

Financial statements and report of independent certified public accountants

Colorado Springs Municipal Airport

December 31, 2011 and 2010

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
BALANCE SHEETS	14
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	16
STATEMENTS OF CASH FLOWS	17
NOTES TO FINANCIAL STATEMENTS	19
SUPPLEMENTARY AND OTHER INFORMATION	
SCHEDULE OF FINANCIAL ACTIVITY OF THE VARIOUS BOND ORDINANCE CREATED FUNDS AND ACCOUNTS FOR THE COLORADO SPRINGS MUNICIPAL AIRPORT	40
AIRLINES SERVING THE AIRPORT	41
HISTORICAL AIRLINE TRAFFIC	42
AIRLINE SHARES OF ENPLANED PASSENGERS	43
HISTORICAL AIRCRAFT LANDED WEIGHT	44
AVERAGE DAILY DEPARTURES BY AIRLINES	46
RECENT TRENDS IN TOTAL AIR CARGO	47
HISTORICAL ANNUAL DEBT SERVICE COVERAGE	48
HISTORICAL NON-AIRLINE REVENUES	49

Report of Independent Certified Public Accountants

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

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

The following management's discussion and analysis of the Colorado Springs Airport's (the Airport) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 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 seven 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 and the deferment of equipment purchases.
- ➔ 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	\$ 8,360,852	\$ 9,849,512	-15.11%	\$ 8,592,234	14.63%
Long-term debt (less current portion)	42,629,733	46,372,698	-8.07%	49,896,119	-7.06%
Other non-current liabilities	722,807	680,506	6.22%	850,619	-20.00%
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.

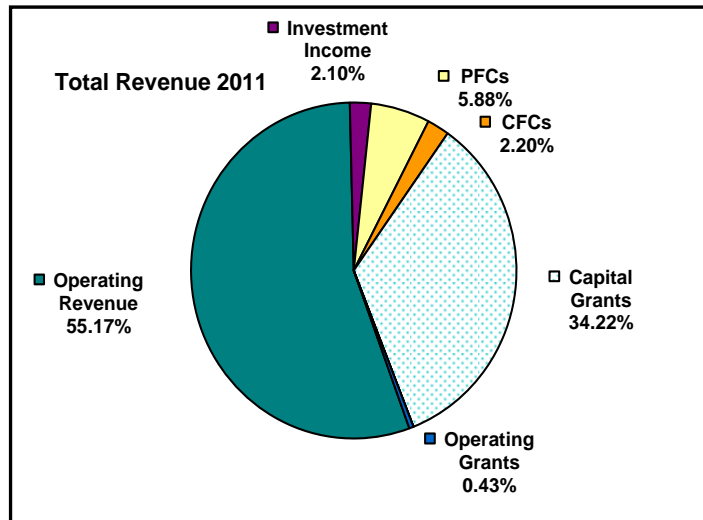
An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC. The collection rate of \$1.50 per rental car contract date remains in effect. The rate cannot exceed \$2.50 per rental car contract date without City Council approval.

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.

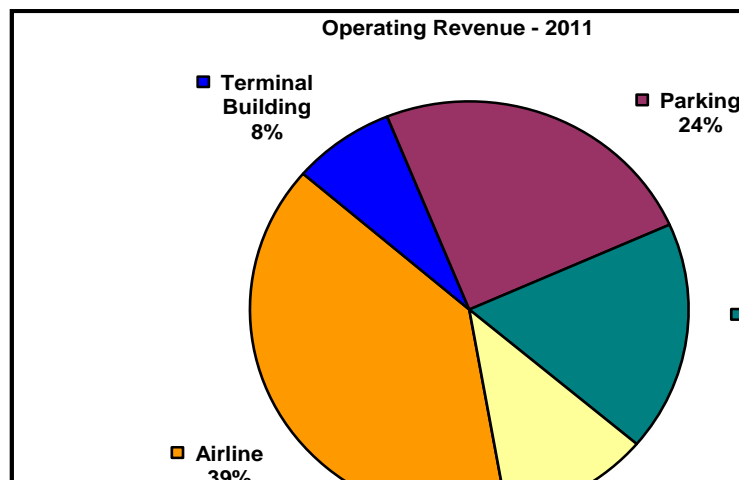
	<u>Year End</u> <u>12/31/2011</u>	<u>Year End</u> <u>12/31/2010</u>	<u>\$ Increase/</u> <u>(Decrease)</u>	<u>Year End</u> <u>12/31/2009</u>	<u>\$ Increase/</u> <u>(Decrease)</u>
Operating Revenues					
Airline	\$ 7,959,261	\$ 6,708,684	\$ 1,250,577	\$ 8,444,465	\$ (1,735,781)
Terminal Building	1,542,808	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	20,360,155	19,209,227	1,150,928	21,302,693	(2,093,466)
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	16,543,820	15,888,235	655,585	17,170,193	(1,281,958)
TOTAL INCOME	\$ 36,903,975	\$ 35,097,462	\$ 1,806,513	\$ 38,472,886	\$ (3,375,424)



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	10,851,764	10,787,280	64,484	11,305,112	(517,832)
Interest Expense	2,451,783	2,510,178	(58,395)	2,742,638	(232,460)
TOTAL EXPENSES	<u>\$ 27,703,450</u>	<u>\$ 28,677,826</u>	<u>\$ (974,376)</u>	<u>\$ 28,962,125</u>	<u>\$ (284,299)</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.

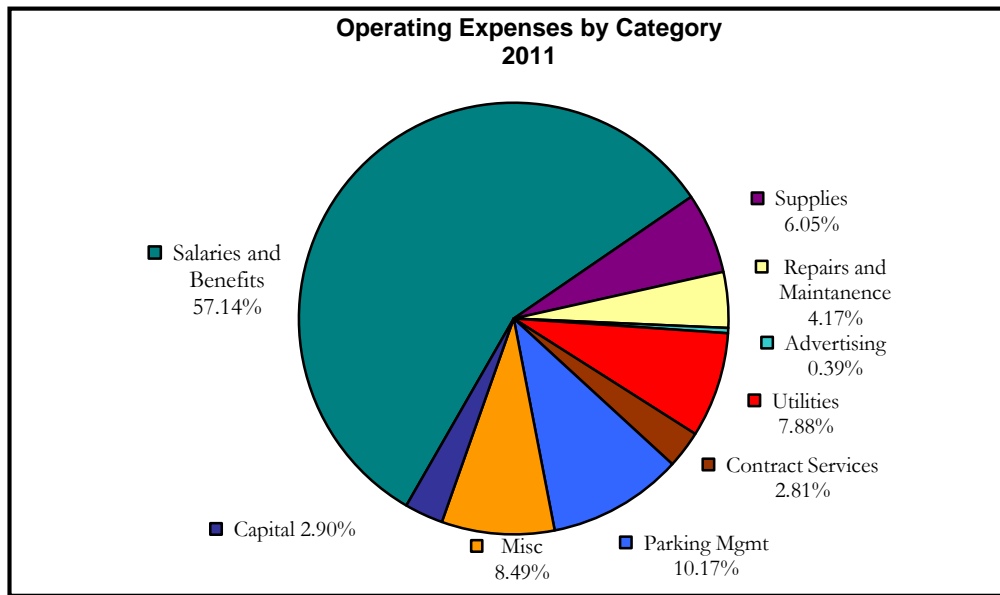
	2011	2011		2010	\$ Increase/	2010
	Totals	% of Total		Totals	(Decrease)	% of Total
Salaries and Benefits	\$ 8,227,876	57.14%	\$	8,328,334	\$ (100,458)	54.15%
Supplies	871,514	6.05%		756,889	114,625	4.92%
Repairs and Maintenance	600,672	4.17%		896,845	(296,173)	5.83%
Advertising	56,099	0.39%		63,528	(7,429)	0.41%
Utilities	1,135,323	7.88%		1,236,218	(100,895)	8.04%
Contract Services	404,251	2.81%		345,374	58,877	2.25%
Parking Management	1,463,461	10.17%		1,456,070	7,391	9.47%
Miscellaneous	1,223,225	8.49%		1,170,532	52,693	7.61%
Capital Expenditures	417,478	2.90%		1,126,578	(709,100)	7.32%
TOTAL EXPENSES	\$ 14,399,899	100.00%	\$	15,380,368	\$ (980,469)	100.00%

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	<u>21,203,802</u>	<u>20,360,155</u>	<u>-3.98%</u>	<u>21,917,777</u>	<u>19,209,227</u>	<u>-12.36%</u>
Total Operating Expenses	15,630,923	14,399,903	-7.88%	16,412,380	15,380,368	-6.29%
Total Operating Income	<u>\$ 5,572,879</u>	<u>\$ 5,960,252</u>	<u>6.95%</u>	<u>\$ 5,505,397</u>	<u>\$ 3,828,859</u>	<u>-30.45%</u>

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 \$2,124,902 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	\$ 14,897,409	\$ 16,482,825

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)	3,362,271	6,130,479
Restricted accounts receivable- passenger facility charges	-	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 and amortization)	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	647,121	625,750
Current portion of capital lease	141,464	131,927
Current portion of accrued sick leave benefits	-	17,387
Accrued interest payable	-	-
Accounts payable	3,065,033	4,380,220
Accrued salaries and benefits	193,731	445,886
Compensated absences	27,974	-
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	8,360,852	9,866,899
NONCURRENT LIABILITIES		
Accrued sick leave benefits	-	330,358
Compensated absences	531,511	-
Revenue bonds payable	39,204,809	42,300,688
Notes Payable	3,424,924	4,072,010
Capital Lease	191,296	332,761
Total noncurrent liabilities	43,352,540	47,035,817
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

	2011	2010
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	2,249,476	2,001,927
Total operating revenues	20,360,155	19,209,227
Operating expenses		
Salaries and benefits	8,227,876	8,328,334
Other operating expenses	6,172,027	7,052,034
Depreciation	10,851,764	10,787,280
Total operating expenses	25,251,667	26,167,648
Operating income (loss)	(4,891,512)	(6,958,421)
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	(262,167)	16,192
Total non-operating revenues (expenses)	1,199,548	1,356,334
Income before contributions	(3,391,964)	(5,602,087)
Capital grants	12,630,322	12,023,748
Capital contributions	-	14,167
Change in net assets	8,938,358	6,435,828
Total net assets – beginning of year	235,171,388	228,735,560
Total net assets – end of year	\$244,109,746	\$235,171,388

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

	2011	2010
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	<u>(820,426)</u>	<u>(2,435,028)</u>
Net cash provided by operating activities	<u>4,868,992</u>	<u>3,688,646</u>
Cash flows from noncapital financing activities		
Operating grant	<u>159,751</u>	<u>256,298</u>
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	(13,764,505)	(12,535,018)
Passenger facility charges	2,160,850	2,369,387
Customer facility charges	771,140	863,618
Principal payments on loans	(625,717)	(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 provided by (used in) capital and related financing activities	<u>(1,757,069)</u>	<u>(1,718,319)</u>
Cash flows from investing activities		
Interest received on investments	649,222	1,166,708
Purchases of investments	(38,739,930)	(34,707,329)
Proceeds from sales and maturities of investments	<u>33,362,992</u>	<u>33,258,595</u>
Net cash (used in) investing activities	<u>(4,727,716)</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 income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (4,891,512)	\$ (6,958,421)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	10,851,764	10,787,280
(Increase) decrease in assets		
Receivables	(12,459)	330,619
Due from other City funds	(15)	-
Increase (decrease) in liabilities		
Accounts payable	(898,171)	(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 fixed 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 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 as well as all Financial Accounting Standards Board pronouncements (including those issued after November 30, 1989) unless those pronouncements conflict with or contradict GASB pronouncements, in accounting and reporting for its operations.

The Airport distinguishes operating revenues and expenses from 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 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 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 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.

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:

	2011	2010
Operating expenses (US GAAP basis)	\$ 25,251,667	\$ 26,167,648
Non-operating expenses (US GAAP basis)	2,451,783	2,510,178
	27,703,450	28,677,826
Less: Depreciation expense	(10,851,764)	(10,787,280)
Add: Capital expenditures (accrual basis)	15,027,958	16,587,594
Expenditures (budgetary basis)	\$ 31,879,644	\$ 34,478,140
 Appropriations	 \$ 57,192,852	 \$ 76,981,995

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:

	December 31, 2011		December 31, 2010	
	City	Airport	City	Airport
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	150,686,584	39,076,773	134,585,531	34,414,535
Total pooled cash and investments	\$ 157,990,686	\$ 40,970,913	\$ 147,710,944	\$ 37,770,845

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 are comprised of \$5,468,053 and \$5,451,377, 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, 2011, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$10,288,520. Of the total bank deposits \$10,288,520 was covered by Federal Depository Insurance. 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</u> <u>City</u>	<u>Fair Value</u> <u>Airport</u>	<u>Weighted Average</u> <u>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 City</u>	<u>Fair Value Airport</u>	<u>Weighted Average 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>% of Total</u>
Money market mutual funds	AAA	0.03%
Colorado Statewide Investment Program	AAA _m	13.69%
Colorado Liquid Asset Trust	AAA _m	0.00%
Commercial paper	A-1	1.33
US Treasury Securities	N/A	24.74%
US Instrumentality Securities	N/A	56.07%
Domestic corporate fixed income securities	AAA	0.74%
Domestic corporate fixed income securities	AA	2.54%
Domestic corporate fixed income securities	A	0.86%
		<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 \$1,806 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. Utilities has invested \$90,000 in the Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2011. CSAFE is a Local Government Investment Pool (LGIP) that operates similarly to COLOTRUST. 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 investments in COLOTRUST and CSAFE are rated AAAM by Standard and Poor's. COLOTRUST and CSAFE are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following addresses:

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

CSAFE
1600 Broadway, Suite 1100
Denver, CO 80202
www.csafe.org

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, the City had \$20,633,516 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	11,175,576		173,167,136
Machinery and equipment	10,750,953	37,161	(126,012)	10,662,102
Vehicles	4,314,503	66,160	(20,125)	4,360,538
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>11,701,159</u>	<u>(600,398)</u>	<u>309,489,824</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>849,394</u>	<u>(301,651)</u>	<u>200,072,884</u>
Capital assets not being depreciated :				
Land	18,423,581	-	-	18,423,581
Construction in progress	<u>21,942,197</u>	<u>14,536,225</u>	<u>(11,597,838)</u>	<u>24,880,584</u>
Total capital assets, not being depreciated	<u>40,365,778</u>	<u>14,536,225</u>	<u>(11,597,838)</u>	<u>43,304,165</u>
Capital assets, net	<u>\$239,890,919</u>	<u>\$15,385,619</u>	<u>\$ (11,899,489)</u>	<u>\$243,377,049</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	<u>\$ 2,700,000</u>	<u>\$ 601,678</u>	<u>\$ 7,250,000</u>	<u>\$ 2,433,203</u>	<u>\$ 33,050,000</u>	<u>\$ 9,614,975</u>	<u>\$ 43,000,000</u>	<u>\$12,649,856</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*

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 \$2,124,902. 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:

<u>Year ending</u> <u>December 31,</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2012	228,696	181,241	47,455
2013	228,696	176,985	51,711
2014	228,696	172,349	56,347
2015	228,696	167,296	61,400
2016	228,696	161,790	66,906
2017-2021	1,143,480	707,455	436,025
2022-2026	1,143,480	473,626	669,854
2027-2030	863,820	128,616	735,204
Totals	<u>\$ 4,294,260</u>	<u>\$ 2,169,358</u>	<u>\$ 2,124,902</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:

<u>Year ending December 31,</u>	<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:

<u>Year ending December 31,</u>	<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>
	<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:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
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</u> <u>December 31,</u>	<u>Minimum lease obligation</u>
2012	\$ 160,275
2013	160,275
2014	40,069
Minimum lease obligation	360,619
Amount representing interest	<u>(27,859)</u>
Present value of net minimum payments	<u>\$ 332,760</u>

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

	<u>December 31,</u> <u>2011</u>
Machinery and Equipment	\$ 674,519
Less accumulated depreciation	<u>(182,682)</u>
Net capitalized lease property	<u>\$ 491,836</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 <u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	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	<u>(103,817)</u>	-	<u>13,390</u>	<u>(90,427)</u>	<u>13,140</u>
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	647,121
Capital Lease	464,688	-	(131,928)	332,760	141,464
Compensated absences- accrued sick leave benefits	<u>347,745</u>	<u>211,740</u>	<u>-</u>	<u>559,485</u>	<u>27,974</u>
Long-term liabilities	<u>\$ 50,830,881</u>	<u>\$ 211,740</u>	<u>\$ (3,693,522)</u>	<u>\$ 47,349,099</u>	<u>\$ 3,996,559</u>

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

	Balance <u>January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	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	<u>(117,767)</u>	-	<u>13,950</u>	<u>(103,817)</u>	<u>13,390</u>
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 leave benefits	<u>385,893</u>	<u>-</u>	<u>(38,148)</u>	<u>347,745</u>	<u>17,387</u>
Long-term liabilities	<u>\$ 52,804,802</u>	<u>\$ -</u>	<u>\$ (1,973,921)</u>	<u>\$ 50,830,881</u>	<u>\$ 3,795,064</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><u>\$ 27,005</u></u>

8. *Commitments*

As of December 31, 2011, the Airport had commitments outstanding, in the form of contracts and purchases 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:

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
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><u>\$ 24,269</u></u>	<u><u>\$ 25,403</u></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, 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 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, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Colorado Springs Municipal Airport
Colorado Springs, Colorado
NOTES TO FINANCIAL STATEMENTS
December 31, 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.

SUPPLEMENTARY AND OTHER INFORMATION