 and in the amount of \$1,675,000 in each of the years 2006 through 2010.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

4. *Leases*

The Airport leases facilities and land to various airlines, concessionaires, and others. Substantially all of the leases are operating leases for land, buildings, and terminal space, most of which expire during 2004. The leases contain provisions for cancellation by either party if certain conditions are met. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2002:

<u>Year ending</u> <u>December 31,</u>	
2003	\$10,003,256
2004	10,314,266
2005	799,849
2006	662,600
2007	505,564
2008-2012	<u>861,201</u>
	<u>\$23,146,737</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 \$10,226,676 and \$10,953,374 for the years ended December 31, 2002 and 2001, respectively.

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

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
Land	\$ 18,660,890	\$17,587,386
Buildings	82,440,311	82,457,679
Improvements other than buildings	<u>115,580,849</u>	<u>116,794,124</u>
	216,682,050	216,839,189
Less accumulated depreciation	<u>(48,774,064)</u>	<u>(40,157,253)</u>
	<u>\$167,907,986</u>	<u>\$176,681,936</u>

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE C – DETAILED NOTES – Continued

5. *Changes in long-term liabilities*

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

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due within one year
Revenue bonds	\$65,468,470	\$43,005,000	\$(43,509,903)	\$64,963,547	\$2,820,664
Less deferred amounts:					
Issuance discounts and premiums		(1,962,180)		(1,962,180)	
On refundings					
Total bonds payable	<u>65,468,470</u>	<u>41,042,820</u>	<u>(43,509,903)</u>	<u>63,001,367</u>	
2,820,664					
Accrued sick leave benefits	<u>310,995</u>	<u>1,201</u>		<u>312,196</u>	
Long-term liabilities	<u>\$65,779,465</u>	<u>\$41,044,021</u>	<u>\$(43,590,903)</u>	<u>\$63,313,563</u>	
<u>\$2,820,664</u>					

Long-term liabilities activity for the year ended December 31, 2001 was as follows:

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001	Due within one year
Revenue bonds	\$67,210,917	\$	\$(1,742,447)	\$65,468,470	
\$2,404,093					
Less deferred amounts:					
Issuance discounts and premiums					
On refundings					
Total bonds payable	<u>67,210,917</u>		<u>(1,742,447)</u>	<u>65,468,470</u>	
2,404,093					
Accrued sick leave benefits	<u>265,001</u>	<u>45,994</u>		<u>310,995</u>	
Long-term liabilities	<u>\$67,475,918</u>	<u>\$ 45,994</u>	<u>\$(1,742,447)</u>	<u>\$65,779,465</u>	
<u>\$2,404,093</u>					



Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE D – OTHER INFORMATION

1. *Risk management*

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

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

General liability coverage for the Airport is purchased from commercial carriers for losses up to \$100,000,000. No claims were incurred in excess of the coverage for 2002 or 2001.

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

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

Benefits were provided as follows:

	<u>Year ended December 31,</u>	
	<u>2002</u>	<u>2001</u>
Retirees with full coverage	2	2
Retirees with partial coverage	15	14
	17	16
Cost of retirement benefits	<u>\$ 20,688</u>	<u>\$ 18,470</u>

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans*

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

Plan members are required to contribute 8% of their annual covered salary and the City is required to contribute 9.43% at an actuarially determined rate. The current City contribution rate is 9.43% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the PERA Board of Trustees. The Airport's contributions to PERA for the years ended December 31, 2002, 2001 and 2000, were \$355,108, \$347,790 and \$321,754, respectively, equal to the required contributions for each year.

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

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

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans – continued*

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

	2002	2001
Employees hired before April, 1978	\$ 5,694	\$ 8,860
Employees hired on or after April, 1978	\$ 71,419	\$ 53,838

4. *Payments to the City of Colorado Springs*

The Airport paid the City of Colorado Springs for administrative fees, data processing fees, and other charges for services that the City provided to the Airport in the amount of \$357,480 and \$340,464 for the years ended December 31, 2002 and 2001, respectively.

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

Included in loss on disposal/abandonment of fixed assets on the 2001 statement of revenues, expenses and changes in retained earnings is the loss on the abandonment of the old airport terminal building. The Airport abandoned the terminal building in 2001. The building had been recorded on the balance sheet at a cost of \$13,827,423 with accumulated depreciation of \$12,030,199. Abandonment of the building caused the Airport to recognize a loss on abandonment of fixed assets in the amount of \$1,797,224 for the year ended December 31, 2001. As of the end of 2002, the Airport has completed demolition of the old terminal building and parking area. The approximately thirty acres is currently being marketed for lease to potential tenants.

6. *Disclosures about fair value of financial instruments*

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

Restricted assets – investments and cash and investments

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

Revenue bonds payable

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

NOTE D – OTHER INFORMATION – Continued

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

The estimated fair values of the Airport’s financial instruments are as follows as of December 31, 2002 and 2001:

	December 31, 2002	
	Carrying amount	Fair value
Restricted assets – investments	\$ 5,834,682	\$ 5,834,682
Cash and investments	38,908,413	38,908,413
Revenue bonds payable	65,822,031	
	December 31, 2001	
	Carrying amount	Fair value
Restricted assets – investments	\$ 6,118,785	\$ 6,118,785
Cash and investments	34,318,549	34,318,549
Revenue bonds payable	67,872,563	74,226,868

7. *Accounting changes*

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

SUPPLEMENTARY AND OTHER INFORMATION

Report of Independent Certified Public Accountants  
on Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Colorado Springs Municipal Airport as of and for the years ended December 31, 2002 and 2001, which are presented in the preceding section of this report. The Schedule of Financial Activity of the Various Bond Ordinance Created Funds and Accounts for the Colorado Springs Municipal Airport Project, Historical Annual Debt Service Coverage, and Historical Non-Airline Revenues supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Colorado Springs, Colorado

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Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
SCHEDULE OF FINANCIAL ACTIVITY OF THE VARIOUS  
BOND ORDINANCE CREATED FUNDS AND ACCOUNTS FOR  
THE COLORADO SPRINGS MUNICIPAL AIRPORT PROJECT  
Year ended December 31, 2002

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance January 1, 2002	\$	\$	\$	\$	\$	\$
Add: Commitments as of December 31, 2001	_____	_____	_____	_____	_____	_____
Adjusted balance as of January 1, 2002	_____	_____	_____	_____	_____	_____
Calendar year 2002 activity						
Operating revenues						
Non-operating revenues						
Interest earnings						
Passenger facility charges						
Other revenue (expense)						
Operating transfers in						
FAA Grant revenues	_____	_____	_____	_____	_____	_____
Sub-total revenues	_____	_____	_____	_____	_____	_____
Operating expenses						
Operating transfers out						
Operating capital						
Capital expenses						
Non-operating expenses						
Debt service expenses	_____	_____	_____	_____	_____	_____
Sub-total expenses	_____	_____	_____	_____	_____	_____
Balances before encumbrances, commitments and transfers	_____	_____	_____	_____	_____	_____
Encumbrances at December 31, 2002	_____	_____	_____	_____	_____	_____
Transfers						
Operating/maintenance						
Bond debt service						
2001 Bond ordinance requirements						
Income available for sharing-City's portion						
Prior year airline settlement amounts						
Funding adj.-encumbrances/working capital						
Non-preferential gate use fees						
Deferral amount for airline rates and charges						
Close out of 1996 bond project						
Interest to:						
Airlines						
Capital account	_____	_____	_____	_____	_____	_____
Sub-total transfers	_____	_____	_____	_____	_____	_____
Ending balance- December 31, 2002	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____





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

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

We have audited the financial statements of the Colorado Springs Municipal Airport (the Airport), as of and for the year ended December 31, 2002, and have issued our report thereon dated \_\_\_\_\_. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Colorado Springs, Colorado

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