

2017

Financial Statements

For the year ended December 31, 2017



Colorado Springs Municipal Airport
Colorado Springs, Colorado
December 31, 2017 and 2016

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Colorado Springs Municipal Airport (the Airport), an enterprise fund of the City of Colorado Springs, Colorado (the City), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport, an enterprise fund of the City of Colorado Springs, Colorado as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A.1., the financial statements of the Airport are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The "Supplementary and Other Information" as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The “Supplementary and Other Information” is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The “Supplementary and Other Information” has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Colorado Springs, Colorado
June 6, 2018

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

The following Management's Discussion and Analysis (MD&A) of the Colorado Springs Airport's (the Airport or COS) financial performance provides an overview of the financial activities of the Airport for the fiscal years ended December 31, 2017 and 2016. The information contained in this discussion should be considered in conjunction with the financial statements, notes, and supplemental information to the Airport's financial statements.

The Airport's financial statements are prepared using an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other standards-setting bodies. The Airport is structured as an enterprise fund. An enterprise fund is self-sustainable through the airline rates and charges and receives no City general fund contributions. 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.

Significant Changes in 2017 Airport Activities

COS has seen a number of positive air service changes in 2017. Frontier Airlines added new daily service to Los Angeles (LAX) which began in June. In addition to this service, Frontier added daily A319 service to Chicago (ORD) and A319 service to San Francisco (SFO) from June-October. Frontier also added new A320 service to Washington-Dulles (IAD) from July-October. Frontier added A319, A320, and A321 to San Diego (SAN) in July. In October Frontier Airlines added A319 service to Fort Myers (RSW) and A319 service to Tampa Bay (TPA). American Airlines added service to Chicago (ORD) in July on a CRJ-700.

In 2017, COS also saw extensive development and growth with the General Aviation community. Cutter Aviation a Fixed-Based Operator (FBO) at COS celebrated the opening of its new world-class FBO terminal. The new site consists of a 5,600 square foot mountain retreat themed executive terminal and a 62,000 gallon state-of-the-art fuel farm. Adjacent to the new FBO, Cutter Aviation added a new 60,000 square foot maintenance hangar that has the capability of fitting three Lockheed C-130's inside. The maintenance hangar is leased to a privately held aerospace company that maintains and alters aircraft. Additionally, the project included the extension of a taxi lane and the construction of a new 250,000-gallon water tank and pump house for a regional fire suppression system for a four-hangar complex planned on a nearby site. These projects have substantially strengthened the airport's General Aviation community.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Airport Activities Highlights

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Enplaned Passengers	850,270	656,277	597,654
% increase (decrease)	29.6%	9.8%	(4.1%)
Aircraft Operations	135,178	130,354	125,303
% increase (decrease)	3.7%	4.0%	(3.9%)
Landed Weight (in thousands)	1,048,694	849,273	799,425
% increase (decrease)	23.5%	6.2%	(8.7%)
Enplaned/Deplaned Freight (in thousands)	15,841	17,656	24,379
% increase (decrease)	(10.3%)	(27.6%)	2.6%

Total 2017 enplanements were 29.6% above 2016 levels due to Non-Signatory carrier Frontier Airlines added routes to the Colorado Springs market with service to Ft. Myers, Tampa Bay, San Diego, and Los Angeles in 2017. Aircraft operations increased 3.7 %, again due to Frontier's added routes in the Colorado Springs market. The Landing Weight increases were directly related to the 29% increase in enplanements. Additional airline routes (Frontier and American) in 2017 increased enplanements which in turn increased total landing weight. Landed weight for 2017, 2016 and 2015 reflects scheduled carriers, cargo operators, fire operations, charters, and Boeing operations. Landed weight varies each year depending on aircraft fleet mix changes and frequencies of flights. Military aircraft landed weight has been excluded from this calculation since their landed weight does not contribute to revenues earned. Airlines reduced the amount of freight through COS, resulting in a 10.3% decrease in enplaned and deplaned freight.

During 2017, six passenger air carriers supported the Airport with regularly scheduled non-stop service to 12 major cities. In addition, two air cargo operators, Federal Express and Key Lime conducted air cargo operations utilizing the Airport's facilities.

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Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Financial Highlights

Summary of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>2015</u>	<u>\$ Increase (Decrease)</u>
Operating revenues	\$ 13,900,141	\$ 15,364,017	\$ (1,463,876)	\$ 16,514,817	\$ (1,150,800)
Operating expenses	14,409,415	13,636,140	773,275	12,782,452	853,688
Excess before depreciation and other income, net	(509,274)	1,727,877	(2,237,151)	3,732,365	(2,004,488)
Depreciation and amortization	15,891,455	14,868,061	1,023,394	14,821,482	46,579
Operating income (loss)	(16,400,729)	(13,140,184)	(3,260,545)	(11,089,117)	(2,051,067)
Net non-operating income	5,257,004	5,811,216	(554,212)	1,626,214	4,185,002
Capital grants and contribution	4,605,647	23,248,834	(18,643,187)	1,523,379	21,725,455
Transfers	-	(13,216)	13,216	-	-
Change in net position	(6,538,078)	15,906,650	(22,444,728)	(7,939,524)	23,846,174
Net position at beginning of year	258,215,702	242,309,052	15,906,650	257,208,087	(14,899,035)
Change in accounting principle - GASB 65	-	-	-	(6,959,511)	6,959,511
Net position at beginning of year restated	258,215,702	242,309,052	15,906,650	250,248,576	(7,939,524)
Net position at end of year	<u>\$ 251,677,624</u>	<u>\$ 258,215,702</u>	<u>\$ (6,538,078)</u>	<u>\$ 242,309,052</u>	<u>\$ 15,906,650</u>

Significant items affecting the Summary of Revenues, Expenses, and Changes in Net Position for 2017 are as follows:

- Operating revenues decreased approximately \$1.5 million, or 9.5%, due to increasing airline incentives, which are netted against revenues.
- Operating expenses before depreciation increased \$773,275 as a result of higher pension expense, contract employment, employee medical, advertising, software and fleet maintenance, and an increase of airport full-time employees.
- The net result of the above was operating income before depreciation decreased \$3.3 million for 2017.
- Non-operating income decreased by \$554,212 from 2017 to 2016 due to a one-time insurance settlement from a hail storm in 2016.
- Capital grant and contribution revenues decreased \$18.6 million as a result of two large grant projects not in current year.
- For 2017, net position was \$251.7 million, a decrease of \$6.5 million.

Significant items affecting the Summary of Revenues, Expenses, and Changes in Net Position for 2016 are as follows:

- Operating revenues decreased approximately \$1.2 million, or 7.0%, due to reduced expenses to recover through rates and charges cost recovery model.
- Operating expenses before depreciation increased \$853,688 as a result of higher pension expense, contract employment, employee medical, advertising, software and fleet maintenance.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

- The net result of the above was operating income before depreciation decreased \$2.1 million.
- Non-operating income increased by \$4.2 million as a result of an insurance settlement for a hail storm.
- Capital grant and contribution revenues increased \$21.7 million for two grant projects, Taxiway C Rehabilitation and Terminal Taxilane Rehabilitation.
- For 2016, net position was \$258.2 million, an increase of \$15.9 million.

Financial Position Summary

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>% Change</u>
Current assets (including restricted cash)	\$ 31,147,976	\$ 30,894,988	0.82%	\$ 29,233,439	5.68%
Restricted investments	1,257,403	1,259,671	(0.18%)	2,449,742	(48.58%)
Bond insurance costs (net)	32,933	37,969	(13.26%)	74,422	(48.98%)
Note receivable	2,266,780	2,174,679	4.24%	1,908,964	13.92%
Lease receivable	1,151,088	1,177,007	(2.20%)	-	-
Property and equipment (net)	<u>244,113,781</u>	<u>250,782,238</u>	<u>(2.66%)</u>	<u>241,520,229</u>	<u>3.83%</u>
 Total assets	 279,969,961	 286,326,552	 (2.22%)	 275,186,796	 4.05%
Deferred outflows of resources	3,039,927	2,748,566	10.60%	1,269,012	116.59%
Total assets and deferred outflows	<u>283,009,888</u>	<u>289,075,118</u>	<u>(2.10%)</u>	<u>276,455,808</u>	<u>4.56%</u>
 Current liabilities	 7,027,064	 5,578,169	 25.97%	 4,314,487	 29.29%
Long-term debt (less current portion)	11,250,175	12,976,342	(13.30%)	19,836,720	(34.58%)
Other non-current liabilities	<u>12,697,566</u>	<u>11,712,608</u>	<u>8.41%</u>	<u>9,449,671</u>	<u>23.95%</u>
 Total liabilities	 30,974,805	 30,267,119	 2.34%	 33,600,878	 (9.92%)
Deferred inflows of resources	<u>357,459</u>	<u>592,297</u>	<u>(39.65%)</u>	<u>545,878</u>	<u>0.00%</u>
 Total liabilities and deferred inflows	 31,332,264	 30,859,416	 1.53%	 34,146,756	 (9.63%)
 Net position:					
Net investment in capital assets	229,480,085	238,109,407	(3.62%)	221,495,301	7.50%
Restricted	5,197,314	7,152,001	(27.33%)	6,733,675	6.21%
Unrestricted	<u>17,000,225</u>	<u>12,954,294</u>	<u>31.23%</u>	<u>14,080,076</u>	<u>(8.00%)</u>
 Net position	 <u>251,677,624</u>	 <u>258,215,702</u>	 <u>(2.53%)</u>	 <u>242,309,052</u>	 <u>6.56%</u>
 Total liabilities and net position	 <u>\$ 283,009,888</u>	 <u>\$ 289,075,118</u>	 <u>(2.10%)</u>	 <u>\$ 276,455,808</u>	 <u>4.56%</u>

The largest portion of the Airport's net position each year is 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.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

At December 31, 2017, the amount of \$5.2 million, or 2.1%, of net position represented resources that are subject to restrictions on how they can be used. For 2016, the amount was \$7.2 million, or 2.8%, of net position. The restricted net position is not available for new spending because it has already been committed as follows:

	<u>2017</u>	<u>2016</u>
Passenger Facility Charges	\$ 263,713	\$ 1,188,887
Bond and Operating and Maintenance Reserves	4,933,601	5,963,114
Total Restricted	<u>\$ 5,197,314</u>	<u>\$ 7,152,001</u>

The remaining unrestricted net position of \$17.0 million for 2017, and \$12.9 million for 2016, may be used to meet any of the Airport's ongoing obligations.

Airline Signatory Rates and Charges for 2017 and 2016

The Airport and four Scheduled Air Carriers operated under the Use and Lease Agreement which has been in effect since January 1, 2000. This Agreement was extended several times on a month-to-month basis through December 31, 2015. A new Airline Use and Lease Agreement was executed January 1, 2016 with modifications that include: a longer term, five-year agreement, a new profit sharing component within landing fees, a formalized Majority In Interest process and a Signatory definition revision, to name a few. The current agreement establishes rates and charges through a hybrid commercial compensatory methodology with a revenue sharing component. The Airport calculates rents, fees, and charges annually for the Signatory Airlines based on the budgeted costs for operation and maintenance, debt service and bond requirements. These costs are allocated to various costs centers and are used to determine rates. As part of the agreement, the Signatory Airlines participate in Shared Income. The Shared Income credit is calculated as 50% of the remainder of Gross Revenues and Other Available Funds. Airlines that operate without signing the Signatory Use and Lease Agreement are considered Non-Signatory in nature and pay a premium of 125% of the Signatory rate. At the end of each fiscal year, a settlement is prepared based on actual results. Any airline revenue in excess of expense is shared 50% with Signatory Airlines and 50% to Airport, or in the case that expenses exceed revenues the Signatory airlines are billed for the deficit. Non-Signatory airlines do not share in the settlement.

The rates and charges for the signatory airlines were as follows (2017 rates are finalized after the issuance of these financial statements):

	<u>2017</u>	<u>2016</u>
Landing fees (per 1,000 lbs MGLW)*	\$ 0.90	\$ 2.20
Terminal rental rate (per sq ft)	45.40	57.78
Loading bridge rate (per bridge)	<u>5,707</u>	<u>11,822</u>
Signatory airline cost (per enplaned passenger)	<u>\$ 3.90</u>	<u>\$ 6.48</u>

* Maximum Gross Landing Weight

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Passenger Facility Charges

In December 1992, the Airport received approval from the Federal Aviation Administration (FAA) to collect a \$3.00 passenger facility charge (PFC) on each passenger enplaning at the Airport. Since then, the Airport has submitted twenty applications at the \$3.00 PFC level continuing collection authority through May 2016. In March 2016, the Airport received authorization through both the Airlines and FAA to collect a \$4.50 PFC beginning May 2016 with collection authority expiring July 2020.

The Airport, from the initial collection year of 1992, has collected PFCs including interest earnings thereon, totaling \$72,967,149 as of prior year, \$3,448,341 current year and \$76,415,490 total to date. 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 in 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 would have expired on September 1, 2004, however, City Council approved the continued collection with ordinance 04-32, which extended the collections through 2014. 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 with \$250,000 set aside as reserved funds per the rental car agreement.

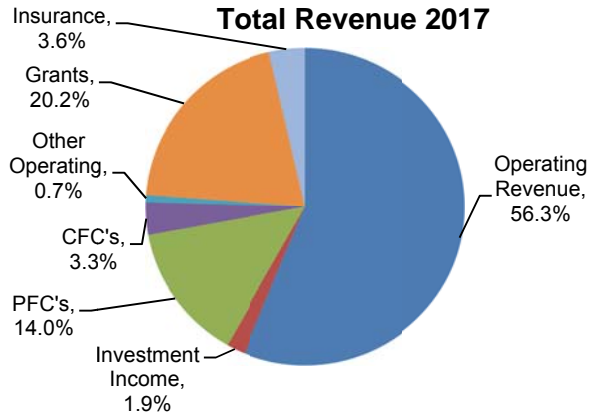
An ordinance (04-32) was approved by the City Council on March 23, 2004, which allowed the Airport to continue to collect the CFC at the collection rate of \$1.50 per rental car contract date until December 31, 2014. Due to the expiration of this ordinance and the change of city governance established by voter approved City Charter changes in 2010, the Director of Aviation has the authority to establish policy, procedures and rates necessary to operate the Airport. The Airport has established a Rental Car Company Customer Facility Charge Policy, in accordance with the rental car concession agreements, that extends the collection of CFC's at the \$1.50 rate for an additional ten years. Any increase in this rate will be based on the projected costs of anticipated capital projects outlined in the policy.

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Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Financial Details

Revenues Overview:



The following schedule presents a summary of all revenues for the fiscal years ended December 31, 2017 and 2016 with a comparison of changes in dollar amounts to the previous years.

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>2015</u>	<u>\$ Increase (Decrease)</u>
Operating Revenues					
Airline	\$ 1,298,038	\$ 4,009,165	\$ (2,711,127)	\$ 6,255,035	\$ (2,245,870)
Terminal Building	1,661,784	1,635,848	25,936	1,388,084	247,764
Parking	4,717,490	3,985,361	732,129	3,278,261	707,100
Landside Commercial	3,356,290	3,066,167	290,123	3,011,888	54,279
Other	2,866,539	2,667,476	199,063	2,581,549	85,927
Total Operating Revenues	<u>13,900,141</u>	<u>15,364,017</u>	<u>(1,463,876)</u>	<u>16,514,817</u>	<u>(1,150,800)</u>
Other Income					
Investment Income	467,605	650,215	(182,610)	217,144	433,071
Passenger Facility Charges	3,448,341	2,215,716	1,232,625	1,560,062	655,654
Customer Facility Charges	823,358	732,749	90,609	666,462	66,287
Insurance Settlement	892,507	4,623,062	(3,730,555)	-	4,623,062
Non-operating revenue	183,489	179,665	3,824	92,250	87,415
Operating Grant	381,416	179,495	201,921	328,743	(149,248)
Capital Grants	4,605,647	23,248,834	(18,643,187)	1,523,379	21,725,455
Total Other Income	<u>10,802,363</u>	<u>31,829,736</u>	<u>(21,027,373)</u>	<u>4,388,040</u>	<u>27,441,696</u>
Total Income	<u>\$ 24,702,504</u>	<u>\$ 47,193,753</u>	<u>\$ (22,491,249)</u>	<u>\$ 20,902,857</u>	<u>\$ 26,290,896</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Operating Revenues:

Significant items for 2017 as compared to 2016 were as follows:

- Airline revenue decreased by \$2.7 million due to increased airline incentives, which are netted against revenues. The increase in airline incentives is attributable to eight additional routes added during the year.
- Terminal Building revenue increased \$25,936 due to changes in the rate structure of non-airline tenants.
- Parking revenue increased \$732,129 due to the addition of new air service, resulting in increased passenger traffic.
- Landside Commercial revenue increased \$290,123 due to an increase in gross rental car services and air service, resulting from increased passenger traffic.
- Other revenue increased \$199,063 due to increased premier memberships and fuel sales.

Significant items for 2016 as compared to 2015 were as follows:

- Airline revenue decreased by \$2.2 million, or 36%. This decrease was the result of reduced expenses in cost recovery model.
- Terminal Building revenue increased \$247,764 due to changes in the rate structure of non-airline tenants.
- Parking revenue increased \$707,100 due to the increased passenger traffic as a result of new air service.
- Landside Commercial revenue increased \$54,279 due to the increased passenger traffic as a result of new air service.
- Other revenue increased \$85,927 due to reimbursements from tenants for leasehold improvements and repairs.

Other Income

The significant items for 2017 as compared to 2016 are as follows:

- Investment income decreased by \$182,610 primarily due to paying off the 2007 A&B series bonds, which cut interest income in half.
- Passenger Facility Charges and Customer Facility Charges were higher by \$1,232,625 and \$90,609, respectively, due to increased air service.
- Insurance Settlement revenue decreased due to an extraordinary settlement from a hail storm claim in 2016 on damage to the airport.
- Non-operating revenue increased \$3,824 resulting from lease payments received from a new capital lease from Cutter Aviation.
- Operating grants increased by \$201,921 due to increased TSA funding for K-9 and Law Enforcement Officers.
- Capital grants revenue decreased by \$18.6 million due to reduced AIP federal funding in 2017.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

The significant items for 2016 as compared to 2015 are as follows:

- Investment income increased by \$433,071 primarily due to an increase in market value.
- Passenger Facility Charges and Customer Facility Charges were higher by \$655,654 and \$66,287 respectively, due to increased air service.
- Insurance Settlement revenue increase resulted from a settlement from a hail storm claim.
- Non-operating revenue increased \$87,415 resulting from lease payments received from a new capital lease to Cutter Aviation.
- Operating grants decreased by \$149,248 due to reduced TSA funding.
- Capital grants revenue increased by \$21.7 million due to a couple of FAA grants.

Expense Overview:

The following schedule presents a summary of all expenses for the fiscal years ended December 31, 2017 and 2016, along with comparisons in dollars to the prior years.

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>2015</u>	<u>\$ Increase (Decrease)</u>
Operating Expenses					
Salaries and Benefits	\$ 7,883,098	\$ 6,675,491	\$ 1,207,607	\$ 6,527,096	\$ 148,395
Other Operating Expenses	6,526,317	6,960,649	(434,332)	6,255,356	705,293
Total Operating Expenses	<u>14,409,415</u>	<u>13,636,140</u>	<u>773,275</u>	<u>12,782,452</u>	<u>853,688</u>
Depreciation and gain or loss on disposal of capital assets	16,355,150	16,695,935	(340,785)	15,134,032	1,561,903
Interest Expense	476,017	941,812	(465,795)	925,897	15,915
Total Expenses	<u>\$ 31,240,582</u>	<u>\$ 31,273,887</u>	<u>\$ (33,305)</u>	<u>\$ 28,842,381</u>	<u>\$ 2,431,506</u>

The significant items for 2017 expenses as compared to 2016 were as follows:

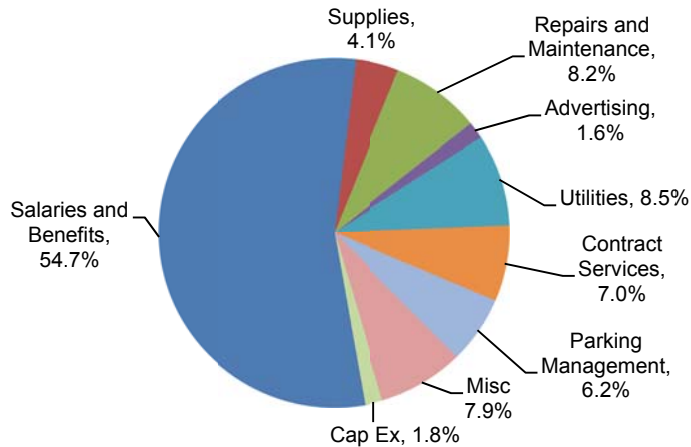
- Salaries and benefits were \$1,207,607 higher due to an increase in staffing.
- Other operating expenses were \$434,332 lower due to lower costs for advertising, building maintenance and fleet maintenance.
- Depreciation and loss on disposal of capital assets was lower.
- Interest expense was \$465,795 lower due to the payoff of 2007 A&B series bonds.

The significant items for 2016 expenses as compared to 2015 were as follows:

- Salaries and benefits were \$148,395 higher due to increased staffing.
- Other operating expenses were \$705,293 higher due to higher costs for construction supplies, deicing chemicals, signs, contract employment, advertising, building and fleet maintenance.
- Depreciation and gain/loss on disposal of capital assets was higher due to new assets being depreciated.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Expense by Category:



The following chart shows the operating expenses before depreciation by category for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>2016</u>
Salaries and Benefits	\$ 7,883,098	54.71%	\$ 6,675,491	\$ 1,207,607	48.95%
Supplies	593,655	4.12%	876,642	(282,987)	6.43%
Repairs and Maintenance	1,185,696	8.23%	906,824	278,872	6.65%
Advertising	227,562	1.58%	401,530	(173,968)	2.94%
Utilities	1,224,818	8.50%	969,012	255,806	7.11%
Contract Services	1,013,031	7.03%	902,775	110,256	6.62%
Parking Management	893,892	6.20%	836,769	57,123	6.14%
Miscellaneous	1,131,823	7.85%	1,009,274	122,549	7.40%
Capital Expenditures	255,840	1.78%	1,057,823	(801,983)	7.75%
Total Expenses	<u>\$ 14,409,415</u>	<u>100.00%</u>	<u>\$ 13,636,140</u>	<u>\$ 773,275</u>	<u>100.00%</u>

The significant variances between 2017 and 2016 expenses by category were the result of:

- Salary and Benefits increased in 2017 due to added positions.
- Advertising decreased by \$173,968 due to development of a new marketing program in 2017.
- Routine Airport Repairs and Maintenance increased \$278,872 due to higher costs on maintenance, software, and fleet items.
- Contract Services increased by \$110,256 due to an increase in the use of temporary employees and legal fees.
- Parking Management costs increased \$57,123 due to increased air traffic.
- While operating repairs and maintenance increased, capital asset-related repairs and maintenance decreased, resulting in lower capital expenditures.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

Budgetary Highlights

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>% Over/ (Under)</u>	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>% Over/ (Under)</u>
Airline Revenues	\$ 4,518,616	\$ 1,298,038	(71.27%)	\$ 6,207,884	\$ 4,009,165	(35.42%)
Other Operating Revenues	<u>12,588,854</u>	<u>12,602,103</u>	<u>0.11%</u>	<u>12,255,952</u>	<u>11,354,852</u>	<u>(7.35%)</u>
Total Operating Revenues	17,107,470	13,900,141	(18.75%)	18,463,836	15,364,017	(16.79%)
Total Operating Expenses, without depreciation	14,233,387	14,409,415	1.24%	15,998,419	13,636,140	(14.77%)
Total Operating Income	<u>\$ 2,874,083</u>	<u>\$ (509,274)</u>	<u>(117.72%)</u>	<u>\$ 2,465,417</u>	<u>\$ 1,727,877</u>	<u>(29.92%)</u>

The significant variances related to the 2017 budget and actual figures were as follows:

- Airline revenues were below budget due to the reduced expenses within the airfield allocation, consequently reducing the amount Airlines are charged in their rates and charges.
- Other operating revenues were above budget due to increased Premier Membership as well as Fuel Sales and Excise taxes.
- Operating expenses before depreciation were above budget due to increased salary expenses.

The significant variances related to the 2016 budget and actual figures were as follows:

- Airline revenues were below budget due to the reduced expenses within Salary & Benefits and Utilities within the cost recovery model, consequently reducing the amount Airlines are charged in their rates and charges.
- Other operating revenues were below budget due to decreased Public Parking and Fines as well as Fuel Sales and Excise taxes.
- Operating expenses before depreciation were below budget due to salaries and benefits savings and parking management reduction.

Long-Term Debt

The Airport had \$7,420,000 in bonds outstanding as of December 31, 2017 compared to \$8,460,000 in 2016. 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(5) of the accompanying notes.

In December of 2014 the Airport entered into a loan agreement with the Colorado Department of Transportation for \$2,336,000 to finance capital projects. The outstanding balance on the loan was \$1,694,706 and \$1,913,770 on December 31, 2017 and 2016, respectively. The loan will be repaid with PFC revenues and matures December 15, 2024.

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Years Ended December 31, 2017 and 2016

In May of 2016, the Airport entered into a loan agreement with the Colorado Department of Transportation for \$3,431,183 to finance capital projects. The outstanding balance on the loan was \$3,124,920 and \$3,431,183 on December 31, 2017 and 2016, respectively.

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	Baa1	Stable	BBB+	Stable

Capital Acquisition and Construction Activities

During fiscal years ended December 31, 2017 and 2016, the Airport expended approximately \$9.4 and \$26.4 million, respectively, in capital activities. The amount expended in 2016 was higher due to grants received for federally funded projects. Property and equipment acquisitions are capitalized at cost if over \$5,000.

Major capital projects for the years ended December 31 included:

	<u>2017</u>	<u>2016</u>
Rehabilitation of Taxiway G TRM (Phase I)	\$ 4,100,795	\$ 250,457
Rehabilitation of Taxiway G TRM (Phase II)	347,559	-
Rehabilitation of Terminal Apron & Trench Drain System	93,688	11,952,483
Reconstruction of Taxiway C	51,114	10,473,304
Cooling Tower Replacement	983,820	279,091
Airport Roadway Rehabilitation	2,739	930,175
Main Roof Replacement	293,321	-
Fleet Improvement (Phase VII)	-	451,550
Fleet Improvement (Phase VIII)	-	700,446
Airport IT Infrastructure Improvement	70,064	334,996
Terminal Complex Improvement	444,661	444,661
Terminal Complex Improvement - Family Restrooms	89,452	-
Airport Landside Maintenance	32,028	163,551
Airport West Airfield Development Evaluation	198,451	198,451
Airport Skylights	1,212,002	-
Airport Fids/Bids Infrastructure	161,224	-
Airport Corp. Aviation Taxiway	306,100	-
Corporate Aviation Water Supply	958,650	-
Airport Terminal Facility Improvement (Phase II)	15,750	-
Miscellaneous other Airport Improvements	-	214,128
Total	<u>\$ 9,361,418</u>	<u>\$ 26,393,293</u>

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016

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

Additional information regarding capital assets can be found in Note C(4).

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: Thomas Roisum, Airport Accounting Manager, Colorado Springs Airport, 7770 Milton E. Proby Parkway, Suite 50, Colorado Springs, Colorado, 80916 or by email to troisum@springsgov.com.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Statements of Net Position
December 31, 2017 and 2016

Assets and Deferred Outflows of Resources

	2017	2016
Current Assets		
Unrestricted cash and investments	\$ 17,539,578	\$ 10,512,537
Restricted cash and investments - passenger facility charges	-	855,475
Restricted cash and investments - bond reserves	4,933,601	5,963,114
Restricted cash and cash equivalents - other	1,662,006	3,151,767
Accounts receivable (net allowances of \$14,201 and \$13,581)	6,127,664	9,898,203
Restricted accounts receivable - passenger facility charges	497,271	333,412
Inventory	387,856	180,480
	<u>31,147,976</u>	<u>30,894,988</u>
Noncurrent Assets		
Restricted investments - bond reserves	1,257,403	1,259,671
Prepaid bond insurance costs	32,933	37,969
Lease receivable	1,151,088	1,177,007
Notes receivable	2,266,780	2,174,679
	<u>4,708,204</u>	<u>4,649,326</u>
Capital assets		
Land	18,367,718	18,367,718
Buildings	70,164,139	67,295,733
Improvements other than buildings	265,407,450	262,590,949
Machinery and equipment	22,041,871	21,742,991
Infrastructure	47,933,084	47,933,084
Vehicles	6,538,168	6,797,002
Intangibles	661,903	661,903
Construction in progress	1,512,216	832,357
Less accumulated depreciation	(188,512,768)	(175,439,499)
	<u>244,113,781</u>	<u>250,782,238</u>
Total capital assets (net of accumulated depreciation)		
	<u>248,821,985</u>	<u>255,431,564</u>
Total noncurrent assets		
	<u>279,969,961</u>	<u>286,326,552</u>
Total assets		
	<u>279,969,961</u>	<u>286,326,552</u>
Deferred Outflows of Resources		
Deferred loss on refunding	125,262	144,415
Pension-related amounts	2,914,665	2,604,151
	<u>3,039,927</u>	<u>2,748,566</u>
Total deferred outflows of resources		
	<u>3,039,927</u>	<u>2,748,566</u>

The accompanying notes are an integral part of these statements

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Statements of Net Position (continued)
December 31, 2017 and 2016

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts payable	\$ 2,620,422	\$ 2,638,353
Accrued salaries and benefits	284,663	265,164
Compensated absences	24,329	26,692
Accrued interest payable	64,560	71,650
Due to other funds	113,037	85
Unearned revenue and other tenant deposits	2,217,204	938,885
Current portion of capital lease payable	74,388	72,013
Current portion of revenue bonds payable	1,090,000	1,040,000
Current portion of notes payable	<u>538,461</u>	<u>525,327</u>
Total current liabilities	<u>7,027,064</u>	<u>5,578,169</u>
Noncurrent Liabilities		
Compensated absences	462,246	507,156
Unearned revenue	2,209,905	2,387,540
Net pension liability	9,869,195	8,587,304
Capital lease payable	156,220	230,608
Revenue bonds payable, net	6,969,010	8,156,716
Notes payable	<u>4,281,165</u>	<u>4,819,626</u>
Total noncurrent liabilities	<u>23,947,741</u>	<u>24,688,950</u>
Total liabilities	<u>30,974,805</u>	<u>30,267,119</u>
Deferred Inflows of Resources		
Pension-related amounts	<u>357,459</u>	<u>592,297</u>
Total deferred inflows of resources	<u>357,459</u>	<u>592,297</u>
Net Position		
Net investment in capital assets	229,480,085	238,109,407
Restricted - passenger facility charges	263,713	1,188,887
Restricted for bond reserves	4,933,601	5,963,114
Unrestricted	<u>17,000,225</u>	<u>12,954,294</u>
Total net position	<u>\$ 251,677,624</u>	<u>\$ 258,215,702</u>

The accompanying notes are an integral part of these statements

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Airline revenues	\$ 1,298,038	\$ 4,009,165
Terminal building concessions	1,661,784	1,635,848
Parking concessions	4,717,490	3,985,361
Landside commercial concessions	3,356,290	3,066,167
Rented buildings, fuel sales and other	<u>2,866,539</u>	<u>2,667,476</u>
Total operating revenues	<u>13,900,141</u>	<u>15,364,017</u>
Operating Expenses		
Salaries and benefits	7,883,098	6,675,491
Other operating expenses	6,526,317	6,960,649
Depreciation	<u>15,891,455</u>	<u>14,868,061</u>
Total operating expenses	<u>30,300,870</u>	<u>28,504,201</u>
Operating Loss	<u>(16,400,729)</u>	<u>(13,140,184)</u>
Non-operating Revenues (Expenses)		
Investment income	467,605	650,215
Passenger facility charges	3,448,341	2,215,716
Customer facility charges	823,358	732,749
Insurance settlement	892,507	4,623,062
Other nonoperating revenue	183,489	179,665
Operating grants	381,416	179,495
Interest expense	(476,017)	(941,812)
Loss on disposal of capital assets	<u>(463,695)</u>	<u>(1,827,874)</u>
Total non-operating revenues	<u>5,257,004</u>	<u>5,811,216</u>
Loss Before Capital Grants and Contributions	(11,143,725)	(7,328,968)
Capital Grants and Contributions	<u>4,605,647</u>	<u>23,248,834</u>
Transfers	<u>-</u>	<u>(13,216)</u>
Change in net position	<u>(6,538,078)</u>	<u>15,906,650</u>
Total Net Position – Beginning of Year	<u>258,215,702</u>	<u>242,309,052</u>
Total Net Position – End of Year	<u>\$ 251,677,624</u>	<u>\$ 258,215,702</u>

The accompanying notes are an integral part of these statements

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 15,391,296	\$ 15,633,385
Receipts from interfund services provided	33,328	33,328
Payments to suppliers	(5,030,874)	(5,219,352)
Payments to employees	(7,174,333)	(6,792,749)
Payments for interfund services used	<u>(1,600,211)</u>	<u>(1,662,369)</u>
Net cash provided by operating activities	<u>1,619,206</u>	<u>1,992,243</u>
Cash Flows from Noncapital Financing Activities		
Operating grant	<u>381,416</u>	<u>116,240</u>
Net cash provided by noncapital financing activities	<u>381,416</u>	<u>116,240</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant	3,458,379	18,155,022
Capital expenditures	(8,818,074)	(24,703,860)
Insurance settlement	4,515,569	1,000,000
Passenger facility charges	3,284,482	2,038,025
Customer facility charges	833,021	714,806
Loan proceeds	-	3,431,183
Principal payments on loans	(525,327)	(2,122,686)
Interest payments on loans	(133,624)	(53,189)
Principal payments on capital lease	(72,013)	(81,995)
Principal payments on revenue bonds	(1,040,000)	(8,580,000)
Interest payments on revenue bonds	(423,000)	(790,449)
Proceeds from sale of capital assets	<u>76,465</u>	<u>33,080</u>
Net cash provided by (used in) capital and related financing activities	<u>1,155,878</u>	<u>(10,960,063)</u>
Cash Flows from Investing Activities		
Interest received on investments	321,158	725,880
Purchases of investments	(8,909,261)	(12,629,503)
Proceeds from sales and maturities of investments	3,427,396	21,754,087
Principal payment received on lease receivable	25,919	22,993
Interest received on lease receivable	<u>241,681</u>	<u>54,173</u>
Net cash provided by (used in) investing activities	<u>(4,893,107)</u>	<u>9,927,630</u>
Net increase (decrease) in cash and cash equivalents	(1,736,607)	1,076,050
Cash and cash equivalents – beginning of year	<u>3,806,017</u>	<u>2,729,967</u>
Cash and cash equivalents – end of year	<u>\$ 2,069,410</u>	<u>\$ 3,806,017</u>
Reconciliation of cash and investments to statement of net position		
Unrestricted cash and cash equivalents	\$ 407,404	\$ 654,250
Unrestricted investments	<u>17,132,174</u>	<u>9,858,287</u>
Total unrestricted cash and investments	<u>\$ 17,539,578</u>	<u>\$ 10,512,537</u>
Restricted cash and cash equivalents	<u>\$ 1,662,006</u>	<u>\$ 3,151,767</u>

The accompanying notes are an integral part of these statements

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Statements of Cash Flows (continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$(16,400,729)	\$(13,140,184)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	15,891,455	14,868,061
Deferred outflows of resources - pensions	(310,514)	(1,560,572)
Deferred inflows of resources - pensions	(234,838)	46,419
Net pension liabilities	1,281,891	1,374,341
Other expense	159,167	(12,161)
Decrease (increase) in assets		
Receivables	145,934	187,396
Prepays	-	26,420
Inventory	(207,376)	(6,916)
Increase (decrease) in liabilities		
Accounts payable	(17,931)	168,151
Accrued salaries, benefits, and sick leave benefits	(27,774)	22,554
Due to other funds	112,952	(96,566)
Unearned revenue and other tenant deposits	1,226,969	115,300
Net cash provided by operating activities	\$ 1,619,206	\$ 1,992,243

Noncash capital and related financing and investing activities:

The Airport had unrealized losses of \$95,234 and \$75,665 for the years ended December 31, 2017 and 2016, respectively. The Airport obtained capital assets through incurring payables in the amounts of \$1,431,359 and \$2,116,064 as of December 31, 2017 and 2016, respectively. The Airport received contributed capital assets of \$1,039,460 and \$0 during the years ended December 31, 2017 and 2016, respectively.

The accompanying notes are an integral part of these statements

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

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 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.

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, in some instances, 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.

A Director of Aviation directs and manages the Airport. This Director reports to the Mayor of the City of Colorado Springs. Major policy decisions are subject to the approval of 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 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 related to lease agreements as described above and 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.

Unearned revenues also include amounts funded by tenants for certain capital assets and extended lease term. These unearned revenues are amortized as other non-operating revenue using the straight-line method over the depreciable lives of the related assets. 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, 2017 and 2016

3. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

A. Deposits and Investments

For purposes of the accompanying statements of cash flows, the Airport's cash and cash equivalents are considered to be cash on hand and demand deposits, and highly liquid investments, (including restricted assets) with an original maturity date of three months or less. Cash equivalents consisted of a money market mutual fund.

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	10 - 25 years
Machinery and equipment	5 - 25 years
Infrastructure	30 years
Vehicles	3 - 15 years
Intangibles	10 years

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

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 an inventory of parts on hand for the repair and maintenance of snow removal equipment and other vehicles. The Airport also maintains inventory for facility maintenance items. Both inventories are 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 statement of net position.

E. Restricted Net Position

In accordance with applicable bond ordinance provisions and federal regulations, certain cash and investments are restricted and have been included in the accompanying statement of net position as restricted cash and investments. Additionally, the bond

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

ordinance and federal regulations also require restriction of net position for specific purposes, including operating expense reserves, debt service reserves, and approved capital improvement projects. Net position amounts required to be restricted are shown in the accompanying statement of net position as restricted net position.

F. Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Airport that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the Airport that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the statements of net position but are not recognized in the financial statements as revenues, expenses or changes in assets or liabilities until the period(s) to which they relate.

As of December 31, 2017 and 2016, deferred outflows of resources for the Airport consist of deferred losses on previous refunding of debt and pension-related amounts. Deferred inflows of resources for the Airport as of December 31, 2017 and 2016, consist of pension-related amounts.

G. 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. Governmental Accounting Standards Board (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 position.

H. Customer Facility Charges

The Airport has established a Rental Car Company Customer Facility Charge Policy, in accordance with the rental car concession agreements, that extends the collection of CFC's at the \$1.50 rate until December 31, 2024. Any increase in this rate will be based on the projected costs of anticipated capital projects outlined in the policy.

Note B: Stewardship, Compliance and Accountability

1. Budgetary Information

In accordance with City Charter, the Mayor is required to submit a balanced budget to City Council on or before the first Monday of October of each year. The budget is reviewed and modified if supported by a majority of City Council and an appropriation ordinance prepared and approved to adopt the budget no later than December 31 of each year. Per City Code, annual appropriations lapse at year-end except for appropriations for special and capital projects. The budget of the Airport is prepared on a modified accrual, non-GAAP basis of accounting.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

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, a reconciliation of resultant basis, timing, and perspective for the years ended December 31, 2017 and 2016, is presented below:

	2017	2016
Operating expenses	\$ 30,300,870	\$ 28,504,201
Non-operating expenses	476,017	941,812
Total Expenses	30,776,887	29,446,013
Less: Depreciation expense	(15,891,455)	(14,868,061)
Add: Capital expenditures (accrual basis)	1,634,234	3,712,896
Add: Revenue bonds principal payments	1,040,000	8,580,000
Expenditures (budgetary basis)	\$ 17,559,666	\$ 26,870,848
 Appropriations	 \$ 41,159,556	 \$ 47,410,319

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 Airport's portion of total pooled cash and investments of the City as of December 31, 2017 and 2016 was 10.9% and 9.4%, respectively. The pooled cash and investments of the City and the Airport as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	City	Airport	City	Airport
Cash on hand	\$ 51,601	\$ 5,639	\$ 44,916	\$ 4,219
Deposits				
Demand, time deposits	3,676,331	401,765	6,920,510	650,084
Investments	199,774,786	21,832,216	177,534,053	16,676,822
Total pooled cash and investments	\$ 203,502,718	\$ 22,239,620	\$ 184,499,479	\$ 17,331,125

A. Restricted Cash, Cash Equivalents and Investments for Bond Reserves

As of December 31, 2017 and 2016, the Airport's restricted cash, cash equivalents, and investments for bond reserves, as required by the Airport's bond ordinances, are comprised of \$6,191,004 and \$7,222,785, respectively.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements

December 31, 2017 and 2016

B. Summary of Carrying Values

Cash, cash equivalents, and investment securities included in the statements of net position are classified as follows:

	2017	2016
Cash, cash equivalents and investments		
Current - unrestricted	\$ 17,539,578	\$ 10,512,537
Current - restricted	6,595,607	9,970,356
Noncurrent - restricted investments	1,257,403	1,259,671
Total cash, cash equivalents and investments	\$ 25,392,588	\$ 21,742,564

C. 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 fair 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, 2017 and 2016, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$10,383,927 and \$18,425,639 respectively. As of December 31, 2017, of the total bank deposits, \$546,986 was covered by Federal Deposit Insurance. As of December 31, 2016, of the total bank deposits, \$560,680 was covered by Federal Deposit Insurance. The Airport's share of those amounts as of December 31, 2017 and 2016 was \$15,978 and \$15,691, respectively.

The City of Colorado Springs and the Airport's investments are subject to interest rate, credit, and concentration of credit risk. As a home rule City, the City has adopted an Investment Policy that is largely in line 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.

D. Interest Rate Risk

Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investment maturities to less than five years.

E. Credit Risk

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either principal, interest or both). The City's investment policy authorizes the City to invest in obligations of the United States or agencies thereof, commercial paper rated at least A-1 by Standard and Poor's, P-1 by Moody's or F-1 by Fitch, municipal bonds, corporate bonds, bankers acceptances, local government investment pools, specific money market mutual funds, time certificates of deposit, repurchase agreements and obligations of the City of Colorado Springs.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

F. Custodial Credit Risk

Custodial risk is the risk, that in the event of the failure of a depository financial institution, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. A designated portfolio manager places the City's investments during the fiscal year. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name and are held by either the counterparty to the investment purchase or held by the counter party's trust department or agent but not held in the City's name. None of the City's investments owned at December 31, 2017 and 2016 were subject to custodial risk.

G. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investments in a single issuer. Concentration risk is defined by GASB as positions of 5% or more in the securities of any one issuer. The City's pooled investments are in compliance with the City Investment Policy which limits investments with any single issuer other than the Federal Government to 5%. The securities of the Federal Government are defined as obligations of the United States and certain of its instrumentalities. None of the City's investments owned at December 31, 2017 and 2016 were subject to concentration of credit risk.

As of December 31, 2017 the detail of pooled cash and investments held for the City and the Airport is as follows:

<u>Investment Type</u>	<u>Fair Value City</u>	<u>Fair Value Airport</u>	<u>Weighted Average Maturity (years)</u>
Money market mutual funds	\$ 251,783	\$ 27,516	0.00
Colorado Liquid Asset Trust (COLOTRUST)	16,629,993	1,817,394	0.00
US treasury securities	51,564,876	5,635,223	2.38
US instrumentality securities	58,819,911	6,428,084	2.11
Corporate fixed-income securities	43,655,944	4,770,902	1.37
Supra-national securities	7,403,677	809,105	2.70
Municipal bonds	6,545,371	715,305	1.68
Certificates of deposit	11,313,353	1,236,370	1.40
Commercial paper	2,496,310	272,807	0.09
Mortgages pooled	594,339	64,952	1.23
Bank note	499,229	54,558	1.93
Total fair value	199,774,786	21,832,216	
Portfolio weighted average maturity			1.78
Reconciliation to Total Cash and Investments			
Add:			
Cash on hand and in banks	3,727,932	407,404	
	<u>\$ 203,502,718</u>	<u>\$ 22,239,620</u>	

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

As of December 31, 2016 the detail of pooled cash and investments held for the City and the Airport is as follows:

<u>Investment Type</u>	<u>Fair Value City</u>	<u>Fair Value Airport</u>	<u>Weighted Average Maturity (years)</u>
Money market mutual funds	\$ 34,235	\$ 3,216	0.00
Colorado Liquid Asset Trust (COLOTRUST)	12,256,332	1,151,310	0.00
US Treasury securities	43,242,279	4,062,003	2.73
US Instrumentality securities	59,880,210	5,624,902	2.41
Corporate fixed-income securities	39,975,363	3,755,122	1.52
Supra-Natural Securities	2,267,026	212,955	2.53
Municipal bonds	6,568,288	616,998	2.68
Certificate of deposit	11,630,925	1,092,561	1.19
Mortgages pooled	<u>1,679,395</u>	<u>157,755</u>	1.96
 Total fair value	 177,534,053	 16,676,822	
Portfolio weighted average maturity			2.05
 Reconciliation to Total Pooled Cash and Investments			
Add: Cash on hand and in banks	<u>6,965,426</u>	<u>654,303</u>	
	<u>\$ 184,499,479</u>	<u>\$ 17,331,125</u>	

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Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements

December 31, 2017 and 2016

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

	S&P Rating	2017 % of Total	2016 % of Total
Money market mutual funds	AAA	0.13%	0.02%
Colorado Local Government Liquid Asset Trust (COLOTRUST)	AAAm	8.32%	6.90%
US Treasury securities	AA+	25.81%	24.36%
US Instrumentality securities	AA+	29.45%	33.73%
Corporate fixed-income securities	AA+	2.68%	2.39%
Corporate fixed-income securities	A+	2.49%	20.13%
Corporate fixed-income securities	AAA	2.12%	0.00%
Corporate fixed-income securities	AA	3.39%	0.00%
Corporate fixed-income securities	AA-	11.17%	0.00%
Supra-national securities	AAA	3.71%	1.28%
Municipal bonds	A+	0.68%	0.81%
Municipal bonds	AA	1.87%	2.89%
Municipal bonds	AAA	0.72%	0.00%
Certificate of deposit	A+	2.20%	3.28%
Certificate of deposit	A-1+	1.45%	3.27%
Certificate of deposit	A-1	0.72%	0.00%
Certificate of deposit	AA-	1.29%	0.00%
Commercial paper	A-1	1.25%	0.00%
Bank note	AA	0.25%	0.00%
Mortgages pooled	AA+	0.30%	0.95%
		<u>100%</u>	<u>100%</u>

During 2016 and 2017, the Airport invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST). COLOTRUST is a local government investment pool with a stable net asset value and CSAFE is considered a qualifying external investment pool under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highly rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodians' internal records segregate investments owned by the Trust. The Trust does not have any limitations or restrictions on participant withdrawals.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements

December 31, 2017 and 2016

H. GASB 72

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurements and Application*, establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The City pooled investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value as follows.

- Level 1** Quoted prices in active markets for identical securities.
- Level 2** Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy.
- Level 3** Prices determined using significant unobservable inputs. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The table reflects the fair value hierarchy of the City pooled investments proportional to Airport.

Investments by Fair Value Level	December 31, 2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Money market mutual funds	\$ 27,516	\$ 27,516	\$ -	\$ -
Colorado Liquid Asset Trust (COLOTRUST)	1,817,394 *	-	-	-
US treasury securities	5,635,223	-	5,635,223	-
US instrumentality securities	6,428,084	-	6,428,084	-
Corporate fixed-income securities	4,770,902	-	4,770,902	-
Supra-national securities	809,105	-	809,105	-
Municipal bonds	715,305	-	715,305	-
Certificates of deposit	1,236,370	-	1,236,370	-
Commercial paper	272,807	-	272,807	-
Mortgages pooled	64,952	-	64,952	-
Bank note	54,558	-	54,558	-
Total securities	\$21,832,216	\$ 27,516	\$19,987,306	\$ -

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Investments by Fair Value Level	December 31, 2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Money market mutual funds	\$ 3,216	\$ 3,216	\$ -	\$ -
Colorado Liquid Asset Trust (COLOTRUST)	1,151,310 *	-	-	-
US treasury securities	4,062,003	-	4,062,003	-
US instrumentality securities	5,624,902	-	5,624,902	-
Corporate fixed-income securities	3,755,122	-	3,755,122	-
Supra-national securities	212,955	-	212,955	-
Municipal bonds	616,998	-	616,998	-
Certificates of deposit	1,092,561	-	1,092,561	-
Mortgages pooled	157,755	-	157,755	-
Total securities	<u>\$16,676,822</u>	<u>\$ 3,216</u>	<u>\$15,522,296</u>	<u>\$ -</u>

*During the year, the City invested in COLOTRUST, a local government investment pool. The fair value is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

2. Lease Receivable

During 2016, the Airport entered into a direct finance lease for property expiring January 1, 2041. The agreement calls for monthly payments of \$7,015, including interest at 5%. The balance on the lease receivable at December 31, 2017 and 2016 is \$1,151,088 and \$1,177,007, respectively.

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Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Future minimum receipts on the lease receivable at December 31, 2017 are:

Year Ending December 31,	Principal	Interest	Total Payment
2018	\$ 27,245	\$ 56,936	\$ 84,181
2019	28,639	55,542	84,181
2020	30,104	54,077	84,181
2021	31,645	52,536	84,181
2022	33,264	50,917	84,181
2023-2027	193,655	227,249	420,904
2028-2032	248,529	172,375	420,904
2033-2037	318,952	101,952	420,904
2038-2041	<u>239,055</u>	<u>19,310</u>	<u>258,365</u>
	<u>\$ 1,151,088</u>	<u>\$790,894</u>	<u>\$ 1,941,982</u>

3. Note Receivable

In 2006, the Airport performed certain infrastructure improvements related to a site in the Airport's Business Park which is currently leased. As part of the agreement, the Airport and the tenant entered into a note receivable to reimburse the Airport for certain infrastructure improvements, and simultaneously, the Airport entered into a note payable with a bank to fund the improvements. The note payable was paid in full during 2016.

As part of the current tenant's ground lease agreement, the note receivable represents an amount to be repaid by the tenant to the Airport in the form of an infrastructure surcharge of \$19,058 per month by July 1, 2036. The note was discounted to present value utilizing a rate of 8.5%, the rate incurred on the Airport's note payable to initially fund the infrastructure improvements.

In 2017, the Airport entered into an agreement with Delta Airlines to finance an infrastructure improvement to a Delta Airlines Kiosk in the amount of \$130,833. Based on the agreement, Delta Airlines will pay this note back to the Airport over a 3 year period at a 5% interest rate ending December 1, 2020.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

4. Capital Assets

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increase	Decrease	Transfer ¹	Ending Balance
Capital assets being depreciated:					
Buildings	\$ 67,295,733	\$ 1,657,239	\$ (1,233,191)	\$ 2,444,358	\$ 70,164,139
Improvements other than buildings	262,590,949	737,818	(1,796,358)	3,875,041	265,407,450
Machinery and equipment	21,742,991	338,393	(39,513)	-	22,041,871
Vehicles	6,797,002	38,642	(297,476)	-	6,538,168
Infrastructure	47,933,084	-	-	-	47,933,084
Intangibles	661,903	-	-	-	661,903
Total capital assets being depreciated	<u>407,021,662</u>	<u>2,772,092</u>	<u>(3,366,538)</u>	<u>6,319,399</u>	<u>412,746,615</u>
Less accumulated depreciation for:					
Buildings	(37,289,651)	(1,863,549)	685,387	-	(38,467,813)
Improvements other than buildings	(111,130,925)	(10,680,449)	1,802,311	-	(120,009,063)
Machinery and equipment	(11,666,874)	(1,336,921)	34,573	-	(12,969,222)
Vehicles	(3,764,296)	(308,506)	295,915	-	(3,776,887)
Infrastructure	(11,343,184)	(1,626,766)	-	-	(12,969,950)
Intangibles	(244,569)	(75,264)	-	-	(319,833)
Total accumulated depreciation	<u>(175,439,499)</u>	<u>(15,891,455)</u>	<u>2,818,186</u>	<u>-</u>	<u>(188,512,768)</u>
Total capital assets being depreciated, net	<u>231,582,163</u>	<u>(13,119,363)</u>	<u>(548,352)</u>	<u>6,319,399</u>	<u>224,233,847</u>
Capital assets not being depreciated:					
Land	18,367,718	-	-	-	18,367,718
Construction in progress	832,357	6,999,258	-	(6,319,399)	1,512,216
Total capital assets, not being depreciated	<u>19,200,075</u>	<u>6,999,258</u>	<u>-</u>	<u>(6,319,399)</u>	<u>19,879,934</u>
Capital assets, net	<u>\$ 250,782,238</u>	<u>\$ (6,120,105)</u>	<u>\$ (548,352)</u>	<u>\$ -</u>	<u>\$ 244,113,781</u>

¹ Transfers reflect the recategorization of assets

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increase	Decrease	Transfer ¹	Ending Balance
Capital assets being depreciated:					
Buildings	\$ 68,270,256	\$ -	\$ (974,523)	\$ -	\$ 67,295,733
Improvements other than buildings	250,506,424	1,318,630	(12,417,197)	23,183,092	262,590,949
Machinery and equipment	21,216,503	565,150	(38,662)	-	21,742,991
Vehicles	5,520,483	1,291,519	(15,000)	-	6,797,002
Infrastructure	47,933,084	-	-	-	47,933,084
Intangibles	661,903	-	-	-	661,903
Total capital assets being depreciated	<u>394,108,653</u>	<u>3,175,299</u>	<u>(13,445,382)</u>	<u>23,183,092</u>	<u>407,021,662</u>
Less accumulated depreciation for:					
Buildings	(35,845,044)	(1,909,382)	464,775	-	(37,289,651)
Improvements other than buildings	(112,084,602)	(9,710,044)	10,663,721	-	(111,130,925)
Machinery and equipment	(10,402,320)	(1,303,217)	38,663	-	(11,666,874)
Vehicles	(3,535,907)	(243,389)	15,000	-	(3,764,296)
Infrastructure	(9,716,419)	(1,626,765)	-	-	(11,343,184)
Intangibles	(169,305)	(75,264)	-	-	(244,569)
Total accumulated depreciation	<u>(171,753,597)</u>	<u>(14,868,061)</u>	<u>11,182,159</u>	<u>-</u>	<u>(175,439,499)</u>
Total capital assets being depreciated, net	<u>222,355,056</u>	<u>(11,692,762)</u>	<u>(2,263,223)</u>	<u>23,183,092</u>	<u>231,582,163</u>
Capital assets not being depreciated:					
Land	18,367,718	-	-	-	18,367,718
Construction in progress	797,455	23,217,994	-	(23,183,092)	832,357
Total capital assets, not being depreciated	<u>19,165,173</u>	<u>23,217,994</u>	<u>-</u>	<u>(23,183,092)</u>	<u>19,200,075</u>
Capital assets, net	<u>\$ 241,520,229</u>	<u>\$ 11,525,232</u>	<u>\$ (2,263,223)</u>	<u>\$ -</u>	<u>\$ 250,782,238</u>

¹ Transfers reflect the recategorization of assets

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

5. Changes in Long-term Liabilities

Long-term liabilities activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Revenue bonds	\$ 8,460,000	\$ -	\$ (1,040,000)	\$ 7,420,000	\$ 1,090,000
Bond premium	736,716	-	(97,706)	639,010	-
Bond discount	-	-	-	-	-
Total bonds payable	9,196,716	-	(1,137,706)	8,059,010	1,090,000
Note payable	5,344,953	-	(525,327)	4,819,626	538,461
Capital Leases	302,621	-	(72,013)	230,608	74,388
Compensated absences- accrued sick and vacation benefits	533,848	505,663	(552,936)	486,575	24,329
Net pension liability	8,587,304	2,013,562	(731,671)	9,869,195	-
Long-term liabilities	<u>\$ 23,965,442</u>	<u>\$ 2,519,225</u>	<u>\$ (3,019,653)</u>	<u>\$ 23,465,014</u>	<u>\$ 1,727,178</u>

Long-term liabilities activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Revenue bonds	\$ 17,040,000	\$ -	\$ (8,580,000)	\$ 8,460,000	\$ 1,040,000
Bond premium	831,901	-	(95,185)	736,716	-
Bond discount	(41,605)	-	41,605	-	-
Total bonds payable	17,830,296	-	(8,633,580)	9,196,716	1,040,000
Note payable	4,036,456	3,431,183	(2,122,686)	5,344,953	525,327
Capital lease	-	384,616	(81,995)	302,621	72,013
Compensated absences- accrued sick and vacation benefits	538,235	551,240	(555,627)	533,848	26,692
Net pension liability	7,212,963	2,047,505	(673,164)	8,587,304	-
Long-term liabilities	<u>\$ 29,617,950</u>	<u>\$ 6,414,544</u>	<u>\$ (12,067,052)</u>	<u>\$ 23,965,442</u>	<u>\$ 1,664,032</u>

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

6. Revenue Bonds Payable

In January 2014, the City of Colorado Springs, Colorado issued \$11,185,000 Airport System Revenue Refunding Bonds, Series 2014 to current refund and defease outstanding City of Colorado Springs, Colorado Airport System Revenue Refunding Bonds, Series 2002A and pay certain costs of issuance. The refunding was undertaken to reduce future annual debt service payments to lower airline rates and charges to make the Airport more competitive. The reacquisition price was above the net carrying amount of the old debt by \$209,088. This amount is recognized as deferred loss on refunding in the deferred outflows of resources on the statement of net position and is amortized over the old debt's life which is one year shorter that the life of the new debt. The Series 2014 Bonds mature from 2014 to 2023 and have a coupon interest rate of 5%. The refunding transaction resulted in a total net present value savings of \$1,527,444.

In April 2007, the City of Colorado Springs issued \$3,725,000 and \$8,500,000 of Airport System Revenue Refunding 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 recognized as deferred loss on refunding in the deferred outflows of resources on the statement of net position and is amortized over the new debt's life, which is the same as 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%. These bonds were paid in full during 2016.

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 System Revenue Bonds	<u>\$ 8,771,000</u>	2014-2023

The total pledged revenue is not estimable in comparison to secured debt because future revenue levels may vary. The bonded debt coverage requirement for each issue must be met or the bonds will be in default. 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.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Maturities of the Airport System Revenue Refunding Bonds and related interest expense are as follows as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2018	\$ 1,090,000	\$ 371,000	\$ 1,461,000
2019	1,145,000	316,500	1,461,500
2020	1,205,000	259,250	1,464,250
2021	1,265,000	199,000	1,464,000
2022	1,325,000	135,750	1,460,750
2023	<u>1,390,000</u>	<u>69,500</u>	<u>1,459,500</u>
Totals	<u>\$ 7,420,000</u>	<u>\$ 1,351,000</u>	<u>\$ 8,771,000</u>

7. Note Payable

On May 26, 2016, the Airport entered into a loan agreement in the amount of \$3,431,183 with the Colorado Department of Transportation to fund capital projects at the Airport. The interest rate on the loan is 2.5% and matures May 26, 2026. Debt service payments on this loan will be made from PFC revenues. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2018	\$ 313,921	\$ 78,123	\$ 392,044
2019	321,768	70,275	392,043
2020	329,812	62,231	392,043
2021	338,057	53,986	392,043
2022	346,509	45,534	392,043
2023-2026	<u>1,474,852</u>	<u>93,316</u>	<u>1,568,168</u>
Totals	<u>\$ 3,124,919</u>	<u>\$ 403,465</u>	<u>\$ 3,528,384</u>

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements

December 31, 2017 and 2016

On December 1, 2014, the Airport entered into a loan agreement in the amount of \$2,336,000 with the Colorado Department of Transportation to fund capital projects at the Airport. The interest rate on the loan is 2.5% and matures December 1, 2024. Debt service payments on this loan will be made from PFC revenues. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2018	\$ 224,540	\$ 42,368	\$ 266,908
2019	230,154	36,754	266,908
2020	235,908	31,000	266,908
2021	241,806	25,102	266,908
2022	247,851	19,057	266,908
2023-2024	<u>514,448</u>	<u>19,371</u>	<u>533,819</u>
Totals	<u>\$ 1,694,707</u>	<u>\$ 173,652</u>	<u>\$ 1,868,359</u>

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Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

8. Leases

The Airport leases facilities, infrastructure, and land, including but not limited to 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. A new rental car agreement was signed in 2014, with a retroactive date to July 1, 2013, for a three year term with the option for two additional one year extensions. During 2017, a one year extension was exercised the current agreement expires June 30, 2018. The current airline agreement was effective January 1, 2016, and expires December 31, 2020. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 6,762,797
2019	5,371,156
2020	5,399,030
2021	2,374,015
2022	2,146,715
2023-2027	6,855,947
2028-2032	5,422,577
2033-2037	4,822,802
2038-2042	4,427,688
2043-2047	3,964,711
2048-2052	3,785,836
2053-2057	2,193,954
2058-2062	24,467
2063-2067	3,890
	<u>\$ 53,555,585</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 \$1,739,681 and \$467,787 for the years ended December 31, 2017 and 2016, respectively.

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The following is an analysis of the Airport's investment in property covered by operating leases and property held for lease by major classes as of December 31:

	2017	2016
Land	\$ 18,367,718	\$ 18,367,718
Buildings	70,164,139	67,295,733
Improvements other than buildings	265,407,450	262,590,949
Infrastructure	47,933,084	47,933,084
	401,872,391	396,187,484
Less accumulated depreciation	(171,446,827)	(159,763,761)
	\$ 230,425,564	\$ 236,423,723

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 firefighting services at the Airport as annual contributions (in-kind services) in lieu of payment of landing fees under the lease.

On October 26, 2016, the Airport entered into a capital lease agreement in the amount of \$384,600 with John Deere Financial to purchase equipment. The interest rate is 3.25% and the lease expires in October 2020. The following is an amortization schedule (including Principal and Interest) for the remainder of the loan period as of December 31, 2017:

Year Ending December 31,	Principal	Interest	Total Payment
2018	\$ 74,388	\$ 7,607	\$ 81,995
2019	76,842	5,153	81,995
2020	79,378	2,617	81,995
Totals	\$ 230,608	\$ 15,377	\$ 245,985

These capital lease agreement has been included as assets as follows:

	2017	2016
Machinery and equipment	\$ 384,600	\$ 384,600
Less accumulated depreciation	(92,945)	(16,026)
Net capitalized lease property	\$ 291,655	\$ 368,574

9. Interfund Balances

Interfund balances were comprised of amounts due to Colorado Springs Utilities. The amounts due were \$113,037 and \$85 as of December 31, 2017 and 2016, respectively.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

10. Commitments

As of December 31, 2017, the Airport had commitments outstanding, in the form of contracts and purchase orders, of approximately \$5,889,956 primarily for construction projects and equipment.

Note D: Other Information

1. Risk Management

The City of Colorado Springs has 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 2017, 2016 or 2015.

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 those hired prior to August 1, 1988, receive a limited Airport contribution not to exceed \$91.40 per month. As of December 31, 2017 and 2016 the Airport had 24 employees with partial coverage. The cost of benefits as of December 31, 2017 and 2016 were \$26,235 and \$26,505, respectively.

3. Retirement Plans

The Airport's former or current non-uniformed and uniformed (police officers) employees are eligible to participate in a defined benefit pension plan. Non-uniformed employees participate in the Public Employees' Retirement Association of Colorado (PERA) and uniformed employees participate in one of five plans administered by the Fire and Police Pension Association (FPPA). Below is a table that summarizes the net pension liabilities, deferred outflows and inflows, and pension expenses associated with each of the plans as a result of the implementation of GASB 68. More detailed notes regarding each plan follows.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

For the year ended December 31, 2017

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
PERA	\$ 8,543,568	\$ 2,301,142	\$ 205,625	\$ 1,200,859
New Hire Police	1,325,627	613,523	151,834	267,351
Total	<u>\$ 9,869,195</u>	<u>\$ 2,914,665</u>	<u>\$ 357,459</u>	<u>\$ 1,468,210</u>

For the year ended December 31, 2016

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
PERA	\$ 7,318,009	\$ 1,957,350	\$ 402,329	\$ 278,774
New Hire Police	1,269,295	646,801	189,968	241,941
Total	<u>\$ 8,587,304</u>	<u>\$ 2,604,151</u>	<u>\$ 592,297</u>	<u>\$ 520,715</u>

Note: Immaterial differences may occur due to rounding

A. Defined Benefit Pension Plan

Plan Description: The Airport participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. 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/investments/pera-financial-reports

or by writing to
Colorado PERA, 1301 Pennsylvania Street
Denver, Colorado 80203

or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

All Airport employees, except uniformed police, are members of the LGDTF. The LGDTF of PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased,

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Notes to Financial Statements

December 31, 2017 and 2016

highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- Value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

On an annual basis, eligible benefit recipients receive post-retirement, cost-of-living adjustments called annual increases (AI). The AI payment month, eligibility and amounts are determined by the date the retiree or deceased member began membership in PERA. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF. If PERA's overall funded status is at or above 103%, the AI cap of 2% will increase by .25% per year. If after PERA's overall funded status subsequently drops below 90%, the AI cap will decrease by .25% per year, but will never drop below 2%.

The LGDTF of Colorado PERA is currently open to new entrants.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Membership-Division Trust Funds-Defined Benefit Pension Plans

Benefits recipients and members of PERA consisted of the following as of December 31, 2016:

	Local Government Division
Retirees and beneficiaries	7,065
Terminated employees entitled to benefits but not yet receiving benefits	2,748
Inactive members	22,896
Active members	
Vested general employees	6,093
Vested State Troopers	-
Non-vested general employees	6,643
Non-vested State Troopers	-
Total active members	45,445

The Airport and its eligible employees are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

Employer Contribution Rate ¹	10.00
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)
Amount Apportioned to the LGDTF ¹	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50
Total Employer Contribution Rate to the LGDTF ¹	12.68

¹Rates are expressed as a % of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Airport is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Airport were \$515,797 and \$487,205 for the year ended December 31, 2017 and 2016, respectively.

Collective Net Pension Liability: The components of the Airport's proportionate share of the collective net pension liability for the LGDTF as of December 31, 2017 are as follows:

Total Pension Liability (TPL)	\$ 32,418,428
Plan Fiduciary Net Position (FNP)	(23,874,860)
Net Pension Liability (NPL)	\$ 8,543,568

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Notes to Financial Statements December 31, 2017 and 2016

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of December 31, 2017 and 2016 the Airport reported a liability of \$8,543,568 and \$7,318,009 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014, respectively. Standard update procedures were used to roll forward the total pension liability to December 31, 2015 and 2015, respectively. The Airport's proportion of the net pension liability was based on our contributions to the LGDTF for the calendar year 2016 and 2015, respectively, relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Airport's proportion was 0.6327%, which was a decrease of 0.0316% from its proportion measured as of December 31, 2015.

At December 31, 2015, the Airport's proportion was 0.6643%, which was a decrease of 0.0325% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2017 and 2016, the Airport's pension expense related to the PERA LGDTF was \$1,200,859 and \$278,774.

At December 31, 2017, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions for the PERA LGDTF from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 152,037	\$ -	\$ 54,906	\$ 252
Net difference between projected and actual earnings on investments	1,026,045	-	1,408,768	-
Change in assumptions	606,010	24,707	-	134,040
Changes in proportionate share	1,253	180,918	6,471	268,037
Contributions subsequent to the measurement date	515,797	N/A	487,205	N/A
Total	\$ 2,301,142	\$ 205,625	\$ 1,957,350	\$ 402,329

The \$515,797 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Notes to Financial Statements December 31, 2017 and 2016

Year Ended December 31,	Difference between expected and actual experience	Net difference between projected and actual earnings on investment	Change in assumptions	Changes in proportionate share	Total effect of amortized deferred inflows/outflows on pension expense
2018	\$ 134,606	\$ 364,396	\$ 506,885	\$ (161,079)	\$ 844,808
2019	17,431	364,389	74,418	(18,586)	437,652
2020	-	287,504	-	-	287,504
2021	-	9,756	-	-	9,756
	<u>\$ 152,037</u>	<u>\$ 1,026,045</u>	<u>\$ 581,303</u>	<u>\$ (179,665)</u>	<u>\$ 1,579,720</u>

The difference between expected and actual experience, changes in assumptions as well as the Airport's change in their proportionate share in the plan are amortized over a closed period equal to the average expected remaining service life of active and inactive members in the plan. The LGDTF determined the average expected remaining service life for active and inactive members at the beginning of the 2016 measurement period to be 2.14 years. The difference between expected and actual investment experience is amortized over a closed five year period.

Actuarial assumptions: The December 31, 2015 actuarial valuation used the following actuarial cost method, actuarial assumptions and other inputs:

	Rate (%)
Price inflation	2.80
Real wage growth	1.10
Wage inflation	3.90
Salary increase, including wage inflation	3.9-10.85
Long-term investments rate of return, net of pension plan investment expenses, including price inflation	7.50
Future post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	2.00
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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Based on the 2016 experience study analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions show below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

	Rate %	Entry Age
Actuarial cost method		Entry Age
Price inflation		2.40
Real wage growth		1.10
Wage inflation		3.50
Salary increases, including wage inflation		3.50 - 10.45
Long-term investment rate of return, net of pension plan investment expenses, including price inflation		7.25
Discount rate		7.25
Future post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07		2.00
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)	

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for both males and females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of a 2016 experience analysis and an October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post- retirement and disability rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporated a 70% factor applied to male rates and a 55% factor applied to female rates.

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Notes to Financial Statements December 31, 2017 and 2016

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: : Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumptions decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumptions decreased from 3.90% per year to 3.50% per year.

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Several factors were considered in evaluating the long-term rate of return assumptions for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of investment (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	30 Year Expected Geometric Real Rate of Return (%)
US equity - large cap	21.20	4.30
US equity - small cap	7.42	4.80
Non US equity - developed	18.55	5.20
Non US equity - emerging	5.83	5.40
Core fixed income	19.32	1.20
High yield	1.38	4.30
Non US fixed income - developed	1.84	0.60
Emerging market debt	0.46	3.90
Core real estate	8.50	4.90
Opportunity fund	6.00	3.80
Private equity	8.50	6.60
Cash	1.00	0.20
Total	100%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including

Colorado Springs Municipal Airport Colorado Springs, Colorado

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current and estimated future AED and SAED, until the Actuarial Value Funding Ration reached 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were established and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 % on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

As of the prior measurement date, the long-term expected rate of return of 7.50% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index, and therefore, the discount rate was 7.50%.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

Sensitivity of the NPL:

	<u>1 % Decrease</u>	<u>Current Discount Rate</u>	<u>1 % Increase</u>
	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	\$ 12,597,099	\$ 8,543,568	\$ 5,186,800

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Notes to Financial Statements December 31, 2017 and 2016

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA LGDTF financial reports found at:

www.copera.org/investments/pera-financial-reports

B. New Hire Police Defined Benefit Pension Plan

Plan Description: The New Hire Pension Plan is a single-employer defined benefit plan administered by the Fire and Police Pension Association of Colorado (FPPA). However, for purposes of these Airport financials statements, the Airport has allocated and disclosed the New Hire Plan as a cost-sharing multiple employer defined benefit pension plan in accordance with the requirements of GASB Statement No. 68. Allocation of pension-related items in the New Hire Plan is based on amounts contributed for Airport employees as a percentage of total Airport contributions.

Effective October 1, 2006, the New Hire Pension Plan was incorporated into the Defined Benefit System by the FPPA Board pursuant to provisions of CRS 31-31-706(2)(a). Assets of the New Hire Pension Plan are held in trust with the FPPA Board acting as trustee. As trustee, FPPA collects, invests, administers and disburses monies related to the Defined Benefit Pension Plan. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and addition to/deductions from the fiduciary net position have been calculated using the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FPPA issues a publicly available financial report that includes financial statements and required supplementary information for FPPA. That report may be obtained online at:

<http://www.fppaco.org/annual-reports.html>

or by writing to:

Fire and Police Pension Association of Colorado
5290 DTC Parkway, Suite 100
Greenwood Village, CO 80111-2721

or by calling FPPA at (303) 770-3772

The New Hire Pension Plan is for sworn police employees hired after April 8, 1978 but before October 1, 2006. This plan is closed to new employees. Any amendments to the benefit-related provisions of the New Hire Pension Plan may be made by the FPPA Board, with the consent of the Airport, only upon approval of at least 65% of the then active members in the plan. In 2007 and 2011, members in the New Hire Pension Plan were allowed to make a one-time irrevocable election to switch from the New Hire Pension Plan to the Statewide Defined Benefit Pension Plan effective January 1, 2012.

Members in the New Hire Police Pension Plan may be eligible for a normal retirement pension at any time after age 50, if the member has at least 25 years of service. The annual normal pension equals 2% of the member's final average salary (for the past 39 payroll periods) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%. A member is eligible for an early

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retirement benefit after completion of 20 years of service and attainment of age 45. The early retirement benefit is reduced by 7.5% for each year that the member is less than age 50.

Cost-of-living adjustments begin on October 1 immediately before the retiree turns 60 or 10 years after benefits payment commence, whichever is earlier. The COLA increase reflects increases in the consumer price index but in no case can the increase be more than 3% for any one year.

Upon termination, a member may elect to have all contributions, along with 5% per annum, as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 50 equal to 2% of the member's final average salary (for the past 39 payroll periods) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%.

The benefit recipients and members of the New Hire Police Pension Plan as of December 31, 2016 are as follows:

Retirees and beneficiaries	274
Inactive, non-retired members	27
Active members	318

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members within the plan as determined by the actuarial study. The Airport's contribution rate shall never drop below the employee rate as set by the Board of the Fire and Police Pension Association. Eligible employees are required to contribute 8% of their FPPA-includable salary. For 2017 and 2016, the Airport's employer contribution rate was set at 26.50% and 20.00%, respectively. The Airport also contributed an additional amount into the plan of \$51,325 and \$52,039 for the years ended December 31, 2017 and 2016, respectively. Employer contributions recognized by the New Hire Police Pension Plan from the Airport were \$215,874 and 185,158 for the years ended December 31, 2017 and 2016, respectively.

Collective Net Pension Liability: The components of the Airport's net pension liability for the New Hire Police Pension Plan as of December 31, 2017 are as follows:

Total Pension Liability (TPL)	\$ 8,141,530
Plan Fiduciary Net Position (FNP)	<u>(6,815,903)</u>
Net Pension Liability (NPL)	<u>\$ 1,325,627</u>

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of December 31, 2017 and 2016, the Airport reported a liability of \$1,325,628 and \$1,269,295 for the New Hire Police Pension Plan net pension liability, respectively. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

At December 31, 2016, the Airport's proportion was 2.4596%, which was an increase of 0.1622% from its proportion measured as of December 31, 2015.

At December 31, 2015, the Airport's proportion was 2.2974%, which was a decrease of 0.2771% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2017 and 2016 the Airport's pension expense related to the New Hire Police Pension Plan was \$267,351 and \$241,941 respectively.

At December 31, 2017 the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions for the New Hire Fire Pension Plan from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 217,426	\$ -	\$ 106,143
Net difference between projected and actual earnings on investments	341,008	-	294,082	-
Change in assumptions	120,669	-	147,558	-
Changes in proportionate share Contributions subsequent to the measurement date	(64,028)	(65,592)	20,003	83,825
	215,874	N/A	185,158	N/A
Total	\$ 613,523	\$ 151,834	\$ 646,801	\$ 189,968

The \$215,874 reported as deferred outflows of resources related to pensions, resulting from contributions made subsequent to the measurement date, will be recognized as a reduction the net pension liability in the year ended December 31, 2018. Other amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Difference between expected and actual experience	Net difference between projected and actual earnings on investments	Changes in assumptions	Net changes in proportionate share	Total effect of amortized deferred inflows/outflows on pension expense
2018	\$ (49,608)	\$ 68,202	\$ 27,532	\$ (29,575)	\$ 16,551
2019	(49,608)	68,202	27,532	(29,575)	16,551
2020	(49,608)	68,202	27,532	(29,575)	16,551
2021	(49,608)	68,202	27,532	(29,575)	16,551
2022	(18,995)	68,202	10,541	(11,321)	48,427
	\$ (217,426)	\$ 341,008	\$ 120,668	\$ (129,620)	\$ 114,631

The difference between expected and actual experience is amortized over a closed period equal to the average expected remaining service life of active and inactive members in the plan. FPPA determined the average expected remaining service life for active and inactive members at the beginning of the 2016 measurement period to be 4.3829 years. The difference between expected and actual investment experience is amortized over a closed five year period.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Actuarial assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	<u>Rate (%)</u>
Price inflation	2.50
Salary increase, including inflation	4.00-14.00
Long-term investment rate of return, net of pension plan investment expense, including price inflation	7.50
Future post-retirement benefit increases (COLA)	2.60

Pre-Retirement mortality rate was based on RP-2014 Mortality Tables for Blue Collar Employees with Scale BB, 55% qualifier for off-duty mortality, increased by .00020 for on-duty related Fire and Police experience. Post-Retirement mortality rate was based on R-2014 Mortality Table for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.

Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use on the January 1, 2016 valuations. The assumptions changes are incorporated into the Collective Total Pension Liability as of December 31, 2015 and therefore no changes were made since the prior valuation.

The assumptions that are based upon the actuary's recommendations are internally consistent and reasonably based on the actual past experience of the plan.

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Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

Discount Rate: The long-term expected rate of return on pension plan investments was determined asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2016 are below using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2016 are below:

Asset Class	Target Allocation (%)	10 Year expected arithmetic real rate of return (%)
Global Equity	36.00	6.75
Equity Long/Short	10.00	4.85
Illiquid Alternatives	23.00	8.25
Fixed Income	15.00	0.50
Absolute Return	10.00	4.05
Managed Futures	4.00	3.00
Cash	2.00	0.00 *
Total	100%	

* While expected inflation exceeds the expected rate of return for cash, a 0.00% real rate of return is utilized.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the Airport will be made based on actuarially determined rates based on the Board's funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all the projected future payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate.

Colorado Springs Municipal Airport Colorado Springs, Colorado

Notes to Financial Statements December 31, 2017 and 2016

The following presents net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate:

Sensitivity of the NPL:

	1 % Decrease	Current Discount Rate	1 % Increase
	6.5%	7.50%	8.50%
Airport's proportionate share of the net pension liability	\$ 2,536,507	\$ 1,325,627	\$ 343,618

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report found at:

<http://www.fppaco.org/annual-reports.html>

4. Compliance with Uniform Guidance

The Colorado Springs Airport receives funding from the Federal Aviation Administration. The Airport is an Enterprise Fund operated by the City of Colorado Springs. As such, these grants have been audited in accordance with Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) at the City level.

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

5. Subsequent Event

The Colorado Springs Airport entered into a sales agreement with Federal Express for a land purchase of 27.31 acres at a price of \$2,319,766. Federal Express will be using this land for a distribution center that has no access to the airfield. This real estate transaction closed January 18, 2018.

Required Supplementary Information

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Schedule of Proportionate Share of the Net Pension
Liability-Colorado PERA Defined Benefit Pension Plan
Years Ended December 31, 2017 and 2016

Colorado PERA Local Government Division Trust Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportionate share of total pension liability	\$ 32,418,428	\$ 31,635,457	\$ 32,388,500
Proportionate share of fiduciary net position	(23,874,860)	(24,317,448)	(26,142,480)
Proportionate share of net pension liability	\$ 8,543,568	\$ 7,318,009	\$ 6,246,020
Fiduciary net position as a percentage of total pension liability	73.65%	76.87%	80.72%
Covered employee payroll	\$ 3,732,151	\$ 3,825,699	\$ 3,993,462
Net pension liability as a percentage of covered employee payroll	228.92%	191.29%	156.41%
Proportion of net pension liability	0.6327%	0.6643%	0.6969%

Notes to the Required Supplementary Information

- Investment Return was lowered from 7.5% to 7.25%.
- Price inflation was lowered from 2.8% to 2.4%.
- Wage inflation was lowered from 3.9% to 3.5%.
- Mortality tables changed to RP-2014.
- Rate of retirement's withdrawal and disability were revised to reflect more closely actual experience.

* Information determined under the provisions of GASB 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the City's most recent fiscal year-end (December 31) in accordance with GASB Statement No. 68.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Schedule of Proportionate Share of the Net Pension
Liability-New Hire Police Defined Benefit Pension Plan
Years Ended December 31, 2017 and 2016

New Hire Police Defined Benefit Pension

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportionate share of total pension liability	\$ 8,141,530	\$ 7,351,186	\$ 7,667,116
Proportionate share of fiduciary net position	<u>(6,815,903)</u>	<u>(6,081,891)</u>	<u>(6,700,173)</u>
Proportionate share of net pension liability	\$ 1,325,627	\$ 1,269,295	\$ 966,943
Fiduciary net position as a percentage of total pension liability	83.72%	82.73%	87.39%
Covered employee payroll	\$ 650,323	\$ 657,424	\$ 774,052
Net pension liability as a percentage of covered employee payroll	203.84%	193.07%	124.92%
Proportion of net pension liability	2.4596%	2.2974%	2.5745%

Notes to the Required Supplementary Information

Changes in Assumptions:

- Inflation reduced to 2.5% from 3.0%.
- Real rate of return increased from 4.5% to 5.0%.
- An explicit assumption for admin expenses added to contribution rates.
- Mortality tables changed to RP-2014 with scale BB.

* Information determined under the provisions of GASB 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the City's most recent fiscal year-end (December 31) in accordance with GASB Statement No. 68.

**Colorado Springs Municipal Airport
Colorado Springs, Colorado
Schedule of Contributions-Colorado PERA
Defined Benefit Pension Plan
Years Ended December 31,**

Colorado PERA Local Government Division Trust Fund

	Statutorily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a % of Covered Payroll
2017	\$ 515,797	\$ 515,797	\$ -	\$ 3,969,224	12.99
2016	487,205	487,205	-	3,732,151	13.05
2015	490,082	490,082	-	3,825,699	12.81

Notes to the Required Supplementary Information

There were no changes to benefits or assumptions used in the calculation of contribution rates.

* Information determined under the provisions of GASB 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the City's most recent fiscal year-end (December 31) in accordance with GASB Statement No. 68.

**Colorado Springs Municipal Airport
Colorado Springs, Colorado
Schedule of Contributions-New Hire
Police Defined Benefit Pension Plan
Years Ended December 31,**

New Hire Police Defined Benefit Pension

	Statutorily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a % of Covered Payroll
2017	\$ 215,874	\$ 215,874	\$ -	\$ 614,509	35.13
2016	185,158	185,158	-	650,323	28.47
2015	183,082	183,082	-	657,424	27.85

Notes to the Required Supplementary Information

Valuation date: January 1, 2017

Methods and assumptions used to determine contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	23 years
Inflation	2.50%
Salary increase	4.00 - 14.00%
Discount rate	7.50%
Retirement age	50 years of age
Mortality	Rates were based on RP-2014 Combined Mortality Table with Blue Collar Adjustment, projected Scale BB 55% multiplier for off-duty mortality increased by .00020 for on-duty Fire and Police experience

* Information determined under the provisions of GASB 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the City's most recent fiscal year-end (December 31) in accordance with GASB Statement No. 68.

Supplementary and Other Information

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Schedule of Financial Activity of the Various Bond Ordinance Created
Funds and Accounts for the Colorado Springs Municipal Airport (Unaudited)
December 31, 2017

	Gross Revenue Fund	Operations/Maintenance Fund	Bond Fund		Bond Reserve Account	O & M Reserve Fund	Renewal & Replacement Fund	Capital Improvement Fund		Passenger Facility Account	Customer Facility Account	Totals
			Bond Account	Interest Account				Prepaid Revenue Account	Capital Account			
Beginning balance as of January 1, 2017	\$ (20,123,331)	\$ -	\$ -	\$ -	\$ 2,447,664	\$ 3,864,853	\$ 750,000	\$ 657,638	\$ 14,346,520	\$ 4,063,123	\$ 6,389,209	\$ 12,395,675
Add: Commitments as of December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance as of January 1, 2017	(20,123,331)	-	-	-	2,447,664	3,864,853	750,000	657,638	14,346,520	4,063,123	6,389,209	12,395,675
Calendar year 2017 activity												
Operating Revenues	13,900,142	-	-	-	-	-	-	-	-	-	-	13,900,142
Non-Operating Revenues												
Interest Earnings	12,755	-	8,428	2,501	20,606	36,930	7,456	6,538	61,178	8,260	90,977	255,629
Passenger facility charges	-	-	-	-	-	-	-	-	-	3,448,341	-	3,448,341
Customer facility charges	-	-	-	-	-	-	-	-	-	-	823,358	823,358
Other revenue (expense)	-	-	-	-	-	-	-	-	(146,606)	(4,922)	-	(151,528)
Operating Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Change in O&M Reserve	-	(47,315)	-	-	-	(47,315)	-	-	-	-	-	(94,630)
Grant Revenues	-	381,416	-	-	-	-	-	-	3,566,187	-	-	3,947,603
Sub-total revenues	(6,210,434)	334,101	8,428	2,501	2,468,270	3,854,468	757,456	664,176	17,827,279	7,514,802	7,303,544	34,524,590
Operating Expenses	-	(14,368,365)	-	-	-	-	-	-	-	-	(4,923)	(14,373,288)
Operating Transfers Out	-	-	-	-	-	-	-	-	(1,608,344)	-	-	(1,608,344)
Operating Capital	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenses	-	-	-	-	-	-	-	-	(1,239,787)	(825,315)	-	(2,065,102)
Debt Service Expenses	-	-	(1,040,000)	(423,000)	-	-	-	-	-	-	-	(1,463,000)
Sub-total expenses	-	(14,368,365)	(1,040,000)	(423,000)	-	-	-	-	(2,848,131)	(825,315)	(4,923)	(19,509,734)
Balance before encumbrances, commitments, and transfers	(6,210,434)	(14,034,264)	(1,031,572)	(420,499)	2,468,270	3,854,468	757,456	664,176	14,979,148	6,689,487	7,298,621	15,014,856
Encumbrances at December 31, 2017	-	(248,209)	-	-	-	-	-	-	(5,640,666)	-	-	(5,888,875)
Transfers:												
Operating/Maintenance	(14,282,473)	14,282,473	-	-	-	-	-	-	-	-	-	-
Bond Debt Service	(1,463,000)	-	1,040,000	423,000	-	-	-	-	-	-	-	-
Income Available for Sharing-City's Portion	-	-	-	-	-	-	-	-	-	-	-	-
Funding Adj.-Encumbrances/ Working Capital	194,954	-	-	-	-	-	-	-	-	-	(194,954)	-
Non-Preferential Gate Use Fee	(69,548)	-	-	-	-	-	-	-	69,548	-	-	-
Net (Rev)/Expense on Fountain Term Site	3,801	-	-	-	-	-	-	-	(3,801)	-	-	-
Repayment of Loans to Capital Account	-	-	-	-	-	-	-	-	-	-	-	-
Interest to:												
Airlines	75,921	-	(8,428)	(2,501)	(20,606)	(36,930)	(7,456)	-	-	-	-	-
Capital Account	-	-	-	-	-	-	-	(6,538)	6,538	-	-	-
Sub-total transfers	(15,540,344)	14,282,473	1,031,572	420,499	(20,606)	(36,930)	(7,456)	(6,538)	72,284	-	(194,954)	-
Ending Balance December 31, 2017	\$ (21,750,778)	\$ -	\$ -	\$ -	\$ 2,447,664	\$ 3,817,538	\$ 750,000	\$ 657,637	\$ 9,410,766	\$ 6,689,487	\$ 7,103,667	\$ 9,125,981

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Airlines Serving the Airport (Unaudited)
December 31, 2017

Passenger Airlines

<u>Carrier</u>	<u>Flown by</u>
Alaska Airlines	SkyWest
Allegiant Air	
American Airlines	American, Mesa, American Eagle, US Airways
Continental/Continental Express Airlines	ExpressJet and Skywest
Delta/Delta Connection Air Lines	Delta, SkyWest
Frontier Airlines	
United Airlines	ExpressJet, SkyWest, Republic Airlines, Trans State GoJet and Shuttle America

All-Cargo Airlines

Fed Ex
Key Lime
Western Global Airlines

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Historical Airline Traffic (Unaudited)
December 31, 2017

Year	Enplaned passengers				Aircraft Operations (No. of Departures)					Enplaned passengers per departure	
	Major/ National Airlines	Regional/ Commuter Airlines	Total	Percent Increase (Decrease)	Major/ National Airlines	Regional/ Commuter Airlines	Cargo Airlines	Total	Percent Increase (Decrease)	Major/ national airlines	Regional/ commuter airlines
2008	336,707	661,640	998,347	-3.4%	2,976	14,952	1,272	19,200	-1.2%	113	44
2009	288,623	640,977	929,600	-6.9%	2,537	13,718	826	17,081	-11.0%	114	47
2010	282,536	580,871	863,407	-7.1%	2,495	12,923	860	16,278	-4.7%	113	45
2011	273,379	540,957	814,336	-5.7%	2,451	12,213	880	15,544	-4.5%	112	44
2012	271,372	550,636	822,008	0.9%	2,415	11,534	850	14,799	-4.8%	112	48
2013	256,760	393,769	650,529	-20.9%	2,301	8,876	845	12,022	-18.8%	112	44
2014*	269,935	357,989	627,924	-3.5%	2,310	8,086	899	11,295	-6.0%	117	44
2015	261,458	336,196	597,654	-4.8%	2,300	6,599	863	9,762	-13.6%	114	51
2016	284,178	372,099	656,277	9.8%	2,825	6,615	834	10,274	5.2%	101	56
2017	507,144	343,126	850,270	29.6%	4,021	6,918	856	11,795	14.8%	126	50

* The enplanements in 2014 do not match the MD&A due to changes in the methodology.

Source: Colorado Springs Municipal Airport management records.

Note: Enplaned/Aircraft Operations are based on carrier who actually flew the operation not under Carrier ticket sold

Colorado Springs Municipal Airport Colorado Springs, Colorado

Airline Shares of Enplaned Passengers (Unaudited) December 31, 2017

	2008		2009		2010		2011		2012		2013		2014*		2015		2016		2017		
	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total	
Major/national airlines																					
Alegiant Air (1)	33,543	3.4%	32,673	3.5%	38,258	4.4%	41,855	5.1%	38,834	4.7%	25,962	4.0%	30,096	4.8%	34,220	5.7%	29,221	4.5%	22,527	2.6%	
American Airlines	213,341	21.4%	208,535	22.4%	190,462	22.1%	178,324	21.9%	177,505	21.6%	174,186	26.8%	180,342	28.7%	168,710	28.2%	134,940	20.6%	201,625	23.7%	
Continental Airlines (2)	-	0.0%	93	0.0%	149	0.0%	-	0.0%	151	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Delta Air Lines (5)	36,371	3.6%	46,526	5.0%	52,997	6.1%	51,322	6.3%	52,719	6.4%	54,840	8.4%	52,458	8.4%	47,657	8.0%	46,957	7.2%	47,809	5.6%	
Frontier Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	66,516	10.1%	232,302	27.3%	
Northwest Airlines (5)	52,286	5.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
United Airlines (6)	-	0.0%	-	0.0%	101	0.0%	-	0.0%	-	0.0%	-	0.0%	171	0.0%	-	0.0%	1,085	0.2%	-	0.0%	
Charters	1,166	0.1%	796	0.1%	569	0.1%	1,878	0.2%	2,163	0.3%	1,772	0.3%	6,868	1.1%	10,871	1.8%	5,459	0.8%	2,881	0.3%	
Total	336,707	33.7%	288,623	31.0%	282,536	32.7%	273,379	33.5%	271,372	33.0%	256,760	39.5%	269,935	43.0%	261,458	43.7%	284,178	43.4%	507,144	59.5%	
Regional/commuter airlines																					
American Eagle Airline (7)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Atlantic Southeast Airlines (8)	-	0.0%	-	0.0%	-	0.0%	4,211	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Chautauque Airlines (8)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Comair (9)	5,166	0.5%	71,734	7.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Continental Express (10)	71,783	7.2%	-	0.0%	70,045	8.1%	5,696	0.7%	23,633	2.9%	40,054	6.2%	46,518	7.4%	20,900	3.5%	11,831	1.8%	17,777	2.1%	
ExpressJet Airlines (11)	48,050	4.8%	624	0.1%	132	0.0%	1,078	0.1%	2,140	0.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Frontier/Lynx (12)	62,316	6.2%	103,964	11.2%	110,371	12.8%	104,961	12.9%	154,743	18.8%	20,818	3.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Mesa Airlines (13)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Mesa Airlines dba United	41,481	4.2%	52,762	5.7%	10,068	1.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Mesa Airlines dba American	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	32,625	5.0%	-	0.0%	
Mesaba (16)	16,047	1.6%	48,034	5.2%	14,306	1.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Northwest Airlink (14)	4,551	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Republic Airways (19)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,104	1.4%	57,083	8.8%	40,576	6.5%	25,939	4.3%	1,182	0.2%	41,672	4.9%	
Shuttle America dba Delta (20)	-	0.0%	-	0.0%	4,508	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Shuttle America dba United (21)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	367	0.0%	265	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
SkyWest dba Alaska	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,908	0.4%	21,121	3.4%	20,789	3.5%	21,953	3.3%	18,849	2.2%	
SkyWest dba Continental	-	0.0%	-	0.0%	-	0.0%	67,209	8.3%	8,853	1.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
SkyWest dba Delta	63,520	6.4%	41,021	4.4%	56,113	6.5%	52,331	6.4%	43,673	5.3%	29,422	4.5%	29,952	4.8%	28,919	4.8%	30,974	4.7%	30,259	3.6%	
SkyWest dba Midwest (4)	4,793	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
SkyWest dba United	261,376	26.2%	257,190	27.7%	314,811	36.5%	305,471	37.5%	306,123	37.2%	243,219	37.4%	219,822	35.0%	235,465	39.4%	265,974	40.5%	208,802	24.6%	
Trans States Airlines (17)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,185	0.7%	7,560	1.2%	17,816	2.1%	
US Airways (18)	82,577	8.3%	65,448	7.0%	517	0.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Charters	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Total	661,640	66.4%	640,977	69.0%	580,871	67.4%	540,957	66.4%	550,636	67.0%	393,769	60.5%	357,989	57.1%	336,196	56.2%	372,099	56.7%	343,126	40.4%	
Total	998,347	100.0%	929,600	100.0%	863,407	100.0%	814,336	100.0%	822,008	100.0%	650,529	100.0%	627,924	100.1%	597,654	100.0%	656,277	100.0%	850,270	100.0%	

- 1 Allegiant Airlines started service in February 2002.
- 2 Continental transferred most of its activity to Continental Express starting April 2002 and all activity to Continental Express in 2006. ExpressJet began flying for Continental Express in 2010.
- 3 Service was provided by Atlantic Southeast Airlines and Mesaba. Mesaba discontinued service in September 2012.
- 4 Midwest Airlines started service in July 2007 and discontinued service April 2008.
- 5 Northwest merged with Delta Air Lines in September 2008. Mesaba flew for Northwest, Jan - Apr 2010.
- 6 United Airlines transferred all activity control to SkyWest in January 2007 and operates as United Express.
- 7 American Eagle Airlines began service June 2005 and ceased service November 2007.
- 8 Chautauque Airlines began service in November 2005 as American Connection and stopped service July 2004.
- 9 Chautauque started service as Continental Express in January 2007 and stopped May 2007.
- 10 Comair resumed service in December 2002 as Delta Connection and ceased operations April 2008.
- 11 Continental Express service began in April 2002. ExpressJet began flying for Continental Express in 2009. The Continental/United merger began in 2011 with the majority of Continental flights flown by ExpressJet and SkyWest.
- 12 ExpressJet Airline started service April 2007 and ceased all brand flying in September of 2008.
- 13 Frontier/Lynx started service in April 2006. Frontier ceased service April 2013.
- 14 Mesa Airlines discontinued service November 2005. 2006 Operated for United discontinued in 2010.
- 15 Northwest Airlink includes Pinnacle service that began June 2005 and discontinued service September 2005.
- 16 Provided service for January, February, June, July, and August in 2006.
- 17 Provided service for June, July, and August in 2007.
- 18 Mesaba Airlines operated as Northwest Airlink starting September 2008.
- 19 Trans States Airlines operated as American Connection in January 2004. Service resumed August 2004 through June 2005.
- 20 Trans States Airlines operated as United Express from March 2006 through September 2006.
- 21 Trans States/United Express passenger activity is not reported separately by United.
- 22 US Airways operated by Mesa Air Group after America West and US Airways merger. US Airways discontinued service January 2010.
- 23 Republic Airways began operating for United Airlines in August 2012.
- 24 Shuttle America began operating for Delta Airlines in June, July, August 2010.
- 25 Shuttle America began operating for United Airlines in November 2012.

* The enplanements in 2014 do not match the MD&A due to changes in the methodology.
Source: Colorado Springs Municipal Airport management records.
Note: Enplanements are based on carrier who actually flew the operation not under Carrier ticket sold

Colorado Springs Municipal Airport Colorado Springs, Colorado

Historical Aircraft Landed Weight (Unaudited) December 31, 2017

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total	1,000-lb units	% of total
Passenger Airlines																				
Major and national																				
Allegiant	35,922	2.8%	34,753	3.0%	39,268	3.5%	41,895	3.8%	37,503	3.3%	24,543	2.7%	28,154	3.2%	34,279	4.3%	29,652	3.5%	24,352	2.3%
American Airlines	249,202	19.2%	243,363	20.7%	231,569	20.8%	220,395	20.2%	219,278	19.1%	214,014	23.4%	206,048	23.5%	180,039	22.5%	143,426	16.9%	212,118	20.2%
Continental Airlines	-	0.0%	110	0.0%	-	0.0%	-	0.0%	381	0.0%	157	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Delta Air Lines	40,428	3.1%	50,500	4.3%	53,004	4.8%	51,266	4.7%	57,439	5.0%	60,813	6.7%	51,988	5.9%	48,645	6.1%	49,486	5.8%	48,027	4.6%
Frontier Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	234,620	22.4%
Northwest Airlines	62,374	4.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
United Airlines	-	0.0%	-	0.0%	230	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,880	0.3%	-	0.0%
Total Passenger Airlines	387,926	29.9%	328,726	28.0%	324,071	29.1%	313,556	28.7%	314,601	27.4%	299,527	32.8%	286,190	32.6%	262,962	32.9%	295,268	34.7%	519,117	49.5%
Regional and commuter																				
Air Wisconsin Express	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
American Eagle	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Atlantic Southeast Airlines	-	0.0%	-	0.0%	-	0.0%	5,074	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Chautauqua	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Comair dba Delta	6,901	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Continental Express	74,414	5.7%	74,728	6.4%	73,872	6.6%	13,889	1.3%	26,485	2.3%	43,817	4.8%	53,342	6.1%	23,042	2.9%	12,019	1.4%	18,557	1.8%
ExpressJet	61,225	4.7%	1,058	0.1%	265	0.0%	1,233	0.1%	2,109	0.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Frontier/Lynx Aviation	78,917	6.1%	123,387	10.5%	146,053	13.1%	144,095	13.2%	220,716	19.2%	33,030	3.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
GO-Jet Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines dba American	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	35,202	4.1%	-	0.0%
Mesa dba United	55,002	4.2%	68,110	5.8%	13,134	1.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesaba dba Delta	-	0.0%	-	0.0%	18,897	1.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesaba dba Northwest Airlink	18,093	1.4%	55,424	4.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Northwest Airlink	5,593	0.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic dba United Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,856	1.0%	79,966	8.8%	52,796	6.0%	28,706	3.6%	1,298	0.2%	49,990	4.8%
Shuttle America dba Delta	-	0.0%	-	0.0%	5,772	0.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Shuttle America dba United	-	0.0%	-	0.0%	-	0.0%	-	0.0%	825	0.1%	675	0.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Skywest dba Alaska	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,953	0.4%	24,147	2.8%	24,146	3.0%	25,123	3.0%	22,854	2.2%
Skywest dba Continental	-	0.0%	-	0.0%	-	0.0%	80,094	7.3%	11,192	1.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Skywest dba Delta	74,058	5.7%	47,003	4.0%	31,792	2.9%	23,189	2.1%	51,442	4.5%	34,075	3.7%	33,584	3.8%	30,957	3.9%	32,628	3.8%	32,372	3.1%
SkyWest dba Midwest	8,131	0.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Skywest dba United	327,464	25.3%	320,955	27.3%	396,801	35.6%	394,046	36.1%	398,204	34.6%	306,631	33.6%	281,556	32.1%	281,412	35.2%	303,321	35.7%	239,497	22.8%
Trans States	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,431	0.6%	7,532	0.9%	17,993	1.7%
US Airways Express	88,932	6.9%	70,531	6.0%	517	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Passenger Airlines	798,730	61.5%	761,196	64.8%	687,103	61.6%	661,620	60.6%	722,829	62.9%	502,147	55.0%	445,425	50.8%	392,695	49.2%	417,124	49.1%	381,263	36.4%
All-cargo airlines																				
Airborne Express	15,849	1.2%	-	-	-	-	-	-	-	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
FedEx	84,927	6.6%	80,712	6.9%	98,452	8.9%	100,745	9.2%	99,619	8.7%	99,990	10.9%	101,858	11.6%	102,762	12.9%	103,046	12.1%	83,176	7.9%
Key Lime Air	7,318	0.6%	4,495	0.4%	4,656	0.5%	4,936	0.5%	4,708	0.4%	4,658	0.5%	5,233	0.6%	4,685	0.6%	4,409	0.5%	6,158	0.6%
Western Global Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	482	0.0%
Total All-cargo airlines	108,094	8.4%	85,207	7.3%	103,108	9.4%	105,681	9.7%	104,327	9.1%	104,648	11.4%	107,091	12.2%	107,447	13.5%	107,455	12.6%	89,815	8.5%
Charter																				
Miscellaneous (Boeing, Pratt & Whitney, etc.)	1,167	0.1%	1,488	0.1%	1,162	0.2%	5,885	0.4%	7,331	0.6%	4,117	0.5%	29,224	3.3%	34,217	4.3%	21,395	2.5%	37,625	3.6%
Total	1,295,917	100.0%	1,176,617	100.0%	1,115,444	100.0%	1,090,867	100.0%	1,150,150	100.0%	913,479	100.0%	875,910	100.0%	799,425	100.0%	849,273	100.0%	1,048,694	100.0%

Note: Landed Weights are based on carrier who actually flew the operation not under Carrier ticket sold

Colorado Springs Municipal Airport Colorado Springs, Colorado

Average Daily Departures by Airlines (Unaudited) December 31, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Major / National airlines										
Alaska Airlines (12)	---	---	---	---	---	1	1	1	1	1
Allegiant Air	1	1	1	1	1	1	1	1	1	1
American (1)	5	5	5	5	5	5	5	4	4	5
America West (2)	---	---	---	---	---	---	---	---	---	---
Continental (3)	5	5	5	4	2	3	3	---	---	1
Delta (4)	5	4	5	4	4	3	3	3	3	3
ExpressJet Airlines (5)	4	---	---	---	---	---	---	---	---	---
Frontier (11)	4	5	6	5	6	1	---	---	1	5
Mesa (6)	---	---	---	---	---	---	---	---	---	---
Midwest Airlines (7)	1	---	---	---	---	---	---	---	---	---
Northwest (8)	2	2	--	---	---	---	---	---	---	---
United (9)	19	19	20	16	21	19	16	15	15	16
US Airways (10)	4	4	---	---	---	---	---	---	---	---
Total major and national airlines	50	45	42	35	39	33	29	24	25	31

- 1 Includes departures of Chautauqua Airlines/Trans States Airlines (American Connection) and American Eagle.
- 2 Includes departures of America West Express. America West merged with US Airways September 2005.
- 3 Includes departures of Continental Express.
- 4 Includes departures of Comair (Delta Connection) and SkyWest.
- 5 ExpressJet Airlines started service in April 2007 and ceased by September 2008.
- 6 Mesa Airlines discontinued service in November 2006.
- 7 Midwest Airlines started service July 2007 ceased operations April 2008.
- 8 Includes departures of Pinnacle and Mesaba (Northwest Airlinck).
- 9 Includes departures of SkyWest, ExpressJet, Republic Airways and Trans States serving as United Express carriers
- 10 Includes Republic Airways and Shuttle America & US Express. US Airways merged with America West in Sept 2005.
- 11 Frontier started service April 2008, ceased service April 2013 and restarted service in April 2016
- 12 Includes departures from SkyWest doing business as Alaska Airlines. AS began service to Seattle in November 2013.

Source: City of Colorado Springs, Airport Management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Recent Trends in Total Air Cargo (Unaudited)
December 31, 2017

Year	Total air cargo (tons)			Percent increase (decrease)
	Air Freight	Mail	Total	
2008	11,994	1	11,995	-11.0%
2009	11,484	0	11,484	-4.3%
2010	11,172	0	11,172	-2.7%
2011	10,826	0	10,826	-3.1%
2012	11,559	0	11,559	6.8%
2013	11,488	0	11,488	-0.6%
2014	11,880	2	11,882	3.4%
2015	12,189	1	12,191	2.6%
2016	8,828	0	8,828	-27.6%
2017	7,921	0	7,921	-10.3%

Source City of Colorado Springs, Airport Management records.

Colorado Springs Municipal Airport
Colorado Springs, Colorado
Historical Annual Debt Service Coverage (Unaudited)
December 31, 2017

Fiscal Year	Applicable Revenues (A)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 24,147,143	\$ 14,537,476	\$ 9,609,667	\$ 3,525,250	\$ 2,100,363	1.71
2009	23,444,173	14,914,375	8,529,798	1,729,912	3,503,526	1.63
2010	21,065,961	15,380,368	5,685,593	1,295,000	2,272,688	1.59
2011	21,995,781	14,399,951	7,595,830	3,020,000	2,217,513	1.45
2012	21,305,501	14,342,230	6,963,271	3,180,000	2,056,363	1.33
2013 As restated	20,439,990	13,313,623	7,126,367	3,350,000	1,886,638	1.36
2014*	16,081,262	12,712,066	3,369,196	1,395,000	1,171,863	1.31
2015	17,269,646	12,782,452	4,487,194	1,565,000	862,450	1.85
2016	15,822,413	13,636,140	2,186,273	990,000	472,500	1.49
2017**	13,900,141	14,409,415	(509,274)	1,040,000	423,000	(0.35)

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

2006-2007	\$ 1,458,671
2008-2013	1,358,463
2014-2015	657,638
2016-2017	366,062

*2014 Applicable revenues restated from prior year

**The Airport believes that it is in compliance with the bond covenants based on the second criteria shown below.

**Rate covenant compliance calculation 2017:

Bond Fund	\$ 1,225,164
Bond Reserve Fund	1,257,403
Subordinate Bond Fund	-
Subordinate Bond Reserve Fund	-
Rebate Fund	-
Operations and Maintenance Reserve Fund	3,817,538
Renewal and Replacement Fund	750,000
Total	<u>\$ 7,050,105</u>
Maximum debt service payment	\$ 1,464,250
Coverage requirement at 125%	\$ 1,830,313
Actual coverage at December 31, 2017	481.48%

Colorado Springs Municipal Airport Colorado Springs, Colorado

Historical Non-Airline Revenues (Unaudited) December 31, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Terminal Building										
Concession										
Food & Beverage	\$ 367,591	\$ 331,061	\$ 323,087	\$ 308,389	\$ 318,086	\$ 274,851	\$ 287,614	\$ 299,406	\$ 360,992	\$ 473,186
Retail	451,669	398,677	368,979	336,619	327,854	321,960	319,781	327,456	341,328	394,588
Advertising	174,220	155,156	127,337	111,075	179,626	172,508	112,006	55,220	126,720	94,537
Non-Airline Space Rental	533,190	545,917	629,327	684,721	675,696	740,389	424,767	624,610	746,037	570,810
Other	119,014	112,874	96,197	94,774	89,727	89,047	83,000	74,764	81,006	46,951
	1,645,684	1,543,685	1,544,927	1,535,578	1,590,989	1,598,755	1,227,168	1,381,456	1,656,083	1,580,072
Terminal Area										
Public Parking	6,097,045	5,566,698	5,325,655	4,974,074	5,227,055	4,213,990	3,513,428	3,278,261	3,985,361	4,717,490
Rental Car Fees and Rents	3,672,308	3,676,794	3,508,167	3,493,309	3,464,474	2,665,820	3,060,730	2,896,271	2,947,008	3,254,045
Ground Transportation Fees	104,305	90,347	91,849	98,613	88,748	86,960	109,650	85,621	81,212	144,185
Support Building Rentals	34,422	20,765	20,185	29,375	69,696	40,117	198,442	38,121	37,947	38,542
	9,908,080	9,354,604	8,945,856	8,595,371	8,849,973	7,006,887	6,882,250	6,298,274	7,051,528	8,154,262
Airfield Area										
Fuel Farm Rentals	25,443	28,446	19,450	28,946	29,196	29,196	30,562	30,562	31,187	32,061
Remain Over Night	80,100	79,750	94,900	41,150	38,185	44,290	39,605	32,950	23,830	13,593
Diversion Landing Fees	23,686	50,349	68,523	60,141	19,533	49,907	61,905	39,777	28,242	14,717
	129,229	158,545	182,873	130,237	86,914	123,393	132,072	103,289	83,259	60,370
Fountain Site										
Ground & Building Rentals	149,832	41,948	54,960	13,059	13,341	146,755	-	-	-	-
Utility Reimbursements	-	-	-	-	-	-	-	-	-	-
	149,832	41,948	54,960	13,059	13,341	146,755	-	-	-	-
Aviation Support										
Fuel Sales	1,407,581	685,427	867,806	1,147,831	1,183,966	984,879	1,129,480	774,561	661,744	874,209
Ground and Building Rentals	686,804	716,201	710,833	750,608	908,369	679,955	836,688	1,195,013	1,218,387	1,265,271
	2,094,385	1,401,628	1,578,639	1,898,439	2,092,335	1,664,834	1,966,168	1,969,574	1,880,131	2,139,481
Business Park Phase I										
Ground & Building Rentals	169,652	188,885	188,885	188,885	193,384	204,785	206,129	206,129	187,689	211,373
	169,652	188,885	188,885	188,885	193,384	204,785	206,129	206,129	187,689	211,373
Administrative										
Miscellaneous	189,309	235,818	94,491	115,237	166,477	198,251	219,226	311,601	274,167	1,161,201
Late Fees	52,426	81,265	87,631	18,076	9,593	9,983	1,313	1,340	850	308
Grant Reimbursement	-	-	-	-	-	-	-	208,585	179,494	-
Fingerprinting	18,675	14,085	21,805	23,760	22,320	18,900	18,045	13,590	34,965	26,775
Premier Memberships	-	-	-	-	-	-	-	-	-	266,375
Premier Sponsorship	-	-	-	-	-	-	-	-	-	26,630
	260,410	331,168	203,927	157,073	198,390	227,134	238,584	535,116	489,476	1,481,289
Total Non-Airline Revenues	\$ 14,357,272	\$ 13,020,463	\$ 12,700,067	\$ 12,518,642	\$ 13,025,326	\$ 10,972,543	\$ 10,652,371	\$ 10,493,838	\$ 11,348,166	\$ 13,626,847

Source: City of Colorado Springs, Airport records, except as noted.
2008-2017 Airline Rates and Changes Settlement Accrual, Exhibit F-6.