Financial statements and report of independent certified public accountants

Colorado Springs Municipal Airport

December 31, 2009 and 2008

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Report of Independent Certified Public Accountants

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

Colorado Springs Municipal Airport
Colorado Springs, Colorado
BALANCE SHEETS
December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Unrestricted cash and investments	$ 28,171,737	$ 31,663,602
Restricted cash and investments	9,710,948	9,811,100
Accounts receivable (net allowance of $672,260)	6,640,063	2,836,072
Total current assets	44,522,748	44,310,774
NONCURRENT ASSETS		
Restricted assets		
Investments	5,577,425	5,843,951
Unamortized bond issuance costs	681,520	762,178
Note Receivable	2,067,512	2,104,165
Capital assets		
Land	18,423,581	18,423,581
Buildings	94,502,036	93,684,799
Improvements other than buildings	161,976,415	131,089,774
Machinery and equipment	9,602,476	7,838,585
Infrastructure	26,796,307	22,164,329
Vehicles	4,033,112	3,901,310
Construction in progress	8,094,300	31,910,762
Less accumulated depreciation	(88,202,900)	(79,526,191)
Total capital assets (net of accumulated depreciation and amortization)	235,225,327	229,486,949
Total noncurrent assets	243,551,784	238,197,243
Total assets	$288,074,532	$ 282,508,017

The accompanying notes are an integral part of these statements.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of revenue bonds payable	$ 1,329,861	$ 2,878,094
Current portion of notes payable	605,210	588,148
Current portion of capital lease	122,993	-
Accrued interest payable	19,983	8,765
Accounts payable	4,794,209	4,097,214
Accrued salaries, benefits	443,378	719,052
Due to other City funds	-	29,143
Deferred revenue and other tenant deposits	1,276,600	1,321,086
Total current liabilities	8,592,234	9,641,502
NONCURRENT LIABILITIES		
Revenue bonds payable	45,198,389	47,951,475
Notes Payable	4,697,730	5,300,223
Capital Lease	464,726	-
Accrued sick leave benefits	385,893	390,018
Total noncurrent liabilities	50,746,738	53,641,716
Total liabilities	59,338,972	63,283,218
NET ASSETS		
Invested in capital assets, net of related debt	188,240,269	182,016,400
Restricted net assets	15,288,373	15,655,051
Unrestricted net assets	25,206,918	21,553,348
Total net assets	228,735,560	219,224,799
Total liabilities and net assets	$288,074,532	$ 282,508,017

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, 2009 and 2008

	2009	2008
Operating revenues		
Airline revenues	$ 8,444,465	$ 7,756,771
Terminal building concessions	1,553,669	1,658,480
Parking concessions	5,566,698	6,097,045
Landside commercial concessions	3,787,906	3,811,036
Other charges	1,949,955	2,629,570
Total operating revenues	21,302,693	21,952,902
Operating expenses		
Salaries and benefits	8,421,150	7,859,201
Other operating expenses	6,493,225	6,678,275
Depreciation	11,199,263	8,865,801
Total operating expenses	26,113,638	23,403,277
Operating income (loss)	(4,810,945)	(1,450,375)
Non-operating revenues (expenses)		
Investment income	1,126,051	2,819,577
Passenger facility charges	2,510,284	2,600,846
Customer facility charges	835,669	865,928
Operating grants	189,951	175,797
Interest expense	(2,742,638)	(2,886,778)
Gain/loss on disposal of capital assets	(105,849)	11,803
Total non-operating revenues (expenses)	1,813,468	3,587,173
Income before contributions	(2,997,477)	2,136,798
Capital grants	12,508,238	8,752,047
Capital contributions	-	30,959
Change in net assets	9,510,761	10,919,804
Total net assets – beginning of year	219,224,799	208,304,995
Total net assets – end of year	$228,735,560	$ 219,224,799

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, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Receipts from customers	$ 21,224,111	$ 21,835,290
Receipts from interfund services provided	43,109	31,813
Payments to suppliers	(3,726,070)	(3,268,308)
Payments to employees	(8,700,948)	(7,790,498)
Payments for interfund services used	(2,521,341)	(2,523,948)
Net cash provided by operating activities	6,318,861	8,284,349
Cash flows from noncapital financing activities		
Operating grant	90,596	150,186
Cash flows from capital and related financing activities		
Capital grant	8,750,213	8,598,659
Capital expenditures	(13,407,835)	(3,137,395)
Passenger facility charges	2,785,616	2,943,785
Customer facility charges	819,143	856,964
Loan proceeds	-	702,121
Principal payments on loans	(585,432)	(491,192)
Interest payments on loans	(301,340)	(299,276)
Principal payments on revenue bonds	(4,585,000)	(3,240,000)
Interest payments on revenue bonds	(2,323,438)	(2,385,613)
Payment from accounts payable incurred for fixed asset additions	721,459	(6,983,817)
Net cash provided by (used in) capital and related financing activities	(8,126,614)	(3,435,764)
Cash flows from investing activities		
Interest received on investments	1,779,858	1,926,184
Purchases of investments	(33,368,634)	(26,496,491)
Proceeds from sales and maturities of investments	29,598,044	22,611,918
Net cash used in investing activities	(1,990,732)	(1,958,389)
Net increase (decrease) in cash and cash equivalents	(3,707,889)	3,040,382
Cash and cash equivalents – beginning of year	5,119,600	2,079,218
Cash and cash equivalents – end of year	1,411,711	5,119,600
Investments	42,048,399	42,199,053
Cash and investments	$ 43,460,110	$ 47,318,653
Reconciliation of cash and investments to the balance sheet		
Unrestricted cash and investments	$ 28,171,737	$ 31,663,602
Restricted cash and investments	15,288,373	15,655,051
Total cash and investments	$ 43,460,110	$ 47,318,653

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, 2009 and 2008

	2009	2008
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (4,810,945)	$ (1,450,375)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	11,199,263	8,865,801
(Increase) decrease in assets		
Receivables	308,983	(67,858)
Due from other City funds	-	-
Increase (decrease) in liabilities		
Accounts payable	(25,013)	856,876
Accrued salaries, benefits, and sick leave benefits	(279,798)	68,703
Due to other City funds	(29,143)	29,143
Deferred revenue and other tenant deposits	(44,486)	(17,941)
Net cash provided by operating activities	$ 6,318,861	$ 8,284,349

Noncash capital and related financing and investing activities:
The Airport had unrealized gains of $428,515 and $1,225,897, for the years ended December 31, 2009 and 2008, respectively. The Airport obtained fixed assets through incurring payables in the amount of $2,838,438 and $2,116,979 as of December 31, 2009 and 2008, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial reporting entity*

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

3. *Assets, liabilities and net assets*

A. Deposits and investments

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 fixed assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during 2009.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Compensated absences

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

D. Restricted net assets

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

E. Passenger facility charges

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as runway and taxiway rehabilitations, security enhancements, roadway upgrades and drainage improvements. GASB 34 requires PFCs be recognized when earned, not when received. Unspent PFC revenue is recorded in the financial statements as restricted cash and restricted net assets.

F. Customer facility charges

In 1994, the City of Colorado Springs issued $6,093,000 aggregate principal amount of its Special Facility Bonds to finance the construction of service and storage facilities for rental car companies located on the Airport. The customer facility charge (CFC) was originally established to pay the debt service and expired on September 1, 2004. When the bonds were retired, there was an excess 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.

G. Unamortized bond issue costs

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary information*

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

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), a reconciliation of resultant basis, timing and perspective for the years ended December 31, 2009 and 2008, is presented below:

	2009	2008
Operating expenses (US GAAP basis)	$ 26,113,638	$ 23,403,277
Non-operating expenses (US GAAP basis)	2,848,487	2,874,975
	28,962,125	26,278,252
Less: Depreciation expense	(11,199,263)	(8,865,801)
Add: Capital expenditures (accrual basis)	16,620,874	11,752,415
Expenditures (budgetary basis)	$ 34,383,736	$ 29,164,866
Appropriations	$ 60,185,580	$ 51,694,140

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, 2009 and 2008, amounted to $132,775,080 and $157,796,757, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 2009 and 2008, was $37,882,685 and $41,474,702 respectively. The Airport's portion was approximately 28% and 26% of the total pooled cash and investments of the City as of December 31, 2009 and 2008. The pooled cash and investments of the City and the Airport as of December 31, 2009 and 2008, are as follows:

	December 31,2009		December 31, 2008	
	City	Airport	City	Airport
Cash on hand	$ 13,854	$ 3,953	$ 16,092	$ 4,230
Deposits				
Demand, time deposits	4,933,462	1,407,759	19,455,566	5,115,370
	4,947,316	1,411,712	19,471,658	5,119,600
Investments	127,827,764	36,470,973	138,325,099	36,355,102
Total pooled cash and investments	$ 132,775,080	$ 37,882,685	$ 157,796,757	$ 41,474,702

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

Restricted investments

As of December 31, 2009 and 2008, the Airport's restricted investments are comprised of the repurchase agreement of $5,577,425 and $5,843,951 respectively.

Deposits

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

As of December 31, 2009, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was $7,524,686. Of the total bank deposits, $465,517 was covered by Federal Depository Insurance and the remainder of $7,059,169 was uninsured but collateralized in accordance with Colorado state law. The Airport's share of those amounts as of December 31, 2009, was $87,336 and $1,324,376, respectively.

As of December 31, 2008, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was $20,887,822. Of the total bank deposits, $323,839 was covered by Federal Depository Insurance and the remainder of $20,563,983 was uninsured but collateralized in accordance with Colorado state law. The Airport's share of those amounts as of December 31, 2008, was $79,373 and $5,040,227, 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.

NOTE C – DETAILED NOTES – Continued

1. *Deposits and investments – continued*

As of December 31, 2009, the detail of pooled cash and investments held for the City and the Airport is as follows:

Investment type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	$ 552,050	$ 157,507	0.00
US Treasury securities	11,141,121	3,178,711	2.28
US Instrumentality securities	107,793,469	30,754,921	2.20
Corporate fixed-income securities	7,404,410	2,112,577	1.39
Colorado Liquid Asset Trust	936,714	267,257	0.00
Total fair value	127,827,764	36,470,973	
Portfolio weighted average maturity			2.13
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	4,947,316	1,411,712	
	$132,775,080	$ 37,882,685	

As of December 31, 2008, the detail of pooled cash and investments held for the City and the Airport is as follows:

Investment type	Fair Value City	Fair Value Airport	Weighted Average Maturity (years)
Money market mutual funds	$ 586,609	$ 154,175	0.00
US Treasury securities	7,610,644	2,000,257	1.18
US Instrumentality securities	120,141,288	31,575,967	2.64
Corporate fixed-income securities	9,412,409	2,473,803	1.63
Mortgages pooled	574,149	150,900	0.16
Total fair value	138,325,099	36,355,102	
Portfolio weighted average maturity			2.47
Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	19,471,658	5,119,600	
	$157,796,757	$ 41,474,702	

NOTE C – DETAILED NOTES – Continued

2. *Deposits and investments – continued*

Credit Quality Distribution for Securities as a Percentage of Total Investments

	S&P Rating	% of Total
Money market mutual funds	AAAm	0.43%
US Treasury Securities	N/A	8.72%
US Instrumentality Securities	N/A	84.33%
Domestic corporate fixed income securities	A	1.66%
Domestic corporate fixed income securities	AA	1.17%
Domestic corporate fixed income securities	AAA	2.96%
Colorado Liquid Asset Trust	AAAm	0.73%
		100.00%

As of December 31, 2009, the City has invested $936,956 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 U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

The City's investment in COLOTRUST is rated AAAm by Standard and Poor's and AAA by both Fitch's and Moody's. COLOTRUST and CSAFE is routinely monitored by the Colorado Division of Securities with regard to operations and investments.

Separately issued financial statements for COLOTRUST may be obtained at the following addresses:

COLOTRUST
1700 Broadway, Suite 2050
Denver, CO 80290
www.colotrust.com

NOTE C – DETAILED NOTES – Continued

2. *Capital assets*

Capital assets activity for the year ended December 31, 2009, was as follows:

	Beginning balance	Increase	Decrease	Ending balance
Capital assets being depreciated:				
Buildings	$ 93,684,799	$ 817,237	$ -	$ 94,502,036
Improvements other than buildings	131,089,774	33,399,556	(2,512,915)	161,976,415
Machinery and equipment	7,838,585	1,848,282	(84,391)	9,602,476
Vehicles	3,901,310	171,742	(39,940)	4,033,112
Infrastructure	22,164,329	4,631,978	-	26,796,307
Total capital assets Being depreciated	258,678,797	40,868,795	(2,637,246)	296,910,346
Less accumulated depreciation for:				
Buildings	(32,303,606)	(2,655,154)	-	(34,958,760)
Improvements other than buildings	(37,915,298)	(6,965,003)	2,408,605	(42,471,696)
Machinery and equipment	(3,195,695)	(580,472)	84,391	(3,691,776)
Vehicles	(3,706,998)	(40,554)	29,557	(3,717,995)
Infrastructure	(2,404,594)	(958,079)	-	(3,362,673)
Total accumulated depreciation	(79,526,191)	(11,199,262)	2,522,553	(88,202,900)
Total capital assets Being depreciated, net	179,152,606	29,669,533	(114,693)	208,707,446
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	31,910,762	8,259,912	(32,076,374)	8,094,300
Total capital assets, not being depreciated	50,334,343	8,259,912	(32,076,374)	26,517,881
Capital assets, net	$229,486,949	$37,929,445	$ (32,191,067)	$235,225,327

Capital assets activity for the year ended December 31, 2008, was as follows:

	Beginning balance	Increase	Decrease	Ending balance
Capital assets being depreciated:				
Buildings	$ 93,383,200	$ 301,599	$ -	$ 93,684,799
Improvements other than buildings	86,235,567	44,854,207		131,089,774
Machinery and equipment	7,209,195	868,084	(238,694)	7,838,585
Vehicles	3,927,794	35,598	(62,082)	3,901,310
Infrastructure	16,795,306	5,369,023	-	22,164,329
Total capital assets Being depreciated	207,551,062	51,428,511	(300,776)	258,678,797
Less accumulated depreciation for:				
Buildings	(29,698,950)	(2,604,656)	-	(32,303,606)
Improvements other than buildings	(32,733,441)	(5,181,857)	-	(37,915,298)
Machinery and equipment	(2,860,918)	(550,381)	215,604	(3,195,695)
Vehicles	(3,725,901)	(43,179)	62,082	(3,706,998)
Infrastructure	(1,918,866)	(485,728)	-	(2,404,594)
Total accumulated depreciation	(70,938,076)	(8,865,801)	277,686	(79,526,191)
Total capital assets Being depreciated, net	136,612,986	42,562,710	(23,090)	179,152,606
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	71,635,022	10,667,477	(50,391,737)	31,910,762
Total capital assets, not being depreciated	90,058,603	10,667,477	(50,391,737)	50,334,343
Capital assets, net	$226,671,589	$53,230,187	$ (50,414,827)	$229,486,949

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.

NOTE C – DETAILED NOTES – Continued

3. *Revenue bonds payable – continued*

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 2009:

Year ending	2007A		2007B		2002A		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	230,000	126,788	285,000	334,938	780,000	1,810,962	1,295,000	2,272,688
2011	230,000	117,588	300,000	322,113	2,490,000	1,777,812	3,020,000	2,217,513
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
2015-2019	1,465,000	279,338	2,665,000	1,136,450	16,800,000	4,533,488	20,930,000	5,949,276
2020-2023	485,000	26,374	3,600,000	420,112	7,935,000	599,998	12,020,000	1,046,484
Totals	$ 3,160,000	$ 846,052	$ 7,835,000	$ 3,090,252	$ 36,320,000	$ 13,203,748	$ 47,315,000	$ 17,140,052

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, 2009, is $2,208,491. 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, 2009:

Year ending December 31,	Payment	Interest	Principal
2010	228,696	188,729	39,967
2011	228,696	185,146	43,550
2012	228,696	181,241	47,455
2013	228,696	176,985	51,711
2014	228,696	172,349	56,347
2015-2019	1,143,480	776,263	367,217
2020-2024	1,143,480	579,332	564,148
2025-2029	1,143,480	276,793	866,687
2030	177,803	6,394	171,409
Totals	$ 4,751,723	$ 2,543,232	$ 2,208,491

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. 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, 2009:

Year ending December 31,	Payment	Interest	Principal
2010	561,772	77,182	484,590
2011	561,772	62,645	499,127
2012	561,772	47,671	514,101
2013	561,772	32,248	529,524
2014	561,772	16,362	545,410
Totals	$ 2,808,860	$ 236,108	$ 2,572,752

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, 2009:

Year ending December 31,	Payment	Interest	Principal
2010	96,304	15,651	80,653
2011	96,304	13,231	83,073
2012	96,304	10,739	85,565
2013	96,304	8,172	88,132
2014	96,304	5,528	90,776
2015	96,304	2,805	93,499
Totals	$ 577,824	$ 56,126	$ 521,698

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 airline and car rental agreements expire on December 31, 2011, with an additional one year option. 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, 2009:

Year ending December 31,	
2010	$11,669,693
2011	11,477,063
2012	11,101,507
2013	1,285,441
2014	1,233,462
2015-2019	2,853,082
2020-2024	2,367,867
2025-2029	2,055,810
2030-2034	1,759,242
2035-2039	1,706,066
2040-2044	1,680,701
2045-2049	1,447,966
2050-2054	1,311,239
2060	817,898
	$52,767,037

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 $810,803 and $600,176 for the years ended December 31, 2009 and 2008, 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, 2009	December 31, 2008
Land	$ 18,423,581	$ 18,423,581
Buildings	94,502,036	93,684,799
Improvements other than buildings	161,976,415	131,089,774
Infrastructure	26,796,307	22,164,329
	301,698,339	265,362,483
Less accumulated depreciation	(80,793,129)	(72,623,498)
	$220,905,210	$192,738,985

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, 2009 are as follows:

Year ending December 31,	Minimum lease obligation
2010	$ 160,275
2011	160,275
2012	160,275
2013	160,275
2014	40,069
Minimum lease obligation	681,169
Amount representing interest	(93,446)
Present value of net minimum payments	$ 587,723

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

	December 31, 2009
Machinery and Equipment	674,519
Less accumulated depreciation	(47,778)
Net capitalized lease property	$ 626,741

NOTE C – DETAILED NOTES – Continued

6. *Changes in long-term liabilities*

Long-term liabilities activity for the year ended December 31, 2009, was as follows:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Due within one year
Revenue bonds	$ 51,699,494	$ 629,206	$ (5,013,700)	$ 47,315,000	$ 1,295,000
Deferred amounts on refundings	(737,681)	76,873	(8,174)	(668,982)	20,910
Bond Discount	(132,244)	14,477	-	(117,767)	13,951
Total bonds payable	50,829,569	720,556	(5,021,874)	46,528,251	$ 1,329,861
Note payable	5,888,371		(585,432)	5,302,939	605,210
Capital Lease	-	587,719	-	587,719	122,993
Compensated absences-accrued sick leave benefits	390,018	-	(4,125)	385,893	-
Long-term liabilities	$57,107,958	$ 1,308,275	$ (5,611,431)	$ 52,804,802	$2,058,064

Long-term liabilities activity for the year ended December 31, 2008, was as follows:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due within one year
Revenue bonds	$ 54,735,426	$ 739,431	$ (3,775,363)	$ 51,699,494	$ 2,841,918
Deferred amounts on refundings	(824,940)	-	87,259	(737,681)	21,699
Bond Discount	(147,007)	-	14,763	(132,244)	14,477
Total bonds payable	53,763,479	739,431	(3,673,341)	50,829,569	$ 2,878,094
Note payable	5,677,442	702,121	(491,192)	5,888,371	588,148
Compensated absences-accrued sick leave benefits	433,436	-	(43,418)	390,018	-
Long-term liabilities	$ 59,874,357	$ 1,441,552	$ (4,207,951)	$ 57,107,958	$3,466,242

NOTE C – DETAILED NOTES – Continued

7. *Interfund balances*

There are no interfund balances as of December 31, 2009.

8. Commitments

As of December 31, 2009, the Airport had commitments outstanding, in the form of contracts and purchases orders, of approximately $9,284,587, 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 major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the individual departments so affected. The Airport is included in the property coverage of the City. General liability coverage for the Airport is purchased from commercial carriers for losses up to $200,000,000. No claims were incurred in excess of the coverage for 2009, 2008 or 2007.

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,	
	2009	2008
Retirees with full coverage	1	1
Retirees with partial coverage	27	27
	28	28
Cost of retirement benefits	$ 27,674	$ 28,126

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

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 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, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: Plan members and the City are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of the plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the City it is 10% of covered salary. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (see note D.3.B Post-employment 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 1.8% of the total payroll. Additionally, the City is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.0% of the total payroll. The Airport's contributions to LGDTF for the years ended December 31, 2009, 2008 and 2007, were \$658,592, \$555,798 and \$512,147, respectively, equal to the required contributions for each year.

B. Post-employment Healthcare Benefits

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

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 12.8% 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, 2009, 2008, and 2007, were $52,620, $47,776, and $47,490 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 in 2009 and $15,500 in the 2008 calendar year). There is a catch-up provision that allows participants age 50 and older who are contributing the maximum to contribute an additional $5,000 annually to their account. The 401(k) Plan member contributions from the Airport for the years ended December 31, 2009, 2008 and 2007, were $78,031, $96,094 and $102,973, 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.

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, 2009, and 2008:

	December 31, 2009	
	Carrying amount	Fair value
Restricted assets – investments	$ 5,577,425	$ 5,577,425
Cash and investments	37,882,685	37,882,685
Revenue bonds payable	47,315,000	51,191,787

	December 31, 2008	
	Carrying amount	Fair value
Restricted assets – investments	$ 5,843,951	$ 5,843,951
Cash and investments	41,474,702	41,474,702
Revenue bonds payable	50,829,569	56,672,648

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.