

# Financial Statements

## Colorado Springs Municipal Airport

For the year ended December 31, 2007



City of Colorado Springs, Colorado

## TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
BALANCE SHEETS	17
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	19
STATEMENTS OF CASH FLOWS	20
NOTES TO FINANCIAL STATEMENTS	22
SUPPLEMENTARY AND OTHER INFORMATION	41
SCHEDULE OF FINANCIAL ACTIVITY OF THE VARIOUS BOND ORDINANCE CREATED FUNDS AND ACCOUNTS FOR THE COLORADO SPRINGS MUNICIPAL AIRPORT	42
AIRLINES SERVING THE AIRPORT	44
HISTORICAL AIRLINE TRAFFIC	45
AIRLINE SHARES OF ENPLANED PASSENGERS	46
HISTORICAL AIRCRAFT LANDED WEIGHT	47
AVERAGE DAILY DEPARTURES BY AIRLINES	49
RECENT TRENDS IN TOTAL AIR CARGO	50
HISTORICAL ANNUAL DEBT SERVICE COVERAGE	51
HISTORICAL NON-AIRLINE REVENUES	52



**BONDI & Co. LLC**

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT CONSULTANTS

44 INVERNESS DRIVE EAST  
ENGLEWOOD, COLORADO 80112

www.bondico.com

(303) 799-6826 PHONE  
(800) 250-9083 TOLL-FREE

(303) 799-6926 FAX

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

**Independent Auditors' Report**

We have audited the accompanying financial statements of the business-type activities of the Colorado Springs Municipal Airport (Airport), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2007, 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 audit.

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. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Airport are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities that are 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, 2007, the changes in its financial position or its cash flows for the year 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 the Airport as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Affiliate Offices Worldwide

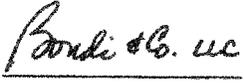
**The Honorable Mayor and  
Members of the City Council  
Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
Page 2**

**In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.**

**The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

**Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Airport. 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 express no opinion on it.**

**June 5, 2008**

  
**BONDI & Co. LLC**

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

The following management's discussion and analysis of the Colorado Springs Airport's (the Airport) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 2007 and 2006. 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, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See notes to the financial statements for a summary of the Airport's significant accounting policies.

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

### Airport Activities Highlights

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Enplaned Passengers	1,033,586	1,017,016	1,030,833
% increase (decrease)	1.63%	-1.34%	-0.38%
Aircraft Operations	155,688	140,958	165,911
% increase (decrease)	10.45%	-15.04%	-5.14%
Landed Weight (in thousands)	1,333,830	1,417,293	1,525,778
% increase (decrease)	-5.89%	-7.11%	-2.43%
Freight and Mail (tons)	13,475	16,302	16,725
% increase (decrease)	-17.34%	-2.53%	-8.29%

2007 enplanements were approximately 1.6% above 2006 due to new service from ExpressJet and Midwest Airlines. Aircraft operations were higher in 2007 primarily because of an 18% increase in general aviation operations and a 13% increase in military operations. General aviation increased partially because of the reopening of Runway 17L/35R which had been under reconstruction during 2006. Military operations were up because of the return of the local reserve squadrons at Peterson Air Force Base from deployment overseas. Landed weight was lower in 2007 compared to 2006 as a result of a decrease in the number of scheduled flights and cargo operations. Freight and mail decreased from 2007 to 2006 due to a reduction in the number of cargo flights flown by FedEx.

Comparing 2006 activity to 2005, enplaned passengers decreased in 2006 due to a reduction in flight schedules. A significant factor was the consolidation of several routes as airlines reduced frequencies in order to achieve cost savings and operational efficiencies. In addition, Mesa Airlines withdrew their mainline service from Colorado Springs in October of 2006. Another factor was the summer closure of the Airport's 13,500 foot east runway for rehabilitation and reconstruction. Summer heat, coupled with the high altitude, necessitated a change in aircraft in order for airlines to operate on the shorter 11,000 foot west runway. These fleet changes caused a reduction in available seats on departing flights. Aircraft operations were significantly lower in 2006 primarily because of a 15% reduction in general aviation operations and a 23% reduction in military operations. General aviation activity was impacted by higher fuel rates in 2006. Military operations were down because of the continued deployment of the local reserve squadrons at Peterson Air Force Base. Landed weight was lower in 2006 compared to 2005 as a result of a decrease in the number of scheduled flights. Freight and mail decreased from 2006 to 2005 due to a slight reduction in the number of cargo flights flown by FedEx and Airborne Express.

During 2007, eight major air carriers and six regional carriers supported the Airport with non-stop service to sixteen major cities. In addition, three air cargo operators used the Airport's facilities.

### Financial Highlights

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

	2007	2006	\$ Increase (Decrease)	2005	\$ Increase (Decrease)
Operating revenues	\$ 21,536,567	\$ 21,542,019	\$ (5,452)	\$ 20,719,348	\$ 822,671
Operating expenses	<u>14,722,292</u>	<u>13,804,532</u>	<u>917,760</u>	<u>13,216,784</u>	<u>587,748</u>
Excess before depreciation and other income, net	6,814,275	7,737,487	(923,212)	7,502,564	234,923
Depreciation and amortization	<u>7,152,731</u>	<u>8,552,544</u>	<u>(1,399,813)</u>	<u>8,157,208</u>	<u>395,336</u>
Operating income (loss)	(338,456)	(815,057)	476,601	(654,644)	(160,413)
Net nonoperating income	2,344,292	(17,267,116)	19,611,408	1,828,034	(19,095,150)
Capital grants and contr.	<u>10,138,009</u>	<u>35,381,253</u>	<u>(25,243,244)</u>	<u>5,648,091</u>	<u>29,733,162</u>
Change in net assets	12,143,845	17,299,080	(5,155,235)	6,821,481	10,477,599
Net assets at beginning of year	<u>196,161,150</u>	<u>178,862,070</u>	<u>17,299,080</u>	<u>172,040,589</u>	<u>6,821,481</u>
Net assets at end of year	<u>\$ 208,304,995</u>	<u>\$ 196,161,150</u>	<u>\$ 12,143,845</u>	<u>\$ 178,862,070</u>	<u>\$ 17,299,080</u>

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2007 are as follows:

- ➔ Although the Airport experienced an increase in passenger traffic in 2007, operating revenues decreased \$5,452 from 2006 due primarily to a decrease in airline revenue. Gate usage fees collected for the use of City gates decreased by 39%. Airlines utilized fewer City gates in 2007 by operating more of their daily flights at their leased gates. In addition, the Airport collected \$107,851 less in remain over night fees as compared to 2006. As operating costs continue to rise, airlines have reduced the number of aircraft they park on the Airport's ramp overnight in order to avoid paying an additional parking fee.
- ➔ Operating expenses increased by \$917,760 as compared to 2006, primarily due to an increase in personnel costs and runway maintenance expenditures. The Airport's east runway was closed in 2006 for rehabilitation during which time no maintenance expenses were incurred.

- The net result of the above was operating income before depreciation decreased by \$923,212 for 2007. Depreciation and amortization in 2007 decreased from \$8,552,544 to \$7,152,731 due to reductions in Airport capital assets subject to depreciation.
- Non-operating revenues increased from a non-operating loss of \$17,267,116 in 2006 to a non-operating gain of \$2,344,292 in 2007. The change from 2006 to 2007 relates to a loss on disposal of capital assets in 2006, attributable to the removal of the east runway from the Airport's capital assets. In addition, the Airport's investment income increased by 31% and interest expense decreased by 15% as a result of savings realized from a bond refunding completed in 2007.
- Capital grant and contribution revenues registered \$10,138,009 and \$35,381,253 in 2007 and 2006, respectively. The decrease is primarily due to capital reimbursements received in 2006 from the FAA on the Airport's reconstruction of the east runway. The project was completed in early 2007.
- For 2007, net assets increased \$12,143,845 as the result of the above activity, resulting in total net assets at the end of 2007 totaling \$208,304,995.

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2006 are as follows:

- Although the Airport experienced a slight decrease in passenger traffic in 2006, operating revenues increased \$822,671 from 2005 due primarily to an increase in terminal concessions and public parking revenues. The food/beverage and news/gifts concession revenue increased by approximately 13% as passengers continued to take advantage of the new concession outlets at the Airport. The completion of the public parking lot reconfiguration allowed for an increase in short term parking utilization as compared to 2005. In addition, the Airport raised its long term and valet parking fees in February of 2006.
- Operating expenses increased by \$587,748 as compared to 2005, primarily due to an increase in personnel costs and equipment purchases. The increase was partially offset by a reduction in other operating expenses related to professional services and repairs and maintenance.
- The net result of the above was operating income before depreciation increased by \$234,923 for 2006. Depreciation and amortization in 2006 increased from \$8,157,208 to \$8,552,544 due to additions in Airport capital assets.
- Non-operating revenues decreased from a non-operating gain of \$1,828,034 in 2005 to a non-operating loss of \$17,267,116 in 2006. The change from 2005 to 2006 relates to a loss on disposal of capital assets in 2006, attributable to the removal of the east runway from the Airport's capital assets. The runway was completely demolished in 2006. Rehabilitation work on the new surface was not complete as of December 31, 2006.
- Capital grant and contribution revenues registered \$35,381,253 and \$5,648,091 in 2006 and 2005, respectively. The increase is primarily due to capital reimbursements received from the FAA on the Airport's ongoing reconstruction of the east runway. The FAA awarded in excess of \$38 million in AIP and PFC funding to the Airport for this project. In addition, the Airport received

\$2,554,454 in capital contributions related to infrastructure improvements and cost recovery on several land parcels.

➔ For 2006, net assets increased \$17,299,080 as the result of the above activity, resulting in total net assets at the end of 2006 totaling \$196,161,150.

### Financial Position Summary

	<u>2007</u>	<u>2006</u>	<u>% Change</u>	<u>2005</u>	<u>% Change</u>
Current assets (including restricted cash)	\$ 38,205,170	\$ 40,572,779	-5.84%	\$ 41,307,599	-1.78%
Restricted Investments	5,604,162	5,834,683	-3.95%	5,834,683	0.00%
Bond issue cost (net)	852,254	601,441	41.70%	670,264	-10.27%
Note Receivable	2,138,585	1,288,586	65.96%	-	-
Property and equipment (net)	226,671,589	218,114,849	3.92%	196,314,865	11.10%
<b>Total Assets</b>	<b>\$ 273,471,760</b>	<b>\$ 266,412,338</b>	<b>2.65%</b>	<b>\$ 244,127,411</b>	<b>9.13%</b>
Current Liabilities	\$ 8,837,681	\$ 15,850,853	-44.24%	\$ 8,723,174	81.71%
Long-term debt (less current portion)	55,895,648	54,015,356	3.48%	56,189,010	-3.87%
Other non-current liabilities	433,436	384,979	12.59%	353,157	9.01%
Net Assets:					
Invested in capital assets (net of debt)	176,326,065	166,123,866	6.14%	136,969,435	21.29%
Restricted	14,126,427	13,824,516	2.18%	19,278,062	-28.29%
Unrestricted	17,852,503	16,212,768	10.11%	22,614,573	-28.31%
<b>Net Assets</b>	<b>208,304,995</b>	<b>196,161,150</b>	<b>6.19%</b>	<b>178,862,070</b>	<b>9.67%</b>
<b>Total Liabilities and net assets</b>	<b>\$ 273,471,760</b>	<b>\$ 266,412,338</b>	<b>2.65%</b>	<b>\$ 244,127,411</b>	<b>9.13%</b>

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

At December 31, 2007, the amount of \$14.1 million or 6.8% of net assets represented resources that are subject to restrictions on how they can be used. For 2006, the amount was \$13.8 million or 7.0%. These restricted net assets are not available for new spending because they have already been committed as follows:

	<u>2007</u>	<u>2006</u>
Passenger Facility Charges	\$ 2,531,039	\$ 2,109,390
Bond and Operating and Maintenance Reserves	<u>11,595,388</u>	<u>11,715,126</u>
Total Restricted	<u>\$ 14,126,427</u>	<u>\$ 13,824,516</u>

The remaining unrestricted net assets of \$17.9 million and \$16.2 million for 2007 and 2006, respectively, may be used to meet any of the Airport's ongoing obligations.

#### **Airline Signatory Rates and Charges for 2007 and 2006**

The Airport and fourteen (14) airlines and cargo carriers negotiated an agreement effective January 1, 2000, for five years, which establishes how the airlines will be assessed annual rates and charges for their use of the Airport. The agreement establishes rates and charges through a hybrid commercial compensatory methodology with a revenue sharing component. The final rates and charges for the signatory airlines were as follows (2007 rates are finalized after the issuance of these financial statements):

	<b>Year Ended December 31,</b>	
	<u>2007</u>	<u>2006</u>
Landing fees (per 1,000 lbs MGLW)	\$ 2.03	\$ 1.77
Terminal rental rate (per sq ft)	\$ 55.11	\$ 54.18
Loading bridge rate (per bridge)	\$ 49,856	\$ 40,090
Signatory airline cost (per enplaned passenger)	\$ 6.86	\$ 6.51

The airline derived revenue per enplaned passenger is calculated after the settlement of all rates and charges adjustments based on actual revenues and expenditures and inclusion of the net revenue sharing credited to the airlines, which was \$1,863,896 (preliminary) and \$1,717,867 in 2007 and 2006, respectively.

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

#### **Passenger Facility Charges**

In December 1992, the Airport received approval from the Federal Aviation Administration (the FAA) to collect a \$3.00 passenger facility charge (PFC) on each passenger enplaning at the Airport. The Airport has collected PFCs including interest earnings thereon, totaling \$52,904,852 and

\$50,220,015 through the years ended December 31, 2007 and 2006, 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.

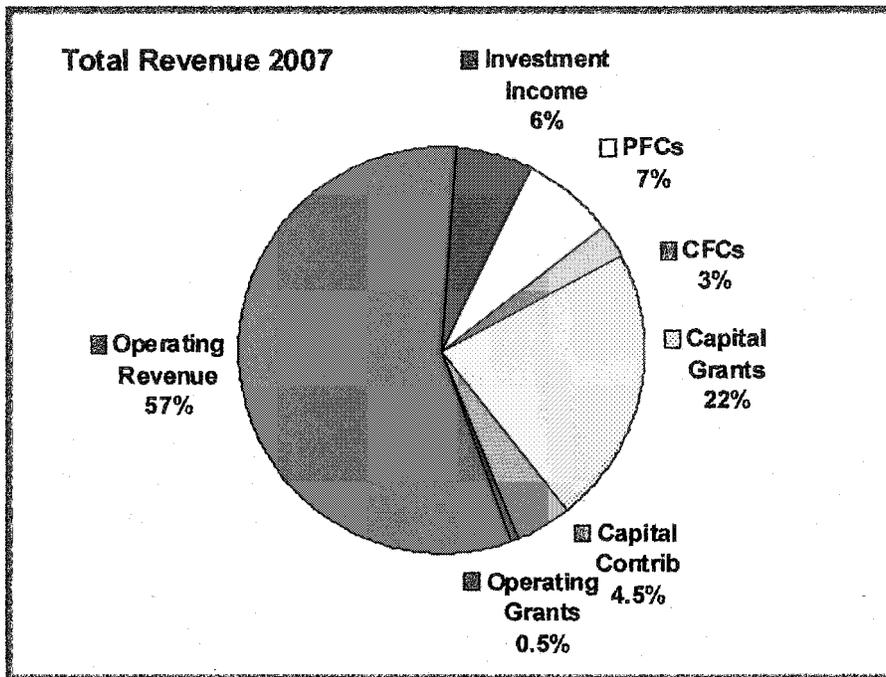
An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

### Financial Details

#### Revenues Overview:

The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2007 and 2006 with a comparison of changes in dollar amounts to the previous years.

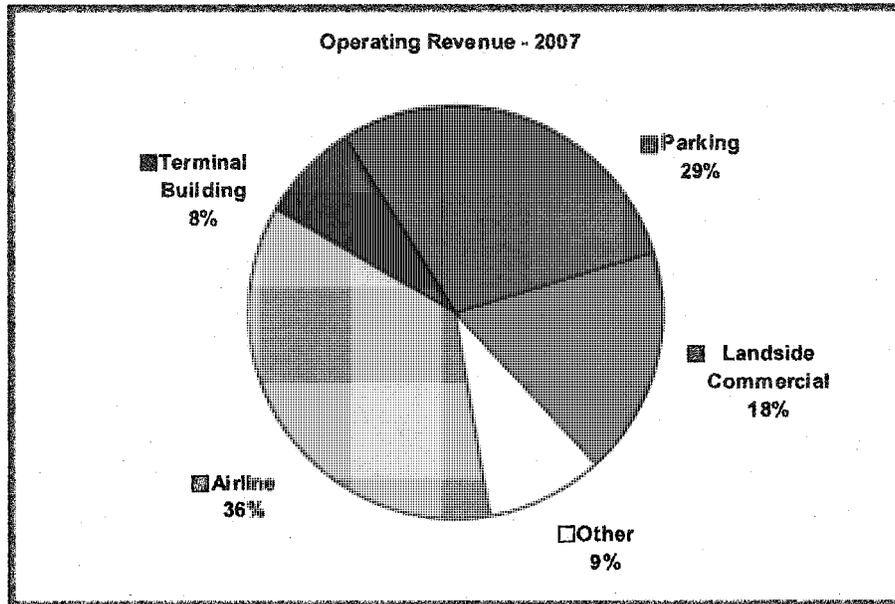
	<u>Year End</u> <u>12/31/2007</u>	<u>Year End</u> <u>12/31/2006</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2005</u>	<u>\$ Increase</u> <u>(Decrease)</u>
<b>Operating Revenues</b>					
Airline	\$ 7,797,852	\$ 8,176,697	\$ (378,845)	\$ 8,240,691	\$ (63,994)
Terminal Building	1,678,165	1,563,121	115,044	1,421,576	141,545
Parking	6,256,899	6,181,680	75,219	5,442,665	739,015
Landside Commercial	3,842,896	3,830,488	12,408	3,861,853	(31,365)
Other	1,960,755	1,790,033	170,722	1,752,563	37,470
<b>Total Operating Revenues</b>	<u>21,536,567</u>	<u>21,542,019</u>	<u>(5,452)</u>	<u>20,719,348</u>	<u>822,671</u>
<b>Other Income</b>					
Investment Income	2,375,506	1,819,501	556,005	1,077,834	741,667
Passenger Facility Charges	2,833,167	2,755,309	77,858	2,836,904	(81,595)
Customer Facility Charges	996,495	945,662	50,833	991,420	(45,758)
Operating Grant	166,581	168,487	(1,906)	156,702	11,785
Capital Grants	8,411,479	32,826,799	(24,415,320)	5,648,091	27,178,708
Capital Contributions	1,726,530	2,554,454	(827,924)	-	2,554,454
<b>Total Other Income</b>	<u>16,509,758</u>	<u>41,070,212</u>	<u>(24,560,454)</u>	<u>10,710,951</u>	<u>30,359,261</u>
<b>TOTAL INCOME</b>	<u>\$ 38,046,325</u>	<u>\$ 62,612,231</u>	<u>\$(24,565,906)</u>	<u>\$ 31,430,299</u>	<u>\$ 31,181,932</u>



### Operating Revenues:

Significant items for 2007 as compared to 2006 were as follows:

- Total operating revenue decreased by \$5,452. The decrease was primarily due to a \$378,845 decline in airline revenue. Commercial airlines paid \$181,353 and \$107,851 less in gate usage and remain over night fees in 2007 compared to 2006. In response to rising fuel costs, passenger airlines have turned to higher gate utilization at their leased gates to avoid additional gate usage fees at City gates. In addition, fewer aircraft are prepositioned for morning departures which reduce the number of overnight parking instances. Landing fees collected were \$187,053 lower than 2006 primarily due to a reduction in the number of cargo flight operations.
- The decrease in airline revenue was partially offset by an increase of \$115,044 in terminal building concession revenues. The increase was a result of higher sales experienced by most of the terminal passenger concession outlets. The first full year of sales for the Airport's new food and beverage and retail sales concessions were contributing factors. Passenger response to the new concession facilities has been overwhelmingly positive.
- Other revenues increased by \$170,722 primarily due to an increase in both ground rent and miscellaneous revenues collected from tenants. A substantial portion of the increase was due to reimbursements from tenants related to tenant finishes for leased space.



Significant items for 2006 as compared to 2005 were as follows:

- Airline Revenue decreased by approximately \$63,994 from 2005. Landing fees decreased by \$519,513 due to a reduction in the number of landings, offset by an increase in non-preferential gate usage fees of \$255,306. Terminal rents decreased slightly in 2006 by \$34,393 due to a slightly higher vacancy rate.
- Parking revenues increased by approximately \$739,015 due to increased utilization as a result of the completion of the parking lot construction project which relocated the rental car and short term parking lots. In addition, both the long term and valet parking fees were increased in February of 2006. Terminal building revenues increased due to higher spending per passenger in the food and gift concessions as a result of the new and improved concession outlets in the main terminal.

**Other Income:**

The significant items for 2007 as compared to 2006 are as follows:

- Investment income increased by approximately \$556,005 from 2006, due to higher interest rates earned on the Airport's bond reserve funds and other pooled investments.
- Capital grants revenue decreased by \$24,415,320 in 2007 as compared to 2006. This decrease is the result of approximately \$32 million in grants that was received from the FAA in 2006 for the Airport's demolition and rehabilitation of its 13,500 foot runway.
- Capital contributions decreased by \$827,924 in 2007 as compared to 2006. In 2006, the Airport began construction on infrastructure improvements related to the Airport Business Park. The Airport was reimbursed by the first two tenants in the park. The majority of the improvements and related reimbursements were received in 2006.

The significant items for 2006 as compared to 2005 are as follows:

- Investment income increased by approximately \$741,667 from 2005, due to higher interest rates earned on the Airport's bond reserve funds and other pooled investments.
- Capital grants revenue increased in 2006 by \$27,178,708 compared to 2005. This increase is the result of approximately \$36 million in grants from the FAA for the Airport's demolition and rehabilitation of runway 17L/35R.
- The Airport received \$2,554,454 in capital contributions for infrastructure improvement reimbursements and cost recovery related to several land parcels.

### Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2007 and 2006, along with comparisons in dollars to the prior years.

	<u>Year End</u> <u>12/31/2007</u>	<u>Year End</u> <u>12/31/2006</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2005</u>	<u>\$ Increase</u> <u>(Decrease)</u>
<b>Operating Expenses</b>					
Salaries and Benefits	\$ 7,762,583	\$ 7,477,470	\$ 285,113	\$ 7,088,325	\$ 389,145
Other Operating Expenses	6,959,709	6,327,062	632,647	6,128,459	198,603
<b>Total Operating Expenses</b>	<u>14,722,292</u>	<u>13,804,532</u>	<u>917,760</u>	<u>13,216,784</u>	<u>587,748</u>
Depreciation and gain or loss on disposal of capital assets	8,554,308	28,408,409	(19,854,101)	8,147,552	20,260,857
Interest Expense	2,625,880	3,100,210	(474,330)	3,244,482	(144,272)
<b>TOTAL EXPENSES</b>	<u>\$25,902,480</u>	<u>\$45,313,151</u>	<u>\$(19,410,671)</u>	<u>\$24,608,818</u>	<u>\$20,704,333</u>

The significant issues affecting 2007 expenses as compared to 2006 were as follows:

- Other operating expenses were approximately \$632,647 higher in 2007 compared to 2006. Additional details of operating expenses and explanations of variances are provided below under Expense by Category.
- Depreciation expense and gain or loss on disposal of capital assets was \$19,854,101 lower than 2006 due to a higher loss on the disposal of assets in 2006 including the demolition of the Airport's 13,500 foot runway.
- Interest expense for 2007 was approximately \$474,300 lower than 2006 primarily due to a refunding of the Airport's 1996 Series A and B revenue bonds in April 2007 resulting in lower annual debt service payments. In addition, the Airport's debt amortization schedule 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 2006 expenses as compared to 2005 were as follows:

- Operating expenses were approximately \$587,748 higher in 2006 compared to 2005. Additional

details of operating expenses and explanations of variances are provided below under Expense by Category.

- Depreciation expense and gain or loss on disposal of capital assets was \$20,260,857 higher than 2005 due to the disposal of assets including the demolition of runway 17L/35R prior to reconstruction and an increase in depreciation due to additions in assets.
- Interest expense for 2006 was approximately \$144,272 lower than 2005 due to the Airport's debt amortization schedule applying a greater portion of the substantially level debt service payments toward principal and less toward interest each year.

**Expense by Category:**

The following chart shows the operating expenses by category for the years ended December 31, 2007 and 2006.

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>\$ Increase/</u>	<u>2006</u>
	<u>Totals</u>	<u>% of Total</u>	<u>Totals</u>	<u>(Decrease)</u>	<u>% of Total</u>
Salaries and Benefits	\$ 7,762,583	52.73%	\$ 7,477,470	\$ 285,113	54.17%
Supplies	656,385	4.46%	507,543	148,842	3.67%
Repairs and Maintenance	1,209,781	8.22%	906,812	302,969	6.57%
Advertising	94,547	0.64%	79,618	14,929	0.58%
Utilities	1,019,219	6.92%	1,096,817	(77,598)	7.95%
Contract Services	273,578	1.86%	424,014	(150,436)	3.07%
Parking Management	1,478,790	10.04%	1,523,210	(44,420)	11.03%
Miscellaneous	1,142,086	7.76%	1,329,283	(187,197)	9.63%
Capital Expenditures	1,085,323	7.37%	459,765	625,558	3.33%
<b>TOTAL EXPENSES</b>	<u>\$ 14,722,292</u>	<u>100.00%</u>	<u>\$ 13,804,532</u>	<u>\$ 917,760</u>	<u>100.00%</u>

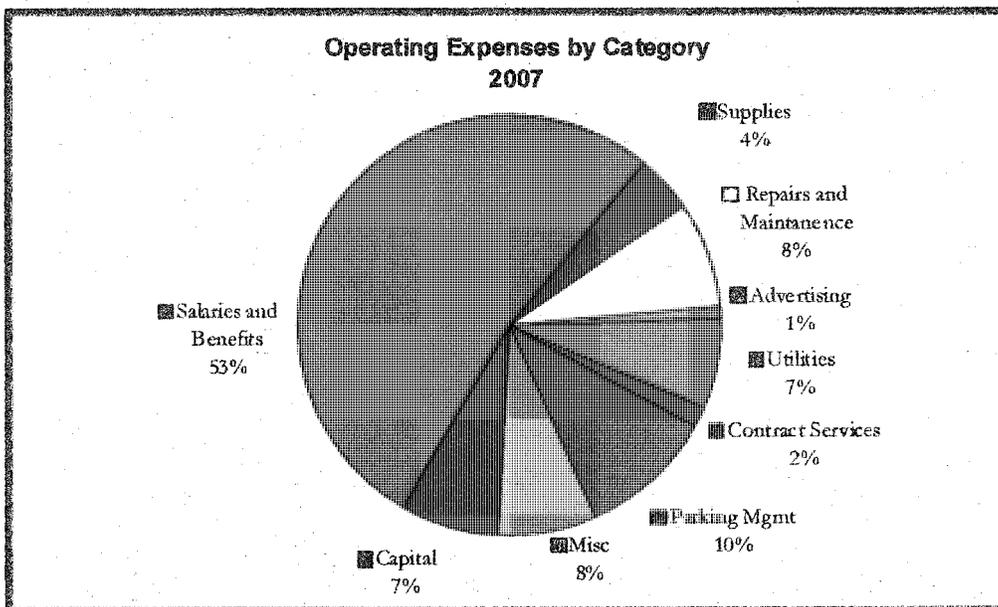
The significant variances between 2007 and 2006 expenses by category were the result of:

- Salaries and benefits increased \$285,113 in 2007 due to salary progressions and a City wide cost of living increase.
- Repairs and maintenance increased \$302,969 primarily due to the reopening of Runway 17L/35R, resulting in routine maintenance that was not required in 2006 while the runway was under reconstruction. In addition, fleet maintenance expenses increased by \$83,694 as a result of higher maintenance needs caused by heavy winter storms.
- Contract services decreased \$150,436 from 2006 as the need for external professional services was reduced. A significant factor was the completion of the Airport's new perimeter security system allowing for the change from manned to automated security gates.
- Miscellaneous expenses decreased by \$187,197 in 2007, primarily due to a decrease in the administrative fees paid to the City for centralized services. Several City services were converted to a direct billing format and are included in other expenditure categories for 2007.

- Capital expenditures were \$625,558 higher than 2006 due to the capitalization of a smaller portion of assets as compared to 2006.

The significant variances between 2006 and 2005 expenses by category were the result of:

- Salaries and benefits increased \$389,145 in 2006 due to salary progressions and a City wide cost of living increase.
- Supplies decreased \$179,634 from 2005, due primarily to lower inventory requirements.
- Repairs and maintenance decreased \$329,489 due to the closure of Runway 17L/35R, resulting in reduced repair and maintenance requirements on the airfield.
- Contract services decreased by \$103,597 in 2006 due to fewer requirements for legal and financial services.
- Miscellaneous expenditures were \$186,821 higher than in 2005 due to an increase in the Airport's allocation of the City's shared administrative costs for financial, legal, and other services.
- Capital expenditures increased \$334,185, primarily due to the replacement of several maintenance vehicles.



## Budgetary Highlights

	<u>2007</u>	<u>2007</u>	<u>% Over/</u>	<u>2006</u>	<u>2006</u>	<u>% Over/</u>
	<u>Budget</u>	<u>Actual</u>	<u>(Under)</u>	<u>Budget</u>	<u>Actual</u>	<u>(Under)</u>
<b>Operating Revenues</b>						
Airline Revenues	\$ 8,926,780	\$ 7,797,852	-12.65%	\$ 8,655,929	\$ 8,176,697	-5.54%
Other Operating Revenues	14,337,975	13,738,718	-4.18%	13,416,917	13,365,322	-0.38%
<b>Total Operating Revenues</b>	<u>23,264,755</u>	<u>21,536,570</u>	<u>-7.43%</u>	<u>22,072,846</u>	<u>21,542,019</u>	<u>-2.40%</u>
Total Operating Expenses	15,130,219	14,722,292	-2.70%	14,664,779	13,804,532	-5.87%
<b>Total Operating Income</b>	<u>\$ 8,134,536</u>	<u>\$ 6,814,278</u>	<u>-16.23%</u>	<u>\$ 7,408,067</u>	<u>\$ 7,737,487</u>	<u>4.45%</u>

The significant variances related to 2007 budget and actual figures were as follows:

- ➔ Airline revenues were approximately 12.65% less than budgeted. The Airport experienced fewer landings than originally anticipated at the time the 2007 budget was prepared, and the actual landing fee charged was lower than forecasted in the budget. The largest contributor to fewer landings and lower landed weight was a reduction in the number of cargo operations in 2007 as compared to 2006.
- ➔ Operating expenses were 2.7% lower than originally budgeted due to personnel vacancies and reduced expenditures for contracted and centralized services.

The significant variances related to 2006 budget and actual figures were as follows:

- ➔ Airline revenues were approximately 5.54% less than budgeted. The Airport experienced fewer landings than originally anticipated at the time the 2006 budget was prepared. Consolidation of routes within the airline industry and the closure of the Airport's east runway contributed to the reduced number of landings. The decrease in landing fees was partially offset by an increase in non-preferential gate usage fees.
- ➔ Operating expenses were 5.87% lower than originally budgeted due to personnel vacancies and lower than anticipated repair and maintenance expenses associated with the airfield. The closure of Runway 17L/35R created a reduced demand for runway repairs.

## Long-Term Debt

The Airport had \$54,735,426 and \$57,219,851 in bonds outstanding in six series of bonds; 2007A, 2007B, 2002A, 1996A, 1996B and 1992C as of December 31, 2007 and 2006, respectively. The Airport refunded the 1996A and 1996B series bonds in April 2007 with the 2007A and 2007B series bonds. 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 2007 and 2006, the outstanding balance on the loan was \$2,177,442 and \$1,283,530 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, 2007, the outstanding balance on the loan was \$3,500,000. The loan will be repaid with PFC revenues.

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

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

### Capital Acquisition and Construction Activities

During fiscal years ended December 31, 2007 and 2006, the Airport expended approximately \$18 million and \$51 million in capital activities, respectively. Major construction projects in 2007 included security modifications, drainage improvements, the rental car and public parking relocation, infrastructure improvements along the west side (Aviation Way) of the Airport, the rehabilitation of Runway 17L/35R, and infrastructure improvements for the Airport Business Park. Property and equipment acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	<u>2007</u>	<u>2006</u>
Taxiway C Extension	\$ -	\$ 172,333
Rehabilitation of Taxiway E, G (Phase I)	4,233,227	-
Taxiway H Extension	6,953	8,746
Rental Car/ Public Parking/ Roadway Improvements	3,760,200	2,292,067
Resurface Airport Entry/Exit Roads	1,582,611	1,666
Vehicle Service Road	118,708	878,198
WAD - Roads	39,964	578,616
Terminal Expansion Improvements	12,330	510,148
Business Park Development	1,666,187	2,780,467
Relocation of ETD Equipment	-	126,383
Aviation Way Expansion	325,471	2,393,640
GA Taxilane/Holding Bay	-	18,439
Security Modifications	936,765	841,263
Taxiway E Pavement Survey	-	282,892
Roadway Signage	21,104	49,039
Runway 17L/35R Rehabilitation	2,443,637	32,832,086
WAD Taxilane	4,745	53,457
Baggage Screening Camera System	29,529	-
Rehab of Taxiway E (Design)	665,148	37
Airport Drainage Improvements	747,193	5,302,126

Development Office Remodel	-	2,654
ILS Glide Slope	103,853	-
Carpet Replacement	-	438,315
Remodel Administrative Offices	9,337	-
Bag Belt Modifications	142,505	-
Vehicle Service Road (East Perimeter)	320,684	-
Runway Fog Seal	109,494	-
South GA Taxi lane	403,685	466,439
Miscellaneous other Airport improvements	<u>12,356</u>	<u>404,019</u>
Total	\$ 17,695,686	\$ 50,433,030

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

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

### **Request for Information**

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: Gisela Shanahan, Assistant Director of Aviation - Finance & Administration, Colorado Springs Airport, 7770 Milton E. Proby Parkway, Suite 50, Colorado Springs, Colorado, 80916 or by email to [gshanahan@springsgov.com](mailto:gshanahan@springsgov.com).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
BALANCE SHEETS  
December 31, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Unrestricted cash and investments	\$ 26,937,644	\$ 24,531,497
Restricted cash and investments	8,522,265	7,989,834
Accounts receivable	2,745,261	8,051,398
Due from other City funds	-	50
Total current assets	38,205,170	40,572,779
NONCURRENT ASSETS		
Restricted assets		
Investments	5,604,162	5,834,683
Unamortized bond issuance costs	852,254	601,441
Note Receivable	2,138,585	1,288,586
Capital assets		
Land	18,423,581	18,423,581
Buildings	93,383,200	93,353,277
Improvements other than buildings	86,235,567	87,133,906
Machinery and equipment	7,209,195	5,645,340
Infrastructure	16,795,306	16,795,306
Vehicles	3,927,794	4,363,730
Construction in progress	71,635,022	57,337,685
Less accumulated depreciation	(70,938,076)	(64,937,976)
Total capital assets (net of accumulated depreciation and amortization)	226,671,589	218,114,849
Total noncurrent assets	235,266,590	225,839,559
Total assets	\$ 273,471,760	\$ 266,412,338

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
BALANCE SHEETS  
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of revenue bonds payable	\$ 3,068,236	\$ 3,213,493
Current portion of notes payable	477,037	596,817
Accrued interest payable	8,765	-
Accounts payable	3,337,685	10,204,676
Accrued salaries, benefits	606,931	612,454
Due to other City funds	-	112,642
Deferred revenue and other tenant deposits	<u>1,339,027</u>	<u>1,110,771</u>
Total current liabilities	<u>8,837,681</u>	<u>15,850,853</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable	50,695,243	53,328,643
Notes Payable	5,200,405	686,713
Accrued sick leave benefits	<u>433,436</u>	<u>384,979</u>
Total noncurrent liabilities	<u>56,329,084</u>	<u>54,400,335</u>
Total liabilities	<u>65,166,765</u>	<u>70,251,188</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	176,326,065	166,123,866
Restricted net assets	14,126,427	13,824,516
Unrestricted net assets	<u>17,852,503</u>	<u>16,212,768</u>
Total net assets	<u>208,304,995</u>	<u>196,161,150</u>
Total liabilities and net assets	<u>\$ 273,471,760</u>	<u>\$ 266,412,338</u>

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 ASSETS  
Year ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Airline revenues	\$ 7,797,852	\$ 8,176,697
Terminal building concessions	1,678,165	1,563,121
Parking concessions	6,256,899	6,181,680
Landside commercial concessions	3,842,896	3,830,488
Other charges	<u>1,960,755</u>	<u>1,790,033</u>
Total operating revenues	<u>21,536,567</u>	<u>21,542,019</u>
Operating expenses		
Salaries and benefits	7,762,583	7,477,470
Other operating expenses	6,959,709	6,327,062
Depreciation	<u>7,152,731</u>	<u>8,552,544</u>
Total operating expenses	<u>21,875,023</u>	<u>22,357,076</u>
Operating income (loss)	<u>(338,456)</u>	<u>(815,057)</u>
Non-operating revenues (expenses)		
Investment income	2,375,506	1,819,501
Passenger facility charges	2,833,167	2,755,309
Customer facility charges	996,495	945,662
Operating grants	166,581	168,487
Interest expense	(2,625,880)	(3,100,210)
Gain/loss on disposal of capital assets	<u>(1,401,577)</u>	<u>(19,855,865)</u>
Total non-operating revenues (expenses)	<u>2,344,292</u>	<u>(17,267,116)</u>
Income before contributions	2,005,836	(18,082,173)
Capital grants	8,411,479	32,826,799
Capital contributions	<u>1,726,530</u>	<u>2,554,454</u>
Change in net assets	12,143,845	17,299,080
Total net assets – beginning of year	<u>196,161,150</u>	<u>178,862,070</u>
Total net assets – end of year	<u>\$208,304,995</u>	<u>\$196,161,150</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, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Receipts from customers	\$ 21,853,280	\$ 21,569,500
Receipts from interfund services provided	31,536	45,377
Payments to suppliers	(5,383,966)	(3,435,644)
Payments to employees	(7,719,649)	(7,329,855)
Payments for interfund services used	(1,668,906)	(2,652,948)
Net cash provided by operating activities	7,112,295	8,196,430
Cash flows from noncapital financing activities		
Operating grant	156,627	150,000
Cash flows from capital and related financing activities		
Capital grant	13,496,146	26,770,403
Capital expenditures	(13,603,086)	(21,937,174)
Passenger facility charges	2,784,916	2,763,025
Customer facility charges	996,495	945,662
Loan proceeds	5,092,402	1,307,644
Principal payments on loans	(698,489)	(24,116)
Interest payments on loans	(126,977)	(14,001)
Principal payments on revenue bonds	(3,198,333)	(3,230,000)
Interest payments on revenue bonds	(2,450,078)	(2,604,683)
Payment from accounts payable incurred for fixed asset additions	6,886,471	(5,209,967)
Net cash provided by (used in) capital and related financing activities	9,179,467	(1,233,207)
Cash flows from investing activities		
Interest received on investments	1,739,132	1,483,774
Purchases of investments	(21,851,238)	(17,396,409)
Proceeds from sales and maturities of investments	4,193,295	11,420,878
Net cash used in investing activities	(15,918,811)	(4,491,757)
Net increase (decrease) in cash and cash equivalents	529,578	1,351,939
Cash and cash equivalents – beginning of year	1,549,640	197,701
Cash and cash equivalents – end of year	2,079,218	1,549,640
Investments	38,984,853	36,806,374
Cash and investments	\$ 41,064,071	\$ 38,356,014
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	\$ 26,937,644	\$ 24,531,497
Restricted cash and investments	14,126,427	13,824,517
Total cash and investments	\$ 41,064,071	\$ 38,356,014

(continued)

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
STATEMENTS OF CASH FLOWS - CONTINUED  
Year ended December 31, 2007 and 2006

	2007	2006
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (338,456)	\$ (815,057)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	7,152,731	8,552,544
(Increase) decrease in assets		
Receivables	119,942	101,062
Due from other City funds	50	13,864
Increase (decrease) in liabilities		
Accounts payable	19,480	234,895
Accrued salaries, benefits, and sick leave benefits	42,934	147,616
Due to other City funds	(112,642)	3,575
Deferred revenue and other tenant deposits	228,256	(42,069)
Net cash provided by operating activities	\$ 7,112,295	\$ 8,196,430

Noncash capital and related financing and investing activities:

The Airport had unrealized losses on investments of \$332,504 and \$303,869 for the years ended December 31, 2007 and 2006, respectively. The Airport obtained fixed assets through incurring payables in the amount of \$2,214,328 and \$9,100,795 as of December 31, 2007 and 2006, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

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

The City, as lessor, has entered into lease agreements with various airlines, rental car companies, terminal concession operators, 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 Colorado Springs Municipal Airport (Airport) is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the financial position of 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 City Manager, who is appointed by the City Council. Major policy decisions are subject to the approval of the City Council.

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

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

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

The Airport distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

expenses. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

*3. Assets, liabilities and net assets*

A. Deposits and investments

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

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

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

B. Capital assets and depreciation

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

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

Buildings	40 – 45 years
Improvements other than buildings	25 – 30 years
Machinery and equipment	5 – 15 years
Infrastructure	40 – 50 years
Vehicles	5 – 15 years

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

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

C. Compensated absences

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

D. Restricted net assets

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

E. Passenger facility charges

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as runway and taxiway rehabilitations, security enhancements, roadway upgrades and drainage improvements. 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 assets.

F. Customer facility charges

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

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFCs for the purpose of funding rental car improvement projects. The collection rate of \$1.50 per rental car contract date has remained in effect since the adoption of the ordinance. The rate cannot exceed \$2.50 per rental car contract day without City Council approval.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

G. Unamortized bond issue costs

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary information*

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

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), a reconciliation of resultant basis, timing and perspective for the years ended December 31, 2007 and 2006, is presented below:

	2007	2006
Operating expenses (US GAAP basis)	\$ 21,875,023	\$ 22,357,076
Non-operating expenses (US GAAP basis)	<u>4,027,457</u>	<u>22,956,075</u>
	25,902,480	45,313,151
Less: Depreciation expense	(7,152,731)	(8,552,544)
Add: Capital expenditures (accrual basis)	<u>18,218,648</u>	<u>50,417,281</u>
Expenditures (budgetary basis)	<u>\$ 36,968,397</u>	<u>\$ 87,177,888</u>
Appropriations	<u>\$ 54,036,651</u>	<u>\$ 95,166,352</u>

NOTE C – DETAILED NOTES

1. *Deposits and investments*

The City of Colorado Springs pools the cash and investments of its funds, including the Airport. The City's pooled cash and investments as of December 31, 2007 and 2006, amounted to

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments - continued*

\$163,246,837 and \$161,820,946, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2007 and 2006, was \$35,459,909 and \$32,521,331 respectively. The Airport's portion was approximately 22% and 20% of the total pooled cash and investments of the City as of December 31, 2007 and 2006. The pooled cash and investments of the City and the Airport as of December 31, 2007 and 2006, are as follows:

	December 31, 2007		December 31, 2006	
	City	Airport	City	Airport
Cash on hand	\$ 14,342	\$ 3,114	\$ 14,542	\$ 2,923
Deposits				
Demand, time deposits	9,555,590	2,076,104	7,696,705	1,546,717
	9,569,932	2,079,218	7,711,247	1,549,640
Investments	153,676,905	33,380,691	154,109,699	30,971,691
Total pooled cash and investments	\$ 163,246,837	\$ 35,459,909	\$ 161,820,946	\$ 32,521,331

Restricted investments

As of December 31, 2007 and 2006, the Airport's restricted investments are comprised of the repurchase agreements of \$5,604,163 and \$5,834,683 respectively.

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, 2007, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$12,512,092. Of the total bank deposits, \$169,400 was covered by Federal Depository Insurance and the remainder of \$12,342,692 was uninsured but collateralized in accordance with Colorado state law. The Airport's share of those amounts as of December 31, 2007, was \$28,150 and \$2,051,069, respectively.

The City of Colorado Springs and the Airport's investments are subject to interest rate, credit risk and concentration of credit risk. The City has adopted an Investment Policy requiring all investments be made in accordance with Colorado revised statutes. As a means of limiting its exposure to fair value losses arising from rising interest, the City's investment policy limits investment maturities to five years. As of December 31, 2007, the detail of pooled cash and investments held for the City and the Airport is as follows:

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments - continued

<u>Investment type</u>	<u>Fair Value</u> <u>City</u>	<u>Fair Value</u> <u>Airport</u>	<u>Weighted Average</u> <u>Maturity (years)</u>
Money market mutual funds	\$ 692,387	\$ 150,397	0.00
Repurchase agreements	12,974,042	2,818,136	0.00
Commercial Paper	5,181,077	1,125,400	0.04
US Treasury securities	10,286,293	2,234,321	2.44
US Instrumentality securities	113,751,358	24,708,324	2.71
Corporate fixed-income securities	8,995,267	1,953,893	1.42
Mortgages pooled	<u>1,796,481</u>	<u>390,220</u>	0.37
Total fair value	153,676,905	33,380,691	
Portfolio weighted average maturity			2.26
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	<u>9,569,932</u>	<u>2,079,218</u>	
	<u>\$163,246,837</u>	<u>\$ 35,459,909</u>	

As of December 31, 2006, the detail of pooled cash and investments held for the City and the Airport is as follows:

<u>Investment type</u>	<u>Fair Value</u> <u>City</u>	<u>Fair Value</u> <u>Airport</u>	<u>Weighted Average</u> <u>Maturity (years)</u>
Money market mutual funds	\$ 556,562	\$ 111,853	0.00
Repurchase agreements	12,012,849	2,414,243	0.00
US Treasury securities	28,460,926	5,719,841	0.89
US Instrumentality securities	106,456,810	21,394,808	1.76
Corporate fixed-income securities	4,223,434	848,791	1.22
Mortgages pooled	<u>2,399,118</u>	<u>482,155</u>	2.36
Total fair value	154,109,699	30,971,691	
Portfolio weighted average maturity			1.95
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	<u>7,711,247</u>	<u>1,549,640</u>	
	<u>\$161,820,946</u>	<u>\$ 32,521,331</u>	

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Investments - continued

Credit Quality Distribution for Securities as a Percentage of Total Investments

	<u>S&amp;P Rating</u>	<u>% of Total</u>
Money market mutual funds	AAA <sub>m</sub>	0.45%
Repurchase agreements	-	8.44%
Commercial paper	A	3.37%
US Treasury Securities	N/A	6.70%
US Instrumentality Securities	N/A	74.02%
Domestic corporate fixed income securities	A	1.04%
Domestic corporate fixed income securities	AA	3.50%
Domestic corporate fixed income securities	AAA	1.31%
Mortgage pooled	AAA	1.17%
		<u>100.00%</u>

As of December 31, 2007 and 2006, 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, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 93,353,277	\$ 29,923	\$ -	\$ 93,383,200
Improvements other than buildings	87,133,906	1,107,792	(2,006,131)	86,235,567
Machinery and equipment	5,645,340	1,671,407	(107,552)	7,209,195
Vehicles	4,363,730	26,864	(462,800)	3,927,794
Infrastructure	<u>16,795,306</u>	<u>-</u>	<u>-</u>	<u>16,795,306</u>
Total capital assets Being depreciated	<u>207,291,559</u>	<u>2,835,986</u>	<u>(2,576,483)</u>	<u>207,551,062</u>
Less accumulated depreciation for:				
Buildings	(27,105,475)	(2,593,475)	-	(29,698,950)
Improvements other than buildings	(29,793,653)	(3,526,019)	586,231	(32,733,441)
Machinery and equipment	(2,501,828)	(462,690)	103,600	(2,860,918)
Vehicles	(4,097,491)	(91,210)	462,800	(3,725,901)
Infrastructure	<u>(1,439,529)</u>	<u>(479,337)</u>	<u>-</u>	<u>(1,918,866)</u>
Total accumulated depreciation	<u>(64,937,976)</u>	<u>(7,152,731)</u>	<u>1,152,631</u>	<u>(70,938,076)</u>
Total capital assets Being depreciated, net	<u>142,353,583</u>	<u>(4,316,745)</u>	<u>(1,423,852)</u>	<u>136,612,986</u>
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	<u>57,337,685</u>	<u>15,732,998</u>	<u>(1,435,661)</u>	<u>71,635,022</u>
Total capital assets, not being depreciated	<u>75,761,266</u>	<u>15,732,998</u>	<u>(1,435,661)</u>	<u>90,058,603</u>
Capital assets, net	<u>\$ 218,114,849</u>	<u>\$ 11,416,253</u>	<u>\$ (2,859,513)</u>	<u>\$ 226,671,589</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

Capital assets activity for the year ended December 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 88,460,646	\$ 5,281,163	\$ (388,532)	\$ 93,353,277
Improvements other than buildings	125,506,949	199,518	(38,572,561)	87,133,906
Machinery and equipment	4,160,389	1,865,508	(380,557)	5,645,340
Vehicles	4,537,074	117,280	(290,624)	4,363,730
Infrastructure	<u>16,795,306</u>	<u>-</u>	<u>-</u>	<u>16,795,306</u>
Total capital assets Being depreciated	<u>239,460,364</u>	<u>7,463,469</u>	<u>(39,632,274)</u>	<u>207,291,559</u>
Less accumulated depreciation for:				
Buildings	(24,886,597)	(2,505,068)	286,190	(27,105,475)
Improvements other than buildings	(43,541,196)	(4,997,107)	18,744,650	(29,793,653)
Machinery and equipment	(2,436,465)	(410,043)	344,680	(2,501,828)
Vehicles	(4,227,125)	(160,990)	290,624	(4,097,491)
Infrastructure	<u>(960,193)</u>	<u>(479,336)</u>	<u>-</u>	<u>(1,439,529)</u>
Total accumulated depreciation	<u>(76,051,576)</u>	<u>(8,552,544)</u>	<u>19,666,144</u>	<u>(64,937,976)</u>
Total capital assets Being depreciated, net	<u>163,408,788</u>	<u>(1,089,075)</u>	<u>(19,966,130)</u>	<u>142,353,583</u>
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	<u>14,482,496</u>	<u>48,742,912</u>	<u>(5,887,723)</u>	<u>57,337,685</u>
Total capital assets, not being depreciated	<u>32,906,077</u>	<u>48,742,912</u>	<u>(5,887,723)</u>	<u>75,761,266</u>
Capital assets, net	<u>\$ 196,314,865</u>	<u>\$ 47,653,837</u>	<u>\$(25,853,853)</u>	<u>\$ 218,114,849</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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, which is two years longer than the life of the old debt. 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 \$18,580,000 mature from 2005 to 2015, have interest rates ranging from 3.00% to 4.75%. Series 2002A term bonds of \$17,615,000 and \$4,065,000 are due from 2016 to 2020 and 2021 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.

As of December 31, 2006, Series 1992C capital appreciation bonds of \$6,019,851 (\$2,069,948 original principal amount plus \$4,225,478 of interest accreted through December 31, 2007) mature from 2001 to 2010 and have approximate yields to maturity of 6.80% to 7.20%.

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

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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, 2007:

Year ending December 31,	2007A		2007B		2002A		1992C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$205,000	\$144,613	\$260,000	\$358,788	\$1,100,000	\$1,882,213	\$1,605,226	\$204,068	\$3,170,226	\$2,589,682
2009	215,000	135,388	270,000	347,088	750,000	1,840,962	1,538,836	134,294	2,773,836	2,457,732
2010	230,000	126,788	285,000	334,938	780,000	1,810,962	1,476,364	66,212	2,771,364	2,338,900
2011	230,000	117,588	300,000	322,113	2,490,000	1,777,812	-	-	3,020,000	2,217,513
2012-2016	1,300,000	441,938	1,820,000	1,391,563	14,570,000	6,761,850	-	-	17,690,000	8,595,351
2017-2021	1,400,000	159,738	3,340,000	904,701	18,480,000	2,853,125	-	-	23,220,000	3,917,564
2022-2023	-	-	2,090,000	136,938	-	-	-	-	2,090,000	136,938
Totals	\$ 3,580,000	\$ 1,126,053	\$ 8,365,000	\$ 3,796,129	\$ 38,170,000	\$ 16,926,924	\$ 4,620,426	\$ 404,574	\$ 54,735,426	\$ 22,253,680

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 \$1,675,000 in each of the years 2008 through 2010.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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, 2007, is \$2,177,442. Loan payments through May 15, 2036, 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 will be the ground rent. The second component of the lease will be 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 a five year period as of December 31, 2007:

<u>Year ending</u> <u>December 31,</u>	<u>Draw Amount</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2007	1,592,402	825,466	126,977	698,489
2008	-	228,696	208,431	20,265
2009	-	228,696	206,004	22,692
2010	-	228,696	203,970	24,726
2011	-	228,696	201,752	26,944
2012	-	228,696	199,921	28,775
Totals	<u>\$ 1,592,402</u>	<u>\$ 1,968,946</u>	<u>\$ 1,147,055</u>	<u>\$ 821,891</u>

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. Debt service payments on this loan will be made from PFC revenues.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

4. *Note Payable/Note Receivable- continued*

The following is an amortization schedule (including Principal and Interest) for a five year period as of December 31, 2007:

<u>Year ending</u> <u>December 31,</u>	<u>Draw Amount</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2007	3,500,000	-	-	-
2008	-	561,772	105,000	456,772
2009	-	561,772	91,297	470,475
2010	-	561,772	77,182	484,590
2011	-	561,772	62,645	499,127
2012	-	561,772	47,671	514,101
Totals	<u>\$ 3,500,000</u>	<u>\$ 2,808,860</u>	<u>\$ 383,795</u>	<u>\$ 2,425,065</u>

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, most of which expired and were reissued during 2004. The leases contain provisions for cancellation by either party if certain conditions are met. The following is a schedule, by year, of minimum future rentals of the operating leases for a ten year period as of December 31, 2007:

<u>Year ending</u> <u>December 31,</u>	
2008	\$ 12,432,288
2009	12,502,588
2010	1,779,536
2011	1,679,798
2012	1,490,230
2013-2017	<u>4,506,588</u>
	<u>\$ 34,391,028</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 \$677,651 and \$497,541 for the years ended December 31, 2007 and 2006, respectively.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Land	\$ 18,423,581	\$ 18,423,581
Buildings	93,383,200	93,353,277
Improvements other than buildings	86,235,567	87,133,906
Infrastructure	<u>16,795,306</u>	<u>16,795,306</u>
	214,837,654	215,706,070
Less accumulated depreciation	<u>(64,351,257)</u>	<u>(58,338,657)</u>
	<u>\$150,486,397</u>	<u>\$157,367,413</u>

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

6. *Changes in long-term liabilities*

Long-term liabilities activity for the year ended December 31, 2007, was as follows:

	<u>Balance</u> <u>January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2007</u>	<u>Due</u> <u>within</u> <u>one year</u>
Revenue bonds	\$ 57,219,851	\$ 12,500,575	\$ (14,985,000)	\$ 54,735,426	\$ 3,170,226
Deferred amounts on refundings	(677,715)	(220, 336)	73,111	(824,940)	(87,208)
Bond Discount	-	(147,007)	-	(147,007)	(14,762)
Total bonds payable	<u>56,542,136</u>	<u>12,133,232</u>	<u>(14,911,889)</u>	<u>53,763,479</u>	<u>\$ 3,068,256</u>
Note payable	1,283,530	5,092,402	(698,490)	5,677,442	477,037
Compensated absences- accrued sick leave benefits	<u>384,979</u>	<u>48,457</u>	-	<u>433,436</u>	-
Long-term liabilities	<u>\$58,210,645</u>	<u>\$ 17,274,091</u>	<u>\$ (15,610,379)</u>	<u>\$59,874,357</u>	<u>\$ 3,545,293</u>

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE C – DETAILED NOTES – Continued

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

Long-term liabilities activity for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 2006	Due within <u>one year</u>
Revenue bonds	\$ 60,100,697	\$ 349,153	\$ (3,229,999)	\$ 57,219,851	\$ 3,213,493
Deferred amounts:					
For issuance premiums	7,099	-	(710)	6,389	-
On refundings	<u>(762,365)</u>	<u>-</u>	<u>78,261</u>	<u>(684,104)</u>	<u>-</u>
Total bonds payable	59,345,431	349,153	(3,152,448)	56,542,136	3,213,493
Note payable	-	1,283,530	-	1,283,530	596,817
Compensated absences- accrued sick leave benefits	<u>353,157</u>	<u>31,822</u>	<u>-</u>	<u>384,979</u>	<u>-</u>
Long-term liabilities	<u>\$ 59,698,588</u>	<u>\$ 1,664,505</u>	<u>\$ (3,152,448)</u>	<u>\$ 58,210,645</u>	<u>\$ 3,810,310</u>

7. *Interfund receivables and payables*

No interfund receivables or payables existed at December 31, 2007.

NOTE D – OTHER INFORMATION

1. *Risk management*

The City of Colorado Springs has established a risk management division to coordinate and administer workers' compensation, property and general liability insurance programs for all its activities and operations. For workers' compensation coverage, the City has purchased commercial insurance to cover losses in excess of \$750,000 per occurrence. The City pays losses less than this amount through its Workers Compensation Self-Insurance Fund. The Airport is included in the Workers' Compensation Self-Insurance program. For major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the individual departments so affected. The 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 \$200,000,000. No claims were incurred in excess of the coverage for 2007, 2006 or 2005.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE D – OTHER INFORMATION – Continued

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

In accordance with the City of Colorado Springs’ Personnel Policy, the Airport offers a health care plan, including life insurance benefits, to retirees with the Airport’s contribution determined by City Council. Employees retiring prior to 1979 receive this health care plan benefit without cost to the employee. Those retiring during or after 1979 and hired prior to August 1, 1988, receive a limited Airport contribution not to exceed \$91.40 per month.

Benefits were provided as follows:

	<u>Year ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Retirees with full coverage	3	3
Retirees with partial coverage	24	24
	27	27
Cost of retirement benefits	<u>\$ 27,659</u>	<u>\$ 28,736</u>

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

3. *Retirement plans*

A. Defined Benefit Pension Plan

Plan Description: The City contributes to the 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 benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF (prior to January 1, 2006 this fund was known as MDTF). 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).

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE D – OTHER INFORMATION – Continued

*3. Retirement plans – continued*

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 11.0% 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 Healthcare 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. Beginning January 1, 2006, the City was required to pay an amortization equalization disbursement equal to 0.5 % of the total payroll. The Airport's contributions to MDTF for the years ended December 31, 2007, 2006 and 2005, were \$512,147, \$473,929 and \$430,887, respectively, equal to the required contributions for each year.

**B. Post-employment Healthcare 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 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. 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, 2007, 2006, and 2005, were \$5,224, \$4,834, and \$4,395 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. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature Funding Policy.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE D – OTHER INFORMATION – Continued

3. *Retirement plans – continued*

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$15,500 in 2007 and \$15,000 in the 2006 calendar year). There is a catch-up provision that allows participants age 50 and older who are contributing the maximum to contribute an additional \$5,000 annually to their account. The 401(k) Plan member contributions from the Airport for the years ended December 31, 2007, 2006 and 2005, were \$102,973, \$111,444 and \$111,548, respectively.

All fire and police officers of the City participate in one of six agent, multiple employer, defined benefit pension plans, depending upon their status as a police or fire officer and their hire date (Old Hire/Alternate/Statewide). The Alternate Fire and Alternate Police plans were merged into the FPPA Defined Benefit System known as the Colorado Springs New Hire Pension Plan (CSNHPP) on October 1, 2006. As a function of the merger, FPPA is the plan administrator for the CSNHPP. FPPA Board of Directors shall function as the trustee and pension board for CSNHPP and shall administer the benefits under the CSNHPP plan as well as the Statewide plan. The Old Hire plans will continue to be administered jointly by the City and FPPA. The plans are included as pension trust funds. 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.

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, 2007 and 2006

NOTE D – OTHER INFORMATION – Continued

4. *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, 2007, and 2006:

	December 31, 2007	
	Carrying amount	Fair value
Restricted assets – investments	\$ 5,604,162	\$ 5,604,162
Cash and investments	35,459,909	35,459,909
Revenue bonds payable	53,763,479	59,639,527
	December 31, 2006	
	Carrying amount	Fair value
Restricted assets – investments	\$ 5,834,683	\$ 5,834,683
Cash and investments	32,521,331	32,521,331
Revenue bonds payable	56,542,136	62,577,385

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.

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, 2007**

	Gross Revenue Fund	Operations/ Maintenance/ Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund
			Bond Account	Interest Account		
Beginning balance as of January 1, 2007	\$1,222,064.75	\$0.00	\$0.00	\$0.00	\$5,834,682.00	\$3,671,771.88
Add: Commitments as of December 31, 2006	-	291,223.87	-	-	-	-
Adjusted balance as of January 1, 2007	<u>1,222,064.75</u>	<u>291,223.87</u>	<u>-</u>	<u>-</u>	<u>5,834,682.00</u>	<u>3,671,771.88</u>
Calendar year 2007 activity						
Operating Revenues	21,536,567.79					
Non-Operating Revenues						
Interest Earnings	247,289.96		49,879.69	58,522.09	308,370.33	163,440.72
Passenger facility charges						
Customer facility charges						
Other revenue (expense)	19,525.52					
Operating Grants		166,580.50				
Operating Transfers In						
State Grant Capital Revenues						
FAA Grant Revenues						
Capital Reimbursements						
Loan Proceeds						
Increase in O & M Reserve	(110,783.14)					110,783.14
Sub-total revenues	<u>22,914,664.88</u>	<u>457,804.37</u>	<u>49,879.69</u>	<u>58,522.09</u>	<u>6,143,052.33</u>	<u>3,945,995.74</u>
Operating Expenses		(13,628,917.36)			(13,077.00)	
Operating Transfers Out						
Operating Capital		(522,966.65)				
Capital Expenses						
Non-Operating Expenses						
Debt Service Expenses			(2,101,895.33)	(3,546,516.34)		
Post refunding Reserve Reduction					(217,442.50)	
Sub-total expenses	<u>-</u>	<u>(14,151,884.01)</u>	<u>(2,101,895.33)</u>	<u>(3,546,516.34)</u>	<u>(230,519.50)</u>	<u>-</u>
Balance before encumbrances, commitments, and transfers	<u>22,914,664.88</u>	<u>(13,694,079.64)</u>	<u>(2,052,015.64)</u>	<u>(3,487,994.25)</u>	<u>5,912,532.83</u>	<u>3,945,995.74</u>
Encumbrances at December 31, 2007	<u>-</u>	<u>(160,683.67)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other commitments at December 31, 2007						
Sub-total commitments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers:						
Operating/Maintenance	(13,854,763.31)	13,854,763.31				
Bond Debt Service	(5,648,411.67)		2,101,895.33	3,546,516.34		
2007 Bond Ordinance Requirements						
Income Available for Sharing-City's Portion	(1,864,736.00)					
Funding Adj.-Encumbrances/ Working Capital	(37,631.30)					
Non-Preferential Gate Use Fee	(284,343.00)					
Net (Rev)/Expense on Fountain Term Site	(87,132.00)					
Net (Rev)/Expense on Business Park- Phase 1	(35,525.00)					
Repayment of Loans to Capital Account	(453,972.00)					
Interest to:						
Airlines	612,659.23	-	(49,879.69)	(58,522.09)	(308,370.33)	(163,440.72)
Capital Account						
Sub-total transfers	<u>(21,653,855.05)</u>	<u>13,854,763.31</u>	<u>2,052,015.64</u>	<u>3,487,994.25</u>	<u>(308,370.33)</u>	<u>(163,440.72)</u>
Ending Balance December 31, 2007	<u>1,260,809.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,604,162.50</u>	<u>3,782,555.02</u>



Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
AIRLINES SERVING THE AIRPORT  
December 31, 2007  
(unaudited)

**Passenger Airlines**

**Major and National**

Allegiant Air  
American Airlines  
Continental Airlines  
Delta Air Lines  
Midwest Airlines  
Northwest Airlines  
United Airlines  
US Airways/America West

**Regional and Commuter**

ExpressJet Airlines (Continental Express  
and ExpressJet)  
Comair (Delta Connection)  
Mesa Air Group (US Airways/America West  
Express and United Express)  
SkyWest Airlines (Delta Connection, Midwest  
Airlines, and United Express)  
American Eagle Airlines (American Express)  
Chautauqua Airlines (Continental Express)

**All-Cargo Airlines**

Airborne Express  
FedEx  
Key Lime Air

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRLINE TRAFFIC  
For the years ended December 31, 1997-2007  
(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)	
1997	1,969,690	79,500	2,049,190	--	24,670	6,177	783	31,630	--	80	13
1998	1,286,570	34,379	1,320,949	-35.5%	15,160	2,356	834	18,350	-42.0%	85	15
1999	1,193,993	49,421	1,243,414	-5.9%	15,828	2,700	1,222	19,750	7.6%	75	18
2000	1,155,670	64,696	1,220,366	-1.9%	14,324	3,171	1,256	18,751	-5.1%	81	20
2001	976,459	89,395	1,065,854	-12.7%	13,318	3,362	2,221	18,901	0.8%	73	27
2002	846,693	221,464	1,068,157	0.2%	12,361	7,242	2,441	22,044	16.6%	68	31
2003	755,056	256,587	1,011,643	-5.3%	11,059	7,474	2,032	20,565	-6.7%	68	34
2004	715,187	319,560	1,034,747	2.3%	10,477	9,204	1,926	21,607	5.1%	68	35
2005	720,710	310,123	1,030,833	-0.4%	11,170	7,860	1,823	20,853	-3.5%	65	39
2006	735,077	281,939	1,017,016	-1.3%	10,599	7,244	1,731	19,574	-6.1%	69	39
2007	706,900	326,686	1,033,586	1.6%	10,702	7,148	1,591	19,441	-0.7%	66	46

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

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
 Colorado Springs, Colorado  
**AIRLINE SHARES OF ENPLANED PASSENGERS**  
 For the year ended December 31, 1998 - 2007  
 (unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Number									
	Percent of total									
<b>Major/national airlines</b>										
Access Air (1)	-	15,524	-	-	18,152	35,825	37,440	30,697	-	-
Allegiant Air (2)	-	-	-	-	4,748	38,249	-	-	35,224	33,281
American West Airlines (3)	104,530	88,860	67,900	57,235	47,748	38,249	37,440	30,697	35,224	33,281
American Eagle Airline (11)	181,333	197,178	269,455	236,590	275,207	205,365	161,958	190,594	205,064	219,085
American Airlines	60,236	60,498	55,373	56,926	47,611	10,295	10,581	481	185	-
Continental Airlines (4)	249,643	197,112	251,817	190,221	112,858	69,157	85,216	80,364	66,019	41,539
Delta Air Lines	-	-	-	-	-	-	-	-	-	-
Midwest Airlines (5)	68,917	80,099	79,924	68,021	66,214	78,327	86,261	83,026	75,689	11,719
Northwest Airlines	147,978	96,325	-	-	-	-	-	-	-	78,955
Reno Air (6)	77,219	82,011	86,505	69,915	-	-	-	-	-	-
Trans World Airlines (7)	396,115	374,720	341,247	284,446	283,933	317,321	332,448	334,426	351,779	321,194
United Airlines (8)	-	-	-	1,518	26,635	-	-	-	-	-
Vanguard Airlines (9)	-	-	-	-	11,335	517	1,283	1,122	1,117	1,127
Charters	1,285,971	1,192,327	1,152,221	964,872	846,693	755,056	715,187	720,710	735,077	706,900
	97.4%	96.0%	96.0%	94.7%	79.3%	74.7%	69.1%	69.9%	72.3%	68.4%
<b>Regional/commuter airlines</b>										
America West Express (10)	-	4,672	35,652	43,246	92,953	69,221	107,428	119,326	94,078	91,746
American Eagle Airline (11)	-	-	-	-	-	-	-	22,239	29,866	17,338
Chautauqua Airlines (12)	-	-	-	-	-	1,760	5,826	-	-	12,797
Comair (13)	5,767	25,599	6,035	-	2,406	25,030	28,998	30,226	25,407	18,817
Continental Express (14)	-	2,769	2,091	3,964	24,346	59,071	59,186	70,000	79,538	63,737
Great Plains Airlines (15)	-	-	-	2,465	13,052	2,772	-	-	-	-
ExpressJet Airlines (16)	-	-	-	-	-	-	-	-	-	44,345
Mesa Airlines (17)	15,949	6,947	7,836	6,833	5,085	5,179	4,643	4,333	2,886	-
Mountain Air Express (WF) (18)	3,374	-	-	-	-	-	-	-	-	-
Northwest Airline/Pinnacle (19)	-	-	-	-	-	-	-	-	-	-
Skywest (20)	9,289	9,434	13,082	32,887	83,622	93,554	107,941	56,403	48,059	77,493
Trans States Airlines (21)	-	-	-	-	-	-	5,538	6,151	-	-
	34.379	49.421	64.696	89.395	221.464	256.587	319.560	310.123	281.939	326.686
	2.6%	4.0%	5.3%	8.5%	20.7%	25.3%	30.9%	30.1%	27.7%	31.6%
<b>Total</b>	<b>1,320,350</b>	<b>1,241,748</b>	<b>1,216,917</b>	<b>1,054,267</b>	<b>1,068,157</b>	<b>1,011,643</b>	<b>1,034,747</b>	<b>1,030,833</b>	<b>1,017,016</b>	<b>1,033,586</b>
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- Access Air service from June 1999 through November 1999.
- Allegiant Airlines started service in February 2002.
- America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group.
- Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2007.
- Midwest Airlines started service in July 2007.
- Reno Air was acquired by American Airlines in September 1999.
- Trans World Airlines merged with American Airlines in December 2001.
- United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express. Data includes Air Wisconsin, Atlantic Coast, Mesa, and SkyWest serving as United Express carriers.
- Vanguard started service December 2001. On July 30, 2002, Vanguard filed for bankruptcy protection and subsequently ceased all operations at the Airport.
- America West Express started service in October 1999.
- American Eagle Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 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 started service in October 1998 as Delta Connection and ceased service as of April 2000.
- Comair resumed service in December 2002 as Delta Connection.
- Continental Express started service in October 1999. Ceased service as of May 2000. Provided service May through September 2001. Began service again in April 2002.
- ExpressJet Airline started service April 2007.
- Great Plains started service in October 2001. Ceased service as of March 2003.
- Mesa Airlines discontinued service November 2006.
- Mountain Air Express served the airport from December 1996 to February 1998.
- Northwest Airline/Pinnacle began service 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.
- SkyWest's enplaned passenger count represents activity serving as a Delta Connection carrier. Served the airport from December 1995 to October 1998 as Delta Connection. Began service again in April 1999.
- 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.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRCRAFT LANDED WEIGHT  
For the years ended December 31, 1998 - 2007  
(unaudited)

	1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		
	1,000-lb units	Percent of total																			
<b>Passenger Airlines</b>																					
<b>Major and national</b>																					
Access Air (1)	-	-	63,702	3.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Air Wisconsin (United Express) (2)	91,691	4.5%	131,205	6.2%	120,689	6.2%	113,231	6.2%	111,965	6.1%	163,342	10.4%	108,501	6.9%	13,581	0.9%	-	-	-	-	-
Allegiant (3)	-	-	-	-	-	-	-	-	32,392	1.8%	43,215	2.7%	44,834	2.9%	36,090	2.4%	42,548	3.0%	38,781	-	2.9%
America West Airlines (4)	146,915	7.2%	169,400	8.0%	102,663	5.3%	85,899	4.8%	7,167	0.4%	56,478	3.6%	-	-	-	-	-	-	-	-	-
American Airlines	219,141	10.8%	295,062	13.9%	403,390	20.7%	379,416	21.1%	463,875	25.5%	326,804	20.7%	238,368	15.2%	264,071	17.3%	287,393	20.3%	256,543	-	19.2%
Atlantic Coast (United Express) (5)	-	-	-	-	-	-	-	-	5,593	0.3%	13,959	0.9%	-	-	-	-	-	-	-	-	-
Continental Airlines (6)	84,961	4.2%	94,067	4.4%	82,776	4.2%	85,066	4.7%	67,132	3.7%	12,716	0.8%	13,456	0.9%	481	0.0%	256	-	-	-	-
Delta Air Lines	375,064	18.5%	286,198	13.4%	359,984	18.4%	330,292	18.4%	171,492	9.4%	97,614	6.2%	104,400	6.7%	104,588	6.8%	81,090	5.7%	49,302	-	3.7%
Mesa Air Group (United Express) (7)	-	-	-	-	-	-	-	-	-	-	4,641	0.3%	55,028	3.5%	34,306	2.2%	48,886	3.5%	45,219	-	3.4%
Midwest Airline (8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Northwest Airlines	89,852	4.4%	111,426	5.2%	108,617	5.6%	101,678	5.6%	100,966	5.5%	102,209	6.5%	114,480	7.3%	109,674	7.2%	92,331	6.5%	95,419	-	7.2%
Reno Air (9)	218,150	10.7%	159,590	7.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SkyWest Airlines (United Express) (10)	-	-	-	-	-	-	-	-	36,784	2.0%	50,525	3.2%	114,408	7.3%	322,989	21.2%	314,317	22.2%	343,257	-	25.8%
Trans World Airlines (11)	122,683	6.0%	113,654	5.3%	106,470	5.4%	109,010	6.1%	-	-	-	-	-	-	-	-	-	-	-	-	-
United Airlines	505,627	24.9%	452,048	21.2%	386,061	19.8%	263,612	14.7%	256,244	14.1%	188,819	12.0%	144,225	9.2%	54,551	3.6%	41,233	2.9%	-	-	-
Vanguard Airlines (12)	-	-	-	-	-	-	2,349	0.1%	46,112	2.5%	-	-	-	-	-	-	-	-	-	-	-
	1,854,084	91.2%	1,876,352	88.1%	1,670,650	85.6%	1,470,553	81.8%	1,299,722	71.3%	1,060,322	67.3%	937,700	59.9%	940,331	61.6%	908,054	64.1%	843,253	-	63.5%
<b>Regional and commuter</b>																					
American Eagle (13)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chautauque Airlines (American Connection) (14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chautauque Airlines (Continental Express) (15)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comair (Delta Connection) (16)	8,554	0.4%	33,887	1.6%	8,366	0.4%	-	-	4,067	0.2%	45,474	2.9%	47,366	3.0%	48,006	3.2%	33,835	2.4%	23,651	-	1.8%
Continental Express (17)	-	-	3,710	0.2%	3,133	0.2%	4,978	0.3%	25,647	1.4%	63,277	4.0%	68,232	4.4%	78,282	5.1%	84,273	5.9%	62,922	-	4.7%
GO-Jet Airlines (18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Great Plains Airlines (19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ExpressJet Airlines (20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mesa Air Group (America West Express) (21)	-	-	8,173	0.4%	48,700	2.5%	57,998	3.2%	117,641	6.5%	87,467	5.5%	128,413	8.2%	147,341	9.7%	115,782	8.2%	93,609	-	7.0%
Mesa Airlines (22)	32,772	1.6%	24,087	1.1%	25,265	1.3%	14,226	0.8%	10,026	0.6%	9,960	0.6%	10,790	0.7%	9,462	0.6%	6,806	0.5%	-	-	-
Mountain Air Express (WP) (23)	9,158	0.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Northwest Airlink/Pinnacle (24)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Skywest (Delta Connection) (25)	12,361	0.6%	12,314	0.6%	16,685	0.9%	49,303	2.7%	118,607	6.5%	127,464	8.1%	167,179	10.7%	73,602	4.8%	60,160	4.2%	87,052	-	6.5%
Trans States Airlines (American Connection) (26)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trans States Airlines (United Express) (27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	62,845	3.1%	82,171	3.9%	102,149	5.3%	129,673	7.2%	304,908	16.8%	342,773	21.7%	437,137	28.0%	392,301	25.7%	357,339	25.2%	367,160	-	27.5%
<b>Total Passenger Airlines</b>	1,916,929	94.3%	1,958,523	92.0%	1,772,799	90.9%	1,600,226	89.0%	1,604,630	88.1%	1,403,095	89.0%	1,374,837	87.9%	1,332,632	87.3%	1,265,393	89.3%	1,212,413	-	91.0%
<b>All-cargo airlines</b>																					
Airborne Express	26,619	1.3%	48,327	2.3%	51,608	2.6%	43,859	2.4%	26,517	1.5%	26,926	1.7%	28,244	1.8%	29,634	2.0%	25,397	1.8%	25,678	-	1.9%
Corporate Air (28)	-	-	-	-	-	-	3,453	0.2%	1,496	0.1%	-	-	-	-	-	-	-	-	-	-	-
FedEx	87,120	4.3%	117,736	5.5%	119,834	6.1%	127,116	7.1%	162,863	8.9%	137,572	8.7%	151,897	9.7%	155,966	10.2%	117,927	8.3%	83,840	-	6.3%
Key Lime Air (29)	-	-	-	-	-	-	1,589	0.1%	1,855	0.1%	2,149	0.1%	2,614	0.2%	5,917	0.4%	7,341	0.5%	9,767	-	0.7%
Sundance Air (30)	-	-	-	-	-	-	2,947	0.2%	4,992	0.3%	4,934	0.3%	3,930	0.3%	-	-	-	-	-	-	-
Superior (31)	-	-	-	-	-	-	-	-	3,351	0.2%	1,287	0.1%	-	-	-	-	-	-	-	-	-
	113,739	5.6%	166,063	7.8%	171,442	8.7%	178,964	10.0%	201,074	11.1%	172,868	10.9%	186,685	12.0%	191,517	12.6%	150,665	10.6%	119,285	-	8.9%
<b>Charter</b>	1,960	0.1%	3,619	0.2%	7,215	0.4%	18,436	1.0%	15,471	0.8%	831	0.1%	2,213	0.1%	1,629	0.1%	1,235	0.1%	1,132	-	0.1%
<b>Total</b>	2,032,628	100.0%	2,128,205	100.0%	1,951,456	100.0%	1,797,626	100.0%	1,821,175	100.0%	1,576,794	100.0%	1,563,735	100.0%	1,525,778	100.0%	1,417,293	100.0%	1,332,830	-	100.0%

(continued)

Note: see following page for footers.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
HISTORICAL AIRCRAFT LANDED WEIGHT- Continued  
For the years ended December 31, 1998 - 2007  
(unaudited)

- 1 Access Air provided service from June 1999 through November 1999.
- 2 Air Wisconsin discontinued service October 2005.
- 3 Allegiant Air began service in February 2002.
- 4 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group.
- 5 Atlantic Coast (United Express Connection) started service November 2002 and ceased service May 2003.
- 6 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2007.
- 7 Mesa Air Group (United Express) started service October 2003.
- 8 Midwest Airline began service July 2007.
- 9 Reno Air was acquired by American Airlines in September 1999.
- 10 SkyWest Airlines (United Express) began service March 2002.
- 11 Trans World Airlines merged with American Airlines in December 2001.
- 12 Vanguard started service December 2001. On July 30, 2002, Vanguard filed for bankruptcy protection and subsequently ceased all operations.
- 13 American Eagle Airlines began service June 2005 and ceased activity November 2007.
- 14 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 15 Chautauqua Airlines began service in January 2007 as Continental Express and stopped service May 2007.
- 16 Comair started service in October 1998 as Delta Connection and ceased service as of April 2000. Comair resumed service in December 2002 as Delta Connection.
- 17 Continental Express started service in October 1999. Ceased service as of May 2000. Provided service May through September 2001. Resumed service again in April 2002.
- 18 Go-Jet Airlines (United Express) provided service for January, February, September, and October in 2006.
- 19 Great Plains Airlines started service in October 2001. Ceased service as of March 2003.
- 20 ExpressJet Airlines began service April 2007.
- 21 America West Express started service in October 1999.
- 22 Mesa Airlines discontinued service November 2006.
- 23 Mountain Air Express served the airport from December 1996 to February 1998.
- 24 Northwest Airlink/Pinnacle began service June 2005 and discontinued service September 2005. Provided service for January, February, June, July, and August in 2006. Provided service June, July, and August 2007.
- 25 SkyWest served the airport from December 1995 to October 1998 as Delta Connection. Began service again April 1999.
- 26 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005.
- 27 Trans States Airlines operated as United Express from March 2006 through September 2006.
- 28 Corporate Air reported cargo service starting in January 2001 and ceased cargo service July 2002.
- 29 Keytime Air reported cargo service starting in January 2001.
- 30 Sundance Air reported cargo service starting in January 2001. Ceased service in November 2004.
- 31 Superior reported cargo service starting in January 2001 and ceased cargo service May 2003.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
**AVERAGE DAILY DEPARTURES BY AIRLINES**  
For the years ended December 31, 1998-2007  
(unaudited)

Major / National airlines	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Access Air	--	2	--	--	--	--	--	--	--	--
Allegiant Air (1)	--	--	--	--	1	1	1	1	1	1
American (2)	6	7	10	9	10	7	6	7	8	6
America West (3)	4	5	5	6	7	6	6	7	6	4
Continental (4)	2	2	2	2	3	4	5	5	5	5
Delta (5)	8	9	9	9	10	11	14	8	6	6
Great Plains Airlines (6)	--	--	--	--	3	1	--	--	--	--
ExpressJet Airlines (7)	--	--	--	--	--	--	--	--	--	4
Mesa (8)	4	4	4	2	2	2	2	2	1	--
Midwest Airlines (9)	--	--	--	--	--	--	--	--	--	1
Northwest (10)	2	2	2	2	2	2	2	2	2	2
Reno Air (11)	5	3	--	--	--	--	--	--	--	--
Trans World (12)	3	2	2	2	--	--	--	--	--	--
United (13)	13	14	13	13	15	17	18	20	20	19
Vanguard Airlines (14)	--	--	--	--	1	--	--	--	--	--
<b>Total major and national airlines</b>	<b>47</b>	<b>50</b>	<b>47</b>	<b>45</b>	<b>54</b>	<b>51</b>	<b>54</b>	<b>52</b>	<b>49</b>	<b>48</b>

- 1 Allegiant Air started service February 2002.
- 2 Includes departures of Chautauqua Airlines/Trans States Airlines (American Connection) and American Eagle.
- 3 Includes departures of America West Express.
- 4 Includes departures of Continental Express.
- 5 Includes departures of Comair (Delta Connection) and SkyWest.
- 6 Great Plains started service October 2001. Ceased service March 2003.
- 7 ExpressJet Airlines started service April 2007.
- 8 Mesa Airlines discontinued service November 2006.
- 9 Midwest Airlines started service July 2007.
- 10 Includes departures of Pinnacle (Northwest Airlink).
- 11 Reno Air was acquired by American Airlines in September 1999.
- 12 TWA filed for bankruptcy protection in January 2001, and substantially all of the assets and certain liabilities of TWA were subsequently acquired by American through the bankruptcy proceedings. TWA was integrated into American during 2001 and effectively ceased to be operated as a separately branded airline in December 2001.
- 13 Includes departures of Air Wisconsin, Atlantic Coast, Go-Jet Airlines, Mesa Air Group, SkyWest, and Trans States serving as United Express carriers.
- 14 Vanguard started service December 2001. On July 30, 2002, Vanguard filed bankruptcy protection and subsequently ceased all operations at the Airport.

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
RECENT TRENDS IN TOTAL AIR CARGO  
For the years ended December 31, 1998-2007  
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
1998	18,432	4,996	23,428	--
1999	22,832	4,238	27,070	15.5%
2000	21,817	3,337	25,154	-7.1%
2001	19,767	2,221	21,988	-12.6%
2002	20,291	1,513	21,804	-0.8%
2003	18,161	527	18,688	-14.3%
2004	17,754	482	18,236	-2.4%
2005	16,568	157	16,725	-8.3%
2006	16,301	1	16,302	-2.5%
2007	13,475	0.0%	13,475	-17.3%

Source: City of Colorado Springs, Airport management records.

**Airport Revenue Bonds**

Fiscal Year	Applicable Revenues (A)	Operating Expenses	Net Available Revenue		Debt Service		Coverage
			Less: Operating Expenses	Available Revenue	Principal	Interest	
1998	19,925,062	9,723,643	10,201,419	2,060,000	4,075,122	1.66	
1999	20,772,344	10,924,981	9,847,363	2,170,000	3,956,267	1.61	
2000	21,157,418	11,092,890	10,064,528	2,305,000	3,827,798	1.64	
2001	22,791,117	11,906,465	10,884,652	2,445,000	3,687,998	1.77	
2002	22,621,860	12,040,291	10,581,569	2,453,334	3,600,437	1.75	
2003	22,289,621	12,967,319	9,322,302	2,000,855	3,652,705	1.65	
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	

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

1998-2001	\$1,534,476
2002-2007	\$1,458,671

Colorado Springs Municipal Airport  
Colorado Springs, Colorado  
**HISTORICAL NON-AIRLINE REVENUES**  
For the years ended December 31, 1998 - 2007  
(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Terminal Building</b>										
Concession										
Food & Beverage	\$269,791	\$261,653	\$274,570	\$261,176	\$296,239	\$285,409	\$293,139	\$335,268	\$369,325	\$380,917
Retail	338,105	348,015	361,580	333,980	367,271	350,534	344,683	334,216	399,700	454,719
Advertising	140,778	148,654	167,650	212,649	185,378	178,774	167,367	168,961	181,018	193,627
Non-Airline Space Rental	170,260	173,959	176,346	153,215	178,666	251,448	308,223	457,597	485,955	514,791
Other	150,378	153,417	180,377	148,244	141,192	139,145	120,513	122,113	114,328	115,607
	<b>1,069,312</b>	<b>1,085,698</b>	<b>1,160,523</b>	<b>1,109,264</b>	<b>1,168,746</b>	<b>1,205,310</b>	<b>1,233,925</b>	<b>1,418,155</b>	<b>1,550,326</b>	<b>1,659,661</b>
<b>Terminal Area</b>										
Public Parking	5,751,634	6,011,228	6,131,834	5,600,105	5,699,910	5,427,189	5,513,116	5,442,666	6,066,711	6,204,429
Rental Car Fees and Rents	3,360,929	3,438,689	3,797,497	3,312,186	3,541,358	3,671,807	3,846,367	3,633,315	3,643,068	3,788,813
Ground Transportation Fees	70,752	120,772	135,165	109,825	106,690	100,090	98,940	104,819	102,917	96,578
Support Building Rentals	-	90,000	116,222	121,619	128,375	125,875	126,425	123,718	84,502	70,642
	<b>9,183,315</b>	<b>9,660,689</b>	<b>10,180,718</b>	<b>9,143,735</b>	<b>9,476,333</b>	<b>9,324,961</b>	<b>9,584,848</b>	<b>9,304,518</b>	<b>9,897,198</b>	<b>10,160,462</b>
<b>Airfield Area</b>										
Fuel Farm Rentals	-	23,540	23,611	23,576	23,576	23,576	25,443	25,443	25,443	25,443
Remain Over Night	-	125	7,270	(5,600)	425	100	-	200	238,500	130,650
Diversion Landing Fees	-	17,010	28,448	43,885	29,847	83,675	31,329	59,561	31,447	19,007
	-	40,675	59,329	61,861	53,848	107,351	56,772	85,204	295,390	175,100
<b>Fountain Site</b>										
Ground & Building Rentals	78,238	63,585	76,132	58,582	40,382	44,419	186,011	197,879	202,192	128,717
Utility Reimbursements	-	-	-	-	20,737	28,482	33,979	45,923	32,145	19,725
	<b>78,238</b>	<b>63,585</b>	<b>76,132</b>	<b>58,582</b>	<b>61,119</b>	<b>72,901</b>	<b>219,990</b>	<b>243,802</b>	<b>234,337</b>	<b>148,442</b>
<b>Aviation Support</b>										
Fuel Sales	622,440	374,624	429,768	873,269	436,601	517,231	609,503	854,894	913,206	909,513
Ground and Building Rentals	405,002	278,390	327,538	343,029	356,550	390,716	625,761	512,070	526,864	605,327
Airfield	41,719	-	-	-	-	-	-	-	-	-
Other	36,296	-	-	-	-	-	-	-	-	-
	<b>1,105,457</b>	<b>653,014</b>	<b>757,306</b>	<b>1,216,298</b>	<b>793,151</b>	<b>907,947</b>	<b>1,235,264</b>	<b>1,366,964</b>	<b>1,440,070</b>	<b>1,514,840</b>
<b>Business Park Phase I</b>										
Ground & Building Rentals	-	-	-	-	-	-	-	-	-	39,330
	-	-	-	-	-	-	-	-	-	39,330
<b>Administrative</b>										
Miscellaneous	-	44,759	20,063	102,217	104,526	45,003	145,328	124,817	67,114	89,281
Late Fees	-	-	58,367	36,696	25,069	13,196	12,825	15,871	19,132	32,130
TSA Reimbursement	-	-	-	-	-	-	19,758	-	-	-
CSC Group Support Reimbursement	-	-	128,200	128,455	44,044	-	-	-	-	-
Fingerprinting	-	-	-	-	12,375	5,635	10,535	15,435	13,755	20,745
	-	44,759	206,630	267,368	186,014	63,834	188,446	156,123	100,001	142,156
<b>Total Non-Airline Revenues</b>	<b>\$11,436,322</b>	<b>\$11,548,420</b>	<b>\$12,440,638</b>	<b>\$11,857,108</b>	<b>\$11,739,211</b>	<b>\$11,682,304</b>	<b>\$12,519,245</b>	<b>\$12,574,766</b>	<b>\$13,517,322</b>	<b>\$13,839,991</b>

Source: City of Colorado Springs, Airport records, except as noted.  
2001-2007 Airline Rates and Changes Settlement Accrual, Exhibit F-6.