

City of
Colorado Springs,
Colorado

2011 Financial Statements

Colorado Springs Municipal Airport

For the year ended December 31, 2011



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities of the Colorado Springs Municipal Airport (the Airport), an enterprise fund of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Colorado Springs, Colorado's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements as of December 31, 2010 were audited by BONDI & Co. LLC, which merged with RubinBrown LLP as of June 1, 2011, and whose report dated June 13, 2011 expressed an unqualified opinion on those statements.

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 is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City of Colorado Springs, Colorado, as of December 31, 2011 and 2010, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

RubinBrown LLP

June 16, 2012

Management's Discussion and Analysis (MD&A)

The following management's discussion and analysis of the Colorado Springs Airport's (the Airport) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 2011 and 2010. The information contained in this discussion should be considered in conjunction with the financial results, footnotes, and supplemental information in the Airport's financial statements.

The Airport's financial statements are prepared using an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other standards-setting bodies. The Airport is structured as an enterprise fund of the City of Colorado Springs, with revenues recognized when earned and expenses recognized when incurred. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See notes to the financial statements for a summary of the Airport's significant accounting policies.

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

Airport Activities Highlights

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Enplaned Passengers	814,336	863,407	929,600
% increase (decrease)	-5.68%	-7.12%	-6.89%
Aircraft Operations	126,764	140,047	145,012
% increase (decrease)	-9.48%	-3.42%	-0.22%
Landed Weight (in thousands)	1,120,533	1,158,795	1,170,401
% increase (decrease)	-3.30%	-0.99%	-9.67%
Deplaned Freight and Mail (tons)	9,156	10,463	14,414
% increase (decrease)	-12.49%	-27.41%	16.13%

Total 2011 enplanements were 5.68 percent below 2010 levels due to airline capacity consolidation in response to mergers, the sluggish national economy and rising fuel prices. Aircraft operations declined by 9.48 percent, primarily due to fewer military operations as a result of a change in troop deployments. Landed weight for 2010 and 2011 was adjusted to reflect the addition of military commercial charters. Airlines carried virtually no freight, resulting in a 12.49 percent decrease in deplaned freight and mail.

Total 2010 enplanements were approximately 7.00 percent below 2009 levels due to the departure of U.S. Airways. Prior to 2010, U.S. Airways captured nearly eight percent of the Colorado Springs market. The loss of service was offset by the addition of new routes to Washington D.C. on United Airlines, and Phoenix/Mesa and Long Beach on Allegiant Air. Airport operations declined by 3.42 percent, primarily due to a 13 percent reduction in general aviation activity. The decrease is attributed

to rising fuel prices and depressed general economic conditions. Landed weight was approximately one percent below 2010. An increase in cargo landed weight offset the loss of U.S. Airways service. Deplaned freight and mail declined by approximately 27 percent due to a reduction in the amount of cargo carried by FedEx.

During 2011, six air carriers supported the Airport with non-stop service to thirteen major cities. In addition, two air cargo operators used the Airport's facilities.

Financial Highlights

Summary of Revenues, Expenses and Changes in Fund Net Assets

	2011	2010	\$ Increase (Decrease)	2009	\$ Increase (Decrease)
Operating revenues	\$ 20,360,155	\$ 19,209,227	\$ 1,150,928	\$ 21,302,693	\$(2,093,466)
Operating expenses	<u>14,399,903</u>	<u>15,380,368</u>	<u>(980,465)</u>	<u>14,914,375</u>	<u>465,993</u>
Excess before depreciation and other income, net	5,960,252	3,828,859	2,131,393	6,388,318	(2,559,459)
Depreciation and amortization	<u>10,851,764</u>	<u>10,787,280</u>	<u>64,484</u>	<u>11,199,263</u>	<u>(411,983)</u>
Operating income (loss)	(4,891,512)	(6,958,421)	2,066,909	(4,810,945)	(2,147,476)
Net non-operating income	1,199,548	1,356,334	(156,786)	1,813,468	(457,134)
Capital grants and contr.	<u>12,630,322</u>	<u>12,037,915</u>	<u>592,407</u>	<u>12,508,238</u>	<u>(470,323)</u>
Change in net assets	8,938,358	6,435,828	2,502,530	9,510,761	(3,074,933)
Net assets at beginning of year	<u>235,171,388</u>	<u>228,735,560</u>	<u>6,435,828</u>	<u>219,224,799</u>	<u>9,510,761</u>
Net assets at end of year	<u>\$ 244,109,746</u>	<u>\$ 235,171,388</u>	<u>\$ 8,938,358</u>	<u>\$ 228,735,560</u>	<u>\$ 6,435,828</u>

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2011 are as follows:

- Operating revenues increased by approximately \$1.15 million primarily due to an increase in airline rates.
- Operating expenses decreased by 6.4 percent as a result of lower repair and maintenance costs.
- The net result of the above was operating income before depreciation increased by \$2,066,909 for 2011.
- Non-operating income decreased by \$156,786. The change from 2010 to 2011 is primarily due to a decrease in the Airport's investment income related to lower returns on investments as a result of declining interest rates and mark to market adjustments.
- Capital grant and contribution revenues totaled \$12,630,322 and \$12,037,915 in 2011 and 2010, respectively.
- For 2011, net assets increased \$8,938,358 as the result of the above activity. Total net assets at the end of 2011 were \$244,109,746.

Significant items affecting the Summary of Revenues, Expenses and Changes in Fund Net Assets for 2010 are as follows:

- ➔ Operating revenues declined by approximately \$2 million due to management's decision to reduce airline rates and charges. The Airport defeased its Series 1992C revenue bonds in 2009, reducing total charges to the airlines by \$1.675 million for 2010.
- ➔ Operating expenses increased by 3.1 percent as a result of an increase in non-capitalized capital expenditures.
- ➔ The net result of the above was operating income before depreciation decreased by \$2,147,476 for 2010. Depreciation and amortization decreased by \$411,983.
- ➔ Non-operating income decreased by \$457,134. The change from 2009 to 2010 is primarily due to a decrease in the Airport's investment income related to lower returns on investments as a result of declining interest rates and mark to market adjustments.
- ➔ Capital grant and contribution revenues totaled \$12,037,915 and \$12,508,238 in 2010 and 2009, respectively. The decrease is primarily due to lower capital expenditures in 2010 as compared to 2009 that are funded through the Federal Aviation Administration's (FAA) Airport Improvement Program.
- ➔ For 2010, net assets increased \$6,435,828 as the result of the above activity. Total net assets at the end of 2010 were \$235,171,388.

Financial Position Summary

	<u>2011</u>	<u>2010</u>	<u>% Change</u>	<u>2009</u>	<u>% Change</u>
Current assets (including restricted cash)	\$ 44,463,931	\$ 44,099,914	.83%	\$ 44,522,748	-0.95%
Restricted Investments	5,468,053	5,451,377	.31%	5,577,425	-2.26%
Bond issue cost (net)	530,044	604,318	-12.29%	681,520	-11.33%
Note Receivable	1,984,060	2,027,576	-2.15%	2,067,512	-1.93%
Property and equipment (net)	243,377,050	239,890,919	1.45%	235,225,327	1.98%
Total Assets	\$ 295,823,138	\$ 292,074,104	1.28 %	\$ 288,074,532	1.39%
Current Liabilities	\$ 8,362,837	\$ 9,598,188	-12.87%	\$ 8,592,234	11.71%
Long-term debt (less current portion)	42,627,748	46,372,698	-8.08%	49,896,119	-7.06%
Other non-current liabilities	722,807	931,830	-22.43%	850,619	9.55%
Total Liabilities	51,713,392	56,902,716	-9.12%	59,338,972	-4.11%
Net Assets:					
Invested in capital assets (net of debt)	202,686,807	195,790,991	3.52%	188,240,269	4.01%
Restricted	14,313,819	14,359,388	-.32%	15,288,373	-6.08%
Unrestricted	27,109,120	25,021,009	8.35%	25,206,918	-.74%
Net Assets	244,109,746	235,171,388	3.80%	228,735,560	2.81%
Total Liabilities and net assets	\$ 295,823,138	\$ 292,074,104	1.28%	\$ 288,074,532	1.39%

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, 2011, the amount of \$14.3 million or 5.86 percent of net assets represented resources that are subject to restrictions on how they can be used. For 2010, the amount was \$14.4 million or 6.11 percent of net assets. These restricted net assets are not available for new spending because they have already been committed as follows:

	<u>2011</u>	<u>2010</u>
Passenger Facility Charges	\$ 2,793,150	\$ 2,670,780
Bond and Operating and Maintenance Reserves	<u>11,520,669</u>	<u>11,688,608</u>
Total Restricted	<u>\$ 14,313,819</u>	<u>\$ 14,359,388</u>

The remaining unrestricted net assets of \$27.1 million for 2011 and \$25 million for 2010 may be used to meet any of the Airport's ongoing obligations.

Airline Signatory Rates and Charges for 2011 and 2010

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 (2011 rates are finalized after the issuance of these financial statements):

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Landing fees (per 1,000 lbs MGLW)	\$ 2.52	\$ 2.10
Terminal rental rate (per sq ft)	\$ 67.96	\$ 54.06
Loading bridge rate (per bridge)	\$ 10,632	\$ 9,338
Signatory airline cost (per enplaned passenger)	\$ 8.85	\$ 6.74

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 inclusive of the net revenue sharing credited to the airlines, which was \$212,377 (preliminary) and \$1,177,699 in 2011 and 2010, respectively.

During 2004, the Airport and the airlines successfully negotiated an extension of the existing Use and Lease Agreement. The extension was effective from January 1, 2005, through December 31, 2009. In 2009, the Airport and the airlines agreed to further extend the existing Agreement for an additional two year term with an expiration date of December 31, 2011. The Agreement contains an additional option year through December 31, 2012, which was executed by mutual consent.

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 \$63,156,982 and \$59,435,209 through the years ended December 31, 2011 and 2010, 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.

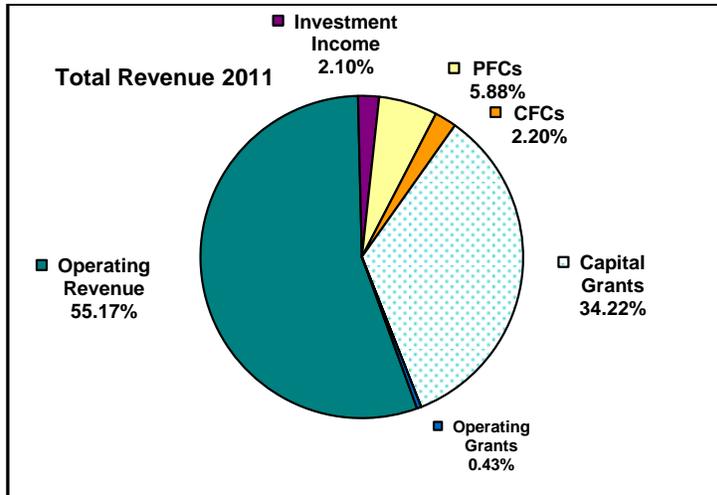
An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

Financial Details

Revenues Overview:

The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2011 and 2010 with a comparison of changes in dollar amounts to the previous years.

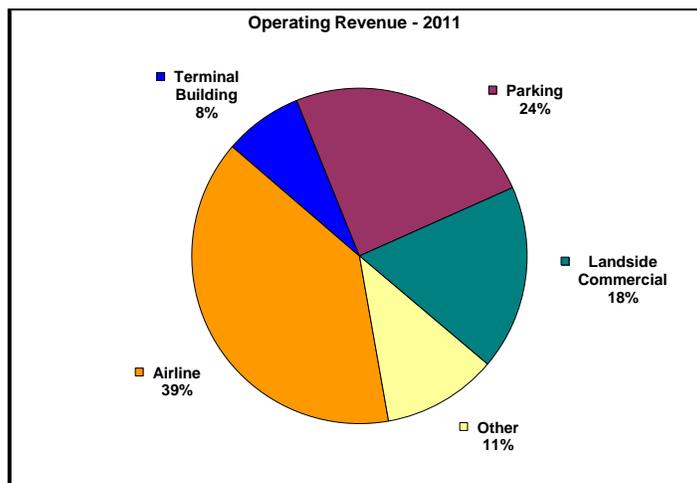
	<u>Year End</u> <u>12/31/2011</u>	<u>Year End</u> <u>12/31/2010</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2009</u>	<u>\$ Increase/</u> <u>(Decrease)</u>
Operating Revenues					
Airline	\$ 7,959,261	\$ 6,708,684	\$ 1,250,577	\$ 8,444,465	\$(1,735,781)
Terminal Building	1,542,808	1,552,759	(9,951)	1,553,669	(910)
Parking	4,974,074	5,325,655	(351,581)	5,566,698	(241,043)
Landside Commercial	3,634,536	3,620,202	14,334	3,787,906	(167,704)
Other	2,249,476	2,001,927	247,549	1,949,955	51,972
Total Operating Revenues	<u>20,360,155</u>	<u>19,209,227</u>	<u>1,150,928</u>	<u>21,302,693</u>	<u>(2,093,466)</u>
Other Income					
Investment Income	775,234	630,250	144,984	1,126,051	(495,801)
Passenger Facility Charges	2,168,845	2,327,679	(158,834)	2,510,284	(182,605)
Customer Facility Charges	812,873	822,498	(9,625)	835,669	(13,171)
Operating Grant	156,546	69,893	86,653	189,951	(120,058)
Capital Grants	12,630,322	12,023,748	606,574	12,508,238	(484,490)
Capital Contributions	0	14,167	(14,167)	0	14,167
Total Other Income	<u>16,543,820</u>	<u>15,888,235</u>	<u>655,585</u>	<u>17,170,193</u>	<u>(1,281,958)</u>
TOTAL INCOME	<u>\$36,903,975</u>	<u>\$35,097,462</u>	<u>\$ 1,806,513</u>	<u>\$38,472,886</u>	<u>\$ (3,375,424)</u>



Operating Revenues:

Significant items for 2011 as compared to 2010 were as follows:

- ➔ Total operating revenue increased by \$1,150,928, primarily due to increased effective rates in landing fees and terminal rents in 2011.
- ➔ Parking revenue decreased by \$351,581, primarily due to the decline in passenger traffic.



Significant items for 2010 as compared to 2009 were as follows:

- ➔ Total operating revenue decreased by \$2,093,466. The decrease was primarily due to a decline in airline revenue as a result of lower rates and charges in 2010 as compared to 2009. The Airport defeased its Series 1992C revenue bonds in 2009, reducing total charges to the airlines by \$1.675 million for 2010.

- ➔ Parking and landside commercial revenue decreased by \$241,043 and \$167,704 respectively, primarily due to the decline in passenger traffic.

Other Income:

The significant items for 2011 as compared to 2010 are as follows:

- ➔ Investment income increased by \$144,984 from 2010 due to mark to market adjustments.
- ➔ Capital grants revenue increased by \$606,574 in 2011 as compared to 2010. This increase is a result of an OTA (Other Transaction Agreement) Grant offered by the TSA (Transportation Security Administration) to reimburse the Airport for work done on the Checked Baggage Inspection System Project.

The significant items for 2010 as compared to 2009 are as follows:

- ➔ Investment income decreased by \$495,801 from 2010 due to lower interest rates earned on the Airport's pooled investments and mark to market adjustments.
- ➔ Capital grants revenue decreased by \$484,490 in 2010 as compared to 2009. This decrease is a result of lower expenditures for projects funded through the FAA's Airport Improvement Program.

Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2011 and 2010, along with comparisons in dollars to the prior years.

	<u>Year End</u> <u>12/31/2011</u>	<u>Year End</u> <u>12/31/2010</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2009</u>	<u>\$ Increase/</u> <u>(Decrease)</u>
Operating Expenses					
Salaries and Benefits	\$ 8,227,876	\$ 8,328,334	\$ (100,458)	\$ 8,421,150	\$ (92,816)
Other Operating Expenses	6,172,027	7,052,034	(880,007)	6,493,225	558,809
Total Operating Expenses	<u>14,399,903</u>	<u>15,380,368</u>	<u>(980,465)</u>	<u>14,914,375</u>	<u>465,993</u>
Depreciation and gain or loss on disposal of capital assets	11,113,931	10,771,088	342,843	11,305,112	(534,024)
Interest Expense	2,451,783	2,510,178	(58,395)	2,742,638	(232,460)
TOTAL EXPENSES	<u>\$ 27,965,617</u>	<u>\$ 28,661,634</u>	<u>\$ (696,017)</u>	<u>\$ 28,962,125</u>	<u>\$ (300,491)</u>

The significant issues affecting 2011 expenses as compared to 2010 were as follows:

- ➔ Other operating expenses were \$880,007 lower in 2011 compared to 2010. Additional details of variances are provided below under Expense by Category.
- ➔ Depreciation expense and gain or loss on disposal of capital assets was \$64,484 higher than 2010 due to the addition of capital assets being depreciated.
- ➔ Interest expense for 2011 was approximately \$58,395 lower than 2010 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

The significant issues affecting 2010 expenses as compared to 2009 were as follows:

- Other operating expenses were \$558,809 higher in 2010 compared to 2009. Additional details of variances are provided below under Expense by Category.
- Depreciation expense and gain or loss on disposal of capital assets was \$517,832 lower than 2009 due to a lower capitalization of assets.
- Interest expense for 2010 was approximately \$232,460 lower than 2009 primarily due to the Airport's debt amortization schedule which applies a greater portion of the substantially level debt service payments toward principal and less toward interest each year on the remaining outstanding bonds.

Expense by Category:

The following chart shows the operating expenses by category for the years ended December 31, 2011 and 2010.

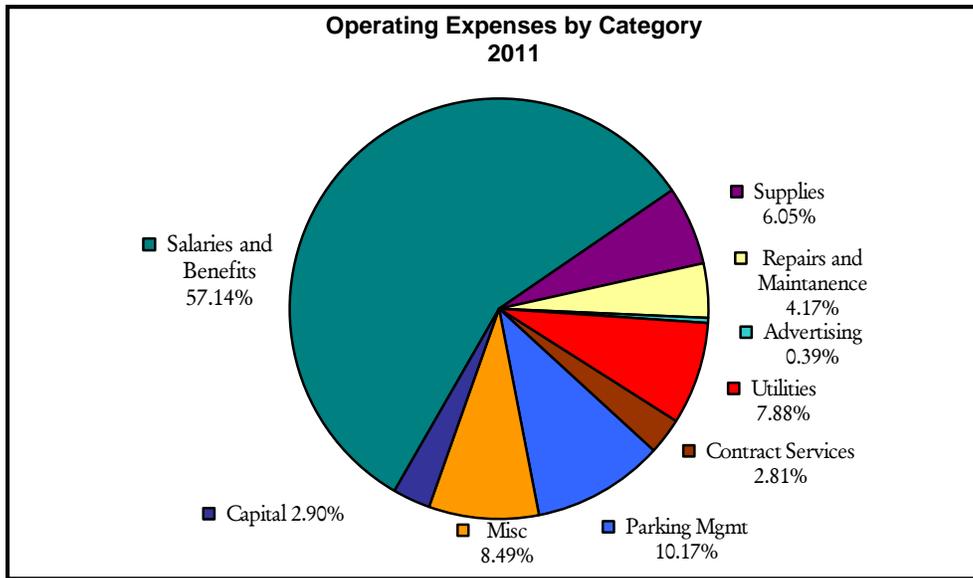
	<u>2011</u> <u>Totals</u>	<u>2011</u> <u>% of Total</u>	<u>2010</u> <u>Totals</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>2010</u> <u>% of Total</u>
Salaries and Benefits	\$ 8,227,876	57.14%	\$ 8,328,334	\$ (100,458)	54.15%
Supplies	871,515	6.05%	756,889	114,626	4.92%
Repairs and Maintenance	600,672	4.17%	896,845	(296,173)	5.83%
Advertising	56,099	0.39%	63,528	(7,429)	0.41%
Utilities	1,135,324	7.88%	1,236,218	(100,894)	8.04%
Contract Services	404,251	2.81%	345,374	58,877	2.25%
Parking Management	1,463,462	10.17%	1,456,070	7,392	9.47%
Miscellaneous	1,223,226	8.49%	1,170,532	52,694	7.61%
Capital Expenditures	417,478	2.90%	1,126,578	(709,100)	7.32%
TOTAL EXPENSES	<u>\$ 14,399,903</u>	<u>100.00%</u>	<u>\$ 15,380,368</u>	<u>\$ (980,465)</u>	<u>100.00%</u>

The significant variances between 2011 and 2010 expenses by category were the result of:

- Salaries and benefits were \$100,458 lower in 2011 due to position vacancies.
- Supplies were \$114,625 higher in 2011 primarily due to higher fuel costs.
- Repairs and maintenance were \$296,173 lower in 2011 due to the purchase of newer airfield equipment over the last three years. This equipment is less expensive to maintain.
- Utilities decreased \$100,895 in 2011 due to a change in billing cycles.
- Capital expenditures were \$709,100 lower in 2011 due to a lower capitalization rate.

The significant variances between 2010 and 2009 expenses by category were the result of:

- Utilities increased by 134,799 in 2010 due to higher rates.
- Capital expenditures were \$896,681 higher in 2010 due to a lower capitalization rate.



Budgetary Highlights

	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>% Over/ (Under)</u>	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>% Over/ (Under)</u>
Operating Revenues						
Airline Revenues	\$ 8,540,249	\$ 7,959,261	-6.80%	\$ 9,604,617	\$ 6,708,684	-30.15%
Other Operating Revenues	12,663,553	12,400,894	-2.07%	12,313,160	12,500,543	1.52%
Total Operating Revenues	21,203,802	20,360,155	-3.98%	21,917,777	19,209,227	-12.36%
Total Operating Expenses						
Total Operating Expenses	15,630,923	14,399,903	-7.88%	16,412,380	15,380,368	-6.29%
Total Operating Income	\$ 5,572,879	\$ 5,960,252	6.95%	\$ 5,505,397	\$ 3,828,859	-30.45%

The significant variances related to the 2011 budget and actual figures were as follows:

- Airline revenues were approximately 7 percent less than budgeted. The Airport reduced its operating expenses, which reduces the rates airlines are charged for landing fees and terminal rents, effectively reducing the revenue the Airport receives from the airlines.

The significant variances related to the 2010 budget and actual figures were as follows:

- Airline revenues were approximately 30 percent less than budgeted. The Airport defeased its Series 1992C bonds to reduce the amount of debt service included in airline rates and charges resulting in \$1.675 million less in airline revenue for 2010.
- Other operating expenses were approximately six percent less than budgeted primarily due to lower salary and benefit costs as a result of personnel vacancies.

Long-Term Debt

The Airport had \$43,000,000 and \$46,020,000 in bonds outstanding in three series of bonds: 2007A, 2007B, and 2002A as of December 31, 2011 and 2010, respectively. The bonds are payable solely from net revenues of the Airport system and from certain funds established under the bond ordinance.

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

In May of 2006, the Airport signed a loan agreement with U.S. Bank to fund infrastructure improvements to a parcel of land in the Airport Business Park. Loan payments will be funded through a surcharge that will be collected from the tenant per the terms of a lease negotiated in June of 2006. On December 31, 2011 and 2010, the outstanding balance on the loan was \$2,125,038 and \$2,168,452 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, 2011 and 2010, the outstanding balance on the loan was \$1,589,035 and \$2,088,162 respectively. The loan will be repaid with PFC revenues.

In July of 2008, the Airport entered into a loan agreement with the Colorado Department of Transportation to purchase equipment to enhance snow removal operations. On December 31, 2011 and 2010 the outstanding balance on the loan was \$357,972 and \$441,044 respectively. The loan will be repaid with PFC revenues.

In 2009, the Airport entered in a capital lease with AMPCO System Parking to furnish a parking revenue management system. The system acquired by this lease has been capitalized in the Airport's financial statements. On December 31, 2011, the minimum lease obligation totaled \$332,760.

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

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

Capital Acquisition and Construction Activities

During fiscal years ended December 31, 2011 and 2010, the Airport expended approximately \$15 million and \$16 million, respectively, in capital activities. Major construction projects in 2011 included the Checked Baggage Inspection System, the rehabilitation of Runway 12/30, the Security Checkpoint Expansion, and the design/construction of a Defense Access Road in 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>2011</u>	<u>2010</u>
Relocation of Admin Offices and Conference Rooms	224,273	-
Rehabilitation of Taxiway E, G, & H	303,150	-
Rehabilitation of Taxiway E, G, & H (Phase II)	75,840	-
Security Checkpoint Expansion	947,054	-
Aviation Way Expansion	-	9,744
Modernization of Communications Center	139,487	2,312
Terminal Seating	-	34,199
Integrated Operations Center	132,637	-
Rehabilitation of Taxiway G & H (Phase I)	110,504	3,576,178
Rehabilitation of Taxiways E4 and E5	-	24,823
Fleet Improvement (Phase I)	-	675,583
Fleet Improvement (Phase II)	-	206,684
Airport Master Plan Update	248,475	672,446
Runway 12/30 (Design)	2,300	334,501
Rehabilitation of Taxiways G & H (Phase IV)	44,837	3,154,793
Runway 12/30 (Construction)	1,914,429	3,452,824
Replace Public Roadway Signage	-	1,280,627
Board Bridge Control Replacements	-	453,501
WAD South Taxilane and Parking Ramp (Design)	129,809	205,948
Airfield Guidance and Hold Signs	77,176	284,066
Interior Signage	34,228	178,846
Defense Access Roads	6,210,201	1,191,072
Checked Baggage Inspection System	4,217,113	439,825
Public Parking Shuttle	-	178,331
Miscellaneous other Airport Improvements	<u>85,896</u>	<u>126,522</u>
Total	<u>\$ 14,897,409</u>	<u>\$ 16,482,825</u>

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

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

Request for Information

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

Colorado Springs Municipal Airport
Colorado Springs, Colorado
BALANCE SHEETS
December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Unrestricted cash and investments	\$ 32,331,745	\$ 29,061,424
Restricted cash and investments- passenger facility charges	2,586,552	2,472,190
Restricted cash and investments- bond reserves	6,052,616	6,237,231
Accounts receivable (net allowances of \$22,583 and \$769,247)	3,155,673	6,130,479
Restricted accounts receivable- passenger facility charges	206,598	198,590
Inventory	130,747	-
Total current assets	44,463,931	44,099,914
NONCURRENT ASSETS		
Restricted assets		
Investments	5,468,053	5,451,377
Unamortized bond issuance costs	530,044	604,318
Note Receivable	1,984,060	2,027,576
Capital assets		
Land	18,423,581	18,423,581
Buildings	94,081,479	94,535,740
Improvements other than buildings	173,167,137	161,991,560
Machinery and equipment	10,662,102	10,750,953
Infrastructure	27,218,569	26,796,307
Vehicles	4,360,539	4,314,503
Construction in progress	24,880,583	21,942,197
Less accumulated depreciation	(109,416,940)	(98,863,922)
Total capital assets (net of accumulated depreciation)	243,377,050	239,890,919
Total noncurrent assets	251,359,207	247,974,190
Total assets	\$295,823,138	\$292,074,104

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
BALANCE SHEETS
December 31, 2011 and 2010

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of revenue bonds payable	\$ 3,180,000	\$ 3,020,000
Current portion of notes payable	649,106	625,750
Current portion of capital lease	141,464	131,927
Accounts payable	3,065,033	4,380,220
Accrued salaries and benefits	193,731	163,033
Compensated absences	27,974	31,529
Due to other City funds/CSU	27,005	98,577
Deferred revenue and other tenant deposits	1,078,524	1,147,152
Total current liabilities	8,362,837	9,598,188
NONCURRENT LIABILITIES		
Compensated absences	531,511	599,069
Revenue bonds payable	39,204,809	42,300,688
Notes payable	3,422,939	4,072,010
Capital lease	191,296	332,761
Total noncurrent liabilities	43,350,555	47,304,528
Total liabilities	51,713,392	56,902,716
NET ASSETS		
Invested in capital assets, net of related debt	202,686,807	195,790,991
Restricted net assets- passenger facility charges	2,793,150	2,670,780
Restricted net assets- bond reserves	11,520,669	11,688,608
Unrestricted net assets	27,109,120	25,021,009
Total net assets	244,109,746	235,171,388
Total liabilities and net assets	\$295,823,138	\$292,074,104

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Airline revenues	\$ 7,959,261	\$ 6,708,684
Terminal building concessions	1,542,808	1,552,759
Parking concessions	4,974,074	5,325,655
Landside commercial concessions	3,634,536	3,620,202
Other charges	<u>2,249,476</u>	<u>2,001,927</u>
Total operating revenues	<u>20,360,155</u>	<u>19,209,227</u>
Operating expenses		
Salaries and benefits	8,227,876	8,328,334
Other operating expenses	6,172,027	7,052,034
Depreciation	<u>10,851,764</u>	<u>10,787,280</u>
Total operating expenses	<u>25,251,667</u>	<u>26,167,648</u>
Operating loss	<u>(4,891,512)</u>	<u>(6,958,421)</u>
Non-operating revenues (expenses)		
Investment income	775,234	630,250
Passenger facility charges	2,168,845	2,327,679
Customer facility charges	812,873	822,498
Operating grants	156,546	69,893
Interest expense	(2,451,783)	(2,510,178)
Gain/loss on disposal of capital assets	<u>(262,167)</u>	<u>16,192</u>
Total non-operating revenues (expenses)	<u>1,199,548</u>	<u>1,356,334</u>
Loss before contributions	(3,391,964)	(5,602,087)
Capital grants	12,630,322	12,023,748
Capital contributions	<u>-</u>	<u>14,167</u>
Change in net assets	8,938,358	6,435,828
Total net assets – beginning of year	<u>235,171,388</u>	<u>228,735,560</u>
Total net assets – end of year	<u>\$244,109,746</u>	<u>\$235,171,388</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts from customers	\$20,209,257	\$ 19,359,285
Receipts from interfund services provided	69,794	51,114
Payments to suppliers	(6,321,341)	(4,922,751)
Payments to employees	(8,268,292)	(8,363,974)
Payments for interfund services used	(820,426)	(2,435,028)
Net cash provided by operating activities	<u>4,868,992</u>	<u>3,688,646</u>
Cash flows from noncapital financing activities		
Operating grant	159,751	256,298
Net cash provided by noncapital financing activities	<u>159,751</u>	<u>256,298</u>
Cash flows from capital and related financing activities		
Capital grant	15,616,748	12,047,270
Capital expenditures	(10,935,184)	(12,535,018)
Passenger facility charges	2,160,850	2,369,387
Customer facility charges	771,140	863,618
Principal payments on loans	(625,715)	(605,179)
Interest payments on loans	(261,056)	(281,593)
Principal payments on revenue bonds	(3,020,000)	(1,295,000)
Interest payments on revenue bonds	(2,217,513)	(2,272,686)
Payment from accounts payable incurred for fixed asset additions	<u>(417,016)</u>	<u>(9,118)</u>
Net cash (used in) capital and related financing activities	<u>1,072,254</u>	<u>(1,718,319)</u>
Cash flows from investing activities		
Interest received on investments	649,222	1,166,708
Purchases of investments	(38,739,932)	(34,707,329)
Proceeds from sales and maturities of investments	<u>30,533,671</u>	<u>33,258,595</u>
Net cash (used in) investing activities	<u>(7,557,039)</u>	<u>(282,026)</u>
Net increase (decrease) in cash and cash equivalents	(1,456,042)	1,944,599
Cash and cash equivalents – beginning of year	<u>3,356,310</u>	<u>1,411,711</u>
Cash and cash equivalents – end of year	1,900,268	3,356,310
Investments	<u>44,538,698</u>	<u>39,865,912</u>
Cash and investments	<u>\$ 46,438,966</u>	<u>\$ 43,222,222</u>
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	\$ 32,331,745	\$ 29,061,424
Restricted cash and investments	<u>14,107,221</u>	<u>14,160,798</u>
Total cash and investments	<u>\$ 46,438,966</u>	<u>\$ 43,222,222</u>

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, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (4,891,512)	\$ (6,958,421)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	10,851,765	10,787,280
(Increase) decrease in assets		
Receivables	(12,459)	330,619
Due from other City funds	(15)	-
Increase (decrease) in liabilities		
Accounts payable	(898,172)	(404,322)
Accrued salaries, benefits, and sick leave benefits	(40,415)	(35,639)
Due to other City funds	(71,572)	98,577
Deferred revenue and other tenant deposits	(68,628)	(129,448)
Net cash provided by operating activities	\$ 4,868,992	\$ 3,688,646

Noncash capital and related financing and investing activities:

The Airport had unrealized gains of \$126,012 and \$18,105, for the years ended December 31, 2011 and 2010, respectively. The Airport obtained capital assets through incurring payables in the amount of \$2,412,303 and \$2,829,320 as of December 31, 2011 and 2010, respectively.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

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

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

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

A Director of Aviation directs and manages the Airport. This Director reports to the City's Chief of Economic Vitality who reports to an elected Mayor. 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, and Financial Accounting Standards Board pronouncements issued prior to 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

B. Capital assets and depreciation

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

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

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

Interest is capitalized on capital 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. No interest was capitalized during 2011.

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

C. Inventory

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

D. Compensated absences

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

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. 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.

F. Passenger facility charges

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as runway and taxiway rehabilitations, security enhancements, roadway upgrades and drainage improvements. GASB 33 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.

G. Customer facility charges

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

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

H. Unamortized bond issue costs

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

4. *Reclassifications*

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

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, 2011 and 2010, is presented below:

	<u>2011</u>	<u>2010</u>
Operating expenses (US GAAP basis)	\$ 25,251,667	\$ 26,167,648
Non-operating expenses (US GAAP basis)	<u>2,451,783</u>	<u>2,510,178</u>
	27,703,450	28,677,826
Less: Depreciation expense	(10,851,764)	(10,787,280)
Add: Capital expenditures (accrual basis)	<u>15,027,958</u>	<u>16,587,594</u>
Expenditures (budgetary basis)	<u>\$ 31,879,644</u>	<u>\$ 34,478,140</u>
Appropriations	<u>\$ 57,192,852</u>	<u>\$ 76,981,995</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, 2011 and 2010, amounted to \$157,990,686 and \$147,710,944, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2011 and 2010 was \$40,970,913 and \$37,770,845, respectively. The Airport's portion was approximately 25.9% and 25.6% of the total pooled cash and investments of the City as of December 31, 2011 and 2010. The pooled cash and investments of the City and the Airport as of December 31, 2011 and 2010 are as follows:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
Cash on hand	\$ 14,454	\$ 3,748	\$ 13,904	\$ 3,555
Deposits				
Demand, time deposits	7,289,648	1,890,392	13,111,509	3,352,755
Investments	<u>150,686,584</u>	<u>39,076,773</u>	<u>134,585,531</u>	<u>34,414,535</u>
Total pooled cash and investments	<u>\$ 157,990,686</u>	<u>\$ 40,970,913</u>	<u>\$ 147,710,944</u>	<u>\$ 37,770,845</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Restricted investments

As of December 31, 2011 and 2010, the Airport’s restricted investments total \$5,468,053 and \$5,451,377, respectively and represent reserves required by the Airport’s bond ordinance.

Deposits

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

As of December 31, 2011 and December 31, 2010, the bank balance of the City of Colorado Springs’ bank deposits exclusive of cash not included in pooled cash and investments were \$10,288,520 and \$16,130,671, respectively. As of December 31, 2011, of the total bank deposits \$10,288,520 was covered by Federal Depository Insurance. As of December 31, 2010, of the total bank deposits, \$326,919 was covered by Federal Depository Insurance and the remainder of \$15,803,752 was uninsured but collateralized in accordance with Colorado state law. The Airport’s share of those amounts as of December 31, 2011 and 2010 was \$1,894,140 and \$68,022, 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, 2011, the detail of pooled cash and investments held for the City and the Airport is as follows:

<u>Investment type</u>	<u>Fair Value City</u>	<u>Fair Value Airport</u>	<u>Weighted Average Maturity (years)</u>
Money market mutual funds	\$ 42,093	\$ 10,916	0.00
Colorado Statewide Investment Program	20,633,516	5,350,783	0.00
Colorado Liquid Asset Trust	13	4	0.00
Commercial paper	1,999,678	518,567	0.18
US Treasury securities	37,273,240	9,665,876	3.09
US Instrumentality securities	84,504,519	21,914,119	2.32
Corporate fixed-income securities	<u>6,233,525</u>	<u>1,616,508</u>	1.99
Total fair value	150,686,584	39,076,773	
Portfolio weighted average maturity			2.15
 Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	<u>7,304,102</u>	<u>1,894,140</u>	
	<u>\$ 157,990,686</u>	<u>\$ 40,970,913</u>	

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

1. *Deposits and investments - continued*

As of December 31, 2010, the detail of pooled cash and investments held for the City and the Airport was 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	\$ 208,213	\$ 53,242	0.00
Colorado Liquid Asset Trust	5,347,439	1,367,380	0.00
Commercial paper	698,911	178,717	0.41
US Treasury securities	22,206,729	5,678,428	1.87
US Instrumentality securities	99,391,678	25,415,201	2.70
Corporate fixed-income securities	<u>6,732,561</u>	<u>1,721,567</u>	1.48
 Total fair value	 134,585,531	 34,414,535	
Portfolio weighted average maturity			2.38
 Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	<u>13,125,413</u>	<u>3,356,310</u>	
	<u>\$147,710,944</u>	<u>\$37,770,845</u>	

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

	<u>S&P Rating</u>	<u>2011</u> <u>% of Total</u>	<u>2010</u> <u>% of Total</u>
Money market mutual funds	AAA	0.03%	0.15%
Colorado Statewide Investment Program	AAAm	13.69%	0.00%
Colorado Liquid Asset Trust	AAAm	0.00%	3.97%
Commercial paper	A-1	1.33%	0.52%
US Treasury Securities	N/A	24.74%	16.50%
US Instrumentality Securities	N/A	56.07%	73.85%
Domestic corporate fixed income securities	AAA	0.74%	2.34%
Domestic corporate fixed income securities	AA	2.54%	2.67%
Domestic corporate fixed income securities	A	<u>0.86%</u>	<u>0.00%</u>
		<u>100.00%</u>	<u>100.00%</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

1. *Deposits and investments - continued*

As of December 31, 2011, the City has invested \$13 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements and Colorado Depositories (with short term ratings of A1 or better) in which the deposits are collateralized at 102% of market value under the provisions of the Public Depository Protection Act.

The City's investment in COLOTRUST is rated AAAM by Standard and Poor's. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following address:

COLOTRUST
999 18th Street, Suite 1230
Denver, CO 80202
www.colotrust.com

During 2011, the City invested in the PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the Trust). The Trust is an open-end, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's. PFM Asset Management LLC services as the investment advisor, administrator and transfer agent. Shares of the Fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA). U.S. Bank N.A. serves as the custodian and acts as safekeeping agent. As of December 31, 2011 and December 31, 2010, the City had \$20,633,516 and \$0, respectively, invested in the PFM Funds Prime Series.

To obtain financial statements for PFM Funds Prime Series, Colorado Investors Class, you may visit its website at www.csipinvest.com.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2011, was as follows:

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings	\$ 94,535,740	\$	\$ (454,261)	\$ 94,081,479
Improvements other than buildings	161,991,560	11,175,577		173,167,137
Machinery and equipment	10,750,953	37,161	(126,012)	10,662,102
Vehicles	4,314,503	66,161	(20,125)	4,360,539
Infrastructure	<u>26,796,307</u>	<u>422,262</u>	<u>-</u>	<u>27,218,569</u>
Total capital assets Being depreciated	<u>298,389,063</u>	<u>11,701,161</u>	<u>(600,398)</u>	<u>309,489,826</u>
Less accumulated depreciation for:				
Buildings	(37,646,676)	(2,673,895)	185,960	(40,134,611)
Improvements other than buildings	(48,967,297)	(6,574,975)	-	(55,542,272)
Machinery and equipment	(4,420,248)	(715,466)	92,662	(5,043,052)
Vehicles	(3,701,948)	(113,803)	20,125	(3,795,626)
Infrastructure	<u>(4,127,753)</u>	<u>(773,626)</u>	<u>-</u>	<u>(4,901,379)</u>
Total accumulated depreciation	<u>(98,863,922)</u>	<u>(10,851,765)</u>	<u>298,747</u>	<u>(109,416,940)</u>
Total capital assets Being depreciated, net	<u>199,525,141</u>	<u>849,396</u>	<u>(301,651)</u>	<u>200,072,886</u>
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	<u>21,942,197</u>	<u>14,536,224</u>	<u>(11,597,838)</u>	<u>24,880,583</u>
Total capital assets, not being depreciated	<u>40,365,778</u>	<u>14,536,224</u>	<u>(11,597,838)</u>	<u>43,304,164</u>
Capital assets, net	<u>\$239,890,919</u>	<u>\$15,385,620</u>	<u>\$ (11,899,489)</u>	<u>\$243,377,050</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

2. *Capital assets - continued*

Capital assets activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings	\$ 94,502,036	\$ 34,199	\$ (495)	\$ 94,535,740
Improvements other than buildings	161,976,415	29,232	(14,087)	161,991,560
Machinery and equipment	9,602,476	1,168,932	(20,455)	10,750,953
Vehicles	4,033,112	380,452	(99,061)	4,314,503
Infrastructure	<u>26,796,307</u>	<u>-</u>	<u>-</u>	<u>26,796,307</u>
Total capital assets Being depreciated	<u>296,910,346</u>	<u>1,612,815</u>	<u>(134,098)</u>	<u>298,389,063</u>
Less accumulated depreciation for:				
Buildings	(34,958,760)	(2,688,383)	467	(37,646,676)
Improvements other than buildings	(42,471,696)	(6,509,688)	14,087	(48,967,297)
Machinery and equipment	(3,691,776)	(748,927)	20,455	(4,420,248)
Vehicles	(3,717,995)	(75,202)	91,249	(3,701,948)
Infrastructure	<u>(3,362,673)</u>	<u>(765,080)</u>	<u>-</u>	<u>(4,127,753)</u>
Total accumulated depreciation	<u>(88,202,900)</u>	<u>(10,787,280)</u>	<u>126,258</u>	<u>(98,863,922)</u>
Total capital assets Being depreciated, net	<u>208,707,446</u>	<u>(9,174,465)</u>	<u>(7,840)</u>	<u>199,525,141</u>
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	<u>8,094,300</u>	<u>13,848,200</u>	<u>(303)</u>	<u>21,942,197</u>
Total capital assets, not being depreciated	<u>26,517,881</u>	<u>13,848,200</u>	<u>(303)</u>	<u>40,365,778</u>
Capital assets, net	<u>\$235,225,327</u>	<u>\$4,673,735</u>	<u>\$ (8,143)</u>	<u>\$239,890,919</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 \$18,270,000 mature from 2004 to 2015, have interest rates ranging from 3.00% to 5.50% and of which \$3,350,000 mature in 2018 with an interest rate of 4.75%. Series 2002A term bonds of \$6,255,000 and \$15,130,000 are due from 2016 to 2017 and 2019 to 2022, respectively, and have interest rates of 4.75% and 5.00%, respectively.

In December 1996, the City of Colorado Springs issued \$12,450,000 Airport System Revenue Bonds, Series 1996A and \$3,485,000 Airport System Revenue Bonds, Series 1996B for the purposes of paying a portion of the costs of capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance. The 1996A and the 1996B bonds were refunded during 2007 by the 2007A and 2007B Airport Refunding Revenue Bonds outlined above.

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

All bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance. The Airport issued these revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as Airport revenue bonds to finance construction projects.

	Amount Pledged	Term of Commitment
Airport Revenue Bonds	\$60,887,369	2002-2023

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

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

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2011:

Year ending December 31,	2007A		2007B		2002A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$240,000	\$108,388	\$315,000	\$307,113	\$2,625,000	\$1,640,862	\$3,180,000	\$2,056,363
2013	250,000	98,788	330,000	291,363	2,770,000	1,496,488	3,350,000	1,886,639
2014	260,000	88,788	340,000	278,163	2,920,000	1,344,138	3,520,000	1,711,089
2015	270,000	78,388	355,000	264,563	3,055,000	1,212,738	3,680,000	1,555,689
2016	280,000	67,588	480,000	250,363	3,200,000	1,067,625	3,960,000	1,385,576
2017-2021	1,400,000	159,738	3,340,000	904,700	18,480,000	2,853,124	23,220,000	3,917,562
2022-2023	0	0	2,090,000	136,938	0	0	2,090,000	136,938
Totals	\$ 2,700,000	\$ 601,678	\$ 7,250,000	\$ 2,433,203	\$33,050,000	\$ 9,614,975	\$ 43,000,000	\$12,649,856

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

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, 2011 is \$2,125,038. Loan payments through October 2030, will be made with funds derived from a surcharge, above and beyond the monthly land lease, that is collected from the tenant.

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

The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2011:

Year ending December 31,	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2012	\$228,696	\$179,256	\$49,440
2013	228,696	174,341	54,355
2014	228,696	169,536	59,160
2015	228,696	164,307	64,389
2016	228,696	158,616	70,080
2017-2021	1,143,480	688,458	455,022
2022-2026	1,143,480	448,524	694,956
2027-2030	<u>783,464</u>	<u>105,828</u>	<u>677,636</u>
Totals	<u>\$ 4,213,904</u>	<u>\$ 2,088,866</u>	<u>\$ 2,125,038</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

4. *Note Payable/Note Receivable- continued*

On December 19, 2007, the Airport entered into a loan agreement in the amount of \$3,500,000 with the Colorado Department of Transportation to fund improvements to public roadway signage and to resurface the entry/exit roads to the Airport. The interest rate on the loan is 3.0 percent. Debt service payments on this loan will be made from PFC revenues. This loan matures on November 2, 2014. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2011:

Year ending December 31,	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2012	\$561,772	\$47,671	\$514,101
2013	561,772	32,248	529,524
2014	<u>561,772</u>	<u>16,362</u>	<u>545,410</u>
Totals	<u>\$ 1,685,316</u>	<u>\$ 96,281</u>	<u>\$ 1,589,035</u>

On July 3, 2008, the Airport entered into a loan agreement in the amount of \$600,000 with the Colorado Department of Transportation to purchase equipment to enhance snow removal capabilities. Debt service payments on this loan will be made from PFC revenues. This loan matures on July 3, 2015. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2011:

Year ending December 31,	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2012	\$96,304	\$10,739	\$85,565
2013	96,304	8,172	88,132
2014	96,304	5,528	90,776
2015	<u>96,304</u>	<u>2,805</u>	<u>93,499</u>
Totals	<u>\$ 385,216</u>	<u>\$ 27,244</u>	<u>\$ 357,972</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

5. *Leases*

The Airport leases facilities and land to various airlines, concessionaires, and others. Substantially all of the leases are operating leases for land, buildings, and terminal space. The leases contain provisions for cancellation by either party if certain conditions are met. The car rental agreement expires on January 31, 2012, and continues under a month-to-month basis while a new agreement is negotiated. The airline agreement expires on December 31, 2012, with negotiations currently underway on a new agreement that will take effect on January 1, 2013. The Airport fully anticipates executing new airline and car rental agreements that contain similar terms to the existing agreement. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2011:

<u>Year Ending December 31,</u>	
2012	\$ 8,245,557
2013	2,479,804
2014	1,978,508
2015	1,210,135
2016	958,821
2017-2021	3,729,207
2022-2026	3,392,437
2027-2031	3,114,017
2032-2036	2,871,476
2037-2041	1,721,219
2042-2046	1,579,255
2047-2051	1,315,129
2052-2056	1,230,689
2057-2061	<u>117,243</u>
TOTAL	<u>\$33,943,497</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 \$473,472 and \$578,572 for the years ended December 31, 2011 and 2010, respectively.

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

	December 31, 2011	December 31, 2010
Land	\$ 18,423,581	\$ 18,423,581
Buildings	94,081,479	94,535,740
Improvements other than buildings	173,167,137	161,991,560
Infrastructure	<u>27,218,570</u>	<u>26,796,307</u>
	312,890,767	301,747,188
Less accumulated depreciation	<u>(100,578,263)</u>	<u>(90,741,726)</u>
	<u>\$ 212,312,504</u>	<u>\$ 211,005,462</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

5. *Leases- continued*

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

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011 are as follows:

<u>Year ending December 31,</u>	<u>Minimum lease obligation</u>
2012	\$ 160,275
2013	160,275
2014	<u>40,069</u>
Minimum lease obligation	360,619
Amount representing interest	<u>(27,859)</u>
Present value of net minimum payment:	<u>\$ 332,760</u>

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Machinery and Equipment	\$ 674,519	\$ 674,519
Less accumulated depreciation	<u>(182,683)</u>	<u>(132,093)</u>
Net capitalized lease property	<u>\$ 491,836</u>	<u>\$ 542,426</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C - DETAILED NOTES - Continued

6. *Changes in long-term liabilities*

Long-term liabilities activity for the year ended December 31, 2011, was as follows:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due within one year
Revenue bonds	\$ 46,020,000	\$ -	\$ (3,020,000)	\$43,000,000	\$ 3,092,315
Deferred amounts on refundings	(595,495)	-	70,731	(524,764)	74,545
Bond Discount	(103,817)	-	13,390	(90,427)	13,140
Total bonds payable	45,320,688	-	(2,935,879)	42,384,809	\$ 3,180,000
Note payable	4,697,760		(625,715)	4,072,045	649,106
Capital Lease	464,688	-	(131,928)	332,760	141,464
Compensated absences- accrued sick and vacation benefits	630,598	442,660	(513,773)	559,485	27,974
Long-term liabilities	<u>\$ 51,113,734</u>	<u>\$ 442,660</u>	<u>\$ (4,207,295)</u>	<u>\$ 47,349,099</u>	<u>\$ 3,998,544</u>

Long-term liabilities activity for the year ended December 31, 2010, was as follows:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due within one year
Revenue bonds	\$ 47,315,000	\$ -	\$ (1,295,000)	\$ 46,020,000	\$ 2,986,540
Deferred amounts on refundings	(668,982)	-	73,487	(595,495)	20,070
Bond Discount	(117,767)	-	13,950	(103,817)	13,390
Total bonds payable	46,528,251	-	(1,207,563)	45,320,688	\$ 3,020,000
Note payable	5,302,939		(605,179)	4,697,760	625,750
Capital Lease	587,719	-	(123,031)	464,688	131,927
Compensated absences- accrued sick and vacation benefits	679,328	455,893	(504,623)	630,598	31,529
Long-term liabilities	<u>\$53,098,237</u>	<u>\$ 455,893</u>	<u>\$ (2,440,396)</u>	<u>\$ 51,113,734</u>	<u>\$3,809,206</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE C – DETAILED NOTES – Continued

7. *Interfund balances*

The composition of interfund balances as of December 31, 2011, is as follows:

Due to general fund	\$ 10,000
Due to utilities fund	<u>17,005</u>
Due to other City funds	<u>\$ 27,005</u>

8. *Commitments*

As of December 31, 2011, the Airport had commitments outstanding, in the form of contracts and purchase orders, of approximately \$20,440,025, primarily for construction projects and equipment.

NOTE D – OTHER INFORMATION

1. *Risk management*

The City of Colorado Springs has established a risk management division to coordinate and administer workers' compensation, property and general liability insurance programs for all of its activities and operations. For workers' compensation coverage, the City has purchased commercial insurance to cover losses in excess of \$750,000 per occurrence. The City pays losses less than this amount through its Workers Compensation Self-Insurance Fund. The Airport is included in the Workers' Compensation Self-Insurance program. For property coverage, the Airport has purchased a commercial insurance policy with varying deductibles. All deductibles related to this policy are paid from Airport operating funds. General liability coverage for the Airport is purchased from commercial carriers for losses up to \$200,000,000. No claims were incurred in excess of the coverage for 2011, 2010 or 2009.

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:

	Year ended December 31,	
	2011	2010
Retirees with full coverage	-	1
Retirees with partial coverage	<u>29</u>	<u>28</u>
	<u>29</u>	<u>29</u>
Cost of retirement benefits	<u>\$ 24,269</u>	<u>\$ 25,403</u>

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

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE D - OTHER INFORMATION - Continued

3. *Retirement plans*

A. Defined Benefit Pension Plan

Plan Description: The City contributes to the Local Government Division Trust Fund (LGDTF), a cost sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). Prior to January 1, 2006, the LGDTF was known as the Municipal Division Trust Fund (MDTF). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All permanent employees, except uniformed police and fire, of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish and amend benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: Plan members and the City are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of the plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the City it is 10% of covered salary. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see note D.3.B Post-employment 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. The City is also required to pay an amortization equalization disbursement (AED) equal to 2.2% of the total payroll. Additionally, the City is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5% of the total payroll. The Airport's contributions to LGDTF for the years ended December 31, 2011, 2010 and 2009, were \$679,595, \$674,175, and \$658,592, 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 and amend the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to PERA of Colorado, 1301 Pennsylvania 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, 2011 and 2010

NOTE D - OTHER INFORMATION - Continued

3. *Retirement plans - continued*

Funding Policy: The City is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute which is included in the contribution rate of 13.7% of covered salary. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Airport's contributions to HCTF for the years ending December 31, 2011, 2010, and 2009, were \$50,598, \$50,194, and \$52,620, 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.

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 for both the 2011 and 2010 calendar years). There is a catch-up provision that allows participants age 50 and older who are contributing the maximum to contribute an additional \$5,000 annually to their account. The 401(k) Plan member contributions from the Airport for the years ended December 31, 2011, 2010 and 2009, were \$63,870, \$67,836, and \$78,031, respectively.

D. Uniformed Employee Defined Benefit Plan

All fire and police officers of the City participate in one of five 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 functions as the trustee and pension board for CSNHPP and administers 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.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE D - OTHER INFORMATION - Continued

4. *Disclosures about fair value of financial instruments*

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

Restricted assets - investments and cash and investments

The carrying amount approximates fair value because of the short maturity of most of these instruments. The fair 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.

The estimated fair values of the Airport's financial instruments are as follows as of December 31, 2011, and 2010:

	December 31, 2011	
	Carrying amount	Fair value
Restricted assets - investments	\$ 5,468,053	\$ 5,468,053
Cash and investments	40,970,913	40,970,913
Revenue bonds payable	43,000,000	44,908,650
	December 31, 2010	
	Carrying amount	Fair value
Restricted assets - investments	\$ 5,451,377	\$ 5,451,377
Cash and investments	37,770,845	37,770,845
Revenue bonds payable	46,020,000	47,793,371

5. *Compliance with OMB Circular A-133*

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

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

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, 2011

	Gross Revenue Fund	Operations/ Maintenance Fund	Bond Fund		O & M Reserve Fund	Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Customer Facility Account	Totals
			Bond Account	Interest Account			Prepaid Revenue Account	Capital Account			
Beginning balance as of January 1, 2011	\$1,376,255.75	\$0.00	\$0.00	\$0.00	\$4,128,768.25	\$750,000.00	\$1,358,462.50	\$12,546,543.20	\$3,597,789.57	\$4,432,445.23	\$33,624,114.50
Add: Commitments as of December 31, 2010	-	117,565.26	-	-	-	-	-	9,067,881.09	670,371.81	-	9,855,818.16
Adjusted balance as of January 1, 2011	1,376,255.75	117,565.26	-	-	4,128,768.25	750,000.00	1,358,462.50	21,614,424.29	4,268,161.38	4,432,445.23	43,479,932.66
Calendar year 2011 activity											
Operating Revenues	20,360,155.68										20,360,155.68
Non-Operating Revenues	52,079.27		21,313.14	8,426.77	53,793.40	9,771.69	17,699.30	288,479.81	22,564.24	37,819.41	643,725.32
Interest Earnings									2,168,844.59	812,872.50	2,168,844.59
Passenger facility charges										812,872.50	812,872.50
Customer facility charges											
Other revenue (expense)	(236,118.82)							(26,047.68)			(262,166.50)
Operating Transfers In		150,500.00		(2,217,512.52)							
FAA Grant Revenues											
Bond Proceeds											
Sub-total revenues	21,552,371.88	268,065.26	21,313.14	8,426.77	4,182,561.65	759,771.69	1,376,161.80	34,270,252.06	6,459,570.21	5,283,137.14	79,747,259.89
Operating Expenses		(13,976,346.56)									(13,976,346.56)
Operating Transfers Out											
Operating Capital											
Capital Expenses		(130,566.88)									(130,566.88)
Non-Operating Expenses											
Debt Service Expenses			(3,020,000.00)						(2,107,423.73)	(20,810.44)	(14,897,412.51)
Debt Issuance Expense											
Sub-total expenses	-	(14,106,913.44)	(3,020,000.00)	(2,217,512.52)	-	-	-	(12,769,178.34)	(2,107,423.73)	(20,810.44)	(34,241,838.47)
Balance before encumbrances, commitments, and transfers	21,552,371.88	(13,838,848.18)	(2,998,686.86)	(2,209,085.75)	4,182,561.65	759,771.69	1,376,161.80	21,501,073.72	4,352,146.48	5,262,326.70	45,505,421.42
Encumbrances at December 31, 2011	-	(194,100.23)	-	-	-	-	-	(16,470,669.25)	(3,752,111.65)	-	(20,416,881.13)
Other commitments at December 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Sub-total commitments	-	-	-	-	-	-	-	-	-	-	-
Transfers:											
Operating/Maintenance	(14,032,948.41)	14,032,948.41									-
Bond Debt Service	(5,237,512.52)		3,020,000.00	2,217,512.52							-
2011 Bond Ordinance Requirements											-
Income Available for Sharing-City's Portion											-
Funding Adj.-Encumbrances/ Working Capital											-
Non-Preferential Gate Use Fee											-
Net (Rev)/Expense on Fountain Term Site											-
Net (Rev)/Expense on Business Park Phase I											-
Repayment of Loans to Capital Account											-
Interest to:											-
Airlines											-
Capital Account			(21,313.14)	(8,426.77)	(53,793.40)	(9,771.69)	(17,699.30)	17,699.30			-
Sub-total transfers	(20,227,855.80)	14,032,948.41	2,998,686.86	2,209,085.75	(53,793.40)	(9,771.69)	(17,699.30)	1,200,177.46	-	-	-
Ending Balance	1,324,516.08	-	-	-	4,128,768.25	750,000.00	1,358,462.50	6,230,581.92	600,034.84	5,262,326.70	25,088,540.29
December 31, 2011											

Colorado Springs Municipal Airport
Colorado Springs, Colorado
AIRLINES SERVING THE AIRPORT
December 31, 2011
(unaudited)

Passenger Airlines

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

All-Cargo Airlines

Fed Ex
Key Lime

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL AIRLINE TRAFFIC
For the years ended December 31, 2002-2011
(unaudited)

Year	Enplaned passengers				Aircraft Operations (No. of Departures)				Enplaned passengers per departure		
	Major/ National Airlines	Regional/ Commuter Airlines	Total	Percent Increase (Decrease)	Major/ National Airlines	Regional/ Commuter Airlines	Cargo Airlines	Total		Percent Increase (Decrease)	
											Major/ national airlines
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
2008	644,357	353,990	998,347	-3.4%	10,242	7,686	1,272	19,200	-1.2%	63	46
2009	599,399	330,201	929,600	-6.9%	9,529	6,726	826	17,081	-11.0%	63	49
2010	626,212	237,195	863,407	-7.1%	9,785	5,474	860	16,119	-5.6%	64	43
2011	584,139	230,197	814,336	-5.7%	9,494	4,952	880	15,326	-4.9%	62	46

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
AIRLINE SHARES OF ENPLANNED PASSENGERS
For the year ended December 31, 2002 - 2011
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Number									
	Percent of total									
Major/national airlines										
Allegiant Air (1)	18,152	35,825	37,440	30,697	35,224	33,281	33,543	32,673	38,258	41,855
America West Airlines (2)	4,748	38,249	-	-	-	-	-	-	-	-
American Airlines	275,207	205,365	161,958	190,594	205,064	219,085	213,341	208,535	190,462	178,324
Continental Airlines (3)	47,611	10,295	10,581	481	185	-	-	93	-	-
Delta Air Lines (4)	112,858	69,157	85,216	80,364	66,019	41,539	36,371	46,526	63,279	55,533
Midwest Airlines (5)	-	-	-	-	-	11,719	4,793	-	-	-
Northwest Airlines (6)	66,214	78,327	86,261	83,026	75,689	78,955	77,779	-	8,532	-
United Airlines (7)	283,933	317,321	332,448	334,426	351,779	321,194	302,857	310,776	325,112	306,549
Vanguard Airlines (8)	26,635	2,550	-	-	-	-	-	-	-	-
Charters	11,335	517	1,283	1,122	1,117	1,127	1,166	796	569	1,878
	846,693	755,056	715,187	720,710	735,077	706,900	644,357	599,399	626,212	584,139
	79.3%	74.6%	74.6%	69.1%	72.3%	68.4%	64.5%	64.5%	64.5%	72.2%
Regional/commuter airlines										
America West Express (9)	92,953	69,221	107,428	119,326	94,078	91,746	-	-	-	-
American Eagle Airline (10)	-	-	-	22,239	29,866	17,338	-	-	-	-
Chautauqua Airlines (11)	-	1,760	5,826	-	-	12,797	-	-	-	-
Comair (12)	2,406	25,030	28,998	30,226	25,407	18,817	5,166	-	-	-
Continental Express (13)	24,346	59,071	59,186	70,000	79,538	63,737	71,763	71,734	70,194	72,905
Great Plains Airlines (14)	13,052	2,772	-	-	-	-	-	-	-	-
ExpressJet Airlines (15)	-	-	-	-	-	44,345	48,050	-	-	-
Frontier/Lynx (16)	-	-	-	-	-	-	62,316	103,964	110,371	104,961
Mesa Airlines (17)	5,085	5,179	4,643	4,333	2,886	-	-	-	-	-
Northwest Airlink (18)	-	-	-	1,445	2,105	413	20,598	48,034	-	-
Skywest (19)	83,622	93,554	107,941	56,403	48,059	77,493	63,520	41,021	56,113	52,331
Trans States Airlines (20)	-	-	5,538	6,151	-	-	-	-	-	-
US Airways (21)	-	-	-	-	-	-	82,577	65,448	517	-
	221,464	256,587	319,560	310,123	281,939	326,686	353,990	330,201	257,195	230,197
	20.7%	25.4%	25.4%	30.9%	30.1%	27.7%	31.6%	35.5%	35.5%	27.8%
	1,068,157	1,011,643	1,034,747	1,030,833	1,017,016	1,033,586	998,347	929,600	863,407	814,336
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- 1 Allegiant Airlines started service in February 2002.
- 2 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group. US Airways and America West merged in 2005.
- 3 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2006. ExpressJet began flying for Continental Express in 2009.
- 4 Service also provided by Shuttle America, Atlantic Southeast Airlines and Mesaba. Mesaba discontinued service in September 2012.
- 5 Midwest Airlines started service in July 2007 and discontinued service April 2008.
- 6 Northwest merged with Delta Air Lines in September 2008. Mesaba flew for Northwest, Jan - Apr 2010.
- 7 United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express. Data includes Air Wisconsin, Atlantic Coast, Mesa, SkyWest, and ExpressJet serving as United Express carriers.
- 8 United does not report passenger activity for United Express carriers separately.
- 9 Vanguard filed for bankruptcy protection on July 30, 2002 and ceased all operations at the Airport.
- 10 US Express took over flying after US Airways and America West merged.
- 11 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 12 Comair resumed service in December 2002 as Delta Connection and ceased operations April 2008.
- 13 Continental Express service in April 2002. ExpressJet began flying for Continental Express in 2009.
- 14 The Continental/United merger began in 2011, with the majority of Continental flights being flown by ExpressJet and SkyWest.
- 15 Great Plains ceased service as of March 2003.
- 16 ExpressJet Airline started service April 2007 and ceased all brand flying in September of 2008.
- 17 Frontier/Lynx started service in April 2008.
- 18 Mesa Airlines discontinued service November 2006.
- 19 Northwest Airlink includes Pinnacle service that began June 2005 and discontinued service September 2005.
- 20 Provided service for January, February, June, July, and August in 2006.
- 21 Provided service for June, July, and August in 2007.
- 22 Mesaba Airlines operated as Northwest Airlink starting September 2008.
- 23 SkyWest's enplaned passenger count represents activity serving as Delta Connection and United Express carrier.
- 24 Began service again in April 1999. Data reflected is only for Delta.
- 25 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005.
- 26 Trans States Airlines began service June 2005 and ceased service November 2007.
- 27 Trans States/United Express passenger activity is not reported separately by United.
- 28 US Airways operated by Mesa Air Group after America West and US Airways merger. US Airways discontinued service January 2010.

Source: Colorado Springs Municipal Airport management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL AIRCRAFT LANDED WEIGHT- Continued
For the years ended December 31, 2002 - 2011
(unaudited)

- 1 Air Wisconsin discontinued service October 2005.
- 2 Allegiant Air began service in February 2002.
- 3 America West discontinued service in September 2004 and transferred all activity to America West Express operated by Mesa Air Group. US Airways and America West merged in September 2005.
- 4 Atlantic Coast (United Express Connection) started service November 2002 and ceased service May 2003.
- 5 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2007.
- 6 ExpressJet Airlines (United Express Connection) provide service for December 2009.
- 7 Mesa Air Group (United Express) started service October 2003.
- 8 Midwest Airline began service July 2007 and ceased operations April 2008.
- 9 Northwest Airlines merged with Delta Air Lines in September 2008.
- 10 SkyWest Airlines (United Express) began service March 2002.
- 11 United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express.
- 12 Vanguard filed for bankruptcy protection on July 30, 2002 and subsequently ceased all operations.
- 13 American Eagle Airlines began service June 2005 and ceased activity November 2007.
- 14 Atlantic Southeast Airlines (Delts) began service June 2011 and ceased activity August 2011.
- 15 Chautauqua Airlines began service in November 2003 as American Connection and stopped service July 2004.
- 16 Chautauqua Airlines began service in January 2007 as Continental Express and stopped service May 2007.
- 17 Comair started service in December 2002 as Delta Connection and ceased operations April 2008.
- 18 Continental Express started service in April 2002.
- 19 ExpressJet began service for Continental Express in 2010.
- 20 Go-Jet Airlines (United Express) provided service for January, February, September, and October in 2006.
- 21 Great Plains Airlines ceased service as of March 2003.
- 22 ExpressJet Airlines began service April 2007 and ceased all brand flying September 2008.
- 23 Lynx (Frontier) started service in April 2008.
- 24 Mesa Air Group (America West Express) merged with US Airways September of 2005.
- 25 Mesa Airlines discontinued service November 2006.
- 26 Mesaba Airlines flew for Delta in September 2010
- 27 Mesaba Airlines started service in September 2008 as Northwest Airlink and ceased activity April 2010.
- 28 Pinnacle began service as Northwest Airlink June 2005 and discontinued service September 2005. Provided service for January, February, June, July, and August in 2006.
- 29 Provided service June, July, and August 2007 and June, July, and August 2008.
- 30 Shuttle America flew for Delta in June, July and August of 2010
- 31 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005.
- 32 Trans States Airlines operated as United Express from March 2006 through September 2006.
- 33 Airborne Express ceased operations August 2008.
- 34 Corporate Air ceased cargo service July 2002.
- 35 Sundance Air ceased cargo service in November 2004.
- 36 Superior ceased cargo service May 2003.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
AVERAGE DAILY DEPARTURES BY AIRLINES
For the years ended December 31, 2002-2011
(unaudited)

Major / National airlines	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Allegiant Air (1)	1	1	1	1	1	1	1	1	1	1
American (2)	10	7	6	7	8	6	5	5	5	5
America West (3)	7	6	6	7	6	4	--	--	--	--
Continental (4)	3	4	5	5	5	5	5	5	5	4
Delta (5)	10	11	14	8	6	6	5	4	5	4
Great Plains Airlines (6)	3	1	--	--	--	--	--	--	--	--
ExpressJet Airlines (7)	--	--	--	--	--	4	4	--	--	--
Frontier	--	--	--	--	--	--	4	5	6	5
Mesa (8)	2	2	2	2	1	--	--	--	--	--
Midwest Airlines (9)	--	--	--	--	--	1	1	--	--	--
Northwest (10)	2	2	2	2	2	2	2	2	--	--
United (11)	15	17	18	20	20	19	19	19	20	16
US Airways (12)	--	--	--	--	--	--	4	4	0	--
Vanguard Airlines (13)	1	--	--	--	--	--	--	--	--	--
Total major and national airlines	54	51	54	52	49	48	50	45	42	35

- 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. America West merged with US Airways September 2005.
 - 4 Includes departures of Continental Express.
 - 5 Includes departures of Comair (Delta Connection) and SkyWest.
 - 6 Great Plains ceased service March 2003.
 - 7 ExpressJet Airlines started service April 2007 ceased September 2008.
 - 8 Mesa Airlines discontinued service November 2006.
 - 9 Midwest Airlines started service July 2007 ceased operations April 2008.
 - 10 Includes departures of Pinnacle and Mesaba (Northwest Airlink).
 - 11 Includes departures of Air Wisconsin, Atlantic Coast, Go-Jet Airlines, Mesa Air Group, SkyWest, Trans States, and ExpressJet serving as United Express carriers.
 - 12 Includes US Express. US Airways merged with America West in Sept 2005.
 - 13 Vanguard filed bankruptcy protection on July 30, 2002 and subsequently ceased all operations at the Airport.
- Source: City of Colorado Springs, Airport management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
RECENT TRENDS IN TOTAL AIR CARGO
For the years ended December 31, 2002-2011
(unaudited)

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
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	13,475	-17.3%
2008	11,994	0	11,994	-11.0%
2009	11,484	0	11,484	-4.3%
2010	11,172	0	11,172	-2.7%
2011	10,826	0	10,826	-3.1%

Source: City of Colorado Springs, Airport management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL ANNUAL DEBT SERVICE COVERAGE

For the years ended December 31, 2002-2011
(unaudited)

Fiscal Year	Applicable Revenues (A)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2008	24,147,143	14,537,476	9,609,667	3,525,250	2,100,363	1.71
2009	23,444,173	14,914,375	8,529,798	1,729,912	3,503,526	1.63
2010	21,065,961	15,380,368	5,685,593	1,295,000	2,272,688	1.59
2011	21,995,280	14,399,903	7,595,377	3,020,000	2,217,513	1.45

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

2002-2007	\$1,458,671
2008-2011	\$1,358,463

Colorado Springs Municipal Airport
Colorado Springs, Colorado
HISTORICAL NON-AIRLINE REVENUES
For the years ended December 31, 2002-2011
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Terminal Building										
Concession	\$296,239	\$285,409	\$293,139	\$335,268	\$369,325	\$380,917	\$367,591	\$331,061	\$323,087	\$308,389
Food & Beverage	367,271	350,534	344,683	334,216	399,700	462,088	451,669	398,677	368,979	336,619
Retail	185,378	178,774	167,367	168,961	181,018	193,627	174,220	155,156	127,337	111,075
Advertising	178,666	251,448	308,223	457,597	485,955	514,791	533,190	545,917	684,723	629,327
Non-Airline Space Rental	141,192	139,145	120,513	122,113	114,328	115,918	119,014	112,874	96,197	96,197
Other	1,168,746	1,205,310	1,233,925	1,418,155	1,550,326	1,667,341	1,645,684	1,543,685	1,600,323	1,481,607
Terminal Area										
Public Parking	5,699,910	5,427,189	5,513,116	5,442,666	6,066,711	6,256,899	6,097,045	5,566,698	5,325,655	5,325,655
Rental Car Fees and Rents	3,541,358	3,671,807	3,846,367	3,633,315	3,643,068	3,675,676	3,672,308	3,676,794	3,508,167	3,508,167
Ground Transportation Fees	106,690	100,090	98,940	104,819	102,917	96,578	104,305	90,347	91,849	91,849
Support Building Rentals	128,375	125,875	126,425	123,718	84,502	70,642	34,422	20,765	20,185	20,185
	9,476,333	9,324,961	9,584,848	9,304,518	9,897,198	10,099,795	9,908,080	9,354,604	8,945,856	8,945,856
Airfield Area										
Fuel Farm Rentals	23,576	23,576	25,443	25,443	25,443	25,443	25,443	28,446	19,450	19,450
Remain Over Night	425	100	-	200	238,500	130,650	80,100	79,750	94,900	94,900
Diversion Landing Fees	29,847	83,675	31,329	59,561	31,447	19,007	23,686	50,349	68,523	68,523
	53,848	107,351	56,772	85,204	295,390	175,100	129,229	158,545	182,873	182,873
Fountain Site										
Ground & Building Rentals	40,382	44,419	186,011	197,879	202,192	128,717	149,832	41,948	54,960	54,960
Utility Reimbursements	20,737	28,482	33,979	45,923	32,145	19,725	-	-	-	-
	61,119	72,901	219,990	243,802	234,337	148,442	149,832	41,948	54,960	54,960
Aviation Support										
Fuel Sales	436,601	517,231	609,503	854,894	913,206	932,994	1,407,581	685,427	867,806	867,806
Ground and Building Rentals	356,550	390,716	625,761	512,070	526,864	605,327	686,804	716,201	710,833	710,833
	793,151	907,947	1,235,264	1,366,964	1,440,070	1,538,321	2,094,385	1,401,628	1,578,639	1,578,639
Business Park Phase I										
Ground & Building Rentals	-	-	-	-	-	39,330	169,652	188,885	188,885	188,885
	-	-	-	-	-	39,330	169,652	188,885	188,885	188,885
Administrative										
Miscellaneous	104,526	45,003	145,328	124,817	67,114	212,143	189,309	235,818	104,157	104,157
Late Fees	25,069	13,196	12,825	15,871	19,132	32,130	52,426	81,265	87,631	87,631
TSA Reimbursement	-	-	19,758	-	-	-	-	-	-	-
CSC Group Support Reimbursement	44,044	-	-	-	-	-	-	-	-	-
Fingerprinting	12,375	5,635	10,535	15,435	13,755	20,745	18,675	14,085	21,805	21,805
	186,014	63,834	188,446	156,123	100,001	265,018	260,410	331,168	213,593	213,593
Total Non-Airline Revenues	\$11,739,211	\$11,682,304	\$12,519,245	\$12,574,766	\$13,517,322	\$13,933,347	\$14,357,272	\$13,020,463	\$12,765,129	\$12,646,413

Source: City of Colorado Springs, Airport records, except as noted.
2001-2010 Airline Rates and Charges Settlement Accrual, Exhibit F-6.