Comprehensive Annual Financial Report

of the

City of Colorado Springs, Colorado

For the fiscal year ended December 31, 2006

Finance Office
Terri Velasquez, Finance Director
Vicki Phillips, Accounting/Payroll Manager

CITY OF COLORADO SPRINGS

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CITY OF COLORADO SPRINGS

INTRODUCTORY SECTION

CITY OF COLORADO SPRINGS

CITY OF COLORADO SPRINGS

June 23, 2007

The Honorable Mayor and Members of City Council
City of Colorado Springs, Colorado
107 North Nevada Avenue
Colorado Springs, Colorado 80903

Dear Mayor and Members of City Council:

The Comprehensive Annual Financial Report of the City of Colorado Springs for the fiscal year ended December 31, 2006 is hereby presented. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Bondi and Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Colorado Springs' financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF COLORADO SPRINGS

The City of Colorado Springs (the City) is a home-rule city, organized under provisions of the Colorado constitution, and having a council/manager form of government.

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Mailing Address: Post Office Box 1575, Mail Code 220 • Colorado Springs, Colorado 80901-1575

Policy-making and legislative authority are vested in the governing council (Council) consisting of the mayor and eight other members, all elected on a non-partisan basis. Council members serve four-year terms. The mayor and four council members are elected at large; the remaining Council members are elected by district. The Council appoints the City Manager who in turn appoints the heads of the various departments.

The City provides a full range of municipal government services to approximately 385,000 residents. These services include, but are not limited to, police and fire protection, traffic and street construction and maintenance, parks, recreation, cultural affairs, courts, planning and zoning, building and code enforcement, mass transit, health and welfare, and economic development.

Additionally, the City owns and operates major enterprise activities that include electric generation and distribution, natural gas distribution, waterworks, sewerage collection and treatment, stormwater drainage, municipal airport, hospital, parking facilities, golf courses, the Pikes Peak highway, cemeteries, a human services complex and a development review activity.

The Council also has significant control over several legally separate entities. These entities have been judged as component units of the City and, accordingly, their financial data have been included in this report. Those entities are the Cottonwood, Briargate and Spring Creek General Improvement Districts, the Colorado Springs Urban Renewal Authority, and the Greater Downtown Colorado Springs, the Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main North, Interquest North, Interquest South, and Powers & Woodmen Commercial Business Improvement Districts, all included as Governmental-type activities. The Fountain Valley Authority, the Aurora-Colorado Springs Joint Water Authority, the Regional Water Infrastructure Authority and the Twin Lakes, Lake Meredith, Lake Henry, the Colorado Canal and Reservoir companies, and the Pikes Peak Regional Communications Network are included as Business-type activities. The Old Hire Police and Fire Pension plans are included as fiduciary activities.

LOCAL ECONOMY

Major industries located within the government's boundaries or in close proximity include manufacturers of computer hardware, computer software, insurance companies, telecommunication providers, and several non-profit organizations. The City also has a significant military presence with Peterson Air Force Base, the Air Force Academy, Fort Carson Army Base and Schriever Air Force Base located within or in close proximity to the City.

Unemployment in the City is relatively stable. During the past few years, unemployment has been between 5%-6%, but in the past two years has declined to a current unemployment rate of 4.6%. It is expected that unemployment will remain stable or be reduced in the next few years due to an increase in military employment, resulting in residual employment in service areas.

LONG-TERM FINANCIAL PLANNING

Annually, Council engages in a process to update the City's Strategic Action Plan (the Plan). The current Plan encompasses the years 2006 through 2010. Generally, the Plan provides for six specific focus areas:

Economic Development
Foster an environment that makes Colorado Springs an attractive location for quality jobs and businesses for generations to come.

Public Safety
Proactively safeguard our community as our family by providing principled police and fire services.

Infrastructure
Improve and maintain existing infrastructure and leverage opportunities for new infrastructure.

Transportation
Provide an effective, efficient, affordable and sustainable transportation network.

Citizen Services and City Workforce
Provide an environment that supports a diverse, high-performing workforce that delivers superior, cost-effective city services to the public.

Community Development and Growth
Preserve sustainable and affordable quality of life while protecting the environment to foster pride in vibrant neighborhoods and promote identification with the larger community.

FINANCIAL POLICIES

The financial policies that had a significant impact to the City's financial statements this year include:

- The City annually prepares a five-year capital improvement plan that is approved by the City Council.
- The City is limited by City Charter Amendment #3, "Taxpayers Bill of Rights" and similar statewide constitutional amendments. These provisions limit the amount that "fiscal year spending" as defined in the amendments can increase year to year. These amendments also do not allow debt issuance for the general fund without voter approval.
- In 2005, the Council voted to establish a stormwater enterprise to resolve several drainage and stormwater issues within the City. This enterprise will assess a fee on each property holder based on their impervious space. These fees will be used to begin maintenance of existing drainage and stormwater facilities as well as pay for new capital projects to improve the drainage within the City. The billing for this enterprise began during the first quarter of 2007.

AWARDS AND ACKNOWLEDGEMENTS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and effectively organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report is due to the effective and dedicated efforts of the staff of the Finance department. Beyond these efforts, this report is representative of the excellence of the financial processes existing in Colorado Springs City government. Each department and agency of the City must be credited for the excellence of its individual systems of financial administration. For the efforts of all of these people, we wish to express our sincere gratitude.

Sincerely,

Terri L. Velasquez
Finance Director

Vicki A. Phillips
Accounting/Payroll Manager

CITY OF COLORADO SPRINGS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Colorado Springs
Colorado

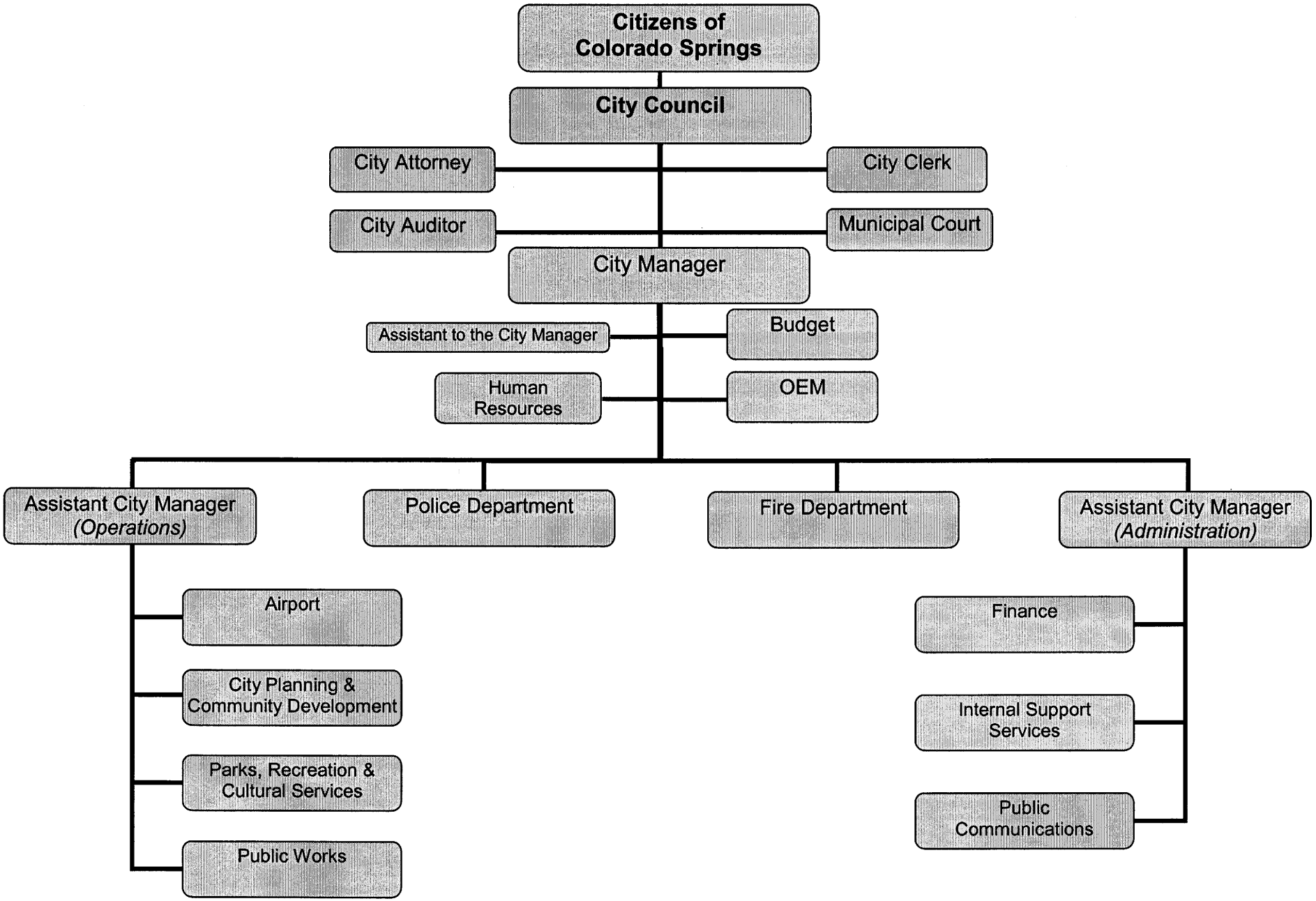
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Colorado Springs Organizational Chart



CITY OF COLORADO SPRINGS, COLORADO

Officials

City Council

Lionel Rivera, Mayor
Larry Small, Vice Mayor

Jan Martin

Tom Gallagher

Jerry Heimlicher

Scott Hente

Margaret Radford

Randy Purvis

Darryl Glenn

Utilities Director
Jerry Forte

City Manager
Lorne C. Kramer

Hospital Director
Richard Eitel

Assistant City Managers

Gregory Nyhoff
Michael L. Anderson

City Department Directors

Richard Meyers
Police Chief

Ronald Cousar
Internal Support Services

Manuel Navarro
Fire Chief

Lisa Bigelow
Budget

Paul D. Butcher
Parks, Recreation and Cultural Services

Terri L. Velasquez
Finance

Ronald L. Mitchell
Public Works

William T. Healy
City Planning

Ann M. Crossey
Human Resources

Council Appointees

Patricia K. Kelly, City Attorney
Jeff Litchfield, City Auditor
Kathryn M. Young, City Clerk
Richard Lewis, Municipal Court Administrator

CITY OF COLORADO SPRINGS, COLORADO

Officials (continued)

Memorial Health Systems Board of Trustees

Curtis C. Brown

Michael L. Edmonds, PhD., Vice Chair

Juan G. Garcia

Stephen K. Goldstone, Secretary

Paul Johnson

James P. Moore

S. Jerrard Smith (1940-2006)

Janice M. Weiland, Chair

Caroline T. Davis

Yolanda Fennick

Donald P. Gazibara, M.D.

Linda Fay Halbouty

James E. Miller

Marcy Morrison

Arlene Patterson Stein

Ex-Officio Members

Michelle A. Ridnour, MD
Chief of Staff

Janie Boone
Auxiliary President

CITY OF COLORADO SPRINGS

FINANCIAL SECTION

CITY OF COLORADO SPRINGS

BONDI & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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ENGLEWOOD, COLORADO 80112
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Honorable Mayor and Members
of the City Council and City Manager
City of Colorado Springs
Colorado Springs, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Colorado Springs, Colorado (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Colorado Springs, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Memorial Health Systems Fund or the Colorado Springs Utilities Fund, major enterprise funds that represent 98 percent of the assets and 98 percent of the City's business-type entities, nor did we audit the financial statements of seven joint utility projects, which are reported as and compromise in their entirety, discretely presented proprietary fund component units. We also did not audit the Colorado Springs Urban Renewal Authority, the Greater Downtown Colorado Springs Business Improvement District, the Briargate Center Business Improvement District, the Barnes and Powers North Business Improvement District, the Barnes and Powers South Business Improvement District, the First and Main Business Improvement District, the First and Main North Business Improvement District, the Interquest North Business Improvement District, the Interquest South Business Improvement District, and the Powers and Woodmen Commercial Business Improvement District, which are reported as and comprise in their entirety, discretely presented governmental fund component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Memorial Health Systems Fund, Colorado Springs Utilities fund, the seven joint utility projects, the Colorado Springs Urban Renewal Authority, the Greater Downtown Colorado Springs Business Improvement District, the Briargate Center Business Improvement District, the Barnes and Powers North Business Improvement District, the Barnes and Powers South Business Improvement District, the

First and Main Business Improvement District, the First and Main North Business Improvement District, the Interquest North Business Improvement District, the Interquest South Business Improvement District, and the Powers and Woodmen Commercial Business Improvement District is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Colorado Springs, Colorado, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2007 on our consideration of the City of Colorado Springs, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members
of the City Council and City Manager
City of Colorado Springs
Colorado Springs, Colorado

The Management's Discussion and Analysis on pages 5 through 19, the Schedule of Funding Progress, and Schedule of Employer Contribution on pages 116 through 117, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colorado Springs, Colorado's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information, except for the data included in the financial statements of the Memorial Health Systems Fund, Colorado Springs Utilities Fund, the seven joint utility projects, the Colorado Springs Urban Renewal Authority, the Greater Downtown Colorado Springs Business Improvement District, the Briargate Center Business Improvement District, the Barnes and Powers North Business Improvement District, the Barnes and Powers South Business Improvement District, the First and Main Business Improvement District, the First and Main North Business Improvement District, the Interquest North Business Improvement District, the Interquest South Business Improvement District, and the Powers and Woodmen Commercial Business Improvement District referred to above, which financial statements have been audited by other auditors and their reports thereon provided to us, is, in our opinion, fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bondi & Co. LLC

June 1, 2007

BONDI & Co. LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Colorado Springs' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2006. Please read the information presented here in conjunction with the transmittal letter, located at the front of this report, and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceed its liabilities at December 31, 2006 by $2,685,762,919 (net assets). Of this amount, $534,106,040 is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2006, the City's governmental funds reported combined ending fund balances of $91,634,541. Approximately 78.6% of this total amount or $72,008,197 is unreserved.

- The general fund, presented on a current financial resources basis, reports a fund balance of $32,826,477 or 15.4% of total 2006 general fund expenditures.

- The City's total debt outstanding was $1,956,475,717 at December 31, 2006. The key factor for this 2.57% increase over 2005 was the issuance of $60,625,000 in refunding revenue bonds and $75,000,000 in new debt for Colorado Springs Utilities (Utilities).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains certain other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time,

increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during 2006. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish *governmental activities* that are functions of the City principally supported by taxes and intergovernmental revenues and payments in lieu of taxes, from *business-type activities* which are other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Expenditures for *governmental activities* of the City are categorized generally as general government, public safety, public works, health and welfare, culture and recreation, urban redevelopment and housing, economic development, and economic opportunity. Taxes, intergovernmental revenues, and payments in lieu of taxes finance most of these activities.

Expenditures for *business-type activities* of the City support the City's water, sewer, gas, and electricity system, hospital, airport, golf courses, downtown parking facilities, cemeteries, Pikes Peak tourist highway, the human services complex, the development review program, and stormwater. User fees and charges finance most of these activities.

The government-wide financial statements include not only the City itself, but also other legally separate entities for which the City is financially accountable. These components of the City include several separate legal entities: the Cottonwood, Spring Creek and Briargate General Improvement Districts, Old Hire Police and Old Hire Fire Pension plans, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority, the Regional Water Infrastructure Authority and the Twin Lakes, Lake Meredith, Lake Henry, the Colorado Canal and Reservoir companies, the Pikes Peak Regional Communications Network, and several business improvement districts: Colorado Springs Urban Renewal Authority, Greater Downtown Colorado Springs, Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main North, Interquest North, Interquest South, and Powers & Woodmen Commercial.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds

of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and a budgetary comparison has been provided to demonstrate compliance with this budget.

Proprietary funds – The City maintains two different types of proprietary funds; *Enterprise funds,* used to report the same functions presented as *business-type activities* in the government-wide financial statements, and *Internal service funds,* used as an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet, printing, self-insurance and various other activities of the City. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. However, the change in net assets for internal service funds has been allocated between governmental activities and business-type activities on the statement of activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for Utilities, Memorial Health Systems (Hospital), Colorado Springs Airport (Airport) and Colorado Springs Parking System (Parking) which are all considered to be major funds of the City. Conversely, both non-major enterprise funds and internal service funds are combined into single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds are provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are presented later in this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found later in this report. In addition, combining and individual fund statements and schedules as well as statistical and other information can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by $2,685,762,919 at the close of 2006 as compared to $2,653,006,755 at the close of 2005.

By far the largest portion of the City's net assets (77.23%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other

sources, since capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Assets for 2006 with comparative information for 2005:

City of Colorado Springs
Net Assets (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$195,863	$196,321	$895,213	$1,098,862	$1,091,076	$1,295,183
Capital assets	898,101	854,897	2,997,815	2,735,677	3,895,916	3,590,574
Total assets	1,093,964	1,051,218	3,893,028	3,834,539	4,986,992	4,885,757
Long-term liabilities	132,832	143,577	1,890,033	1,827,329	2,022,865	1,970,906
Other liabilities	79,539	75,476	198,825	186,368	278,364	261,844
Total liabilities	212,371	219,053	2,088,858	2,013,697	2,301,229	2,232,750
Net assets:						
Invested in capital assets, net of related debt	792,112	737,918	1,282,204	1,136,185	2,074,316	1,874,103
Restricted	19,626	18,111	57,715	64,247	77,341	82,358
Unrestricted	69,855	76,136	464,251	620,410	534,106	696,546
Total net assets	$881,593	$832,165	$1,804,170	$1,820,842	$2,685,763	$2,653,007

The City's combined net assets were $2,685,762,919 at December 31 2006, of which $534,106,040 were unrestricted. However, certain of these unrestricted funds are designated for specific, future purposes. All such designations are presented in Note IV. L. in the notes to the financial statements.

The net assets of our business-type activities were $1,804,170,069 at December 31, 2006. However, these net assets can only be used to finance the continuing operations of the utilities, hospital, airport, golf courses, downtown parking facilities, cemeteries, highway, human services complex, development review, and stormwater. This amount cannot be used to make up for any decrease reported in governmental activities.

The following table shows revenues and expenses for both governmental and business-type activities for 2006 with comparative information for 2005:

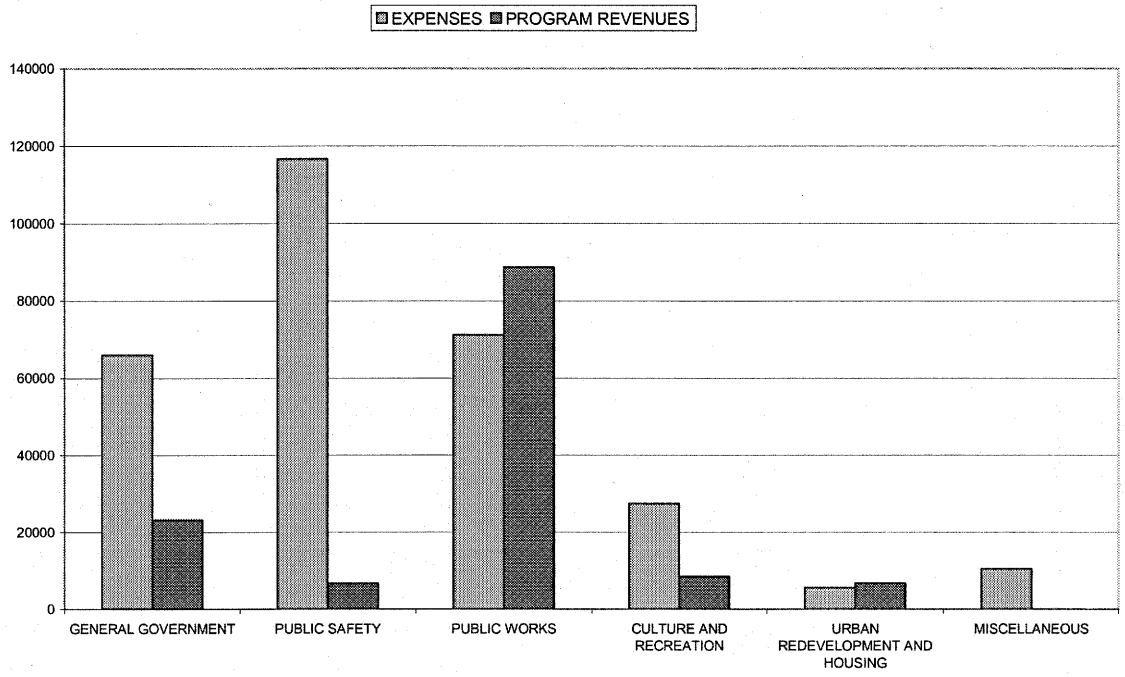
City of Colorado Springs
Changes in Net Assets (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$41,888	$39,103	$1,140,966	$1,105,831	$1,182,854	$1,144,934
Operating grants and contributions	13,807	60,462	-	-	13,807	60,462
Capital grants and contributions	93,664	34,264	91,230	57,521	184,894	91,785
General revenues:						
Property taxes	21,906	20,485	-	-	21,906	20,485
Other taxes	162,364	157,739	-	-	162,364	157,739
Contributions to endowments	91	84	-	-	91	84
Investment earnings	6,638	3,657	35,910	25,000	42,548	28,657
Gain on sale of capital assets	51	17	-	-	51	17
Total revenues	340,409	315,811	1,268,106	1,188,352	1,608,515	1,504,163
Expenses:						
General government	72,427	66,069	-	-	72,427	66,069
Public safety	127,124	116,674	-	-	127,124	116,674
Public works	70,720	71,137	-	-	70,720	71,137
Health and welfare	1,061	897	-	-	1,061	897
Culture and recreation	23,337	27,455	-	-	23,337	27,455
Urban redevelopment and housing	6,505	5,615	-	-	6,505	5,615
Economic development	2,862	2,578	-	-	2,862	2,578
Economic opportunities	24	12	-	-	24	12
Interest on long-term debt	6,065	6,411	-	-	6,065	6,411
Miscellaneous	480	574	-	-	480	574
Utilities	-	-	794,958	567,772	794,958	567,772
Hospital	-	-	412,148	374,257	412,148	374,257
Airport	-	-	45,455	24,708	45,455	24,708
Parking	-	-	2,518	2,483	2,518	2,483
Non-major Enterprises	-	-	10,457	9,178	10,457	9,178
Total expenses	310,605	297,422	1,265,536	978,398	1,576,141	1,275,820
Increase in net assets before transfers	29,804	18,389	2,570	209,954	32,374	228,343
Transfers	24,559	24,360	(24,559)	(24,360)	-	-
Increase in net assets	54,363	42,749	(21,989)	185,594	32,374	228,343
Net assets - beginning	832,165	789,416	1,820,842	1,635,248	2,653,007	2,424,664
Prior period adjustment	(4,935)	-	5,317	-	382	-
Net assets - ending	$881,593	$832,165	$1,804,170	$1,820,842	$2,685,763	$2,653,007

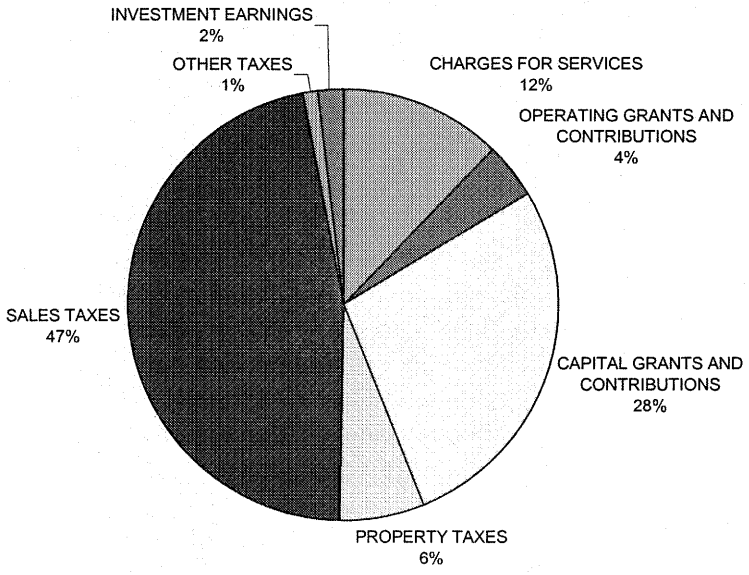
Governmental Activities

Revenue of the governmental activities was up from 2005 by $24.6 million due primarily to increased grants and contributions, and increases related to improved economic conditions within the City. Expenses of the governmental activities were up from 2005 by $13.1 million due primarily to additional general government expenses in public safety sales tax fund for capital projects.

Expenses and Program Revenues - Governmental Activities
(in 000's)



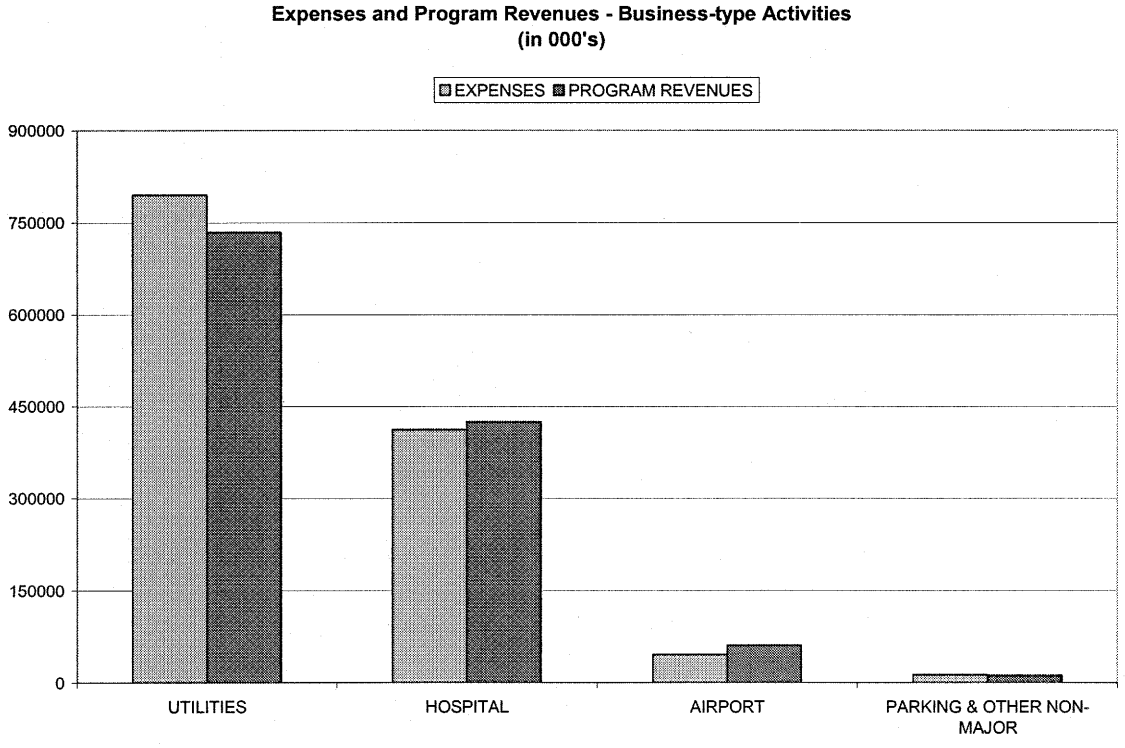
Revenues by Source - Governmental Activities



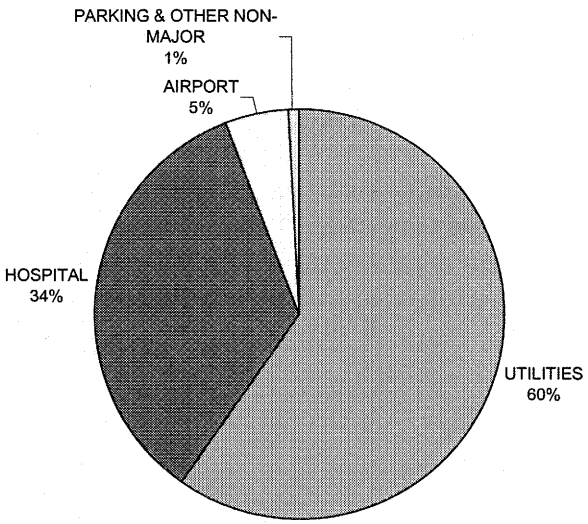
Business-type Activities

For business-type activities, Utilities shows an increase in operating revenues of $6.7 million or 1.0% primarily due to increases in electric and water revenues of $14.7 million. Additionally, Utilities shows an increase in operating expenses of $227.1 million or 40.0%. The increase was due primarily to higher fuel expenses and losses from hedge derivatives.

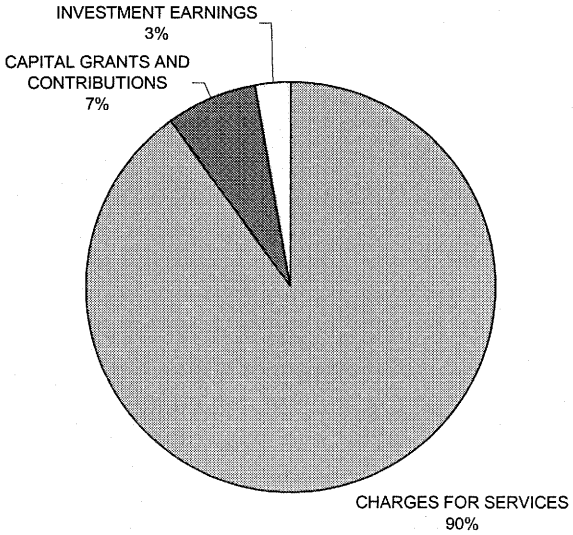
Hospital had an increase in operating revenues of $27.1 million or 6.8% due to an increase of patient volume and patient rate charges. Operating expenses for the Hospital increased by $37.9 million or 10.1%, primarily as a result of the increased patient volume and increased inflationary costs.



Revenues by Activity - Business-type Activities



Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2006, the City's governmental funds reported total combined fund balances of $91,634,541, of which approximately 21.4% ($19,626,344) is reserved. The reservation of fund balance is committed to debt service, ($1,701,374), endowments ($10,379,729), and the TABOR emergency reserve ($7,545,241).

The general fund is the principal operating fund of the City. At the end of 2006, unreserved, both designated and undesignated, fund balance of the general fund was $24,119,856, while total fund balance was $32,826,477. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.3% of total general fund expenditures, while total fund balance represents 15.4% of that same amount.

The fund balance of the City's general fund decreased by $6,390,047 during 2006. Part of this reduction relates to a prior period adjustment related to a transaction between the City and Utilities. This adjustment resulted in a reduction to the City's general fund of $4,935,246. In addition, public safety spending and capital outlay had the greatest increase in expenditures between 2006 and 2005.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets as of December 31, 2006 and 2005 for the proprietary funds were as follows:

	2006	2005	Variance
Utilities	$210,072,363	$321,592,236	($111,519,873)
Hospital	228,493,000	263,978,000	(35,485,000)
Airport	16,212,768	22,614,573	(6,401,805)
Parking	7,459,543	7,416,032	43,511
Non-major enterprise funds	2,327,506	2,493,163	(165,657)
Internal service	2,251,843	7,216,280	(4,964,437)

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Major differences between the original budget and the final amended budget can be briefly summarized as follows:

- $4.6 million in increased capital project budgets
- $2.3 million of streetlight expenditures returned to general fund
- $1.4 million increase in budget for anticipated sales tax revenue
- $0.8 million in increased fuel costs
- $2.3 million in budget carryovers from previous year

Supplementary appropriation ordinances totaled $4.0 million. Carryover of capital project budgets from the previous year totaled $0.8 million. Carryover of encumbrance budget from the previous year was $3.2 million.

Total revenues were $0.5 million lower than the final budget primarily due to sales and use tax revenue being lower than estimated partially offset by higher than expected revenues in state shared revenues and general property tax. Total expenditures were $9.3 million less than the final budget due to decreases in expenditures for public safety, capital outlay and other general government expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2006, the City had $3.9 billion invested in a broad range of capital assets and infrastructure (net of depreciation). This investment in capital assets includes land, buildings and improvements, equipment and other vehicles, and infrastructure (including streets, alleys, traffic signals and signs, bridges and drainage systems). This amount represents a net increase (including additions and deletions) of $305 million.

City of Colorado Springs
Capital Assets (in 000's)
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$181,834	$166,776	$187,950	$45,719	$369,784	$212,495
Buildings	101,247	98,647	79,432	77,388	180,679	176,035
Improvements other than buildings	25,015	21,377	68,726	92,756	93,741	114,133
Machinery and equipment	52,400	47,655	5,033	3,732	57,433	51,387
Infrastructure	512,383	505,224	15,356	15,835	527,739	521,059
Utilities plant	-	-	2,002,542	2,059,516	2,002,542	2,059,516
Hospital plant	-	-	207,670	205,328	207,670	205,328
Construction in progress	25,222	15,218	431,106	235,403	456,328	250,621
Total	$898,101	$854,897	$2,997,815	$2,735,677	$3,895,916	$3,590,574

Major changes to capital assets for 2006 include:

In 2006, Utilities had a total capital outlay of $190.0 million. This includes approximately $63.8 million for electric infrastructure to meet the reliability and consumption needs of customers. Approximately $18.2 million was spent to provide increased gas system capacity for increased customer demand. Water system major projects totaled approximately $41.6 million in 2006. Approximately $49.4 million was spent on wastewater capital outlay. In addition, approximately $25 million was spent on facilities, technology additions and enhancements to the telecommunications, computing and applications infrastructure.

Hospital acquired $130.0 million of capital assets during 2006. Major items included construction on the North Hospital, ongoing construction of a new tower on the main campus and E-Clips, the hospital's new electronic clinical documentation system. The new tower on the main campus will house the Colorado Springs Children's Hospital, allow for expansion of the Emergency Department, and provide new women's services.

In 2006, donated assets from Pikes Peak Rural Transportation Authority were included in the asset information in the amount of $14.4 million as well as developer donated infrastructure of $38.2 million.

Additional information on the City's capital assets is presented in Note IV. G. in the notes to the financial statements.

LONG-TERM DEBT

The following schedule provides the debt outstanding at the end of 2006 and 2005:

City of Colorado Springs
Outstanding Debt (in 000's)

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation bonds	$25,935	$29,195	$ -	$ -	$25,935	$29,195
Sales tax revenue bonds	54,645	59,670	-	-	54,645	59,670
Certificates of participation	22,475	23,915	-	-	22,475	23,915
Special assessment bonds and notes	405	536	-	-	405	536
Revenue bonds	-	-	1,833,365	1,775,026	1,833,365	1,775,026
Notes payable	-	-	19,651	19,101	19,651	19,101
Total	$103,460	$113,316	$1,853,016	$1,794,127	$1,956,476	$1,907,443

During 2006 the City issued new debt to finance capital projects. The key events in the City's debt includes the following:

- During 2006, Utilities issued $60,625,000 Variable Rate Demand Utilities System Subordinate Lien Improvement and Refunding Revenue Bonds, Series 2006A, which was used primarily to refund the outstanding Utilities System Revenue Bonds, Series 1996A, and $75,000,000 Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2006B, to finance a variety of capital improvements to the system.
- Parking issued $7,665,000 in Revenue Bonds, Series 2006 for the construction of an expansion of the City Administration Building parking garage and related improvements, to fund a debt service reserve fund, and to pay costs of issuance of the bonds.

The City's latest bond ratings are as follows:

	Moody's		Standard & Poor's		Fitch	
Bond / COP Issue	Insured	Underlying	Insured	Underlying	Insured	Underlying
General Obligation Bonds	n/a	Aa3	n/a	AA	n/a	n/a
Sales/Use Tax Revenue Bonds	n/a	A1	n/a	AA	n/a	n/a
Parking Revenue Bonds	Aaa	n/a	n/a	n/a	n/a	n/a
Utilities Revenue Bonds	n/a	Aa2	n/a	AA	n/a	AA
Utilities VRD* Revenue Bonds	n/a	VMIG1	n/a	A-1+	n/a	F1+
Hospital Revenue Bonds	Aaa	A3	AAA	A-	n/a	n/a
Airport Revenue Bonds	Aaa	A3	AAA	A-	AAA	A-
1997 Certificates of Participation	n/a	A2	n/a	n/a	n/a	n/a
1999 Certificates of Participation	Aaa	A2	AAA	A	n/a	n/a
2000 Certificates of Participation	Aaa	A1	AAA	A	n/a	n/a
2003 Certificates of Participation	n/a	A2	n/a	n/a	n/a	n/a

*Variable Rate Demand

The current debt limitation for the City is $421,541,959, or 10% of the assessed property valuation. The City's outstanding general obligation debt is significantly less than this amount.

Additional information on the City's long-term debt is presented in Note IV. J. in the notes to the financial statements.

ECONOMIC FACTORS

The local economy continued to grow moderately through 2006; however, there are signs that rising energy costs and interest rates are negatively affecting consumer spending and most notably residential construction. Although most key indicators of local economic activity posted declines in 2006, some improvement in local labor market conditions have occurred and retail sales are up, which moderate the impact of the declines.

Local Economic Scorecard
Colorado Springs Area
(Percent Change Over Prior Year)
2005 – 2006

Economic Indicator	2006 1/	2005	Direction	Assessment *
Unemployment **	4.30	5.00	↓	Better
Total Nonag Employment	1.96	1.86	↑	Better
Manufacturing Employment	(4.95)	(5.90)	↑	Better
Total New Construction Spending	(12.90)	17.97	↓	Worse
Residential Building Permits	(32.48)	11.75	↓	Worse
City Sales & Use Tax Revenue	4.78	1.87	↑	Better

* Is Colorado Springs better off or worse off than a year ago?
** Actual rate for November.
1/ Data through November.

During 2006, the local unemployment rate averaged 4.8 percent. During 2006, the non-seasonally adjusted rate stood at 4.3 percent which is down from the 5.0 percent posted in the same period of 2005. The average local rate continues to be slightly higher than both the state rate of 4.5 percent and the national rate of 4.6 percent.

Total non-farm wage and salary employment during 2006 increased slightly by 2.0 percent from 2005. The Colorado Springs MSA increased by 10,900 jobs, which brings the average quarterly non-farm employment to 256,200. Gains in

local non-farm employment have been posted in 9 of the past 12 months. These job gains come from the service industry and government sector.

The decline in manufacturing industry employment continued through May, but has shown a steady slight increase since that time. Overall, 100 manufacturing jobs have been lost during this year.

While local homebuilding was a significant source of strength in the local economy through 2005 and into 2006, during the end of 2006, the housing market has markedly slowed and existing home and new home inventories have increased to recent historic record levels. As a result, homebuilders are slowing new construction. During 2006, there were 4,222 new residential dwelling units permitted in the Pikes Peak Region, which is a decline of 32.9 percent over the same period in 2005. Of these, 3,297 permits were for single-family units, which is a decline of 33.8 percent over 2005. During 2006, 9,717 existing single-family homes were sold in the Pikes Peak Region. This total is down 8.9 percent over the same period of 2005.

City sales and use tax revenue were up 4.11 percent from the same period in 2005 due to improved year end consumer purchasing. City sales and use tax collections are primarily dependent upon the level of local economic activity, consumer confidence, and tourist activity.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Director's Office, at City of Colorado Springs, 30 S. Nevada Avenue, Suite 205, Colorado Springs, Colorado, 80903.

CITY OF COLORADO SPRINGS

BASIC FINANCIAL STATEMENTS

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 1

STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities
ASSETS					
Cash and investments	$114,546,755	$427,153,819	$541,700,574	$706,711	$975,356
Receivables (net of allowance for uncollectibles)	68,371,695	168,733,854	237,105,549	871,208	259,332
Due from primary government	-	-	-	-	776,046
Due from component unit	-	125,988	125,988	-	-
Inventories	1,049,982	46,391,786	47,441,768	-	74,809
Prepaids	-	21,605,953	21,605,953	6,679	5,679,519
Other	-	7,443,310	7,443,310	-	332,022
Restricted assets (temporarily):					
Cash and investments	11,855,353	162,841,433	174,696,786	574,344	2,239,079
Investment in joint ventures	-	39,792,963	39,792,963	-	-
Capital assets (net of accumulated depreciation):					
Land	181,833,505	187,950,202	369,783,707	-	-
Buildings	101,247,496	79,432,092	180,679,588	-	-
Improvements other than buildings	25,015,380	68,726,171	93,741,551	1,253,221	-
Machinery and equipment	52,399,545	5,032,795	57,432,340	51,112	-
Infrastructure	512,382,864	15,355,775	527,738,639	7,947,127	-
Utility plant	-	2,002,541,780	2,002,541,780	-	77,908,255
Hospital plant	-	207,670,000	207,670,000	-	-
Construction in progress	25,221,822	431,106,476	456,328,298	-	281,357
Unamortized bond issuance costs	38,889	21,124,029	21,162,918	885,271	306,682
Total assets	1,093,963,286	3,893,028,426	4,986,991,712	12,295,673	88,832,457
LIABILITIES					
Accounts payable and other current liabilities	37,369,933	200,806,207	238,176,140	125,082	115,347
Funds held for others	5,519,537	-	5,519,537	-	-
Accrued interest payable	478,356	6,273,669	6,752,025	144,296	185,077
Internal balances	9,694,989	(9,694,989)	-	-	-
Due to primary government	-	-	-	-	125,988
Due to component unit	-	303,814	303,814	-	-
Unearned revenue	26,476,058	1,136,636	27,612,694	818,336	5,352,751
Noncurrent liabilities:					
Due within one year	12,501,650	38,770,860	51,272,510	360,000	4,297,505
Due in more than one year	120,329,913	1,851,262,160	1,971,592,073	11,997,831	87,509,077
Total liabilities	212,370,436	2,088,858,357	2,301,228,793	13,445,545	97,585,745
NET ASSETS					
Invested in capital assets, net of related debt	792,111,419	1,282,203,625	2,074,315,044	(87,791)	(13,410,202)
Restricted for:					
Debt service	1,701,374	57,715,492	59,416,866	572,944	2,016,514
Endowments:					
Expendable	402,559	-	402,559	-	-
Nonexpendable	9,977,169	-	9,977,169	-	-
Emergency reserve (TABOR)	7,545,241	-	7,545,241	19,837	-
Unrestricted	69,855,088	464,250,952	534,106,040	(1,654,862)	2,640,400
Total net assets (deficit)	$881,592,850	$1,804,170,069	$2,685,762,919	($1,149,872)	($8,753,288)

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Governmental Activities	Component Units: Business-type Activities
Primary government									
Governmental activities									
General government	$72,426,781	$20,650,157	$1,683,968	$336,963	($49,755,693)	$ -	($49,755,693)	$ -	$ -
Public safety	127,123,546	4,639,941	3,894,699	8,140,758	(110,448,148)	-	(110,448,148)	-	-
Public works	70,720,058	10,389,741	2,222,072	78,207,854	20,099,609	-	20,099,609	-	-
Health and welfare	1,061,100	-	-	-	(1,061,100)	-	(1,061,100)	-	-
Culture and recreation	23,336,913	3,287,652	1,054,508	4,472,934	(14,521,819)	-	(14,521,819)	-	-
Urban redevelopment and housing	6,505,047	2,800,362	4,951,742	2,505,679	3,752,736	-	3,752,736	-	-
Economic development	2,862,511	120,061	-	-	(2,742,450)	-	(2,742,450)	-	-
Economic opportunities	24,045	-	-	-	(24,045)	-	(24,045)	-	-
Interest on long-term debt	6,064,813	-	-	-	(6,064,813)	-	(6,064,813)	-	-
Miscellaneous	480,442	-	-	-	(480,442)	-	(480,442)	-	-
Total governmental activities	310,605,256	41,887,914	13,806,989	93,664,188	(161,246,165)	-	(161,246,165)	-	-
Business-type activities									
Utilities	794,957,734	678,530,612	-	55,848,936	-	(60,578,186)	(60,578,186)	-	-
Hospital	412,148,000	425,091,000	-	-	-	12,943,000	12,943,000	-	-
Airport	45,455,853	25,411,477	-	35,381,253	-	15,336,877	15,336,877	-	-
Parking	2,517,840	3,200,612	-	-	-	682,772	682,772	-	-
Other	10,457,158	8,732,533	-	-	-	(1,724,625)	(1,724,625)	-	-
Total business-type activities	1,265,536,585	1,140,966,234	-	91,230,189	-	(33,340,162)	(33,340,162)	-	-
Total primary government	$1,576,141,841	$1,182,854,148	$13,806,989	$184,894,377	($161,246,165)	($33,340,162)	($194,586,327)	$ -	$ -
Component units									
Improvement districts	2,250,943	1,022,377	39,014	-	-	-	-	(1,189,552)	-
Utilities	10,356,978	13,171,168	-	-	-	-	-	-	2,814,190
Total component units	$12,607,921	$14,193,545	$39,014	$ -	$ -	$ -	$ -	($1,189,552)	$2,814,190
General revenues									
Property taxes					21,906,181	-	21,906,181	791,156	-
Sales taxes					158,461,159	-	158,461,159	-	-
Specific ownership taxes					3,094,339	-	3,094,339	72,053	-
Occupational liquor taxes					256,852	-	256,852	-	-
Admissions tax					440,766	-	440,766	-	-
Bicycle excise tax					111,463	-	111,463	-	-
Investment earnings					6,637,647	35,910,334	42,547,981	65,361	171,416
Gain on sale of capital assets					51,479	-	51,479	-	-
Contributions to endowments					90,505	-	90,505	-	-
Transfers					24,558,860	(24,558,860)	-	-	(1,350,131)
Total general revenues and transfers					215,609,251	11,351,474	226,960,725	928,570	(1,178,715)
Change in net assets					54,363,086	(21,988,688)	32,374,398	(260,982)	1,635,475
Net assets - January 1, as previously reported					832,165,010	1,820,841,745	2,653,006,755	(888,890)	(10,388,763)
Prior period adjustment					(4,935,246)	5,317,012	381,766	-	-
Net assets (deficit) - January 1, restated					827,229,764	1,826,158,757	2,653,388,521	(888,890)	(10,388,763)
Net assets (deficit) - December 31					$881,592,850	$1,804,170,069	$2,685,762,919	($1,149,872)	($8,753,288)

The notes to the financial statements are an integral part of this statement.

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$48,447,993	$51,621,706	$100,069,699
Accounts receivable (net of allowance for uncollectibles)	2,630,663	5,580,636	8,211,299
Sales tax receivable	12,357,822	3,231,756	15,589,578
Loans receivable	941,988	18,368,605	19,310,593
Assessments receivable	-	447,364	447,364
Property taxes receivable			
Current	20,412,370	2,593,075	23,005,445
Delinquent	214,833	-	214,833
Due from other funds	5,151,753	963,675	6,115,428
Restricted investments	1,243,188	10,612,165	11,855,353
Total assets	91,400,610	93,418,982	184,819,592
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	5,454,107	4,630,218	10,084,325
Funds held for others	5,519,537	-	5,519,537
Accrued salaries and benefits	5,675,260	845,446	6,520,706
Due to other funds	12,217,850	4,916,049	17,133,899
Escrow deposits	7,692,569	-	7,692,569
Deferred revenue			
Loans	941,988	18,368,605	19,310,593
Assessments	-	447,364	447,364
Property taxes	20,412,370	2,593,075	23,005,445
Grants	-	2,810,161	2,810,161
Unearned revenue	660,452	-	660,452
Total liabilities	58,574,133	34,610,918	93,185,051
Fund balances			
Reserved for			
Debt service	1,161,380	539,994	1,701,374
Endowments	-	10,379,729	10,379,729
Emergency reserve	7,545,241	-	7,545,241
Unreserved, designated for, reported in:			
Encumbrances	3,159,960	-	3,159,960
Subsequent year expenditures	5,068,218	-	5,068,218
Special revenue funds	-	17,426,492	17,426,492
Capital projects funds	-	11,328,784	11,328,784
Unreserved, undesignated, reported in:			
General fund	15,891,678	-	15,891,678
Special revenue funds	-	19,133,065	19,133,065
Total fund balances	32,826,477	58,808,064	91,634,541
Total liabilities and fund balances	$91,400,610	$93,418,982	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	896,888,185
Loans and assessments - current receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,757,957
Interest on investments that is not available to pay for current-period expenditures is not reported in the funds.	1,309,202
Internal service funds are used by management to charge the costs of fleet, information systems management, and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,660,342
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds.	(131,657,377)
Net assets of governmental activities	$881,592,850

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 4

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$146,874,537	$37,544,474	$184,419,011
Licenses and permits	980,916	-	980,916
Intergovernmental	22,172,876	32,195,078	54,367,954
Charges for services	28,524,971	4,850,596	33,375,567
Endowments and donations	-	2,636,147	2,636,147
Other revenue	1,215,463	1,106,019	2,321,482
Investment earnings	1,866,806	3,706,117	5,572,923
Rental income	723,076	23,006	746,082
Total revenues	202,358,645	82,061,437	284,420,082
Expenditures			
Current			
General government	40,742,947	26,248,270	66,991,217
Public safety	109,921,061	9,205,637	119,126,698
Public works	31,905,092	8,649,807	40,554,899
Health and welfare	1,061,100	-	1,061,100
Culture and recreation	18,634,466	1,755,949	20,390,415
Urban development and housing	192,891	6,647,352	6,840,243
Economic development	-	2,830,396	2,830,396
Economic opportunity	-	23,775	23,775
Miscellaneous	-	514,049	514,049
Debt service			
Principal	3,989,298	6,915,524	10,904,822
Interest	1,383,316	4,744,041	6,127,357
Capital outlay	5,370,755	28,069,288	33,440,043
Total expenditures	213,200,926	95,604,088	308,805,014
Deficiency of revenues over expenditures	(10,842,281)	(13,542,651)	(24,384,932)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	369,085	-	369,085
Transfers in	25,808,982	16,790,587	42,599,569
Transfers out	(16,790,587)	(1,250,122)	(18,040,709)
Total other financing sources (uses)	9,387,480	15,540,465	24,927,945
Net change in fund balances	(1,454,801)	1,997,814	543,013
Fund balances - January 1, as previously reported	39,216,524	56,810,250	96,026,774
Prior period adjustment	(4,935,246)	-	(4,935,246)
Fund balances - January 1, restated	34,281,278	56,810,250	91,091,528
Fund balances - December 31	$32,826,477	$58,808,064	$91,634,541

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 5

Net change in fund balances - total governmental funds	$543,013
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(8,665,305)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	52,098,441
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	10,845,584
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(6,985)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,015,319
Internal service funds are used by management to charge the costs of fleet management, insurance, and other services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(2,466,981)
Change in net assets of governmental activities	$54,363,086

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 6

	Budgeted Amounts		2006	Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes				
General property taxes				
Current	$18,977,573	$18,977,573	$19,543,229	$565,656
Delinquent	-	-	32,565	32,565
Penalty and interest	-	-	27,920	27,920
	18,977,573	18,977,573	19,603,714	626,141
Sales and use taxes	125,362,015	126,719,948	123,813,924	(2,906,024)
Specific ownership taxes	2,668,064	2,668,064	2,759,281	91,217
Occupational liquor taxes	281,000	281,000	256,852	(24,148)
Gross receipts business taxes				
Admissions tax	454,023	454,023	440,766	(13,257)
Total taxes	147,742,675	149,100,608	146,874,537	(2,226,071)
Licenses and permits				
Business licenses and permits	1,077,309	1,577,309	980,916	(596,393)
Intergovernmental				
Federal operating grants				
DOT-FTA grant, subsidies	1,809,600	1,809,600	1,824,274	14,674
	1,809,600	1,809,600	1,824,274	14,674
State shared revenue				
Cigarette tax	1,348,642	1,348,642	1,413,523	64,881
Highway users tax-regular	13,284,895	13,284,895	14,317,266	1,032,371
Highway users tax-added fees	1,238,135	1,238,135	1,242,517	4,382
Severance tax	1,000	1,000	47,044	46,044
	15,872,672	15,872,672	17,020,350	1,147,678
Other governmental units				
El Paso County road and bridge	3,157,735	3,157,735	3,196,040	38,305
El Paso County shared fines	41,724	41,724	132,212	90,488
	3,199,459	3,199,459	3,328,252	128,793
Total intergovernmental	$20,881,731	$20,881,731	$22,172,876	$1,291,145

(continued)

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		2006	Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Charges for services				
General government				
Court costs and charges	$10,400,911	$10,400,911	$9,753,704	($647,207)
Planning, zoning, subdivision fees	1,544,623	1,273,087	952,229	(320,858)
Other fees	4,007,703	4,007,703	3,956,527	(51,176)
	15,953,237	15,681,701	14,662,460	(1,019,241)
Public safety				
Police services	2,988,590	2,488,590	3,299,730	811,140
Fire services	507,410	807,410	1,230,211	422,801
	3,496,000	3,296,000	4,529,941	1,233,941
Highways and streets				
Highway and street permits and fees	3,131,864	3,131,864	3,036,539	(95,325)
Signal maintenance	937,600	1,209,136	990,929	(218,207)
Transit system	2,972,702	2,990,744	2,761,117	(229,627)
	7,042,166	7,331,744	6,788,585	(543,159)
Culture and recreation				
Sports programs	821,720	821,720	821,474	(246)
Swimming pool fees	986,000	986,000	1,015,771	29,771
Ice center fees	207,220	207,220	244,197	36,977
Community centers	166,000	241,000	277,954	36,954
Other fees	149,933	149,933	184,589	34,656
	2,330,873	2,405,873	2,543,985	138,112
Total charges for services	28,822,276	28,715,318	28,524,971	(190,347)
Miscellaneous				
Other revenue	612,186	665,694	1,215,463	549,769
Investment earnings	1,180,000	1,180,000	1,866,806	686,806
Rental income	724,186	724,186	723,076	(1,110)
Total miscellaneous	2,516,372	2,569,880	3,805,345	1,235,465
Total revenues	$201,040,363	$202,844,846	$202,358,645	($486,201)

(continued)

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		2006	Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Expenditures				
Current expenditures				
General government				
Legislative				
City council	$22,025	$22,025	$5,491	$16,534
Clerk of the council	596,557	587,865	518,615	69,250
	618,582	609,890	524,106	85,784
Judicial	3,911,123	3,916,913	3,573,763	343,150
Executive-city manager	816,872	818,802	756,067	62,735
Financial	4,605,758	4,616,749	4,349,105	267,644
Law	3,670,865	3,752,418	3,067,447	684,971
Personnel	1,510,834	1,501,110	1,381,266	119,844
Planning and zoning	3,891,582	3,889,410	3,732,640	156,770
Support services	14,504,668	15,211,221	14,438,786	772,435
Vendor fees	2,507,240	2,507,240	2,138,951	368,289
Other	5,655,187	8,427,036	6,780,816	1,646,220
Total general government	41,692,711	45,250,789	40,742,947	4,507,842
Public safety				
Police	70,429,264	70,904,577	70,226,973	677,604
Fire	40,705,993	40,980,809	39,694,088	1,286,721
Total public safety	111,135,257	111,885,386	109,921,061	1,964,325
Public works				
Highways and streets				
Maintenance of condition	8,917,718	8,929,614	8,818,374	111,240
Traffic services	5,151,979	5,171,598	5,150,489	21,109
Engineering	3,941,212	4,190,331	3,942,249	248,082
	18,010,909	18,291,543	17,911,112	380,431
Transit	13,349,088	13,826,598	13,993,980	(167,382)
Total public works	31,359,997	32,118,141	31,905,092	213,049
Health and welfare				
Communicable disease	1,100,000	1,100,000	1,061,100	38,900
Culture and recreation	$18,803,762	$19,038,260	$18,634,466	$403,794

(continued)

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		2006	Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Urban redevelopment and housing				
Community development	$176,925	$182,324	$192,891	($10,567)
Debt service expenditures				
Principal payments	3,779,899	4,064,899	3,989,298	75,601
Interest payments	838,363	690,916	1,383,316	(692,400)
Total debt service	4,618,262	4,755,815	5,372,614	(616,799)
Capital outlay	3,585,440	8,172,327	5,370,755	2,801,572
Total expenditures	212,472,354	222,503,042	213,200,926	9,302,116
Deficiency of revenues over expenditures	(11,431,991)	(19,658,196)	(10,842,281)	8,815,915
Other financing sources (uses)				
Sale of capital assets	858,231	858,231	369,085	(489,146)
Transfers - in				
Payments in lieu of taxes	25,504,999	25,504,999	25,146,854	(358,145)
Other funds	399,198	399,198	662,128	262,930
Transfers - out				
City funded capital improvement projects	(16,396,562)	(16,790,587)	(16,790,587)	-
Total other financing sources (uses)	10,365,866	9,971,841	9,387,480	(584,361)
Net change in fund balance	(1,066,125)	(9,686,355)	(1,454,801)	8,231,554
Fund balance - January 1, as previously reported	39,216,524	39,216,524	39,216,524	-
Prior period adjustment	-	-	(4,935,246)	(4,935,246)
Fund balance - January 1, restated	39,216,524	39,216,524	34,281,278	(4,935,246)
Fund balance - December 31	$38,150,399	$29,530,169	$32,826,477	$3,296,308

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
BALANCE SHEET
December 31, 2006

	Business-type Activities Enterprise Funds			
	Utilities	**Hospital**	**Airport**	**Parking**
ASSETS				
Current assets				
Cash and investments - unrestricted	$186,060,760	$196,894,000	$32,521,331	$6,366,990
Cash and investments - restricted	8,961,215	-	-	6,576,762
Note receivable	84,169	-	-	-
Accounts receivable (net of allowance for uncollectibles)	82,898,204	71,691,638	8,051,398	16,695
Interest receivable	1,574,419	-	-	-
Due from other funds	6,614,006	76,362	50	58,981
Due from component units	125,988	-	-	-
Inventories	41,753,506	4,552,000	-	-
Prepaid expenses	9,807,953	11,798,000	-	-
Total current assets	337,880,220	285,012,000	40,572,779	13,019,428
Noncurrent assets				
Restricted cash and investments	122,971,098	17,706,000	5,834,683	791,675
Note receivable	327,037	2,548,000	1,288,586	-
Due from other funds	7,154,652	-	-	2,111,102
Investment in joint ventures	38,502,963	1,290,000	-	-
Other	5,411,310	2,032,000	-	-
Capital assets:				
Land	142,231,667	23,553,000	18,423,581	2,072,246
Buildings	-	-	93,353,277	15,517,269
Improvements other than buildings	-	-	87,133,906	6,472,495
Machinery and equipment	-	-	10,009,070	194,834
Infrastructure	-	-	16,795,306	-
Utility plant	3,160,787,691	-	-	-
Hospital plant	-	417,838,000	-	-
Construction in progress	183,006,095	189,373,000	57,337,685	1,389,696
Less accumulated depreciation	(1,158,245,911)	(210,168,000)	(64,937,976)	(7,312,120)
Total noncurrent assets	2,502,146,602	444,172,000	225,238,118	21,237,197
Other assets				
Unamortized bond issuance costs	8,627,538	11,495,000	601,441	400,050
Total other assets	8,627,538	11,495,000	601,441	400,050
Total assets	$2,848,654,360	$740,679,000	$266,412,338	$34,656,675

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 7
(PAGE 1 OF 2)

Other Non-Major Enterprise Funds	Totals	Governmental Activities Internal Service Funds
$5,310,738	$427,153,819	$14,477,056
-	15,537,977	-
-	84,169	-
253,708	162,911,643	283,381
-	1,574,419	-
2,613	6,752,012	1,148,767
-	125,988	-
86,280	46,391,786	1,049,982
-	21,605,953	-
5,653,339	682,137,766	16,959,186
-	147,303,456	-
-	4,163,623	-
-	9,265,754	-
-	39,792,963	-
-	7,443,310	-
1,669,708	187,950,202	13,000
9,750,380	118,620,926	387,817
9,517,019	103,123,420	396,917
5,138,813	15,342,717	5,480,076
-	16,795,306	-
-	3,160,787,691	-
-	417,838,000	-
-	431,106,476	72,913
(13,085,440)	(1,453,749,447)	(5,138,296)
12,990,480	3,205,784,397	1,212,427
-	21,124,029	-
-	21,124,029	-
$18,643,819	$3,909,046,192	$18,171,613

(continued)

PROPRIETARY FUNDS
BALANCE SHEET
December 31, 2006

	Business-type Activities Enterprise Funds			
	Utilities	**Hospital**	**Airport**	**Parking**
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$70,223,875	$33,155,047	$10,204,678	$958,416
Accrued salaries and benefits	7,036,581	6,565,000	340,352	14,227
Compensated absences	497,543	610,100	32,854	2,883
Due to other funds	3,241,269	464,953	112,641	13,311
Due to component unit	303,814	-	-	-
Deferred revenue	-	-	1,110,771	-
Accrued interest payable	6,223,071	-	-	50,598
Matured bonds payable	18,255,000	6,685,000	3,213,493	420,000
Notes payable	720,225	-	596,817	-
Capital lease payable	-	61,000	-	-
Fair value of derivative instruments	14,593,191	-	-	-
Current portion estimated claims, settlements	-	7,472,000	-	-
Other	2,531,769	-	-	-
Total current liabilities	123,626,338	55,013,100	15,611,606	1,459,435
Noncurrent liabilities				
Compensated absences	9,453,311	11,591,900	624,226	54,789
Customer deposits	1,794,735	-	-	-
Claims and judgments	480,577	2,530,000	-	-
Due to other funds	-	-	-	-
Revenue bonds payable	1,433,970,876	291,413,000	53,328,643	13,585,155
Notes payable	16,778,575	-	686,713	-
Customer advances for construction	10,890,227	-	-	-
Capital lease payable	-	26,000	-	-
Fair value of derivative instruments	54,919,850	-	-	-
Municipal solid waste landfill closure and postclosure care	1,685,490	-	-	-
Other liabilities	563,777	-	-	-
Total noncurrent liabilities	1,530,537,418	305,560,900	54,639,582	13,639,944
Total liabilities	1,654,163,756	360,574,000	70,251,188	15,099,379
Net assets				
Invested in capital assets, net of related debt	956,254,940	136,946,000	166,123,866	11,306,078
Restricted	28,163,301	14,666,000	13,824,516	791,675
Unrestricted	210,072,363	228,493,000	16,212,768	7,459,543
Total net assets	1,194,490,604	380,105,000	196,161,150	19,557,296
Total liabilities and net assets	$2,848,654,360	$740,679,000	$266,412,338	$34,656,675

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Other Non-Major Enterprise Funds	Totals	Governmental Activities Internal Service Funds
$96,863	$114,638,879	$12,610,561
166,358	14,122,518	461,772
29,518	1,172,898	74,775
498,130	4,330,304	139,513
-	303,814	-
25,865	1,136,636	-
-	6,273,669	-
-	28,573,493	-
47,359	1,364,401	-
127,068	188,068	44,748
-	14,593,191	-
-	7,472,000	-
-	2,531,769	-
991,161	196,701,640	13,331,369
560,853	22,285,079	1,420,722
-	1,794,735	-
-	3,010,577	-
1,678,245	1,678,245	-
-	1,792,297,674	-
821,314	18,286,602	-
-	10,890,227	-
421,999	447,999	73,408
-	54,919,850	-
-	1,685,490	-
-	563,777	-
3,482,411	1,907,860,255	1,494,130
4,473,572	2,104,561,895	14,825,499
11,572,741	1,282,203,625	1,094,271
270,000	57,715,492	-
2,327,506	464,565,180	2,251,843
14,170,247	1,804,484,297	3,346,114
$18,643,819		$18,171,613
	(314,228)	
	$1,804,170,069	

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities Enterprise Funds			
	Utilities	**Hospital**	**Airport**	**Parking**
Operating revenues				
Charges for services	$678,530,612	$408,656,000	$21,542,019	$3,200,612
Miscellaneous	-	14,407,000	-	-
Total operating revenues	678,530,612	423,063,000	21,542,019	3,200,612
Operating expenses				
Salaries and benefits	136,147,558	218,772,000	7,477,470	407,793
Other operating expenses	395,364,812	161,847,000	6,327,062	816,378
Depreciation	85,670,641	22,834,000	8,552,544	679,973
Total operating expenses	617,183,011	403,453,000	22,357,076	1,904,144
Operating income (loss)	61,347,601	19,610,000	(815,057)	1,296,468
Nonoperating revenues (expenses)				
Investment earnings	16,357,185	16,715,000	1,819,501	643,766
Interest expense	(59,133,022)	(8,695,000)	(3,100,210)	(575,237)
Passenger facility charges	-	-	2,755,309	-
Customer facility charges	-	-	945,662	-
Amortization expense	-	-	-	(30,947)
Gain on disposal of assets	-	-	(19,855,865)	-
Miscellaneous	(116,243,311)	2,028,000	168,487	-
Total nonoperating revenue (expenses)	(159,019,148)	10,048,000	(17,267,116)	37,582
Income (loss) before contributions and transfers	(97,671,547)	29,658,000	(18,082,173)	1,334,050
Capital contributions	55,848,936	-	35,381,253	-
Transfers in	-	-	-	-
Transfers out	(25,150,617)	-	-	(205,743)
Change in net assets	(66,973,228)	29,658,000	17,299,080	1,128,307
Total net assets - January 1, as previously stated	1,256,146,820	350,447,000	178,862,070	18,428,989
Prior period adjustment	5,317,012	-	-	-
Total net assets - January 1, restated	1,261,463,832	350,447,000	178,862,070	18,428,989
Total net assets - December 31	$1,194,490,604	$380,105,000	$196,161,150	$19,557,296

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Other Non-Major Enterprise Funds	Totals	Governmental Activities Internal Service Funds
$8,662,525	$1,120,591,768	$67,058,627
-	14,407,000	-
8,662,525	1,134,998,768	67,058,627
4,784,144	367,588,965	10,982,571
4,587,636	568,942,888	61,419,005
938,075	118,675,233	432,703
10,309,855	1,055,207,086	72,834,279
(1,647,330)	79,791,682	(5,775,652)
374,882	35,910,334	787,550
(65,940)	(71,569,409)	(30,697)
-	2,755,309	-
-	945,662	-
-	(30,947)	-
70,008	(19,785,857)	(74,532)
-	(114,046,824)	(3,617)
378,950	(165,821,732)	678,704
(1,268,380)	(86,030,050)	(5,096,948)
-	91,230,189	-
797,500	797,500	-
-	(25,356,360)	-
(470,880)	(19,358,721)	(5,096,948)
14,641,127		8,443,062
-		-
14,641,127		8,443,062
$14,170,247		$3,346,114
	(2,629,967)	
	($21,988,688)	

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Business-type Activities Enterprise Funds			
	Utilities	**Hospital**	**Airport**	**Parking**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$671,811,198	$411,002,669	$21,569,500	$2,945,457
Receipts from interfund services provided	17,045,632	7,967,331	45,377	245,656
Payments to suppliers	(384,341,675)	(154,646,118)	(3,435,644)	(445,775)
Payments to employees	(134,378,643)	(216,480,000)	(7,329,855)	(400,784)
Payments for interfund services used	(19,386,982)	(4,328,882)	(2,652,948)	(439,984)
Net cash provided (used) by operating activities	150,749,530	43,515,000	8,196,430	1,904,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	(25,082,829)	-	-	(205,743)
Transfers in from other funds	-	-	-	-
Repayment of advance from other funds	-	-	-	-
Principal received from interfund loan	-	-	-	45,837
Interest received from interfund loan	-	-	-	87,351
Operating grant	-	-	150,000	-
Derivatives	(11,178)	-	-	-
Net cash provided (used) by noncapital financing activities	(25,094,007)	-	150,000	(72,555)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	79,369,471	-	-	7,539,448
Capital contributions and advances	31,297,961	-	-	-
Bond issuance costs	-	-	-	(231,536)
Purchases of capital assets	(185,067,895)	(129,977,000)	(21,937,174)	(433,507)
Payments from accounts payable incurred for capital asset additions	-	-	(5,209,967)	(16,475)
Repayment of capital lease obligations	-	-	-	-
Principal paid on capital debt	(18,298,215)	(5,155,000)	(3,230,000)	(400,000)
Interest paid on capital debt	(69,742,458)	(7,610,000)	(2,604,683)	(549,684)
Interest paid - other	(93,821)	-	-	-
Proceeds from the sale of capital assets	1,730,407	-	-	-
Capital grant	-	-	26,770,403	-
Passenger facility charges	-	-	2,763,025	-
Customer facility charges	-	-	945,662	-
Net cash provided (used) by capital and related financing activities	(160,804,550)	(142,742,000)	(2,502,734)	5,908,246
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	187,866,952	309,182,000	11,420,878	2,751,705
Purchases of investments	(232,491,090)	(216,337,000)	(17,396,409)	(3,374,612)
Interest and dividends received	13,108,081	8,604,000	1,483,774	237,381
Distributions from joint ventures	6,397,092	-	-	-
Other investing activities	95,578	2,133,000	-	289,602
Net cash provided (used) by investing activities	(25,023,387)	103,582,000	(4,491,757)	(95,924)
Net increase (decrease) in cash and cash equivalents	(60,172,414)	4,355,000	1,351,939	7,644,337
Cash and cash equivalents - January 1	185,188,242	22,953,000	197,701	27,487
Cash and cash equivalents - December 31	125,015,828	27,308,000	1,549,640	7,671,824
Cash	125,015,828	27,308,000	1,549,640	7,671,824
Investments	192,977,245	187,292,000	36,806,374	6,063,603
Total cash and investments	$317,993,073	$214,600,000	$38,356,014	$13,735,427

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 9
(PAGE 1 OF 2)

Other Non-Major Enterprise Funds	Totals	Governmental Activities Internal Service Funds
$8,457,022	$1,115,785,846	$7,877,883
178,912	25,482,908	58,933,357
(2,878,289)	(545,747,501)	(51,172,151)
(4,735,155)	(363,324,437)	(10,885,834)
(1,681,101)	(28,489,897)	(10,807,830)
(658,611)	203,706,919	(6,054,575)
-	(25,288,572)	-
797,500	797,500	-
(9,100)	(9,100)	-
-	45,837	-
-	87,351	-
-	150,000	-
-	(11,178)	-
788,400	(24,228,162)	-
1,770,000	88,678,919	-
-	31,297,961	-
-	(231,536)	-
(1,366,756)	(338,782,332)	(219,763)
(12,759)	(5,239,201)	(18,336)
(126,545)	(126,545)	(99,970)
(45,520)	(27,128,735)	-
(36,117)	(80,542,942)	-
(29,822)	(123,643)	(30,697)
78,008	1,808,415	-
-	26,770,403	-
-	2,763,025	-
-	945,662	-
230,489	(299,910,549)	(368,766)
2,491,173	513,712,708	14,090,632
(2,977,087)	(472,576,198)	(7,673,079)
355,597	23,788,833	593,971
-	6,397,092	-
-	2,518,180	-
(130,317)	73,840,615	7,011,524
229,961	(46,591,177)	588,183
23,095	208,389,525	101,648
253,056	161,798,348	689,831
253,056	161,798,348	689,831
5,057,682	428,196,904	13,787,225
$5,310,738	$589,995,252	$14,477,056

(continued)

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Business-type Activities Enterprise Funds			
	Utilities	**Hospital**	**Airport**	**Parking**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$61,347,601	$19,610,000	($815,057)	$1,296,468
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	85,670,641	22,834,000	8,552,544	679,973
Other revenue	10,800,651	-	-	-
(Increase) decrease in accounts receivable	9,576,874	(3,127,464)	101,062	(5,318)
(Increase) decrease in inventories	5,120,101	(1,093,000)	-	-
(Increase) decrease in due from other funds	(1,806,360)	13,464	13,864	(4,181)
Increase in due from component units	(5,854)	-	-	-
Increase in prepaid expenses	(8,916)	-	-	-
Increase in other assets	(1,381,641)	(1,658,000)	-	-
Increase (decrease) in accounts and other payables	(21,265,167)	3,746,268	234,895	34,186
Increase in accrued expenses	1,215,627	2,293,000	147,616	7,009
Increase (decrease) in due to other funds	(40,069)	158,732	3,575	(103,567)
Increase in due to component units	38,400	-	-	-
Increase (decrease) in other liabilities	1,487,642	738,000	(42,069)	-
Net cash provided (used) by operating activities	$150,749,530	$43,515,000	$8,196,430	$1,904,570
Noncash investing, capital and financing activities				
Amortization, charge-off of debt discount and expense	$782,851	$ -	$ -	$30,947
Noncash acquisition of capital assets (incurrence of payable/capital lease obligation)	13,923,103	-	9,100,795	901,684
Noncash contributions in aid of construction	25,718,813	-	-	-
Increase (decrease) in fair value of investments	(121,984,544)	-	303,869	(29,433)

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 9
(PAGE 2 OF 2)

Other Non-Major Enterprise Funds	Totals	Governmental Activities Internal Service Funds
($1,647,330)	$79,791,682	($5,775,652)
938,075	118,675,233	432,703
-	10,800,651	-
(50,964)	6,494,190	(133,635)
(18,773)	4,008,328	(181,699)
(1,936)	(1,785,149)	(113,752)
-	(5,854)	-
-	(8,916)	-
-	(3,039,641)	-
39,926	(17,209,892)	(49,744)
48,750	3,712,002	96,737
7,776	26,447	(329,533)
-	38,400	-
25,865	2,209,438	-
($658,611)	$203,706,919	($6,054,575)
$ -	$813,798	$ -
3,225	23,928,807	58,608
-	25,718,813	-
19,285	(121,690,823)	193,579

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 10

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and investments	$ -	$3,075,129
Accounts receivable (net of allowances for uncollectibles)	-	126,830
Pension assets held in trust by Fire and Police Pension Association	198,318,625	-
Total assets	198,318,625	3,201,959
LIABILITIES		
Accounts payable	-	2,729,727
Due to component unit	-	472,232
Total liabilities	-	3,201,959
Net assets - held in trust for pension benefits	$198,318,625	$ -

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the fiscal year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 11

	Pension Trust Funds
Additions	
City contributions	$4,630,503
Participant contributions	61,323
Total contributions	4,691,826
Investment earnings:	
Interest and dividend income	7,847,938
Rental income	833,253
Net increase in fair value of investments	18,433,477
Total investment gain	27,114,668
Less investment expenses	(1,269,536)
Net investment gain	25,845,132
Total additions	30,536,958
Deductions	
Benefits	(14,577,099)
Administrative expenses	(19,940)
Total deductions	(14,597,039)
Change in net assets	15,939,919
Net assets held in trust for pension benefits - January 1	182,378,706
Net assets held in trust for pension benefits - December 31	$198,318,625

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUND COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
December 31, 2006

	Colorado Springs Urban Renewal Authority	Greater Downtown Colorado Springs Business Improvement District	Briargate Center Business Improvement District	Barnes & Powers North Business Improvement District	Barnes & Powers South Business Improvement District
ASSETS					
Cash and investments	$106,424	$247,399	$333,946	$285	$1,978
Cash and investments - restricted	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	52,327	-	7	3
Property taxes receivable	-	474,216	236,691	1,200	299
Prepaid expenditures	2,298	4,381	-	-	-
Unamortized bond costs, net of amortization	-	-	859,750	-	-
Restricted assets:					
Cash-bonds	-	-	572,749	-	-
Capital assets (net of accumulated depreciation):					
Machinery and equipment	-	51,112	-	-	-
Improvements	-	-	-	-	-
Infrastructure	-	-	7,437,772	-	-
Total assets	108,722	829,435	9,440,908	1,492	2,280
LIABILITIES					
Liabilities					
Accounts payable	54,317	50,111	-	2,998	2,452
Deferred revenue	-	474,216	236,691	1,200	299
Accrued interest payable	1,127	-	46,486	-	-
Noncurrent liabilities:					
Due within one year	-	-	360,000	-	-
Due in more than one year	95,000	-	9,895,000	10,000	10,000
Total liabilities	150,444	524,327	10,538,177	14,198	12,751
NET ASSETS					
Invested in capital assets, net of related debt	-	51,112	-	-	-
Restricted for:					
Debt service	-	-	572,749	-	-
Emergency reserve (TABOR)	-	17,637	800	-	-
Unrestricted	(41,722)	236,359	(1,670,818)	(12,706)	(10,471)
Total net assets (deficit)	($41,722)	$305,108	($1,097,269)	($12,706)	($10,471)

The notes to the financial statements are an integral part of this statement.

First & Main Business Improvement District	First & Main North Business Improvement District	Interquest North Business Improvement District	Interquest South Business Improvement District	Powers & Woodmen Commercial Business Improvement District	Total
$3,305	$5,430	$1,004	$3,181	$3,759	$706,711
-	795	-	400	400	1,595
11,330	491	16	15	13	64,202
-	89,200	1,700	1,600	2,100	807,006
-	-	-	-	-	6,679
-	25,521	-	-	-	885,271
-	-	-	-	-	572,749
-	-	-	-	-	51,112
-	1,253,221	-	-	-	1,253,221
-	509,355	-	-	-	7,947,127
14,635	1,884,013	2,720	5,196	6,272	12,295,673
5,348	2,696	2,414	2,418	2,328	125,082
11,330	89,200	1,700	1,600	2,100	818,336
-	96,683	-	-	-	144,296
-	-	-	-	-	360,000
20,831	1,937,000	10,000	10,000	10,000	11,997,831
37,509	2,125,579	14,114	14,018	14,428	13,445,545
-	(138,903)	-	-	-	(87,791)
-	195	-	-	-	572,944
-	600	-	400	400	19,837
(22,874)	(103,458)	(11,394)	(9,222)	(8,556)	(1,654,862)
($22,874)	($241,566)	($11,394)	($8,822)	($8,156)	($1,149,872)

GOVERNMENTAL FUND COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

		Program Revenues					
	Expenses	Charges for Services	Operating Grants and Contributions	Colorado Springs Urban Renewal Authority	Greater Downtown Colorado Springs Business Improvement District	Briargate Center Business Improvement District	Barnes & Powers North Business Improvement District
Colorado Springs Urban Renewal Authority							
General government	$457,838	$387,836	$ -	($70,002)			
Greater Downtown Colorado Springs Business Improvement District							
General government	420,769	2,312	39,014		($379,443)		
Public works	160,739	-	-		(160,739)		
Total	581,508	2,312	39,014		(540,182)		
Briargate Center Business Improvement District							
General government	234,211	632,229	-			$398,018	
Interest on long-term debt	668,301	-	-			(668,301)	
Total	902,512	632,229	-			(270,283)	
Barnes & Powers North Business Improvement District							
General government	15,074	-	-				($15,074)
Barnes & Powers South Business Improvement District							
General government	12,403	-	-				
First & Main Business Improvement District							
General government	22,878	-	-				
First & Main North Business Improvement District							
General government	82,202	-	-				
Interest on long-term debt	138,094	-	-				
Total	220,296	-	-				
Interquest North Business Improvement District							
General government	14,304	-	-				
Interquest South Business Improvement District							
General government	12,108	-	-				
Powers & Woodmen Commercial Business Improvement District							
General government	12,022	-	-				
Total component units	$2,250,943	$1,022,377	$39,014				
General revenues:							
Property taxes				-	468,963	263,118	795
Specific ownership taxes				-	64,019	-	108
Investment earnings				433	8,356	55,897	3
Total general revenues				433	541,338	319,015	906
Change in net assets				(69,569)	1,156	48,732	(14,168)
Net assets (deficit) - January 1				27,847	303,952	(1,146,001)	1,462
Net assets (deficit) - December 31				($41,722)	$305,108	($1,097,269)	($12,706)

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets						
Barnes & Powers South Business Improvement District	First & Main Business Improvement District	First & Main North Business Improvement District	Interquest North Business Improvement District	Interquest South Business Improvement District	Powers & Woodmen Commercial Business Improvement District	Totals
						($70,002)
						(379,443)
						(160,739)
						398,018
						(668,301)
						(15,074)
($12,403)						(12,403)
	($22,878)					(22,878)
		($82,202)				(82,202)
		(138,094)				(138,094)
		(220,296)				
			($14,304)			(14,304)
				($12,108)		(12,108)
					($12,022)	(12,022)
						(1,189,552)
299	-	53,249	1,712	1,642	1,378	791,156
41	-	7,242	233	223	187	72,053
3	4	636	3	21	5	65,361
343	4	61,127	1,948	1,886	1,570	928,570
(12,060)	(22,874)	(159,169)	(12,356)	(10,222)	(10,452)	(260,982)
1,589	-	(82,397)	962	1,400	2,296	(888,890)
($10,471)	($22,874)	($241,566)	($11,394)	($8,822)	($8,156)	($1,149,872)

PROPRIETARY FUND COMPONENT UNITS
BALANCE SHEET
December 31, 2006

	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority	Regional Water Infrastructure Authority	The Twin Lakes Reservoir and Canal Company
ASSETS				
Current assets				
Cash and investments	$555,751	$10,480	$4,284	$216,043
Note receivable	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	241,256	-	-	6,419
Inventories	74,809	-	-	-
Due from primary government	303,814	-	-	-
Prepaid expenses	5,457,618	2,544	-	178,051
Total current assets	6,633,248	13,024	4,284	400,513
Noncurrent assets				
Restricted cash and cash equivalents	2,188,626	-	-	-
Capital assets:				
Utility plant	87,199,812	9,499,247	-	13,757,143
Construction in progress	281,357	-	-	-
Less accumulated depreciation	(29,903,661)	(1,898,773)	-	(5,249,193)
Total noncurrent assets	59,766,134	7,600,474	-	8,507,950
Other assets				
Unamortized bond issuance costs	292,612	-	-	-
Other	-	-	-	274,279
Total other assets	292,612	-	-	274,279
Total assets	$66,691,994	$7,613,498	$4,284	$9,182,742

The notes to the financial statements are an integral part of this statement.

The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
$23,007	$140,265	$25,526	$ -	$975,356
-	1,767	-	-	1,767
-	-	-	9,890	257,565
-	-	-	-	74,809
-	-	-	472,232	776,046
6,427	31,848	3,031	-	5,679,519
29,434	173,880	28,557	482,122	7,765,062
17,020	32,553	880	-	2,239,079
3,238,255	2,141,867	1,200,714	-	117,037,038
-	-	-	-	281,357
(540,744)	(1,180,262)	(356,150)	-	(39,128,783)
2,714,531	994,158	845,444	-	80,428,691
14,070	-	-	-	306,682
-	25,334	32,409	-	332,022
14,070	25,334	32,409	-	638,704
$2,758,035	$1,193,372	$906,410	$482,122	$88,832,457

(continued)

PROPRIETARY FUND COMPONENT UNITS
BALANCE SHEET
December 31, 2006

	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority	Regional Water Infrastructure Authority	The Twin Lakes Reservoir and Canal Company
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$29,150	$ -	$2,500	$18,444
Due to primary government	125,988	-	-	-
Deferred revenue	5,352,751	-	-	-
Accrued interest payable	174,837	-	-	-
Matured bonds payable	550,000	-	-	-
Notes payable - current	479,918	-	-	37,370
Capital lease payable - current	3,140,206	-	-	-
Total current liabilities	9,852,850	-	2,500	55,814
Noncurrent liabilities				
Revenue bonds payable	8,268,811	-	-	-
Notes payable	8,087,969	-	-	-
Capital lease payable	69,497,535	-	-	-
Other	-	-	-	-
Total noncurrent liabilities	85,854,315	-	-	-
Total liabilities	95,707,165	-	2,500	55,814
Net assets				
Invested in capital assets, net of related debt	(32,274,819)	7,600,474	-	8,470,580
Restricted	2,016,514	-	-	-
Unrestricted	1,243,134	13,024	1,784	656,348
Total net assets (deficit)	(29,015,171)	7,613,498	1,784	9,126,928
Total liabilities and net assets	$66,691,994	$7,613,498	$4,284	$9,182,742

The notes to the financial statements are an integral part of this statement.

The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
$6	$29,539	$3,691	$32,017	$115,347
-	-	-	-	125,988
-	-	-	-	5,352,751
10,240	-	-	-	185,077
-	-	-	-	550,000
86,731	-	3,280	-	607,299
-	-	-	-	3,140,206
96,977	29,539	6,971	32,017	10,076,668
-	-	-	-	8,268,811
1,495,551	-	126,658	-	9,710,178
-	-	-	-	69,497,535
-	32,553	-	-	32,553
1,495,551	32,553	126,658	-	87,509,077
1,592,528	62,092	133,629	32,017	97,585,745
1,117,332	961,605	714,626	-	(13,410,202)
-	-	-	-	2,016,514
48,175	169,675	58,155	450,105	2,640,400
1,165,507	1,131,280	772,781	450,105	(8,753,288)
$2,758,035	$1,193,372	$906,410	$482,122	$88,832,457

PROPRIETARY FUND COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

	Expenses	Program Revenues: Charges for Services	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority	Regional Water Infrastructure Authority
Fountain Valley Authority					
General government	$8,070,843	$10,428,495	$2,357,652		
Aurora-Colorado Springs Joint Water Authority					
General government	107,820	-		($107,820)	
Regional Water Infrastructure Authority					
General government	7,442	5,229			($2,213)
The Twin Lakes Reservoir and Canal Company					
General government	732,144	991,838			
The Lake Meredith Reservoir Company					
General government	156,903	193,053			
The Colorado Canal Company					
General government	475,964	389,725			
The Lake Henry Reservoir Company					
General government	66,807	67,257			
Pikes Peak Regional Communications Network					
General government	739,055	1,095,571			
Total component units	$10,356,978	$13,171,168			
General Revenues:					
Investment earnings			115,085	370	134
Transfers			-	-	-
Total general revenues			115,085	370	134
Change in net assets			2,472,737	(107,450)	(2,079)
Net assets (deficit) - January 1			(31,487,908)	7,720,948	3,863
Net assets (deficit) - December 31			($29,015,171)	$7,613,498	$1,784

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets					
The Twin Lakes Reservoir and Canal Company	The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
					$2,357,652
					(107,820)
					(2,213)
$259,694					259,694
	$36,150				36,150
		($86,239)			(86,239)
			$450		450
				$356,516	356,516
					2,814,190
13,585	313	2,639	59	39,231	171,416
-	-	-	-	(1,350,131)	(1,350,131)
13,585	313	2,639	59	(1,310,900)	(1,178,715)
273,279	36,463	(83,600)	509	(954,384)	1,635,475
8,853,649	1,129,044	1,214,880	772,272	1,404,489	(10,388,763)
$9,126,928	$1,165,507	$1,131,280	$772,781	$450,105	($8,753,288)

CITY OF COLORADO SPRINGS

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colorado Springs (City) is a home-rule City, organized under provisions of the Colorado constitution, and having a council/manager form of government. The City provides services, as authorized by its charter, to advance the welfare and safety of the City and its residents.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to units of local government and promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance, except for Memorial Health System (Hospital) which has elected to not follow subsequent private-sector guidance.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, those entities for which the City is considered to be financially accountable. Blended component units are those entities, which while legally separate, are, in substance, part of the City's operation and the financial data for which are combined with that of the City and reported in both the government-wide and fund financial reporting level. Discretely presented component units are legally separate entities for which the financial data are presented separately from the financial data of the City. The City has blended the General Improvement Districts' component units and the Pension Trust fund. All other component units are discretely presented.

1. Governmental Fund Type Component Units

General Improvement Districts – Cottonwood, Spring Creek and Briargate

General Improvement Districts (GIDs) are created under provisions of Colorado state statute. Each district has the power to acquire, construct or install public improvements within its own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. GIDs are blended in the City financial statements. The GIDs are legally separate entities from the City. City Council sits as the Board of Directors for each of the GIDs. Services provided by the GIDs are entirely for the benefit of the citizens of each respective district. The fiscal year-end for each of these districts is December 31.

Colorado Springs Urban Renewal Authority

The Colorado Springs Urban Renewal Authority (CSURA) was formed under the provisions of Colorado state statute. The CSURA has the power to issue tax increment financing in order to acquire property. CSURA is discretely presented in the City's financial statements. CSURA is a legally separate entity from the City. The City does, however, appoint a voting majority of CSURA's board and is able to impose its will on CSURA. The City's board and CSURA's board are not substantively the same. Services provided by CSURA are entirely for the benefit of the citizens. The fiscal year-end for CSURA is December 31.

Business Improvement Districts - Greater Downtown, Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main North, Interquest North, Interquest South, Powers and Woodmen Commercial

Business Improvement Districts (BIDs) were created under provisions of Colorado state statute. The BIDs have the power to acquire, construct or install public improvements within its own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. The BIDs are discretely presented in the City's financial statements. The BIDs are legally separate entities from the City. The City does, however, approve the budgets and is able to impose its will on the BIDs. The City's board and the BID boards are not substantively the same. Services provided by the BIDs are entirely for the benefit of the business communities in the Districts. The fiscal year-end for the BIDs is December 31.

The financial statements of each of these entities may be obtained at the following address:

City of Colorado Springs Finance Director's Office
30 South Nevada Avenue, Suite 205
Colorado Springs, CO 80903

2. Proprietary Fund Type Component Units

The following Proprietary fund type component units are reported as discretely presented component units. They are legally separate from the City. The City Council appoints a voting majority of the Boards of Directors. The City Council can impose its will on the component units by removing its Directors at the City Council's discretion. The City Council and the Boards of Directors of the component units are not substantively the same, and the component units do not provide services exclusively to the City.

Pikes Peak Regional Communications Network

The Pikes Peak Regional Communications Network (PPRCN) was established by an intergovernmental agreement between the City and El Paso County (the County) on December 1, 1999. PPRCN commenced operations during 2001 and is governed by a five-member Board of Directors of which two members are appointed by the City and one is appointed by Colorado Springs Utilities (Utilities). PPRCN was established to provide a modern, trunked radio system, available to the participating public safety and public service activities, throughout the City and the County.

Fountain Valley Authority

Colorado Springs Utilities (Utilities) owns a 71.4% participation share in Fountain Valley Authority (FVA) which is a political subdivision of the State of Colorado formed primarily to construct a water treatment plant, and operate the water treatment plant and water conveyance system for its five customers. Raw water is received through FVA Conduit pursuant to a conveyance service subcontract with the Southeastern Colorado Water Conservancy District. The City of Fountain, Security Water and Sanitation Districts, Stratmoor Hills Water District and Widefield Water and Sanitation District are the other participants and customers.

Aurora-Colorado Springs Joint Water Authority

Utilities owns 66.7% participation share in the Aurora-Colorado Springs Joint Water Authority (the Authority) which is a political subdivision of the State of Colorado formed for the purpose of developing water resources, systems or facilities for the benefit of Utilities and the City of Aurora, Colorado. The Authority has constructed and owns a pipeline to transport raw water from Twin Lakes Reservoir through a pipeline to Utilities' Otero Pumping Station.

Regional Water Infrastructure Authority

Utilities is a member of the Regional Water Infrastructure Authority (RWIA) along with the City and the City of Fountain. The authority is under the direction of a board of directors consisting of seven voting members. The City has two voting members, Utilities has two voting members, and the City of Fountain has three voting members. The RWIA was formed to construct, finance and operate projects for water, wastewater and storm water projects that have regional features in which other local entities may elect to participate. There were no projects within RWIA as of December 31, 2006.

Canal and Reservoir Companies

Utilities owns from 51.9% to 77.2% in four canal and reservoir companies which include the Colorado Canal Company, Twin Lakes Reservoir and Canal Company, Lake Meredith Reservoir Company and Lake Henry Reservoir Company. These companies have been formed for the purpose of acquiring and storing water.

Other auditors have examined the financial statements of each of these entities, except for the PPRCN, and their complete individual financial statements may be obtained at the following address:

Colorado Springs Utilities
Chief Planning and Finance Officer
P.O. Box 1103, Mail Code 950
Colorado Springs, CO 80947-0950

The complete individual financial statements for the PPRCN may be obtained at the following address:

City of Colorado Springs, Finance Director's Office
30 South Nevada Avenue, Suite 205
Colorado Springs, CO 80903

3. Fiduciary Fund Type Component Units

Pension Trust Fund

The Fire and Police Pension plans are agent, multiple employer defined benefit plans for fire and police uniform employees. The plans are managed by the Fire and Police Pension Association (FPPA) and include the Old Hire Pension Plan, the Statewide Pension Plan and the Colorado Springs New Hire Pension Plan (CSNHPP). FPPA is the plan administrator for the CSNHPP and performs certain administrative tasks in accordance with an agreement with the City in regards to the Old Hire pension plans. The City retains responsibility for the administration of the Old Hire plans only. These component units are reported separately in exhibits H-1 and H-2 and are blended with the City's financial statements.

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

Fire and Police Pension Association
Two DTC
5290 DTC Parkway, Suite 100
Greenwood Village, Colorado 80111-2721
(303) 770-3772

4. Joint Ventures

The City has joined with other governmental entities in a joint venture to provide building and construction code inspection and enforcement. The joint venture, Pikes Peak Regional Building Department (PPRBD), in which the City participates, is not considered a component unit and is, therefore, not included in the City's reporting entity. The PPRBD was formed in accordance with intergovernmental agreements among various affected local governments to administer and enforce building and construction codes on behalf of its member entities. Member entities are the City, the County and cities of Manitou Springs, Green Mountain Falls, Fountain, and the Towns of Monument and Palmer Lake. A three-member commission appointed by the City, the County and a member selected by the remaining municipalities, governs the PPRBD. The City has not invested money in the PPRBD and the commission is required to set its fees so as to fully recover operating expenses. Since the City has only a residual equity interest, the equity method is not considered appropriate for this joint venture.

The City and the County have entered into a joint venture to administer a contract for ambulance services. The joint venture of the El Paso County Emergency Services Agency (ESA) in which the City participates is not considered a component unit and is, therefore, not included in the City's reporting entity. The ESA was formed in accordance with an inter-

governmental agreement and is governed by a five-member board appointed by the City and the County. It is intended that the ESA administer its fees so as to fully recover all expenses and the City does not invest in the ESA. Since the City has only a residual equity interest, the equity method is not considered appropriate for this joint venture.

The City has joined with the County and cities of Manitou Springs and Green Mountain Falls, Colorado, in a joint venture to provide infrastructure improvements for their various municipalities. The joint venture, Pikes Peak Regional Transportation Authority (PPRTA), is not considered a component unit of the City and is, therefore, not included in the City's reporting entity. PPRTA is funded with a 1% sales tax approved by voters in November 2004. These funds are allocated to the various municipalities and are to be used for capital projects, maintenance programs and transit services. PPRTA is governed by a seven-member board appointed by the various municipalities.

Utilities has equity interests in Allied Utility Network, LLC. (Allied), Front Range Power, LLC. (FRP), and Young Gas Storage Company Ltd. (Young).

Memorial Hospital Corporation (MHC), is a non-profit corporation that is controlled by the Hospital. The Hospital has a 70% interest in The Surgery Center at Printers Park, L.L.C (SCPP), an entity that was formed to develop, manage and operate a surgical center in Colorado Springs. SCPP commenced operations during 2001. The Hospital's financial statements reflect its interest in the members' equity and net income of SCPP.

The financial statements of the PPRBD, the ESA and the PPRTA may be obtained at the following address:

City of Colorado Springs, Finance Director's Office
30 South Nevada Avenue, Suite 205
Colorado Springs, CO 80903

The financial statements of Allied, FRP, and Young may be obtained at the following address:

Colorado Springs Utilities
Chief Planning and Financial Officer
P.O. Box 1130, Mail Code 950
Colorado Springs, CO 80947-0950

The financial statements of the Hospital, MHC and the SCPP may be obtained at the following address:

Memorial Health System
Chief Financial Officer
1400 East Boulder Street
Colorado Springs, CO 80909

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is

considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Hospital fund provides medical treatment to the Colorado Springs community.

The Utilities fund provides water and wastewater collection, treatment, and distribution system; electric generation, transmission, distribution and street light system; and gas distribution system.

Colorado Springs Airport fund (Airport) provides air transportation services to the Colorado Springs community.

The Colorado Springs Parking System fund (Parking) provides parking services for the Colorado Springs downtown area.

Additionally, the City reports the following fund types:

Special revenue funds account for revenue derived from specific sources that are restricted legally or by regulation.

Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities and infrastructure.

Permanent funds account for the activities of resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs.

Internal service funds account for the fleet maintenance, data processing, health insurance, workers' compensation insurance, and general liability insurance provided to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary funds include pension trust funds which account for the activities of the City's fire and police pension plans. These funds accumulate resources for pension benefit payments to qualified public safety employees. Also in the fiduciary funds is the agency fund which accounts for the resources that are held by the City in a purely custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other

charges between the General fund and Utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

In accordance with City Code and Colorado state statutes, the City is authorized to invest in obligations of the United States and certain of its instrumentalities; certain international agency securities; general obligation or revenue bonds of any state or local government of the U.S.; bankers acceptances of certain banks; certain commercial paper; local government investment pools; written repurchase agreements properly collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The City's Fire and Police Pension Plans are invested in an external investment pool through the FPPA. This investment pool also invest in real property, venture capital, equities, securities, and other investments.

For purposes of the statements of cash flows, cash and cash equivalents include amounts on hand and in demand deposits.

Investments are stated at fair value based on quoted market prices.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding and other outstanding balances at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Trade and property tax receivables shown on the financial statements are net of an estimated allowance for uncollectibles.

The County Assessor certifies property valuations to the City on November 25 of each year. By December 15th, the City sets and certifies its mill levy rate with the County, which then bills and collects the property taxes due. These property taxes attach as an enforceable lien on January

1 of the tax year. The taxes are payable in two installments on February 28 and June 15, or in one installment due April 30.

3. Inventories and Prepaid Items

The Hospital inventories are stated at the lower of cost (first-in, first-out method) or market. All other inventories are stated at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At the combining and individual fund reporting level, an equal amount of fund balance is reserved as the amount is not available for general appropriation.

4. Restricted Assets

In accordance with applicable bond covenants, ordinances and conditions attached by donors, certain investments are displayed as restricted on the financial statements of certain funds. Restricted investments are carried at fair value.

5. Capital Assets

Capital outlays are recorded as expenditures of governmental funds in the fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method. To the extent the City's capitalization threshold of $5,000 is met, capital outlays of the proprietary funds are recorded as capital assets and depreciated over their useful lives using the straight-line method of depreciation on both the fund basis and the government-wide basis of accounting. The following are the estimated useful lives used for the straight-line method of depreciation:

Infrastructure	35 years
Buildings	10 - 40 years
Utility plant	10 -100 years
Improvements other than buildings	10 - 25 years
Furniture and equipment	3 - 25 years

Donated assets are valued at their estimated fair value on the date of receipt. The City does not capitalize historical treasure or works of art. It is the City's policy to capitalize interest costs that are incurred during construction of the assets of business-type activities.

Utilities plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The 2006 AFUDC rate of 4.84% is comprised of an interest rate on borrowed funds component and a return on equity funds component and is applied to all major capital projects. The cost of additions to plant and replacement units of property is capitalized. Per Utilities' capitalization policy, the cost of additions to plant and replacement units of property in excess of $5,000 is capitalized.

Depreciation of utility plant for Utilities is provided by using the straight-line method based on the estimated service lives of the assets. Estimated service lives for major assets are as follows:

Electric boiler plant/station equipment	25
Electric conduit	29
Gas mains and services	80
Water source of supply	100
Water mains/services	50
Sewer mains and laterals	100
General structures and improvements	57

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sales or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

6. Compensated Absences

City employees earn sick leave and vacation in varying amounts depending upon years of service. The City accrues compensated absences in the government-wide and proprietary fund financial statements. A liability for the amount is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

7. Long-term Obligations

In the fund financial statements, long-term debt is recognized as a liability of the governmental funds when due. For other long-term obligations, only that portion financed from expendable available financial resources is reported as a fund liability. The current and non-current portions are recorded in the government-wide and the proprietary fund financial statements. For certain debt issues, the Hospital and Utilities enter into interest rate swap agreements to modify its interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Municipal Solid Waste Landfill Closure and Postclosure Care Costs

The City is subject to the Colorado Department of Public Health and Environment regulations which require the City to incur closure and postclosure care costs for landfills. In 2006, the Utilities fund recognized a liability of $1,685,490 for closure and postclosure care costs based upon landfill capacity used to date. The estimated total current cost of closure and postclosure care to be recognized for the Utilities fund landfills is $3,737,549. The average landfill capacity used to date is 44.79%. The estimated remaining landfill lives vary from 18 to 88 years. In 2006, the governmental activities recognized a liability of $558,462 for closure and postclosure care costs in the government-wide financial statements. There are no financial assurance requirements or restricted assets for the payment of closure and postclosure care costs. Estimates of closure and postclosure costs are stated in current dollars and shall be adjusted annually for inflation and changes in laws and regulations. A study is done every 5 years to verify this cost.

10. Derivative Instruments

Utilities uses derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas hedge contracts.

Utilities also uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. In 2006, Utilities entered into two interest rate swap agreements that qualify for derivative accounting under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. The fair value represents the estimated amount at which the instruments could be liquidated based on quoted market prices, current market conditions, or other estimates obtained from third-party brokers or dealers. See Note IV.M. for further discussion related to interest rate swaps.

Utilities records all derivative instruments on the balance sheet as Fair Value of Derivative Instruments at their fair value under the provisions of GASB 31 and SFAS No. 133, as amended.

In accordance with the provisions of GASB 31 and SFAS No. 133, as amended, changes in the fair value of a hedging instrument are recognized as a change in net assets in the period of the change for entities that do not report earnings as a separate caption in a statement of financial performance. Classification in the statement of revenues, expenses, and changes in fund net assets is based on the income classification of the item being hedged.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that governmental funds focus on current financial resources and capital assets used in the operations of a government are not included in governmental funds. Such assets must be included in the government-wide statements. The details of this difference are as follows:

Capital assets, at historical cost	$1,265,300,569
Accumulated depreciation	(368,412,384)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$896,888,185

Another element of that reconciliation explains that some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. Any liability for earned but unavailable deferred revenue must be eliminated for government-wide financial reporting. The details of this difference are as follows:

Deferred revenue	$19,757,957
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$19,757,957

Another element of that reconciliation states that governmental funds may not report revenues until they are *available* and an adjustment is made on the government-wide net assets for revenue relating to prior periods.

Interest on investments	$1,309,202
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$1,309,202

Another element of that reconciliation explains that any internal service funds that primarily serve governmental funds are included as part of governmental activities for purposes of government-wide financial reporting. The details of this difference are as follows:

Internal service fund allocation	$3,660,342
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$3,660,342

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in funds." The details of this difference are as follows:

Bonds payable	($103,333,200)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	38,889
Accrued interest payable	(478,356)
Capital lease payable	(2,537,836)
Drainage fees payable	(3,208,300)
Compensated absences	(20,993,292)
Municipal solid waste landfill	(558,463)
Pension obligation	(586,819)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	($131,657,377)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$27,664,589
Depreciation expense	(36,329,894)
Net adjustments to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	($8,665,305)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets." The details of this difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	($465,099)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	52,563,540
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$52,098,441

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference is as follows:

Principal repayments:	
Bond premium	$86,089
Bond discount	(103,962)
Bond issuance costs	(5,555)
General obligation debt	3,260,000
Sales tax revenue bonds	5,025,000
Certificates of participation	1,440,000
Special assessment bonds and notes	92,230
Capital leases	1,051,782
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$10,845,584

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Accrued interest	($93,241)
Drainage fees	(200,000)
Compensated absences	270,710
Landfill closing costs	10,950
Net pension obligation	4,596
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	($6,985)

Another element of that reconciliation states that "transactions or events occur in one period, but their financial impact is felt only in a subsequent period. The government-wide financial statements report the transaction in the year that it occurs, while the governmental funds defer recognition of the transaction until the period in which its financial impact is first felt." The details of this difference are as follows:

Unavailable revenue	$2,015,319
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$2,015,319

Another element of that reconciliation states that "internal service funds sometimes engage in activities involving outside parties that are not eliminated as part of the consolidation process. These activities must be included as part of governmental activities in the government –wide statement of activities." The details of this difference are as follows:

Internal service fund activities	($2,466,981)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	($2,466,981)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with City Charter, the City Manager is required to submit a balanced budget to City Council on or before the third Monday of November of each year. The budget is reviewed and modified as appropriate and an appropriation ordinance prepared to adopt the budget. City budgeting and accounting systems provide for program planning of expenditures by function and activity within the funds. Amendments to the original budget were not material in relation to the initial appropriation.

The City prepares annual budgets and maintains budgetary controls for all funds in order to ensure compliance with the annual appropriation ordinance as approved by City Council. The legal level of budgetary control for all funds is at the fund level. Transfer of appropriation within the budget of a department may be authorized by approval of the affected department head. Such transfers are filed with the Finance Director but require no City Council action. Any net increase of appropriation, to the fund, requires City Council action. The budget is prepared on GAAP basis.

Appropriations for all funds that are not budgeted on a project-length basis lapse at year-end except for contractually encumbered and reserved appropriations. Project-length budgets are those where appropriations are initially made to individual projects and do not lapse until such time as the project is complete. Project-length budgets are adopted for all capital projects as well as for intergovernmental grant, capital improvements and special assessments. All budgets are prepared on the modified accrual basis and are reported as such.

B. Excess of Expenditures over Appropriations

During 2006, expenditures exceeded appropriations for the Employee Benefits Self Insurance fund by $179,186 and the Workers Compensation Self Insurance fund by $1,175,763.

C. Deficit Fund Equity

Two primary government funds, Workers Compensation Self Insurance fund and Stormwater Enterprise, had accumulated deficits in net assets of $3,972,456 and $971,715, respectively, as of December 31, 2006. The Workers Compensation Self Insurance fund deficit is the result of incurred but not reported claims. The Stormwater Enterprise fund deficit is due to expenses that occurred in 2006 prior to billing that began in 2007.

IV. DETAILED NOTES ON ALL FUNDS

A. Unrestricted and Restricted Cash and Investments

The City's restricted and unrestricted cash and investments, exclusive of component units, consist of the following on December 31, 2006:

	Unrestricted Assets	Restricted Assets
Demand accounts (incl petty cash of $36,587)	$42,351,751	$18,500,803
Money market mutual funds	1,976,562	3,197,139
Colorado Liquid Asset Trust (COLOTRUST)	-	6,739,217
Colorado Surplus Asset Fund (CSAFE)	-	82,513
Repurchase agreements	12,012,849	102,921,816
Commercial paper	-	11,797,000
US Treasury securities	326,380,180	12,405,108
US Instrumentality securities	106,456,810	10,285,685
Domestic corporate fixed-income securities	4,223,433	1,910,560
Domestic equities	37,133,000	6,811,945
International equities	11,842,000	45,000
Mortgages pooled	2,399,118	-
Total	**$544,775,703**	**$174,696,786**

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2006:

	Governmental Activities	Business-type Activities	Fiduciary	Total
Unrestricted	$114,546,755	$427,153,819	$3,075,129	$544,775,703
Restricted	11,855,353	162,841,433	-	174,696,786
Total	**$126,402,108**	**$589,995,252**	**$3,075,129**	**$719,472,489**

1. Deposits

The carrying amount of the City's deposits at December 31, 2006 was $60,852,554 and the bank balances were $61,437,074. Of the bank balances, $394,501 was covered by federal deposit insurance and $61,042,573 was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (CPDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

2. Investments

The City's investments are subject to interest rate, credit risk and custodial credit risk.

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. The Utilities investment policy further defines this requirement by limiting investments of their income fund to maturities of two years or less.

Credit Risk: The City as a home rule municipality operating under its City Charter is allowed under Colorado State Statutes to promulgate and implement local standards for cash and investment management operations. The adopted Investment Policy for the City authorizes all investments shall be made in accordance with Colorado Revised Statutes. The provisions of the City's Investment Policy apply to all investable funds of the City to include Trust funds, Bond Ordinance accounts and Reserve accounts. The Reserve and Trust funds accounts are further defined with additional investment guidelines. Excluded from the City Investment Policy are Utilities and Hospital funds and money held in bank checking accounts for operating purposes. The Hospital and Utilities (both major enterprise funds) have adopted individual investment policies to manage their investment portfolios. The investments of the City are reported in aggregate to include investments of money related to governmental and business-type activities, individual major funds and non-major funds.

The City's investments 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, banker's acceptances, local government investment pools specific money market mutual funds, time certificates of deposit, repurchase agreements and obligations of the City of Colorado Springs.

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, 2006 were subject to custodial risk.

In accordance with the City's investment policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. Agency Securities at the time of purchase. Collateral valuation is calculated and adjusted daily. Collateral for all investments, including repurchase agreements, are held in the City's name by the City's custodian bank.

As of December 31, 2006, the City had the following investments and credit quality distribution:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money market mutual funds	$5,173,701	0.00
Colorado Liquid Asset Trust (COLOTRUST)	6,739,217	0.00
Colorado Surplus Asset Fund (CSAFE)	82,513	0.00
Repurchase agreements	114,934,665	0.00
Commercial paper	11,797,000	0.12
US Treasury securities	338,785,288	1.97
US Instrumentality securities	116,742,495	2.35
Domestic corporate fixed-income securities	6,133,993	1.86
Domestic equities	43,944,945	0.00
International equities	11,887,000	0.00
Mortgages pooled	2,399,118	1.36
Total investments controlled by City	**658,619,935**	
Portfolio weighted average maturity		1.45
Reconciliation to total cash and investments		
Add:		
Cash on hand and in banks	60,852,554	
	$719,472,489	

Credit Quality Distribution for Securities as a Percentage of Total Investments

	S&P Rating	% of Total
Money market mutual funds	AAAm	0.79%
Local investment pools	AAAm	1.03%
Repurchase agreements	-	17.45%
Commercial paper	A	1.79%
US Treasury securities	AAA	51.45%
Federal Farm Credit Banks	AAA	2.02%
Federal Home Loan Bank System	AAA	5.72%
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA	5.19%
Fannie Mae (Federal National Mortgage Association)	AAA	4.79%
Domestic equities	-	6.67%
International equities	-	1.80%
Corporate bonds	AAA	0.32%
Corporate bonds	AA	0.29%
Corporate bonds	A	0.32%
Corporate bonds	BBB	0.01%
Mortgage bonds	AAA	0.36%
		100.00%

At year-end the City had entered into several repurchase agreements in order to temporarily invest excess cash. Underlying collateral for these agreements is composed of direct obligations of the U.S. Government or its instrumentality and fair value of this collateral exceeds 100% of carrying value.

As of December 31, 2006, the City has invested $6,739,217 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. Utilities has invested $82,513 in the Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2006. CSAFE operates similarly to COLOTRUST whereby Utilities acquires and redeems shares of the common law trusts as authorized by state statute.

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

3. Component Unit Deposits and Investments

Cash and investments of the component units of the City are reported at fair value and consist of the following at December 31, 2006:

	Demand Accounts	Money Market	COLOTRUST	Total
Govermental Activities:				
Urban Renewal Authority	$106,424	$ -	$ -	$106,424
Downtown Colorado Springs BID	4,187	243,212	-	247,399
Briargate Center BID	333,946	572,749	-	906,695
Barnes & Powers North BID	285	-	-	285
Barnes & Powers South BID	1,978	-	-	1,978
First & Main BID	3,305	-	-	3,305
First & Main North BID	5,800	425	-	6,225
Interquest North BID	1,004	-	-	1,004
Interquest South BID	3,581	-	-	3,581
Powers & Woodmen Commercial BID	4,159	-	-	4,159
Sub-total	**464,669**	**816,386**	**-**	**1,281,055**
Business-type Activities:				
Fountain Valley Authority	1,445,823	1,126,442	172,112	2,744,377
Aurora-Colorado Springs Joint Water Authority	10,480	-	-	10,480
Various Canal & Reservoir Companies	459,578	-	-	459,578
Sub-total	**1,915,881**	**1,126,442**	**172,112**	**3,214,435**
Total	**$2,380,550**	**$1,942,828**	**$172,112**	**$4,495,490**

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2006:

	Governmental Activities	Business-type Activities	Total
Unrestricted	$706,711	$975,356	$1,682,067
Restricted	574,344	2,239,079	2,813,423
Total	**$1,281,055**	**$3,214,435**	**$4,495,490**

The carrying amount of the deposits of the component units of the City at December 31, 2006, was $2,380,550 and the bank balances were $2,575,213. Of the bank balances, $601,309 was covered by federal deposit insurance and $1,780,856 was collateralized in accordance with provisions of the CPDPA. The various canal companies are publicly traded and not a public entity. The excess balances above federal deposit insurance in the amount of $188,861 are not covered by the CPDPA.

B. Receivables

Receivables for governmental funds, proprietary funds, fiduciary funds and component units at December 31, 2006 include the following (in 000's):

Receivables

	General	Hospital	Utilities	Airport	Parking	Non-Major & Other	Total
Interest	$ -	$ -	$1,574	$ -	$ -	$ -	$1,574
Taxes	32,985	-	-	-	-	6,632	39,617
Accounts	2,631	113,644	84,167	8,051	17	6,566	215,076
Assessments	-	-	-	-	-	447	447
Intergovernmental loans	-	-	-	-	-	18,344	18,344
Notes and loans	942	2,548	411	1,289	-	26	5,216
Gross Receivables	36,558	116,192	86,152	9,340	17	32,015	280,274
Less: allowances for uncollectibles	-	(41,952)	(1,268)	-	-	-	(43,220)
Net Receivables	$36,558	$74,240	$84,884	$9,340	$17	$32,015	$237,054

Loans receivable of $19,310,593 is included in receivables - net in the statement of net assets as of December 31, 2006. Of the loans receivable, Community Development Department (CDD) has loans receivable of $17,214,461 as of December 31, 2006. These loans were funded with HOME (Federal Home Investment Partnership Act), CDBG (Community Development Block Grant), CHFA (Colorado Housing Finance Authority), and HOPE III (Homeownership Opportunity Program) funds. The majority of the loans require full repayment. Some loans carry monthly amortization and other loans are paid in full when the property is sold, the borrower moves from the property or the borrower dies. Only $270,982 of the portfolio is eligible for forgiveness of debt. CDD partners with local lending institutions to provide rehabilitation funds to low and moderate income homeowners. A portion of these loans is forgiven monthly. This encourages long-term home occupancy and local bank participation. All loans and grants are secured with the property as collateral.

C. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances as of December 31, 2006 were:

Receivable Fund	Payable Fund	Amount
General fund	Utilities	$2,161,227
	Hospital	53,730
	Non-major governmental funds	1,032,996
	Non-major business-type funds	1,903,800
	Sub-Total	**5,151,753**
Utilities	General fund	9,077,361
	Hospital	360,755
	Airport	112,641
	Parking	13,311
	Non-major governmental funds	3,882,853
	Non-major business-type funds	272,575
	Internal services	49,162
	Sub-Total	**13,768,658**
Hospital	General fund	18,108
	Internal services	58,254
	Sub-Total	**76,362**
Airport	General fund	**50**
Parking	General fund	2,158,806
	Utilities	11,277
	Sub-Total	**2,170,083**
Non-major governmental funds	General fund	963,475
	Non-major governmental funds	200
	Sub-Total	**963,675**
Non-major business-type funds	Utilities	**2,613**
Internal service funds	General fund	50
	Utilities	1,066,152
	Hospital	50,468
	Internal services	32,097
	Sub-Total	**1,148,767**
Component unit	Fiduciary	**472,232**
Total		**$23,754,193**

A major portion of the total due to Utilities from the general fund, $9,077,361, resulted from a 2002 sale of a building between the funds; $8,524,547 of the remaining balance from the sale is due beyond one year. The amount related to the 2002 sale was adjusted in 2006 to reflect the outstanding principal balance on the loan for the building. Utilities did not reflect this entire amount in their stand-alone financials. This amount was adjusted to reflect the entire amount and correspond to the amount reflected in the general fund.

The balance of $2,158,806 due to Parking from the general fund resulted from Parking's construction of the parking facility for the general fund's use; $2,111,102 of the balance is due beyond one year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	Transfers In:			
Transfers Out:	**General Fund**	**Non-major Governmental**	**Non-major Enterprise Funds**	**Total**
General fund	$ -	$16,790,587	$797,500	$17,588,087
Utilities	25,150,617	-	-	25,150,617
Parking	205,743	-	-	205,743
Non-major governmental funds	452,622	-	-	452,622
	$25,808,982	$16,790,587	$797,500	
Total transfers in				$43,397,069

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) to move capital assets from one fund to another fund when the fund using the capital asset changes.

D. Payments In Lieu Of Taxes

Utilities provides payment to the City, in lieu of taxes, amounts which are based on a fixed rate per kwh and ccf of electricity and natural gas delivered within the City limits, without exclusion for interdepartmental deliveries. The payments are recorded as transfers on the statement of activities. In 2006, the amount paid was $25.1 million.

E. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of 2006, the various components of deferred revenue and unearned revenue reported in the government funds were as follows:

	Unavailable	Unearned
Loans	$ -	$19,310,593
Property taxes	23,005,445	-
Special assessment	447,364	-
Grant drawdowns prior to meeting all eligibility requirements	-	2,810,161
Other unearned revenue	-	660,452
Total deferred/unearned revenue for governmental funds	$23,452,809	$22,781,206

F. Inventories

Inventories, exclusive of component units, are stated at average cost, except the Hospital inventories, which are carried at the lower of cost or market. Proprietary fund inventories consist of the following at December 31, 2006:

Materials and Supplies	$23,495,403
Fuel	23,946,365
Total	**$47,441,768**

G. Changes in Capital Assets

The following schedule reflects the changes in capital assets for the year ended December 31, 2006 (in 000's):

Primary Government

	Beginning Balance	Increases*	Decreases*	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$166,776	$15,058	$ -	$181,834
Construction in progress	15,218	16,062	(6,058)	25,222
Total capital assets not being depreciated	181,994	31,120	(6,058)	207,056
Capital assets being depreciated:				
Building	137,967	6,250	(151)	144,066
Improvements other than buildings	28,412	4,915	-	33,327
Machinery and equipment	110,130	15,251	(3,826)	121,555
Infrastructure	736,619	29,029	-	765,648
Total capital assets being depreciated	1,013,128	55,445	(3,977)	1,064,596
Less accumulated depreciation for:				
Building	(39,320)	(3,616)	117	(42,819)
Improvements other than buildings	(7,035)	(1,277)	-	(8,312)
Machinery and equipment	(62,475)	(10,000)	3,320	(69,155)
Infrastructure	(231,395)	(21,870)	-	(253,265)
Total accumulated depreciation	(340,225)	(36,763)	3,437	(373,551)
Capital asets being depreciated, net	672,903	18,682	(540)	691,045
Total governmental activities capital assets, net	$854,897	$49,802	($6,598)	$898,101

* Includes transfers between categories.

	Beginning Balance	Increases*	Decreases*	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	$187,952	$29	($31)	$187,950
Construction in progress	235,403	358,318	(162,615)	431,106
Total capital assets not being depreciated	423,355	358,347	(162,646)	619,056
Capital assets being depreciated:				
Building	113,728	5,281	(388)	118,621
Improvements other than buildings	140,294	1,416	(38,587)	103,123
Machinery and equipment	14,302	2,284	(1,243)	15,343
Infrastructure	16,795	-	-	16,795
Utilities plant**	3,001,168	176,273	(16,653)	3,160,788
Hospital plant	395,747	25,522	(3,431)	417,838
Total capital assets being depreciated	3,682,034	210,776	(60,302)	3,832,508
Less accumulated depreciation for:				
Building	(36,340)	(3,135)	286	(39,189)
Improvements other than buildings	(47,537)	(5,612)	18,752	(34,397)
Machinery and equipment	(10,570)	(945)	1,205	(10,310)
Infrastructure	(960)	(479)	-	(1,439)
Utilities plant	(1,083,885)	(85,679)	11,318	(1,158,246)
Hospital plant	(190,419)	(22,834)	3,085	(210,168)
Total accumulated depreciation	(1,369,711)	(118,684)	34,646	(1,453,749)
Capital assets being depreciated, net	2,312,323	92,092	(25,656)	2,378,759
Total business-type activities capital assets, net	$2,735,678	$450,439	($188,302)	$2,997,815

* Includes transfers between categories.

** Depreciable and non-depreciable assets broken out and previous year beginning balance restated.

Depreciation expense was charged to governmental activities and business-type activities as of December 31, 2006 as follows (in 000's):

Governmental Activities:		**Business-type Activities:**	
General government	$1,089	Utilities	$85,671
Public safety	6,190	Hospital	22,834
Public works	25,913	Airport	8,552
Culture and recreation	3,139	Parking	680
Internal service funds	433	Non-major enterprise funds	938
Total depreciation expense governmental activities	$36,764	Total depreciation expense business-type activities	$118,675

The following schedule reflects the changes in discretely presented component unit capital assets for the year ended December 31, 2006 (in 000's):

	Beginning Balance	Increases*	Decreases*	Ending Balance
Governmental Activities:				
Discretely Presented Component Units:				
Capital assets being depreciated:				
Machinery and equipment	$33	$57	$ -	$90
Improvements	1,331	-	-	1,331
Infrastructure	8,475	-	-	8,475
Total capital assets being depreciated	9,839	57	-	9,896
Less accumulated depreciation for:				
Machinery and equipment	(28)	(11)	-	(39)
Improvements	(34)	(44)	-	(78)
Infrastructure	(311)	(217)	-	(528)
Total accumulated depreciation	(373)	(272)	-	(645)
Capital assets being depreciated, net	9,466	(215)	-	9,251
Governmental activities Discretely presented component unit Capital assets, net	$9,466	($215)	$ -	$9,251

* Includes transfers between categories.

	Beginning Balance	Increases*	Decreases*	Ending Balance
Business-type Activities:				
Discretely Presented Component Units:				
Capital assets not being depreciated:				
Construction in progress	$70	$211	$ -	$281
Capital assets being depreciated:				
Utilities plant	117,060	-	(23)	117,037
Less accumulated depreciation for:				
Utilities plant	(37,102)	(2,026)	-	(39,128)
Capital assets being depreciated, net	79,958	(2,026)	(23)	77,909
Business-type activities				
Discretely presented component unit				
Capital assets, net	$80,028	($1,815)	($23)	$78,190

* Includes transfers between categories.

H. Leases

1. Operating Leases

The following is a schedule of the minimum rental payments for succeeding years ending December 31:

Year	Governmental Activities	Business-type Activities
2007	$453,636	$968,000
2008	330,922	764,000
2009	304,088	630,000
2010	-	291,000
2011	-	92,000
2012-2014	-	226,000
Total	$1,088,646	$2,971,000

Total rental expense on operating leases for the year ended December 31, 2006 was $712,509 for governmental activities and $1,191,315 for business-type activities.

2. Operating Leases (Component Units)

The following is a schedule of the minimum rental payments for succeeding years ending December 31:

Year	Business-type Activities
2007	$39,330
2008	39,044
2009	40,322
2010	34,195
2011	9,669
2012-2016	48,343
2017-2021	41,008
Total	$251,911

Total rental expense on operating leases for the year ended December 31, 2006 was $43,467 for business-type activities component units. There were no operating leases for governmental activities component units for 2006.

3. Capital Leases

The City has entered into various capital lease commitments in order to acquire land, machinery and equipment. Land, machinery and equipment so acquired are capitalized in the government-wide financial statements and in the business-type activities of the fund financial statements. All related lease payments are subject to annual appropriation and made from the acquiring fund. Should the City not appropriate monies for these payments, the land, machinery or equipment would revert to the lessor.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, exclusive of component units, are as follows (in 000's):

Year	Governmental Activities	Business-type Activities
2007	$1,229	$217
2008	794	142
2009	738	184
2010	50	184
2011	50	-
Future minimum lease payments	2,861	727
Amount representing interest	(205)	(90)
Present value of net minimum payments	$2,656	$637

These capital leases represent agreements for certain capital assets which have been included as assets as follows (in 000's):

Assets:	Governmental Activities	Business-type Activities
Machinery and equipment	$6,270	$1,336
Building	857	-
Accumulated depreciation	(3,404)	(533)
Net capitalized lease property	$3,723	$803

Amortization of the leased property is included in depreciation expense.

4. Capital Leases (Component Units)

Fountain Valley Authority leases various plant assets under a capital lease agreement expiring December 31, 2025. As of December 31, 2006, future minimum payments under the capital lease consisted of the following (in 000's):

Year	Business-type Activities
2007	$5,353
2008	5,353
2009	5,353
2010	5,353
2011	5,353
2012-2016	26,763
2017-2021	26,763
2022-2025	14,886
Future minimum lease payments	95,177
Amount representing interest	(22,539)
Present value of net minimum payments	$72,638

Property recorded under the capital lease is as follows (in 000's):

Assets:	Business-type Activities
Utilities plant	$70,501
Accumulated depreciation	(18,396)
Net capitalized lease property	$52,105

Amortization of the plant cost has been included in depreciation expense and amounted to $892 (in thousands) for 2006.

I. Revolving Loan Agreement/Line of Credit

On January 1, 2002, Utilities entered into a $15,000,000 revolving loan agreement with a bank, with interest at 90% of the bank's prime rate (8.25% as of December 31, 2006). The agreement expired in December 2002, but was extended to March 2003. The proceeds from draws on the original agreement were to be used by Utilities for the purchase of energy on the open market in the event of a forced outage of the system. A second extension agreement was completed on March 1, 2003 which expanded the use of funds for any corporate purpose and extended the agreement date to March 2004. A third extension agreement was completed in

March 2004, extending the agreement date to March 1, 2005 and included provisions to increase the amount of the credit line to $25,000,000. A fourth extension agreement was completed in February 2005, extending the agreement to March 2006. A fifth extension agreement was completed in March 2006, which extended the agreement to March 2007. No draws were made in 2006 on the fifth extension agreement. There were no changes to the terms of the agreement. The agreement is collateralized by the net pledged revenues of Utilities.

The Hospital maintains two line of credit agreements with a bank totaling $5,000,000, which expire on July 15, 2007 and bear interest at the bank's prime rate less .75%. No amounts were outstanding under these lines of credit at December 31, 2006.

J. Long-Term Debt

During 2006, the Parking fund, a proprietary fund of the City, issued $7,665,000 in Revenue Bonds, Series 2006 for the construction of an expansion of the City Administration Building parking garage and related improvements, to fund a debt service reserve fund, and to pay costs of issuance of the bonds.

During 2006, Utilities issued $60,625,000 Variable Rate Demand Utilities System Subordinate Lien Improvement and Refunding Revenue Bonds, Series 2006A, which was used primarily to refund the outstanding Utilities System Revenue Bonds, Series 1996A, and $75,000,000 Utilities System Subordinate Lien Improvement Revenue Bonds, Series 2006B, to finance a variety of capital improvements to the system. The reacquisition price exceeded the net carrying amount of the old debt by $762,711. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life as the new debt issued. At the time of issue an interest rate swap was executed with JPMorgan. This advance refunding and swap transaction was undertaken to reduce total debt service payments over the next 20 years by $6,721,275 and resulted in net present value savings of $4,818,699.

During 2006, the City approved an ordinance authorizing a loan to the Colorado Springs Urban Renewal Authority in the amount of $266,000 to support operations. The loan is for a two year term, and accrues interest at 5.43%. As of December 31, 2006, $95,000 has been drawn on this loan.

During 2006, Airport entered into a note with US Bank N.A. to fund improvements to a parcel of land in the Airport's business park. The improvements consist of infrastructure development, including utility lines, roads, and general grading in order to prepare the property for development. The loan is collateralized by real property. The loan amount is not to exceed $3,047,514, and the amount outstanding at December 31, 2006, is $1,283,350. Loan payments will be made with funds derived from an additional surcharge collected from the tenant.

During 2005, the City approved a resolution authorizing the Colorado Springs Urban Renewal Authority to use 100% of the annual sales tax increments generated within the North Nevada Avenue corridor urban renewal area. The dedication of these sales tax increments shall be for a period not to exceed 23 years and will total $79.1 million. The increment will be utilized to support a bond issue that will fund needed infrastructure improvements and administrative

expenses within the renewal area. As of December 31, 2006, no increments have been provided.

The City has outstanding long-term debt in the form of several instruments. General Obligation bonds are direct obligations that pledge the full faith and credit of the City for the repayment of principal and interest. Sales Tax Revenue bonds are issued to finance the construction of various capital improvements. Sales Tax revenues are used to repay principal and interest of the bonds. Certificates of Participation are issued for particular projects and are repaid from lease payments made by the City for use of the acquired property. Special assessment bonds and notes are used to finance projects which benefit particular properties and are repaid solely from charges levied upon the benefiting properties. While principal and interest payments are intended to be paid solely from revenues derived from assessments levied upon the benefiting property, the City may choose to commit resources should the need arise. Proprietary fund principal and interest payments on revenue bonds and notes payable are pledged solely from revenues of the proprietary fund operation.

There were no known violations of the terms or provisions of the various contracts and agreements relating to long-term debt during this reporting period.

1. Summary of Long-term Debt

The following table summarizes significant facts about the long-term debt outstanding at December 31, 2006:

Debt Types	Date Issued	Original Issue Amount	Outstanding Principal Amount	Future Aggregate Interest Requirements	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
Governmental Activities*						
General Obligation Bonds						
General Series 2004	January, 2004	$17,115,000	$8,575,000	$497,925	2.000 - 3.000%	2004 - 2009
Cottonwood GID Series 1998	November, 1998	9,525,000	5,865,000	1,371,778	3.100 - 4.550	1999 - 2015
Spring Creek GID Series 2005	August, 2005	2,695,000	2,695,000	1,351,395	5.900	2007 - 2020
Briargate GID Series 2004	January, 2004	8,800,000	8,800,000	4,672,500	7.000	2015
Sales Tax Revenue Bonds						
Series 1999	June, 1999	87,975,000	54,645,000	13,828,355	4.000 - 5.000	1999 - 2015
Certificates of Participation						
Hillside Recreation Center Series 1997	May, 1997	1,615,000	605,000	74,455	4.000 - 5.300	1997 - 2009
Skyview Softball Complex Series 1999	September, 1999	4,205,000	3,275,000	1,385,446	4.200 - 5.500	2001 - 2015
Old City Hall Project Series 2000	July, 2000	7,265,000	5,975,000	2,687,289	4.500 - 5.500	2002 - 2020
Red Rock Canyon Series 2003	November, 2003	15,070,000	12,620,000	3,510,463	2.500 - 4.500	2004 - 2018
Special Assessments Obligations						
Woodmen Valley	November, 1995	1,730,254	382,317	69,166	7.000	1995 - 2010
Carmel ID	August, 1999	191,214	9,135	1,988	8.370	1999 - 2010
Uintah Street ID	September, 1999	14,416	2,205	491	8.550	1999 - 2010
15th & Spring	March, 2000	23,006	3,556	1,034	9.160	2000 - 2011
Broadmoor West	January, 2000	34,930	7,640	2,201	9.080	2000 - 2011
Total Governmental Activities		$156,258,820	$103,459,853	$29,454,486		
Business-type Activities **						
Revenue Bonds - Utilities						
Series 1997A	September, 1997	$121,455,000	$111,795,000	$98,140,914	5.000 - 5.375	1998 - 2026
Series 1998A	October, 1998	94,965,000	36,110,000	27,388,644	4.625 - 5.000	2002 - 2027
Series 1999A	September, 1999	65,500,000	63,855,000	72,555,949	4.125 - 5.750	2002 - 2028
Series 2000A	November, 2000	110,000,000	110,000,000	98,133,750	3.900	2029
Series 2000B	November, 2000	15,000,000	12,375,000	8,010,000	7.500	2001 - 2020
Series 2001A	August, 2001	300,790,000	244,215,000	130,460,863	3.250 - 5.375	2001 - 2029
Series 2002A	August, 2002	74,695,000	74,695,000	47,581,419	5.250 - 5.375	2009 - 2020
Series 2002B	December, 2002	110,000,000	109,670,000	102,213,120	4.000 - 5.000	2006 - 2030
Series 2002C	December, 2002	27,055,000	27,055,000	30,275,672	5.350	2027
Series 2003A	November, 2003	113,310,000	106,960,000	53,299,749	2.000 - 5.000	2004 - 2033
Series 2003B	November, 2003	45,000,000	45,000,000	54,072,584	3.000 - 5.000	2009 - 2043
Series 2004A	August, 2004	117,450,000	117,450,000	59,877,916	4.112	2010 - 2023
Series 2004B	September, 2004	107,115,000	107,115,000	93,540,700	4.500 - 5.500	2008 - 2034
Series 2004C	September, 2004	15,695,000	15,695,000	18,443,524	4.000 - 5.000	2008 - 2044
Series 2005A	September, 2005	100,000,000	100,000,000	91,424,262	4.710	2010 - 2035
Series 2005B	October, 2005	19,240,000	19,240,000	16,653,278	3.500 - 5.000	2009- 2035
Series 2005C	October, 2005	16,050,000	16,050,000	20,404,297	3.750 - 5.125	2012 - 2045
Series 2006A	August, 2006	60,625,000	60,625,000	47,858,499	4.481	2015 - 2025
Series 2006B	September, 2006	75,000,000	75,000,000	63,623,635	4.119	2011 - 2036
Revenue Bonds - Airport						
Series 1992C	September, 1992	6,582,687	6,019,851	680,149	6.800 - 7.200	2002 - 2011
Series 1996A	December, 1996	12,450,000	9,345,000	4,377,224	4.000 - 5.250	1999 - 2021
Series 1996B	December, 1996	3,485,000	2,625,000	1,289,008	4.150 - 5.500	1999 - 2021
Series 2002	December, 2002	43,005,000	39,230,000	18,846,236	3.000 - 5.000	2003 - 2021

Debt Types	Date Issued	Original Issue Amount	Outstanding Principal Amount	Future Aggregate Interest Requirements	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
Business-type Activities ** Continued						
Revenue Bonds - Hospital						
Series 2000	August, 2000	59,825,000	30,175,000	41,705,245	6.375	2025 - 2030
Series 2002	July, 2002	112,360,000	105,740,000	65,446,563	3.205	2003 - 2032
Series 2004A	June, 2004	50,600,000	48,475,000	18,203,513	3.050	2024 - 2033
Series 2004B	June, 2004	24,975,000	23,950,000	9,393,375	3.100	2024 - 2033
Series 2004C	June, 2004	33,000,000	32,775,000	24,332,400	3.150	2024 - 2033
Series 2004D	June, 2004	68,000,000	68,000,000	39,724,500	3.100	2024 - 2033
Revenue Bonds - Parking System						
Series 1999	March, 1999	9,300,000	6,460,000	2,064,746	3.000 - 4.750	1999 - 2018
Series 2006	February, 2006	7,665,000	7,665,000	5,442,441	3.375 - 4.500	2009 - 2027
Notes Payable						
Airport	June, 2006	1,307,644	1,283,540	3,201,062	8.500	2006 - 2024
Wastewater Facility - Utilities	May, 1998	22,204,270	17,498,800	5,675,691	4.060	1998 - 2019
Water Pollution Control - Pikes Peak	July, 2003	1,000,000	868,673	274,250	4.000	2004 - 2020
Total Business-type Activities		$2,044,704,601	$1,853,015,864	$1,374,615,178		
Component Units ***						
Special Assessment Revenue Bonds						
Briargate Center BID - Series 2006	2006	$7,360,000	$7,360,000	$4,421,210	4.500%	2007 - 2027
Limited Tax General Obligation Bonds						
Briargate Center BID - Series 2002	2002	2,895,000	2,875,000	3,802,853	7.450	2003 - 2032
First & Main North BID - Series 2005	2005	1,927,000	1,927,000	-	0.000	N/A
Revenue Bonds						
Fountain Valley Authority	2006	9,540,000	9,325,000	2,980,550	4.000 - 4.500	2006 - 2019
Notes Payable and Lines of Credit						
Urban Renewal Authority	July, 1990	1,250,000	846,988	-	0.000	N/A
Urban Renewal Authority	April, 2006	95,000	95,000	21,857	5.430	2008
Briargate Center BID	2005	20,000	20,000	-	0.000	N/A
Barnes & Powers North BID	2006	10,000	10,000	-	0.000	N/A
Barnes & Powers South BID	2006	10,000	10,000	-	0.000	N/A
First & Main BID	2006	20,831	20,831	-	0.000	N/A
First & Main North BID	2006	10,000	10,000	-	0.000	N/A
Interquest North BID	2006	10,000	10,000	-	0.000	N/A
Interquest South BID	2006	10,000	10,000	-	0.000	N/A
Powers & Woodment Commercial BID	2006	10,000	10,000	-	0.000	N/A
The Twin Lakes Reservior and Canal Company	1996	2,451,830	37,371	235	5.850	1996 - 2007
Fountain Valley Authority	2003	3,221,861	2,801,619	921,215	3.030	2004 - 2024
Fountain Valley Authority	2000	7,607,966	5,766,268	2,022,791	3.400	2001 - 2020
The Lake Henry Reservoir Company	2003	147,701	129,938	78,867	4.250	2006 - 2035
The Lake Meredith Reservoir Company	2003	1,471,500	1,417,977	964,739	4.000	2005 - 2034
The Lake Meredith Reservoir Company	2003	500,000	164,306	18,861	6.000	2004 - 2013
Total Component Units		$38,568,689	$32,847,298	$15,233,178		

*Exclusive of capital leases, municipal solid waste landfill and compensated absences

**Exclusive of capital leases and other liabilities

***Exclusive of capital leases and deferred losses

2. Changes in Long-term Liabilities

The City has issued and has long-term debt in various instruments. The following is a summary of transactions of the long-term liabilities, exclusive of discretely presented component units, for the year ended December 31, 2006 (in 000's):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
GOVERNMENTAL ACTIVITIES					
Bonds and notes payable:					
General obligation bonds	$29,195	$ -	$3,260	$25,935	$3,445
Sales tax revenue bonds	59,670	-	5,025	54,645	5,240
Certificates of participation	23,915	-	1,440	22,475	1,480
Special assessment bonds and notes	536	-	131	405	90
Capital leases	3,808	-	1,152	2,656	1,122
	117,124	-	11,008	106,116	11,377
Less deferred amounts:					
For issuance premium	258	-	86	172	-
On refundings	(403)		(104)	(299)	-
	(145)	-	(18)	(127)	-
Total bonds and notes payable	116,979	-	10,990	105,989	11,377
Other liabilities:					
Municipal solid waste landfill	548	10	-	558	-
Compensated absences	22,160	14,299	13,971	22,488	1,124
Net pension obligation	582	5	-	587	-
Developer reimbursements	3,308	-	100	3,208	-
Total other liabilities	26,598	14,314	14,071	26,841	1,124
Governmental activities long-term liabilities	$143,577	$14,314	$25,061	$132,830	$12,501
BUSINESS-TYPE ACTIVITIES					
Bonds and notes payable:					
Revenue bonds	$1,775,026	$143,290	$84,951	$1,833,365	$28,574
Notes payable	19,101	1,308	758	19,651	1,364
Capital leases	676	147	186	637	188
	1,794,803	144,745	85,895	1,853,653	30,126
Less deferred amounts:					
For issuance discounts and premiums	18,553	(151)	744	17,658	-
On refundings	(30,240)	(1,666)	(1,754)	(30,152)	-
	(11,687)	(1,817)	(1,010)	(12,494)	-
Total bonds and notes payable	1,783,116	142,928	84,885	1,841,159	30,126
Other liabilities:					
Municipal solid waste landfill	1,525	161	-	1,686	-
Compensated absences	20,895	30,065	27,502	23,458	1,173
Claims and judgments	9,470	33,303	32,290	10,483	7,472
Customer deposits	1,544	466	215	1,795	-
Customer advances for construction	9,722	3,541	2,373	10,890	-
Other	1,057	1,013	1,507	563	-
Total other liabilities	44,213	68,549	63,887	48,875	8,645
Business-type activities long-term liabilities	$1,827,329	$211,477	$148,772	$1,890,034	$38,771

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. Also, for the governmental activities, municipal solid waste landfill, compensated absences, net pension obligation, and developer reimbursements are generally liquidated by the general fund.

Component Units

The following is a summary of long-term debt transactions for component units of the City for the year ended December 31, 2006 (in 000's):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
GOVERNMENTAL ACTIVITIES					
Limited tax general obligation bonds	$4,817	$ -	$15	$4,802	$15
Special assessment revenue bonds	6,635	7,360	6,635	7,360	345
Notes payable	20	176	-	196	-
Governmental activities long-term liabilities	$11,472	$7,536	$6,650	$12,358	$360
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	$9,680	$ 9,540	$9,895	$9,325	$550
Less deferred amounts:					
For issuance premium and discounts	-	89	3	86	-
On refundings	(497)	(611)	(516)	(592)	-
Notes payable	11,292	-	974	10,318	607
Capital leases	75,698	-	3,060	72,638	3,140
Other	31	-	-	31	-
Business-type activities long-term liabilities	$96,204	$ 9,018	$13,416	$91,806	$4,297

3. Annual Debt Service Requirements of Long-term Debt

The following is a summary of scheduled maturities on general obligation bonds as of December 31, 2006 (in 000's):

Year Ending	Governmental Activities		Component Units	
December 31	Principal	Interest	Principal	Interest
2007	$3,445	$1,266	$15	$214
2008	3,555	1,175	25	213
2009	3,675	1,058	30	211
2010	775	936	40	209
2011	810	901	40	206
2012-2016	12,665	2,404	330	969
2017-2021	1,010	154	485	825
2022-2026	-	-	685	617
2027-2031	-	-	980	321
2032-2036	-	-	245	18
	$25,935	$7,894	$2,875	$3,803

First & Main North BID issued $1,927,000 in General Obligation Bonds in 2005. These bonds are to be repaid with future pledged revenues of the district and cannot be predicted with certainty. As a result, they are not listed above.

The following is a summary of scheduled maturities on revenue bonds as of December 31, 2006 (in 000's):

Year Ending	Governmental Activities		Business-type Activities		Component Units	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2007	$5,240	$2,609	$28,645	$85,412	$550	$397
2008	5,460	2,387	42,760	84,242	575	372
2009	5,700	2,146	45,280	82,375	600	346
2010	5,955	1,890	49,395	81,001	625	320
2011	6,235	1,615	54,655	78,120	655	293
2012-2016	26,055	3,181	254,325	354,710	3,705	1,027
2017-2021	-	-	345,030	286,283	2,615	225
2022-2026	-	-	401,350	198,826	-	-
2027-2031	-	-	475,025	89,467	-	-
2032-2036	-	-	108,720	18,607	-	-
2037-2041	-	-	17,415	5,373	-	-
2042-2046	-	-	10,765	1,048	-	-
	$54,645	$13,828	$1,833,365	$1,365,464	$9,325	$2,980

The following is a summary of scheduled maturities on certificates of participation as of December 31, 2006 (in 000's):

Year Ending December 31	Governmental Activities	
	Principal	Interest
2007	$1,480	$989
2008	1,545	939
2009	1,785	882
2010	1,505	811
2011	1,565	753
2012-2016	8,920	2,695
2017-2021	5,675	589
	$22,475	$7,658

The following is a summary of scheduled maturities on special assessment bonds as of December 31, 2006 (in 000's):

Year Ending December 31	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2007	$90	$29	$345	$344
2008	97	22	220	334
2009	104	15	230	324
2010	111	8	245	314
2011	3	1	250	303
2012-2016	-	-	1,440	1,334
2017-2021	-	-	1,805	966
2022-2026	-	-	2,300	477
2027	-	-	525	26
	$405	$75	$7,360	$4,422

The following is a summary of scheduled maturities on notes payable as of December 31, 2006 (in 000's):

Year Ending December 31	Governmental Activities Component Units		Business-type Activities		Business-type Activities Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ -	$14	$1,364	$973	$607	$356
2008	95	8	822	949	580	342
2009	-	-	1,141	856	575	327
2010	-	-	1,145	774	543	313
2011	-	-	1,149	729	555	300
2012-2016	-	-	7,033	3,042	2,993	1,297
2017-2021	-	-	6,847	1,502	2,996	741
2022-2026	-	-	150	326	865	220
2027-2031	-	-	-	-	366	92
2032-2036	-	-	-	-	238	19
	$95	$22	$19,651	$9,151	$10,318	$4,007

Urban Renewal Authority, Briargate Center BID, and First & Main BID have notes payable in the amount of $846,988, $20,000, and $20,831 respectively. Barnes & Powers North BID, Barnes & Powers South BID, First & Main North BID, Interquest North BID, Interquest South BID, and Powers & Woodmen Commercial BID have notes payable in the amount of $10,000 each. These notes are non-interest bearing. They are to be repaid exclusively from specified revenues, and therefore have no predetermined payback period. As such, these notes are not listed in the above schedule.

K. Industrial Development Revenue Bonds and other Instruments Issued under the Colorado County and Municipality Development Revenue Bond Act.

The City has lent its name to various industrial development revenue bond issues over the course of several years. Proceeds of these bond issues were used to finance various private activities relating to business expansion, construction and development. In addition, Private Activity Bonds (PAB's) are a form of tax-exempt financing in which the City acts as the issuer under the County and Municipality Development Revenue Bond Act, section 29-3-101 CRS. PAB's are authorized to allow counties and municipalities to promote industry and develop trade or other economic activity by inducing profit or nonprofit enterprises to locate, expand or remain in their communities. The advantage to nonprofit entities that borrow through the City is that they borrow funds at lower interest rates because the bonds are exempt from federal and state income tax.

The City is not liable for the repayment of principal or interest on these bonds and related financial activity is not shown in the financial statements. The original issue amount of these bonds, in the aggregate, was $311 million. There was $54 million in PAB's issued during 2006 and no industrial revenue bonds.

L. Net Assets/Fund Balances

Fund balances of the governmental funds at December 31, 2006 include the following:

Reserves:	General Fund	Non-Major Governmental Funds	Total
Debt service	$1,161,380	$539,994	$1,701,374
Endowments	-	10,379,729	10,379,729
Emergency reserve	7,545,241	-	7,545,241
Total	$8,706,621	$10,919,723	$19,626,344

Unreserved and designated:	General Fund	Non-Major Governmental Funds	Total
Encumbrances	$3,159,960	$ -	$3,159,960
Subsequent year expenditures	5,068,218	-	5,068,218
Special revenue funds	-	17,426,492	17,426,492
Capital funds	-	11,328,784	11,328,784
Total	$8,228,178	$28,755,276	$36,983,454

Unreserved and Undesignated:	General Fund	Non-Major Governmental Funds	Total
General fund	$15,891,678	$ -	$15,891,678
Special revenue	-	19,133,065	19,133,065
Total	$15,891,678	$19,133,065	$35,024,743

M. Interest Rate Swaps

1. Utilities Interest Rate Swaps

Gains and losses on gas hedging instruments are recognized in other expense in the period in which they occur. As of December 31, 2006, the fair value of these contracts was $19,640,860, of which, $14,593,191 is classified as a current asset and the remainder as a long-term asset. The aggregate change in the fair value of gas hedge contacts charged to other expense for the year ended December 31, 2006 was $121,225,824.

Swap agreement related to refunding of 1994 Bonds:

In August 2003, Utilities entered into a swap agreement with JP Morgan Chase Bank (JP Morgan) which became effective on August 18, 2004 and will terminate on November 1, 2023. Pursuant to this agreement, JP Morgan will pay Utilities a variable interest rate on the notional amount of $117,450,000 equal to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), and Utilities will pay JP Morgan a fixed interest rate on the same notional amount equal to 4.112% per annum. If BMA averages more than 7% for 180 consecutive calendar days during the term of the agreement, the agreement will terminate by its terms and no payments by either party will be due. The effective date of the agreement, August 18, 2004, was the date on which Utilities issued its Variable Rate Demand Utilities System Subordinate Lien Refunding Revenue Bonds, Series 2004A in the aggregate principal amount of $117,450,000 to refund all of Utilities' outstanding Utilities System Improvement and Refunding Revenue Bonds, Series 1994A.

Swap agreement related to refunding of 1996 Bonds:

In August 2003, Utilities entered into a second swap transaction with JP Morgan which became effective on August 24, 2006 and will terminate on November 1, 2025. JP Morgan will pay Utilities a variable interest rate on the notional amount of $60,625,000 equal to 68% of the 1-month London Interbank Offer Rate (LIBOR) for deposits in U.S. Dollars, and Utilities will pay JP Morgan a fixed interest rate on the same notional amount equal to 4.481% per annum. The effective date of the agreement, August 18, 2006, was the date on which Utilities issued its Variable Rate Demand Utilities System Subordinate Lien Improvement and Refunding Revenue Bonds, Series 2006A in the aggregate principal amount of $60,625,000 to refund all but the 2006 maturity ($250,000) of Utilities' outstanding Utilities System Revenue Bonds, Series 1996A.

Swap agreement related to a portion of Utilities' 2005 new money bond issuance:

In June 2004, Utilities entered into swap agreements with Merrill Lynch Capital Services, Inc. (Merrill Lynch) and J. Aron & Company (J. Aron) as counterparties which became effective on September 15, 2005 and will terminate on November 1, 2035. The counterparties will pay Utilities a variable interest rate on the notional amount of $100 million ($75 million of which is attributable to Merrill Lynch's agreement with Utilities, and $25 million of which is attributable to J. Aron's agreement with Utilities) equal to SIFMA, and Utilities will pay the counterparties a fixed interest rate on the same notional amount equal to 4.7099% per annum.

Swap agreement related to a portion of Utilities' 2006 new money bond issuance:

In June 2004, Utilities entered into swap agreements with JP Morgan and Morgan Stanley Capital Group Inc. (Morgan Stanley) as counterparties which became effective on September 14, 2006 and will terminate on November 1, 2036. The counterparties will pay Utilities a variable interest rate on the notional amount of $75 million ($45 million of which is attributable to Morgan Stanley's agreement with Utilities, and $30 million of which is attributable to JP Morgan's agreement with Utilities) equal to 68% of the 1-month LIBOR, and Utilities will pay the counterparties a fixed interest rate on the same notional amount equal to 4.1185% per annum.

Swap agreement related to a portion of Utilities' estimated 2007 new money bond issuance:

In June 2005, Utilities entered into swap agreements with J. Aron and Morgan Stanley as counterparties which will become effective on September 13, 2007 and will terminate on November 1, 2037. The counterparties will pay Utilities a variable interest rate on the notional amount of $75 million ($45 million of which is attributable to J. Aron's agreement with Utilities, and $30 million of which is attributable to Morgan Stanley's agreement with Utilities) equal to 68% of the 1-month LIBOR, and Utilities will pay the counterparties a fixed interest rate on the same notional amount equal to 3.198% per annum. The agreements are designed to lock in the interest rate for a portion of Utilities' estimated 2007 new money bond issuance.

Swap agreement related to possible refunding of Utilities' 1997A Bonds:

In September 2004, Utilities entered into a swaption agreement with UBS AG in which Utilities sold UBS AG a one-time option to start a swap agreement with Utilities. In January 2005, Utilities received $5,178,000 from UBS AG as payment for the option on the swap. If the option is exercised by UBS AG, the swap agreement would become effective on October 1, 2007 and would terminate on November 1, 2026. Pursuant to the agreement, UBS AG will pay Utilities a variable interest rate on the notional amount of $87,275,200 equal to SIFMA. Utilities will pay UBS AG a fixed interest rate on the same notional amount equal to 5.125% per annum. The effective date of the agreement is October 1, 2007, the date on which Utilities anticipates issuing revenue bonds to refund all of its Utilities System Improvement and Refunding Revenue Bonds, Series 1997A. The agreement is designed to modify Utilities' risk of interest rate change on the proposed refunding bonds.

Swap agreement related to possible refunding of Utilities' 1999A Bonds:

In September 2004, Utilities entered into a swaption agreement with UBS AG in which Utilities sold UBS AG the European option to start a swap agreement with Utilities. In January 2005, Utilities received $7,371,000 from UBS AG as payment for the option on the swap. If the option is exercised by UBS AG, the swap agreement would become effective on October 1, 2009 and would terminate on November 1, 2028. Pursuant to the agreement, UBS AG will pay Utilities a variable interest rate on the notional amount of $63,250,000 equal to 68% of the LIBOR. Utilities will pay UBS AG a fixed interest rate on the same notional amount equal to 5.45% per annum. The effective date of the agreement is October 1, 2009, the date on which Utilities anticipates issuing revenue bonds to refund a portion of its Utilities System Subordinate Lien

Improvement Revenue Bonds, Series 1999A. The agreement is designed to modify Utilities' risk of interest rate change on the proposed refunding bonds.

Swap agreement related to a portion of Utilities' estimated 2008 bond issuance:

In August 2006, Utilities entered into a swap agreement with Merrill Lynch as counterparty which will become effective on September 12, 2008 and will terminate on November 1, 2038. The counterparty will pay Utilities a variable interest rate on the notional amount of $50,000,000 equal to the BMA, and Utilities will pay the counterparty a fixed interest rate on the same notional amount equal to 4.2686% per annum. The agreement is designed to lock in the interest rate for a portion of Utilities' estimated 2008 new money bond issuance.

Swap agreement related to a portion of Utilities' estimated 2009 bond issuance:

In August 2006, Utilities entered into a swap agreement with J. Aron as counterparty which will become effective on September 10, 2009 and will terminate on November 1, 2039. The counterparty will pay Utilities a variable interest rate on the notional amount of $50,000,000 equal to the BMA, and Utilities will pay the counterparty a fixed interest rate on the same notional amount equal to 4.3369% per annum. The agreement is designed to lock in the interest rate for a portion of Utilities' estimated 2009 new money bond issuance.

Fair value of interest rate swaps liability for the year ended December 31, 2006 was as follows:

Current portion	$14,593,191
Noncurrent portion	54,919,850
Total fair value of interest rate swaps	$69,513,041

Change in fair value of interest rate swaps charged to miscellaneous expense as of December 31, 2006, was $728,720.

2. Hospital Interest Rate Swaps

Details of Existing Swaps

The Hospital completed an advanced refunding transaction in June 2004 for $176,575,000 on its Series 1995 and Series 2000 bonds. In the refunding, the Hospital issued variable rate bonds (Series 2004 Bonds) which were swapped to fixed interest rates through percentage of LIBOR swaps. Under the synthetic fixed rate swaps, the Hospital pays a fixed interest rate and receives a varying percentage of LIBOR. When LIBOR is below 4.89%, the Hospital receives 56% of LIBOR + 44 basis points capped at 100% of LIBOR, and when LIBOR is above 4.89%, the Hospital receives 65% of LIBOR. By entering into these swaps, the Hospital was able to lock in a lower fixed interest rate than it could achieve through a traditional fixed rate refunding or through a BMA fixed payer swap.

During 2006, the Hospital modified its existing fixed payor rate swaps related to its Series 2004B and Series 2004D Bonds by changing the variable rate received from the enhanced LIBOR rate discussed above to 60% of the 5-year LIBOR swap rate. This modification extends

through May 27, 2011, at which time the variable rate received will revert back to the enhanced LIBOR rate.

During 2005, the Hospital entered into a fixed annuity basis swap agreement with respect to its Series 2002 Bonds. Under the agreement, the Hospital pays the BMA rate and receives the enhanced LIBOR rate plus a fixed annual annuity of .59%. By entering into this swap, the Hospital has hedged or partially offset the cost of rising variable interest rates on the Series 2002 Bonds.

The table below includes the details, terms and fair values of the Hospital's swap transactions as of December 31, 2006 (in 000's):

Counter-party	Effective Date	Notional Amount	Termination Date	Associated Auction Rate Series	Fixed Rate	Floating Rate Receipt (See Above)	Fair Values at 12/31/06
GSCM*	06/17/2004	$48,475	12/15/2024	Series 2004A	3.798%	% of LIBOR	($1,300)
GSCM*	06/17/2004	23,950	12/15/2024	Series 2004B	3.904%	LIBOR Swap**	(998)
GSCM*	06/17/2004	32,775	12/15/2030	Series 2004C	4.002%	% of LIBOR	(1,984)
GSCM*	06/17/2004	68,000	12/15/2033	Series 2004D	3.913%	LIBOR Swap**	(3,453)
GSCM*	05/09/2005	105,740	12/15/2032	Series 2002	BMA rate	% of LIBOR + .59%	1,256
		$278,940					($6,479)

*Goldman Sachs Capital Market

**Effective May 27, 2011, the variable rate received will revert back to the enhanced LIBOR rate

Fair Value

The negative fair values are the result of fluctuating interest rates and changes in the BMA and LIBOR long-term swap ratios. The fair values were based on information received from the counterparty to the swaps and represent an estimate of the mid-market value of the swaps using a discounted future cash flows approach.

Discussion of Risks

Counterparty Risk is the risk that the counterparty will potentially default or not be able to fulfill its role as a swap counterparty. Counterparty risk is mitigated by using a highly rated swap counterparty, Goldman Sachs Capital Markets (GSCM) which is rated Aa3 by Moody's Investors Service and A+ by Standards & Poor's. If GSCM's credit deteriorates substantially, the Hospital can enter into various strategies to mitigate its counterparty exposure such as receiving collateral based on a ratings schedule, terminating the swaps if the counterparty credit ratings fall below investment grade, and entering into a replacement swap with another highly rated swap counterparty.

Basis Risk is the risk that the swap receipts may not perfectly offset its auction rate bond payments. To the extent these payments do not equal the payments on the bonds, there will be a net loss or net benefit to the Hospital.

Tax Risk is the risk that a change in Federal tax rates will alter the fundamental relationship between BMA and LIBOR. A reduction in Federal taxes, for example, would likely increase the Hospital's payment on its underlying variable rate bonds but has no impact on the variable LIBOR rate received pursuant to the synthetic fixed rate swap transactions.

Termination Risk is the risk that a counterparty may terminate a swap if the other party fails to perform under the terms of the contract. GSCM has limited rights to terminate the swap transaction with the Hospital. However, the Hospital understands that under certain credit events, the swap may be terminated at market value which may be at a gain or cost to the Hospital. If at the time of termination, the swap has a negative fair value, the Hospital could be liable to the counterparty for a payment equal to the swap's fair value.

V. OTHER INFORMATION

A. Risk Management

The City has established a risk management division to coordinate and administer workers' compensation, property and general liability insurance and self-insurance programs for all its activities and operations. For workers' compensation coverage, except for the Hospital, 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 Hospital is self-insured for workers' compensation claims up to $500,000 per claim and maintains reinsurance covering claims in excess of $500,000. For medical claims coverage the City has obtained an insurance policy for claims in excess of $500,000. The City pays claims less than this through its Employee Benefits Self-Insurance fund. The Hospital is self-insured for the medical claims of its employees and their families up to $250,000. The Hospital has recorded a liability for unpaid workers' compensation and medical claims and an estimate of claims incurred but not reported.

The Hospital maintains malpractice insurance through a claims-made type of commercial insurance policy. The policy has a $25,000 deductible per occurrence and provides coverage up to $1.75 million per occurrence up to an aggregate of $5.5 million for claims filed within the period of the policy term. The Hospital also has $15 million of umbrella insurance coverage. The Hospital has recorded a claims liability for estimated deductible amounts to be paid on claims incurred.

General liability coverage for the operations of Utilities is purchased from commercial carriers for losses in excess of $500,000. General liability coverage for the Hospital and the Airport is purchased from commercial carriers with varying deductibles. The City and its enterprises are self-insured for general liability coverage. The Colorado Governmental Immunity Act generally provides that the maximum amount that may be recovered against entities such as the City is $150,000 for any injury to one person in any single occurrence and $600,000 for any injury to two or more persons in any single occurrence. The Claims Reserve Self-Insurance fund has been established to pay these claims. It is the practice of the City to expense and record as a liability those claims where a liability has been incurred and the amount of ultimate settlement can be reasonably estimated.

For major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the individual department so affected.

Incurred but not reported claims have been accrued for the Employee Benefits Self-Insurance fund based upon an actuarial estimate at December 31, 2006. During 2006, there were no significant reductions in insurance coverage from coverage as compared to 2005. Funding has been adequate to pay claims; settlements have not exceeded insurance coverage for the past three fiscal years.

The following is a summary of changes in outstanding reserves for the Hospital, Claims Reserve, Workers Compensation, and Employee Benefits Self-Insurance funds for 2006 and 2005 (in 000's):

	2006	2005
Claims liabilities, beginning of year	$20,156	$17,057
Increases	74,953	72,495
Decreases	(73,875)	(69,396)
Claims liabilities, end of year	$21,234	$20,156

B. Donor-restricted Endowments

The City maintains six donor-restricted endowment funds as follows:

	Fund Balance	Available for Spending
C.D. Smith Trust	$953,056	$302,188
Perkins Trust	3,080	92
Woods Trust	3,699	77
Sabine Trust	1,418	18
Cemetery Endowment	8,687,370	13,348
TOPS Maintenance Trust	731,107	82,948

State law does not restrict the ability to spend net appreciation on these funds. Terms of the donation, however, restrict spending to investment earnings only. The policy for authorizing and spending investment income states that all investments earnings are available for expenditure.

C. Post-Retirement Health Care Benefits

In accordance with the City Personnel Policy, the City offers a post-retirement health care benefit to retirees with a City contribution determined by City Council. Employees retiring prior to 1979 receive this benefit without cost to the employee. Those retiring on or after 1979 and

hired prior to August 1, 1988 receive a limited City contribution not to exceed $91.40 per month. During 2006, these benefits were provided to 2,007 retired employees at a cost of $2,547,936.

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

D. Commitments and Contingent Liabilities

1. Construction and Purchase Commitments

At December 31, 2006:

The General fund had construction contracts and commitments of approximately $3.2 million.

The Public Safety Sales Tax fund had construction contracts and commitments of approximately $3.2 million.

The City Funded CIP Construction fund had construction contracts and commitments of approximately $3.2 million.

The Airport fund had construction contracts and commitments of approximately $9.5 million.

The Parking fund had construction contracts and commitments of approximately $8.5 million.

The Hospital fund had commitments of approximately $40.8 million for the purchase and construction of hospital facilities and medical equipment.

The Utilities fund had construction contracts and commitments of approximately $30.5 million.

2. Refunded Bonds

At various dates in prior years, the Utilities fund has placed proceeds from refunding bond issues in irrevocable refunding escrow accounts. As of December 31, 2006, Utilities remains contingently liable for the outstanding principal balance of $104,040,000 in refunded bonds.

In 2004, the Hospital issued revenue bonds to refund the original 2000 issue. As of December 31, 2006, the Hospital remains contingently liable for the outstanding principal balance of the refunded bonds in the amount of $29,650,000.

3. Charter Amendment

In April 1991, voters approved City Charter Amendment #3, entitled the "Taxpayers Bill of Rights." A similar statewide constitutional amendment was passed in November 1992. One of the provisions of both measures is a limitation on the amount that "fiscal year spending" (FYS) can increase from year to year. The formula for computing the increase takes into

consideration inflation and net growth in assessed valuation. Should FYS increase at a rate greater than that which the formula allows, the City must refund the "excess" in the ensuing year or seek voter approval to retain the "excess."

Based upon the City's interpretation of the amendments, FYS for the year 2006 was less than the revenue limit.

4. Litigation

The City is involved as a defendant in various legal actions involving claims and litigation arising from contracts, personal injury, property damage, and other matters. It is the practice of the City to expense and record as a liability those claims where a liability has been incurred and the amount of ultimate settlement can be reasonably estimated. The City has provided for these estimated probable losses in the financial statements and, in the opinion of management, such claims and litigation will not have a material, adverse effect on the operations of the City.

5. Environmental Matters

Numerous federal, state and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors its compliance with environmental laws and regulations on an ongoing basis.

Air Quality – Utilities' has purchased $1,575,000 of sulfur dioxide allowances that it believes will satisfy its Clean Air Act, Title IV, Acid Rain Program allowance requirements through 2008.

It is reasonably possible that, after 2006, Utilities could experience significant costs associated with complying with existing and pending air quality requirements at its coal-fired power plants. These include: the Federal Regional Haze Rule and federal guidance and pending Colorado State Implementation Plans to implement the rule, which will control sulfur dioxide, nitrogen oxides and other parameters; pending Colorado State regulations to implement the Federal Clean Air Mercury Rule; and proposed multi-pollutant federal legislation which may address greenhouse gases, as well. The capital cost of additional controls could be as high as $100 million depending on which specific units within the plants would be controlled and for what parameters. The type of regulatory control and any associated implementation costs for greenhouse gases is unknown. Since 1999, the United States Environmental Protection Agency continues its national enforcement efforts against power plants under the New Source Review requirements. Utilities has not received a request for information regarding its plants or any enforcement notice or order regarding New Source Review requirements.

Water Quality – It is reasonably possible that, after 2012, Utilities could be required to add controls for discharges from wastewater treatment plants to address selenium. Monument Creek and Fountain Creek, to which the wastewater treatment plants discharge or will discharge when constructed, are listed as impaired for selenium and E. coli, respectively. Utilities is participating in state-wide efforts to develop a more appropriate standard because selenium leaches from existing geologic formations throughout the state.

Compliance Order on Consent (COC) – Utilities is subject to a 2004 COC with the State of Colorado (State) to resolve sanitary sewer overflows (SSO's). The order includes requirements

to evaluate and repair lines greater that ten inches in diameter and other portions of the wastewater collection system. The COC was amended in December 2005, (known as "Amendment One") to include new requirements for lines crossing creeks and a civil penalty of $130,300 which was paid in 2006. In December 2006, Utilities entered into a second amendment to the COC (known as "Amendment Two") to resolve SSOs in 2006. Amendment Two was finalized and resolved, including the payment of a civil penalty of $65,542, in the first quarter of 2007. Costs for systematic evaluation, assessment, repairs and rehabilitation are estimated to be $90 million over a 12-year period which began in 2000. Enforcement for future SSOs is reasonably possible.

Notice of Violation/Cease and Desist Order (NOV/CDO) – On October 7, 2005, Utilities received a NOV/CDO from the State relating to releases of chlorinated reclaimed water. In December 2006, Utilities entered into a Compliance Order on Consent (COC) with the State to resolve these releases. The COC was finalized and resolved, including the payment of a civil penalty of $61,462, in the first quarter of 2007. It is reasonably possible that there will be regulatory enforcement actions for future reclaimed water releases.

Notice of Violation/Cease and Desist Order/Penalty Order (NOV/CDO/PO) – On January 25, 2006, Utilities received a NOV/CDO/PO from the State for a single-event sanitary sewer overflow that occurred on January 5, 2006. The NOV/CDO/PO required Utilities to evaluate its sewer by-pass operations and to pay a civil penalty of $10,000. Utilities has paid this civil penalty and has received closure from the State on this matter.

Drinking Water Quality – After 2006, Utilities will have additional monitoring expenses to address new drinking water regulations including a Long-Term 2 Enhanced Surface Water Treatment Rule, the Stage 2 Disinfection By-product Rule, Groundwater Rule and the Unregulated Contaminant Monitoring Regulation for Public Water Systems.

Water Supply – It is reasonably possible that existing and pending environmental and land use laws and regulations may interfere with, delay or increase the costs of the delivery of water to the City. Costs for compliance cannot be reasonably estimated.

E. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to impose a Passenger Facility Charge (PFC) per qualifying passenger commencing March 1, 1993. Net receipts from these charges are restricted for use on FAA approved PFC projects. The City has been authorized to collect PFC revenues in the aggregate amount of $56,495,293 or until May 1, 2009 whichever occurs first. PFC revenues are recognized when earned. Aggregate collections through December 31, 2006 total $47,780,288.

F. Customer Facility Charges

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to collect Customer Facility Charges (CFCs) for the purpose of funding rental car improvement projects. The current collection rate is $1.50 per rental car contract date. The rate cannot exceed $2.50 per rental car contract day without City Council approval. Aggregate collections through December 31, 2006 total $5,717,615.

G. Disclosures about Fair Value of Financial Instruments

Estimated fair values of proprietary fund financial instruments are as follows as of December 31, 2006:

	Carrying Amount	Fair Value
Unrestricted cash and investments	$441,630,875	$441,630,875
Restricted cash and investments	162,841,433	162,841,433
Interest receivable	1,574,419	1,574,419
Revenue bonds (including current maturities)	1,833,364,851	1,885,795,222
Accrued interest	6,273,669	6,273,669
Customer advances for construction	10,890,227	10,890,227

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

1. Cash and investments, restricted cash and investments, and interest receivable

Carrying amount approximates fair value because of the short maturity of most of these instruments. Fair values of some investments are estimated based upon quoted market prices for those or similar instruments.

2. Revenue bonds (including current maturities)

Fair value of the long-term debt instruments is estimated based upon quoted market prices of that debt in the secondary bond markets.

3. Accrued interest and customer advances for construction

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

H. Joint Venture – Utilities

Utilities has equity interests in Allied, Young and FRP of 2.1%, 5% and 50%, respectively. Allied is a Delaware limited liability company formed on January 29, 1998. Allied provides marketing management services, management operations services, product marketing and advertising materials and certain intellectual property and other rights to investor-owned and consumer-owned utilities located throughout the United States and Canada. Young is a Colorado limited partnership organized on June 30, 1993 to develop and operate a natural gas storage system near Fort Morgan, Colorado. Young's gas storage system consists of 36 natural gas storage facility wells, a 6,000 horsepower compressor station, a gas processing plant, eleven miles of 20-inch transmission line and four miles of storage gathering line. FRP is a Colorado limited liability company formed in August 1998 for the purpose of developing, designing, constructing, financing, maintaining and operating a 480-megawatt natural gas-fired, combined cycle generation facility near Colorado Springs, Colorado. FRP began commercial

operations in April 2003. The following table lists the amounts invested, equity in the entities' undistributed net earnings (losses), and Utilities' net investment in Joint Ventures recorded on the balance sheet as of December 31, 2006:

Entity	Amounts Invested	Undistributed Net Earnings (Losses)	Utilities Investment
Young Gas Storage Company Ltd.	$500,383	$377,679	$878,062
Allied Utility Network LLC.	1,500,000	(1,500,000)	-
Front Range Power, LLC.	40,267,467	(2,642,566)	37,624,901
Total	$42,267,850	($3,764,887)	$38,502,963

There were no advances or loans outstanding to these entities as of December 31, 2006.

Utilities has a 50 percent sharing ratio in the distributable cash of FRP. Utilities also has an ongoing financial responsibility to FRP.

The FRP members have also executed separate guarantees for $750,000 each to satisfy the Federal Energy Regulatory Commission (FERC) gas tariff requirements associated with FRP's gas transportation service agreement with Colorado Interstate Gas Company (CIG), which provides for construction of a new gas transportation line to serve the FRP project and other natural gas customers. CIG's gas transportation line was constructed and placed in service November 29, 2002.

FRP has signed a long-term service agreement with General Electric to perform all major repairs. This contract will provide a net present value savings of approximately $25 million over the first twenty years of the project as a third party operator.

Utilities and FRP have entered into an agreement for Utilities to operate and maintain the project. Utilities has entered into a guarantee agreement with General Electric, guaranteeing payments to General Electric if FRP is unable to make payments when due.

In December 2004, North Star Generation Holding II LLC, a wholly-owned, indirect subsidiary of Northern Star Generation LLC, acquired 100 percent of Mesquite Colorado Holdco LLC from a subsidiary of El Paso Corporation. Utilities owns equal shares of the joint venture with North Star Generation Holding II LLC.

As of December 31, 2006, FRP has total assets of $297,578,918, long-term debt of $220,192,338, other liabilities of $2,136,780 and member's capital of $75,249,801. FRP had operating revenues of $56,232,680 and $23,170,978 of operating expenses for 2006. Utilities has recorded its equity in FRP earnings of $1,162,762, using the equity method, in investment income on the statement of revenues, expenses and changes in fund net assets for the year ended December 31, 2006. Separate audited financial statements for FRP can be obtained from Edward Easterlin, Chief Planning and Financial Officer, Colorado Springs Utilities, P.O. Box 1103, Mail Code 950, Colorado Springs, CO 80947-0950.

I. Retirement Plans

1. Non-Uniformed Employees

Defined Benefit Pension Plan

Plan Description: The City contributes to the Local Government Division Trust Fund (LGDTF), a cost sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). Prior to January 1, 2006, the LGDTF was known as the Municipal Division Trust Fund (MDTF). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All permanent employees, except uniformed police and fire of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF (prior to January 1, 2006 this fund was known as MDTF). That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: Plan members and the City are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the City is 10.5% of covered salary. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note V.I.1.Postemployment Healthcare Benefits). Beginning July 1, 2005, if the City rehired a PERA retiree as an employee or under any other work arrangement, it was required to report and pay employer contributions on the amounts paid for the retiree, however no member contributions are required. Beginning January 1, 2006, the City was required to pay an amortization equalization disbursement equal to 0.5% of the total payroll which is included in contribution rate of 10.5% of covered salary. The City contributions to LGDTF for the years ending December 31, 2006, 2005, and 2004, were $38,306,124, $35,539,457 and $32,395,139, respectively, equal to their required contributions for each year.

Postemployment Healthcare Benefits

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

Funding Policy: The City is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute which is included in contribution rate of 10.5% of covered salary. No member contributions are required. The contribution requirements for the City are

established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The City's contributions to HCTF for the years ending December 31, 2006, 2005, and 2004 were $390,702, $362,502, and $343,388 respectively, equal to their required contributions for each year.

Defined Contribution Plan

Plan Description: The LGDTF members of the City may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy: The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($14,000 in 2005 and $15,000 in the 2006 calendar year). There is a catch-up provision that allows participants 50 and older who are contributing the maximum to contribute an additional $5,000 annually to their account.

Plan Description: Per authority of a City Council Resolution, members of the City may also voluntarily contribute to an ICMA 457 Plan, an Internal Revenue Code of 1986 section 457. The plan is administered by ICMA Retirement Corporation and the Vantage Trust Company.

Funding Policy: The ICMA 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($14,000 in 2005 and $15,000 in the 2006 calendar year). There is a catch-up provision that allows participants 50 and older who are contributing the maximum to contribute an additional $5,000 annually to their account.

The City and Utilities provides, by authority of a City Council Resolution, an ICMA 401(a) Plan, a defined contribution plan, administered by ICMA Retirement Corporation, which defines eligibility and participation requirements. An annual employer contribution amount of $41,772 was contributed to this account in 2006.

2. Uniformed Employees

Plan Description

All fire and police officers of the City participate in one of six agent, multiple employer, defined benefit pension plans, depending upon their status as a police or fire officer and their hire date (Old Hire/Alternate/Statewide). The Alternate Fire and Alternate Police plans were merged into the FPPA Defined Benefit System known as the Colorado Springs New Hire Pension Plan (CSNHPP) on October 1, 2006. As a function of the merger, FPPA is the plan administrator for the CSNHPP. FPPA Board of Directors shall function as the trustee and pension board for CSNHPP and shall administer the benefits under the CSNHPP plan as well as the Statewide plan. The Old Hire plans will continue to be administered jointly by the City and FPPA. The plans are included as pension trust funds. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information. That report can be obtained by writing to: Fire and Police Pension Association, Two DTC, 5290 DTC

Parkway, Suite 100, Greenwood Village, Colorado 80111-2721 or by calling FPPA at 303-770-3772.

The FPPA performs certain administrative tasks in accordance with an agreement with the City in regards to the Old Hire plans. There are approximately 392 participating employers in the FPPA agent multiple-employer plan. Provisions of the plans are established and amended by City Council in accordance with relevant state statute. The plans provide benefits to members based upon the provisions unique to that plan. As of January 1, 2006 membership in the plans was as follows: 8 active participants and 390 retirees and beneficiaries. Disability benefits to fire and police officers and death benefits to their survivors are provided by the State of Colorado through a Death and Disability Plan administered by the FPPA. Benefits are established by state statute and are available for all fire and police officers in accordance with plan provisions.

Summary of Significant Accounting Policies

The pension trust funds use the accrual basis of accounting. Plan member contributions are recognized in the period in which employee services are performed and benefits and refunds paid are recorded when incurred regardless of when payment is made. Plan investments are reported at fair value, using quoted market prices, except for real estate which is recorded at estimated fair value based upon periodic appraisals and valuations, investments in limited partnerships which are recorded at estimated fair value as derived from the financial statements of the partnerships, and guaranteed investment contracts which are recorded at contract value.

Funding Policy

The funding policy of each of the plans provides for actuarially determined rates of contribution based upon an actuarial analysis. Actuarial analysis is undertaken annually for all plans. City Council has the authority to establish and amend contribution rates in accordance with the actuarial analysis. The employer contribution current rates are 10% of annual covered payroll for the Old Hire Fire and Old Hire Police plans.

Valuation and Actuarial Basis

The following methods of valuation and actuarial basis were used:

1) The valuation method states that the unfunded actuarial liability and the present value of future normal costs under the Entry Age Normal actuarial cost method are amortized over an open period of the longer of the years remaining until 2022, or 10 years from the valuation date; but in no case longer than the average remaining life expectancy of the covered group.

2) The asset valuation method is based on three year moving average of expected and actual market values determined as follows:

(a) At the beginning of each plan year, an expected market asset value is calculated as the sum of the previous year's market value increased with a year's interest at the Plan valuation rate plus net cash flow (excluding expenses) adjusted for interest (at the same rate) to the end of the previous plan year.

(b) The difference between the expected market asset value and the actual market value is the investment gain or loss for the previous plan year; and

(c) The final actuarial asset value is the actual market value less the deferred actual investment gains and losses for each of the three previous plan years, but in no case more than 120% of the actual market value or less than 80% of the actual market value.

3) The reported compensation was annualized based on actual service credits for members who were credited with less than twelve months of service credits. Compensation is assumed to increase based on the salary scale assumption.

Annual Pension Cost

The City's annual pension cost and net pension obligation for the plans for 2006 were as follows:

	Old Hire Fire	Old Hire Police
Annual Required Contribution	$2,573,821	$2,093,272
Interest on Net Pension Obligation	36,968	11,141
Adjustment to Annual Required Contribution	(38,701)	(11,663)
Annual Pension Cost	2,572,088	2,092,750
Contributions Made	(2,583,257)	(2,096,116)
Decrease in Net Pension Obligation	(11,169)	(3,366)
Net Pension Obligation - Beginning of Year	462,094	139,260
Net Pension Obligation - End of Year	$450,925	$135,894

Other Information

Employees hired before April 1978:

Old Hire Fire (closed to new employees)	2004	2005 *	2006
Annual Pension Cost (APC)	$171,183	$2,149,300	$2,572,088
Percentage of APC Contributed	74%	100%	100%
Net Pension Obligation	$472,252	$462,094	$450,925

Old Hire Police (closed to new employees)	2004	2005 *	2006
Annual Pension Cost (APC)	$130,361	$1,699,492	$2,092,750
Percentage of APC Contributed	88%	100%	100%
Net Pension Obligation	$142,321	$139,260	$135,894

*Restated

J. Accounting Changes

The City adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* during 2006. Adoption of GASB 46 had no effect on beginning net assets or changes in net assets.

The City also adopted GASB Statement No. 47, *Accounting for Termination Benefits* during 2006. Adoption of GASB 47 had no effect on beginning net assets or changes in net assets.

K. Subsequent events

On January 1, 2007, the City and Utilities decided to split the Employee Benefits Self-Insurance fund, with Utilities taking on their own accounting for their employees. Approximately one-half of the fund balance for the Employee Benefits Self-Insurance fund was paid to Utilities and will be reported in the Utilities fund in 2007.

On May 1, 2007, the Airport issued $3,725,000 and $8,500,000 of Airport System Revenue Refunding Bonds, Series 2007A and 2007B, respectively, for a current refunding of $3,680,000 and $7,740,000 of 1996A and 1996B Airport System Revenue Bonds, respectively. The refunding was undertaken to reduce total future debt service payments.

On May 22, 2007, City Council approved a resolution increasing the dedication of sales tax increments for the Colorado Springs Urban Renewal Authority related to annual sales tax increments generated within the North Nevada Avenue corridor Urban Renewal Area. The dedication has been increased to $98.8 million.

On January 9, 2007, City Council authorized termination of the RWIA's operations effective October 31, 2006. The distribution of the assets of RWIA occured in early 2007 pursuant to the terms of the of the May 14, 2001 Intergovernmental Agreement.

CITY OF COLORADO SPRINGS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
FIRE AND POLICE PENSION PLANS
Last three fiscal years

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 16

	2004	2005	2006
Old Hire Fire Pension Plan			
Date of actuarial valuation	1/1/2004	1/1/2005	1/1/2006
Actuarial value of plan assets	$91,221,695	$90,182,979	$97,088,773
Actuarial accrued liability (AAL)	$111,993,869	$114,918,800	$112,369,267
Excess of assets over AAL (unfunded liability)	($20,772,174)	($24,735,821)	($15,280,494)
Funded ratio	81.5%	78.5%	86.4%
Covered payroll	$1,265,624	$742,723	$467,054
Excess/(unfunded liability) as a percentage of covered payroll	-1641.3%	-3330.4%	-3271.7%
Old Hire Police Pension Plan			
Date of actuarial valuation	1/1/2004	1/1/2005	1/1/2006
Actuarial value of plan assets	$76,736,018	$76,028,443	$81,724,172
Actuarial accrued liability (AAL)	$92,830,564	$95,855,877	$95,598,712
Excess of assets over AAL (unfunded liability)	($16,094,546)	($19,827,434)	($13,874,540)
Funded ratio	82.7%	79.3%	85.5%
Covered payroll	$1,143,421	$836,877	$634,873
Excess/(unfunded liability) as a percentage of covered payroll	-1407.6%	-2369.2%	-2185.4%

	Years ended December 31,		
	2004	2005	2006
Old Hire Fire Pension Plan			
Annual required contribution (ARC)	$172,788	$2,151,072 *	$2,573,821
Actual contributions as percentage of ARC	73%	100%	100%
Old Hire Police Pension Plan			
Annual required contribution (ARC)	$130,835	$1,700,026 *	$2,093,272
Actual contributions as percentage of ARC	87%	100%	100%

* 2005 restated

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Old Hire Fire	Old Hire Police
Valuation Date	1/1/2006	1/1/2006
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level dollar Open	Level dollar Open
Remaining Amortization Period	16 Years	16 Years
Asset Valuation Method	3-Year Smoothed Market	3-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8%	8%
Projected Salary Increases	4.75% - 13.25%	4.75% - 13.25%
Inflation Rate	3.5%	3.5%
Post Retirement Benefit Increases	3% - 4%	3% - 4%

CITY OF COLORADO SPRINGS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

	TOTAL
ASSETS	
Cash and investments	$48,447,993
Accounts receivable (net of allowance for uncollectibles)	2,630,663
Sales tax receivable	12,357,822
Loans receivable	941,988
Property taxes receivable	
Current	20,412,370
Delinquent	214,833
Due from other funds	5,151,753
Restricted investments	1,243,188
Total assets	91,400,610
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	5,454,107
Funds held for others	5,519,537
Accrued salaries and benefits	5,675,260
Due to other funds	12,217,850
Escrow deposits	7,692,569
Deferred revenue	
Loans	941,988
Property taxes	20,412,370
Unearned revenue	660,452
Total liabilities	58,574,133
Fund balance	
Reserved for	
Debt service	1,161,380
Emergency reserve	7,545,241
Unreserved	
Encumbrances	3,159,960
Designated - subsequent year expenditures	5,068,218
Undesignated	15,891,678
Total fund balance	32,826,477
Total liabilities and fund balance	$91,400,610

GENERAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit A-2

	TOTAL
Revenues	
Taxes	$146,874,537
Licenses and permits	980,916
Intergovernmental	22,172,876
Charges for services	28,524,971
Other revenue	1,215,463
Investment earnings	1,866,806
Rental income	723,076
Total revenues	202,358,645
Expenditures	
Current	
General government	40,742,947
Public safety	109,921,061
Public works	31,905,092
Health and welfare	1,061,100
Culture and recreation	18,634,466
Urban redevelopment and housing	192,891
Debt service	
Principal	3,989,298
Interest	1,383,316
Capital outlay	5,370,755
Total expenditures	213,200,926
Deficiency of revenues over expenditures	(10,842,281)
Other financing sources (uses)	
Sale of capital assets	369,085
Transfers - in	25,808,982
Transfers - out	(16,790,587)
Total other financing sources (uses)	9,387,480
Net change in fund balance	(1,454,801)
Fund balance - January 1, as previously reported	39,216,524
Prior period adjustment	(4,935,246)
Fund balance - January 1, restated	34,281,278
Fund balance - December 31	$32,826,477

CITY OF COLORADO SPRINGS

NON-MAJOR GOVERNMENTAL FUNDS

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS				
Cash and investments	$36,379,797	$14,128,793	$1,113,116	$51,621,706
Accounts receivable (net of allowance for uncollectibles)	5,559,220	20,266	1,150	5,580,636
Sales tax receivable	3,231,756	-	-	3,231,756
Loans receivable	18,368,605	-	-	18,368,605
Assessments receivable	447,364	-	-	447,364
Property taxes receivable	2,593,075	-	-	2,593,075
Due from other funds	205	963,470	-	963,675
Restricted investments	-	1,343,861	9,268,304	10,612,165
Total assets	66,580,022	16,456,390	10,382,570	93,418,982
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	3,360,166	1,267,211	2,841	4,630,218
Accrued salaries and benefits	845,446	-	-	845,446
Due to other funds	1,055,654	3,860,395	-	4,916,049
Deferred revenue				
Loans	18,368,605	-	-	18,368,605
Assessments	447,364	-	-	447,364
Property taxes	2,593,075	-	-	2,593,075
Grants	2,810,161	-	-	2,810,161
Total liabilities	29,480,471	5,127,606	2,841	34,610,918
Fund balances				
Reserved for				
Debt service	539,994	-	-	539,994
Endowments	-	-	10,379,729	10,379,729
Unreserved				
Encumbrances	3,922,893	3,892,380	-	7,815,273
Designated - subsequent year expenditures	13,503,599	7,436,404	-	20,940,003
Undesignated	19,133,065	-	-	19,133,065
Total fund balances	37,099,551	11,328,784	10,379,729	58,808,064
Total liabilities and fund balances	$66,580,022	$16,456,390	$10,382,570	$93,418,982

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit B-2

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues				
Taxes	$37,544,474	$ -	$ -	$37,544,474
Intergovernmental	32,195,078	-	-	32,195,078
Charges for services	4,850,596	-	-	4,850,596
Endowments and donations	1,204,710	1,340,932	90,505	2,636,147
Other revenue	1,106,019	-	-	1,106,019
Investment earnings	1,495,581	1,369,267	841,269	3,706,117
Rental income	23,006	-	-	23,006
Total revenues	78,419,464	2,710,199	931,774	82,061,437
Expenditures				
Current:				
General government	26,248,270	-	-	26,248,270
Public safety	9,205,637	-	-	9,205,637
Public works	8,649,807	-	-	8,649,807
Culture and recreation	1,690,335	-	65,614	1,755,949
Urban development and housing	6,647,352	-	-	6,647,352
Economic development	2,830,396	-	-	2,830,396
Economic opportunity	23,775	-	-	23,775
Miscellaneous	514,049	-	-	514,049
Debt service:				
Principal	1,890,524	5,025,000	-	6,915,524
Interest	1,921,120	2,822,921	-	4,744,041
Capital outlay	13,610,630	14,458,658	-	28,069,288
Total expenditures	73,231,895	22,306,579	65,614	95,604,088
Excess (deficiency) of revenues over expenditures	5,187,569	(19,596,380)	866,160	(13,542,651)
Other financing sources (uses)				
Transfers - in	128,025	16,662,562	-	16,790,587
Transfers - out	(1,250,122)	-	-	(1,250,122)
Total other financing sources (uses)	(1,122,097)	16,662,562	-	15,540,465
Net change in fund balances	4,065,472	(2,933,818)	866,160	1,997,814
Fund balances - January 1	33,034,079	14,262,602	9,513,569	56,810,250
Fund balances - December 31	$37,099,551	$11,328,784	$10,379,729	$58,808,064

CITY OF COLORADO SPRINGS

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Intergovernmental Grant Funds:

Community Development Block Grant Fund
Home Investment Partnership Fund
Grants Fund

These Intergovernmental grant funds are used to account for the activities of the programs where the major source of funding is federal grants.

Capital Improvement Funds:

Ballfield Capital Improvements Fund
Bicycle Tax Fund
Trails/Open Space Fund
Conservation Trust Fund
Cable Franchise Fund
Public Safety Sales Tax Fund

These Capital Improvement Funds are used to account for the activities of the fund where particular, ear-marked, on-going revenue sources are designated for various capital improvement projects.

Improvement and Maintenance District Funds:

Old Colorado City Maintenance and Security District Fund
Norwood Special Improvement Maintenance District Fund
Briargate Special Improvement Maintenance District Fund
Stetson Hills Improvement Maintenance District Fund
Woodstone Improvement Maintenance District Fund
Gateway Improvement Maintenance District Fund
Platte Avenue Improvement Maintenance District Fund

These Improvement and Maintenance District Funds are used to account for the activities of the neighborhood district where revenues are derived from neighborhood taxes and/or assessments and used for specific neighborhood improvements or maintenance purposes.

Public Improvements Funds:

Public Space and Development Fund
Subdivision Drainage Fund
Arterial Roadway Fund
Park Developer Easement Fund

These Public Improvements Funds are used to account for the activities of the fund established to finance public infrastructure costs in accordance with City subdivision ordinances.

SPECIAL REVENUE FUNDS CONT'D.

Other Public Improvements Funds:

Cottonwood General Improvement District
Spring Creek General Improvement District
Briargate General Improvement District

These Other Public Improvements Funds are used to account for the activities of the funds established to finance improvement district infrastructure costs.

Special Assessment District Fund:

The Special Assessment District Fund is used to account for the activities of Special Assessment districts created to finance neighborhood improvements where revenues are derived from assessments placed upon the benefiting property.

Other Special Revenue Funds:

Lodgers and Auto Rental Tax Fund
Tree City U.S.A. Fund
Street Tree Fund
Garfield School Maintenance Fund
Economic Development Fund
Gift Trust Fund
City Manager Contract Fund
Senior Programs Fund
Therapeutic Recreation Fund
Cultural Affairs Fund

These Other Special Revenue Funds are used to account for the activities of the fund where ear-marked revenue is used for certain designated purposes.

CITY OF COLORADO SPRINGS

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Inter-governmental Grant Funds	Capital Improvement Funds	Improvement and Maintenance District Funds	Public Improvements Funds
ASSETS				
Cash and investments	$48,443	$21,129,525	$1,087,700	$8,645,260
Accounts receivable (net of allowance for uncollectibles)	5,050,185	275,181	23,567	178,489
Sales tax receivable	-	3,073,308	-	-
Loans receivable	18,344,114	-	-	-
Assessments receivable	-	-	-	-
Property taxes receivable	-	-	1,493,759	-
Due from other funds	200	5	-	-
Total assets	23,442,942	24,478,019	2,605,026	8,823,749
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	1,241,429	1,445,785	18,040	631,242
Accrued salaries and benefits	101,117	722,424	20,939	-
Due to other funds	946,121	20,054	2,403	-
Deferred revenue				
Loans	18,344,114	-	-	-
Assessments	-	-	-	-
Property taxes	-	-	1,493,759	-
Grants	2,810,161	-	-	-
Total liabilities	23,442,942	2,188,263	1,535,141	631,242
Fund balances				
Reserved for				
Debt service	-	-	-	-
Unreserved				
Encumbrances	-	3,581,517	56,447	236,162
Designated - subsequent year expenditures	-	12,833,513	-	-
Undesignated	-	5,874,726	1,013,438	7,956,345
Total fund balances	-	22,289,756	1,069,885	8,192,507
Total liabilities and fund balances	$23,442,942	$24,478,019	$2,605,026	$8,823,749

Other Public Improvements Funds	Special Assessment District Funds	Other Special Revenue Funds	Totals
$531,119	$203,163	$4,734,587	$36,379,797
8,875	6,085	16,838	5,559,220
-	-	158,448	3,231,756
-	-	24,491	18,368,605
-	447,364	-	447,364
1,099,316	-	-	2,593,075
-	-	-	205
1,639,310	656,612	4,934,364	66,580,022
-	-	23,670	3,360,166
-	-	966	845,446
-	-	87,076	1,055,654
-	-	24,491	18,368,605
-	447,364	-	447,364
1,099,316	-	-	2,593,075
-	-	-	2,810,161
1,099,316	447,364	136,203	29,480,471
539,994	-	-	539,994
-	-	48,767	3,922,893
-	-	670,086	13,503,599
-	209,248	4,079,308	19,133,065
539,994	209,248	4,798,161	37,099,551
$1,639,310	$656,612	$4,934,364	$66,580,022

ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

	Inter-governmental Grant Funds	Capital Improvement Funds	Improvement and Maintenance District Funds	Public Improvements Funds
Revenues				
Taxes	$ -	$31,093,861	$1,710,391	$ -
Intergovernmental	28,001,006	4,194,072	-	-
Charges for services	-	1,229,732	-	3,401,968
Donations	-	-	-	-
Other revenue	1,008,964	-	-	-
Investment earnings	33,755	860,667	50,218	326,197
Rental income	-	-	-	-
Total revenues	29,043,725	37,378,332	1,760,609	3,728,165
Expenditures				
Current				
General government	-	26,179,769	-	-
Public safety	9,205,637	-	-	-
Public works	4,298,195	-	1,666,747	2,684,865
Culture and recreation	629,041	-	-	-
Urban redevelopment and housing	6,647,352	-	-	-
Economic development	-	-	-	-
Economic opportunity	-	-	-	-
Miscellaneous	497,569	-	-	-
Debt service				
Principal	-	1,234,827	-	-
Interest	-	827,315	-	-
Capital outlay	7,893,956	5,716,674	-	-
Total expenditures	29,171,750	33,958,585	1,666,747	2,684,865
Excess (deficiency) of revenues over expenditures	(128,025)	3,419,747	93,862	1,043,300
Other financing sources (uses)				
Transfers - in	128,025	-	-	-
Transfers - out	-	-	-	-
Total other financing sources (uses)	128,025	-	-	-
Net change in fund balances	-	3,419,747	93,862	1,043,300
Fund balances - January 1	-	18,870,009	976,023	7,149,207
Fund balances - December 31	$ -	$22,289,756	$1,069,885	$8,192,507

Other Public Improvements Funds	Special Assessment District Fund	Other Special Revenue Funds	Totals
$1,075,385	$ -	$3,664,837	$37,544,474
-	-	-	32,195,078
-	199,188	19,708	4,850,596
-	-	1,204,710	1,204,710
-	-	97,055	1,106,019
49,412	-	175,332	1,495,581
-	-	23,006	23,006
1,124,797	199,188	5,184,648	78,419,464
-	-	68,501	26,248,270
-	-	-	9,205,637
-	-	-	8,649,807
-	-	1,061,294	1,690,335
-	-	-	6,647,352
-	-	2,830,396	2,830,396
-	-	23,775	23,775
15,833	647	-	514,049
525,000	130,697	-	1,890,524
1,050,650	43,155	-	1,921,120
-	-	-	13,610,630
1,591,483	174,499	3,983,966	73,231,895
(466,686)	24,689	1,200,682	5,187,569
-	-	-	128,025
-	-	(1,250,122)	(1,250,122)
-	-	(1,250,122)	(1,122,097)
(466,686)	24,689	(49,440)	4,065,472
1,006,680	184,559	4,847,601	33,034,079
$539,994	$209,248	$4,798,161	$37,099,551

	Community Development Block Grant Fund	Home Investment Partnership Fund	Grants Fund	Total
ASSETS				
Cash and investments	$ -	$48,443	$ -	$48,443
Accounts receivable (net of allowance for uncollectibles)	503,193	26,446	4,520,546	5,050,185
Loans receivable	7,736,739	10,492,826	114,549	18,344,114
Due from other funds	200	-	-	200
Total assets	8,240,132	10,567,715	4,635,095	23,442,942
LIABILITIES				
Accounts payable	43,931	74,689	1,122,809	1,241,429
Accrued salaries and benefits	40,487	-	60,630	101,117
Due to other funds	418,975	200	526,946	946,121
Deferred revenue				
Loans	7,736,739	10,492,826	114,549	18,344,114
Grants	-	-	2,810,161	2,810,161
Total liabilities	$8,240,132	$10,567,715	$4,635,095	$23,442,942

INTERGOVERNMENTAL GRANT SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-4

	Community Development Block Grant Fund	Home Investment Partnership Fund	Grants Fund	Total
Revenues				
Intergovernmental	$2,535,294	$2,689,650	$22,776,062	$28,001,006
Other revenue	576,544	394,504	37,916	1,008,964
Investment earnings	6,643	-	27,112	33,755
Total revenues	3,118,481	3,084,154	22,841,090	29,043,725
Expenditures				
Current				
Public safety	-	-	9,205,637	9,205,637
Public works	-	-	4,298,195	4,298,195
Culture and recreation	-	-	629,041	629,041
Urban redevelopment and housing	3,246,506	3,084,154	316,692	6,647,352
Miscellaneous	-	-	497,569	497,569
Capital outlay	-	-	7,893,956	7,893,956
Total expenditures	3,246,506	3,084,154	22,841,090	29,171,750
Deficiency of revenues over expenditures	(128,025)	-	-	(128,025)
Other financing sources				
Transfers - in	128,025	-	-	128,025
Net change in fund balances	-	-	-	-
Fund balances - January 1	-	-	-	-
Fund balances - December 31	$ -	$ -	$ -	$ -

CAPITAL IMPROVEMENT SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Ballfield Capital Improvements Fund	Bicycle Tax Fund	Trails/Open Space Fund	Conservation Trust Fund
ASSETS				
Cash and investments	$309,382	$322,035	$4,871,273	$2,833,342
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-
Sales tax receivable	-	-	614,662	-
Due from other funds	-	-	-	-
Total assets	309,382	322,035	5,485,935	2,833,342
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	4,576	817,043	59,209
Accrued salaries and benefits	-	-	9,687	12,867
Due to other funds	-	-	-	-
Total liabilities	-	4,576	826,730	72,076
Fund balances				
Unreserved				
Encumbrances	-	-	270,863	103,038
Subsequent year expenditures	-	213,423	3,567,577	1,285,199
Undesignated	309,382	104,036	820,765	1,373,029
Total fund balances	309,382	317,459	4,659,205	2,761,266
Total liabilities and fund balances	$309,382	$322,035	$5,485,935	$2,833,342

CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-5

Cable Franchise Fund	Public Safety Sales Tax Fund	Total
$260,750	$12,532,743	$21,129,525
275,181	-	275,181
-	2,458,646	3,073,308
-	5	5
535,931	14,991,394	24,478,019
126,585	438,372	1,445,785
11,762	688,108	722,424
-	20,054	20,054
138,347	1,146,534	2,188,263
30,699	3,176,917	3,581,517
260,910	7,506,404	12,833,513
105,975	3,161,539	5,874,726
397,584	13,844,860	22,289,756
$535,931	$14,991,394	$24,478,019

CAPITAL IMPROVEMENT SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

	Ballfield Capital Improvements Fund	Bicycle Tax Fund	Trails/Open Space Fund	Conservation Trust Fund
Revenues				
Taxes	$ -	$111,463	$6,206,235	$ -
Intergovernmental	-	-	-	4,194,072
Charges for services	94,881	-	10,381	-
Investment earnings	13,356	13,536	196,108	117,861
Total revenues	108,237	124,999	6,412,724	4,311,933
Expenditures				
General government	500	6,914	542,918	2,799,452
Debt service				
Principal	-	-	555,000	679,827
Interest	102,000	-	578,260	147,055
Capital outlay	-	82,596	2,955,420	171,128
Total expenditures	102,500	89,510	4,631,598	3,797,462
Net change in fund balances	5,737	35,489	1,781,126	514,471
Fund balances - January 1	303,645	281,970	2,878,079	2,246,795
Fund balances - December 31	$309,382	$317,459	$4,659,205	$2,761,266

CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-6

Cable Franchise Fund	Public Safety Sales Tax Fund	Total
$ -	$24,776,163	$31,093,861
-	-	4,194,072
1,124,447	23	1,229,732
4,014	515,792	860,667
1,128,461	25,291,978	37,378,332
898,997	21,930,988	26,179,769
-	-	1,234,827
-	-	827,315
79,698	2,427,832	5,716,674
978,695	24,358,820	33,958,585
149,766	933,158	3,419,747
149,766	933,158	3,419,747
247,818	12,911,702	18,870,009
$397,584	$13,844,860	$22,289,756

IMPROVEMENT AND MAINTENANCE DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Old Colorado City Maintenance and Security District Fund	Norwood Special Improvement Maintenance District Fund	Briargate Special Improvement Maintenance District Fund	Stetson Hills Improvement Maintenance District Fund
ASSETS				
Cash and investments	$106,741	$381,280	$100,668	$312,640
Accounts receivable (net of allowance for uncollectibles)	414	5,293	15,936	1,767
Property taxes receivable	86,963	516,997	674,648	198,419
Total assets	194,118	903,570	791,252	512,826
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	700	16,363	797	-
Accrued salaries and benefits	2,125	7,978	10,836	-
Due to other funds	-	-	1,387	1,016
Deferred revenue - property taxes	86,963	516,997	674,648	198,419
Total liabilities	89,788	541,338	687,668	199,435
Fund balances				
Unreserved				
Encumbrances	-	56,447	-	-
Undesignated	104,330	305,785	103,584	313,391
Total fund balances	104,330	362,232	103,584	313,391
Total liabilities and fund balances	$194,118	$903,570	$791,252	$512,826

Woodstone Improvement Maintenance District Fund	Gateway Improvement Maintenance District Fund	Platte Avenue Improvement Maintenance District Fund	Total
$121,151	$7,354	$57,866	$1,087,700
132	25	-	23,567
14,056	2,676	-	1,493,759
135,339	10,055	57,866	2,605,026
117	63	-	18,040
-	-	-	20,939
-	-	-	2,403
14,056	2,676	-	1,493,759
14,173	2,739	-	1,535,141
-	-	-	56,447
121,166	7,316	57,866	1,013,438
121,166	7,316	57,866	1,069,885
$135,339	$10,055	$57,866	$2,605,026

IMPROVEMENT AND MAINTENANCE DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

	Old Colorado City Maintenance and Security District Fund	Norwood Special Improvement Maintenance District Fund	Briargate Special Improvement Maintenance District Fund	Stetson Hills Improvement Maintenance District Fund
Revenues				
Taxes	$100,969	$581,142	$760,955	$239,680
Investment earnings	3,729	18,893	10,342	10,683
Total revenues	104,698	600,035	771,297	250,363
Expenditures				
Current				
Public works	84,714	590,669	834,947	137,590
Total expenditures	84,714	590,669	834,947	137,590
Net change in fund balances	19,984	9,366	(63,650)	112,773
Fund balances - January 1	84,346	352,866	167,234	200,618
Fund balances - December 31	$104,330	$362,232	$103,584	$313,391

Woodstone Improvement Maintenance District Fund	Gateway Improvement Maintenance District Fund	Platte Avenue Improvement Maintenance District Fund	Total
$16,075	$3,007	$8,563	$1,710,391
4,242	307	2,022	50,218
20,317	3,314	10,585	1,760,609
11,548	3,538	3,741	1,666,747
11,548	3,538	3,741	1,666,747
8,769	(224)	6,844	93,862
112,397	7,540	51,022	976,023
$121,166	$7,316	$57,866	$1,069,885

	Public Space and Development Fund	Subdivision Drainage Fund	Arterial Roadway Fund	Park Developer Easement Fund	Total
ASSETS					
Cash and investments	$3,571,235	$4,102,228	$828,682	$143,115	$8,645,260
Accounts receivable (net of allowance for uncollectibles)	45	166,689	11,755	-	178,489
Total assets	3,571,280	4,268,917	840,437	143,115	8,823,749
FUND BALANCE					
Liabilities					
Accounts payable	279,399	314,497	37,346	-	631,242
Total liabilities	279,399	314,497	37,346	-	631,242
Fund balances					
Unreserved					
Encumbrances	236,162	-	-	-	236,162
Undesignated	3,055,719	3,954,420	803,091	143,115	7,956,345
Total fund balance	3,291,881	3,954,420	803,091	143,115	8,192,507
Total liabilities and fund balances	$3,571,280	$4,268,917	$840,437	$143,115	$8,823,749

	Public Space and Development Fund	Subdivision Drainage Fund	Arterial Roadway Fund	Park Developer Easement Fund	Total
Revenues					
Charges for services	$1,117,257	$2,097,661	$178,123	$8,927	$3,401,968
Investment earnings	159,500	128,959	32,843	4,895	326,197
Total revenues	1,276,757	2,226,620	210,966	13,822	3,728,165
Expenditures					
Current					
Public works	1,828,927	702,198	148,672	5,068	2,684,865
Total expenditures	1,828,927	702,198	148,672	5,068	2,684,865
Net change in fund balances	(552,170)	1,524,422	62,294	8,754	1,043,300
Fund balances - January 1	3,844,051	2,429,998	740,797	134,361	7,149,207
Fund balances - December 31	$3,291,881	$3,954,420	$803,091	$143,115	$8,192,507

	Cottonwood General Improvement District	Spring Creek General Improvement District	Briargate General Improvement District	Total
ASSETS				
Cash and investments	$373,489	$53,447	$104,183	$531,119
Accounts receivable (net of allowance for uncollectibles)	6,390	1,363	1,122	8,875
Property taxes receivable	690,419	242,188	166,709	1,099,316
Total assets	1,070,298	296,998	272,014	1,639,310
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue - property taxes	690,419	242,188	166,709	1,099,316
Total liabilities	690,419	242,188	166,709	1,099,316
Fund balances				
Reserved for debt service	379,879	54,810	105,305	539,994
Total fund balances	379,879	54,810	105,305	539,994
Total liabilities and fund balances	$1,070,298	$296,998	$272,014	$1,639,310

OTHER PUBLIC IMPROVEMENTS SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-12

	Cottonwood General Improvement District	Spring Creek General Improvement District	Briargate General Improvement District	Total
Revenues				
Taxes	$775,989	$165,824	$133,572	$1,075,385
Investment earnings	24,686	3,091	21,635	49,412
Total revenues	800,675	168,915	155,207	1,124,797
Expenditures				
Current				
Miscellaneous	3,906	5,852	6,075	15,833
Debt Service				
Principal	525,000	-	-	525,000
Interest	275,645	159,005	616,000	1,050,650
Total expenditures	804,551	164,857	622,075	1,591,483
Net change in fund balances	(3,876)	4,058	(466,868)	(466,686)
Fund balances - January 1	383,755	50,752	572,173	1,006,680
Fund balances - December 31	$379,879	$54,810	$105,305	$539,994

OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Lodgers and Auto Rental Tax Fund	Street Tree Fund	Garfield School Maintenance Fund	Economic Development Fund	Gift Trust Fund
ASSETS					
Cash and investments	$ -	$341,209	$71,416	$425,622	$3,327,347
Accounts receivable (net of allowances for uncollectibles)	-	-	7,700	-	9,138
Sales tax receivable	158,448	-	-	-	-
Loans receivable	-	-	-	24,491	-
Total assets	158,448	341,209	79,116	450,113	3,336,485
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	-	13,500	638	-	9,163
Accrued salaries and benefits	-	-	-	-	-
Due to other funds	87,076	-	-	-	-
Deferred revenue - loans	-	-	-	24,491	-
Total liabilities	87,076	13,500	638	24,491	9,163
Fund balances					
Unreserved					
Encumbrances	-	-	-	-	48,567
Designated - subsequent year expenditures	71,372	125,698	77,302	395,714	-
Undesignated	-	202,011	1,176	29,908	3,278,755
Total fund balances	71,372	327,709	78,478	425,622	3,327,322
Total liabilities and fund balances	$158,448	$341,209	$79,116	$450,113	$3,336,485

City Manager Contract Fund	Senior Programs Fund	Therapeutic Recreation Fund	Cultural Affairs Fund	Total
$60,622	$487,443	$20,348	$580	$4,734,587
-	-	-	-	16,838
-	-	-	-	158,448
-	-	-	-	24,491
60,622	487,443	20,348	580	4,934,364
-	369	-	-	23,670
-	966	-	-	966
-	-	-	-	87,076
-	-	-	-	24,491
-	1,335	-	-	136,203
-	200	-	-	48,767
-	-	-	-	670,086
60,622	485,908	20,348	580	4,079,308
60,622	486,108	20,348	580	4,798,161
$60,622	$487,443	$20,348	$580	$4,934,364

OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

	Lodgers and Auto Rental Tax Fund	Tree City U.S.A Fund	Street Tree Fund	Garfield School Maintenance Fund	Economic Development Fund
Revenues					
Taxes	$3,664,837	$ -	$ -	$ -	$ -
Charges for services	-	19,708	-	-	-
Donations	-	-	-	-	-
Other revenue	-	-	-	-	97,055
Investment earnings	4,763	475	20,240	2,586	23,812
Rental income	-	-	-	23,006	-
Total revenues	3,669,600	20,183	20,240	25,592	120,867
Expenditures					
General government	68,501	-	-	-	-
Culture and recreation	-	2,749	183,235	-	-
Economic development	2,493,396	-	-	-	337,000
Economic opportunity	-	-	-	23,775	-
Total expenditures	2,561,897	2,749	183,235	23,775	337,000
Excess (deficiency) of revenues over expenditures	1,107,703	17,434	(162,995)	1,817	(216,133)
Other financing uses					
Transfers - out	(1,196,698)	(53,424)	-	-	-
Net change in fund balances	(88,995)	(35,990)	(162,995)	1,817	(216,133)
Fund balances - January 1	160,367	35,990	490,704	76,661	641,755
Fund balances - December 31	$71,372	$ -	$327,709	$78,478	$425,622

Gift Trust Fund	City Manager Contract Fund	Senior Programs Fund	Therapeutic Recreation Fund	Cultural Affairs Fund	Total
$ -	$ -	$ -	$ -	$ -	$3,664,837
-	-	-	-	-	19,708
1,192,036	-	12,674	-	-	1,204,710
-	-	-	-	-	97,055
101,305	-	21,417	714	20	175,332
-	-	-	-	-	23,006
1,293,341	-	34,091	714	20	5,184,648
-	-	-	-	-	68,501
828,175	-	47,135	-	-	1,061,294
-	-	-	-	-	2,830,396
-	-	-	-	-	23,775
828,175	-	47,135	-	-	3,983,966
465,166	-	(13,044)	714	20	1,200,682
-	-	-	-	-	(1,250,122)
465,166	-	(13,044)	714	20	(49,440)
2,862,156	60,622	499,152	19,634	560	4,847,601
$3,327,322	$60,622	$486,108	$20,348	$580	$4,798,161

SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES-BUDGET AND ACTUAL
For the year ended December 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Community Development Block Grant	$3,246,506	$3,246,506	$ -
Home Investment Partnership Fund	3,084,154	3,084,154	-
Grants Fund	22,841,090	22,841,090	-
Ballfield Capital Improvements Fund	102,500	108,237	5,737
Bicycle Tax Fund	103,000	124,999	21,999
Trails/Open Space Fund	6,355,820	6,412,724	56,904
Conservation Trust Fund	3,246,850	4,311,933	1,065,083
Cable Franchise Fund	1,260,000	1,128,461	(131,539)
Public Safety Sales Tax Fund	25,157,290	25,291,978	134,688
Old Colorado City Maintenance and Security District Fund	107,898	104,698	(3,200)
Norwood Special Improvement Maintenance District Fund	609,744	600,035	(9,709)
Briargate Special Improvement Maintenance District Fund	789,095	771,297	(17,798)
Stetson Hills Improvement Maintenance District Fund	228,594	250,363	21,769
Woodstone Improvement Maintenance District Fund	20,150	20,317	167
Gateway Improvement Maintenance District Fund	3,526	3,314	(212)
Platte Avenue Improvement Maintenance District Fund	10,517	10,585	68
Public Space and Development Fund	670,000	1,276,757	606,757
Subdivision Drainage Fund	1,750,000	2,226,620	476,620
Arterial Roadway Fund	250,000	210,966	(39,034)
Park Developer Easement Fund	-	13,822	13,822
Cottonwood General Improvement District	774,554	800,675	26,121
Spring Creek General Improvement District	163,000	168,915	5,915
Briargate General Improvement District	140,126	155,207	15,081
Lodgers and Auto Rental Tax Fund	3,685,722	3,669,600	(16,122)
Tree City U.S.A.	-	20,183	20,183
Street Tree Fund	12,000	20,240	8,240
Garfield School Maintenance Fund	27,500	25,592	(1,908)
Economic Development Fund	5,400	120,867	115,467
Gift Trust Fund	1,100,000	1,293,341	193,341
Senior Programs Fund	15,000	34,091	19,091
Therapeutic Recreation Fund	500	714	214
Cultural Affairs Fund	-	20	20
Special Assessment District Fund	271,030	199,188	(71,842)
Total revenues	$76,031,566	$78,547,489	$2,515,923

(continued)

SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
For the year ended December 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Community Development Block Grant	$3,246,506	$3,246,506	$ -
Home Investment Partnership Fund	3,084,154	3,084,154	-
Grants Fund	22,841,090	22,841,090	-
Ballfield Capital Improvements Fund	102,500	102,500	-
Bicycle Tax Fund	300,933	89,510	211,423
Trails/Open Space Fund	9,335,374	4,631,598	4,703,776
Conservation Trust Fund	5,228,819	3,797,462	1,431,357
Cable Franchise Fund	1,494,580	978,695	515,885
Public Safety Sales Tax Fund	35,352,365	24,358,820	10,993,545
Old Colorado City Maintenance and Security District Fund	119,898	84,714	35,184
Norwood Special Improvement Maintenance District Fund	679,744	590,669	89,075
Briargate Special Improvement Maintenance District Fund	839,395	834,947	4,448
Stetson Hills Improvement Maintenance District Fund	228,594	137,590	91,004
Woodstone Improvement Maintenance District Fund	20,150	11,548	8,602
Gateway Improvement Maintenance District Fund	5,526	3,538	1,988
Platte Avenue Improvement Maintenance District Fund	10,517	3,741	6,776
Public Space and Development Fund	2,518,647	1,828,927	689,720
Subdivision Drainage Fund	2,000,000	702,198	1,297,802
Arterial Roadway Fund	400,000	148,672	251,328
Park Developer Easement Fund	5,068	5,068	-
Cottonwood General Improvement District	808,145	804,551	3,594
Spring Creek General Improvement District	166,505	164,857	1,648
Briargate General Improvement District	623,500	622,075	1,425
Lodgers and Auto Rental Tax Fund	3,763,546	3,758,595	4,951
Tree City U.S.A.	66,406	56,173	10,233
Street Tree Fund	308,933	183,235	125,698
Garfield School Maintenance Fund	35,150	23,775	11,375
Economic Development Fund	623,682	337,000	286,682
Gift Trust Fund	1,100,000	828,175	271,825
Senior Programs Fund	50,000	47,135	2,865
Therapeutic Recreation Fund	1,000	-	1,000
Special Assessment District Fund	271,030	174,499	96,531
Total expenditures	$95,631,757	$74,482,017	$21,149,740

Note: Includes transfers.

CITY OF COLORADO SPRINGS

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

SCIP Construction fund
In 1999 the City issued $87,975,000 of Sales Tax Revenue bonds to finance various capital improvements. The SCIP Construction fund is used to account for the capital improvements acquired or constructed using these bond proceeds.

City Funded CIP Construction fund
In 1999 the City created a new fund to account for various City funded capital improvements. The City Funded CIP Construction fund receives annual transfers from the General fund.

Red Rock Canyon COP fund
In 2003 the City issued $15,070,000 of Certificates of Participation to finance the acquisition of approximately 732 acres of land known as Red Rock Canyon to be used for open space for the City's inhabitants and visitors. The Red Rock Canyon COP fund is used to account for the acquisition costs through the disposition of the certificate of participation proceeds.

	SCIP Construction Fund	City Funded CIP Construction Fund	Red Rock Canyon COP Fund	Total
ASSETS				
Cash and investments	$2,848,742	$11,115,370	$164,681	$14,128,793
Accounts receivable (net of allowances for uncollectibles)	2,953	17,313	-	20,266
Due from other funds	-	963,470	-	963,470
Restricted investments	-	-	1,343,861	1,343,861
Total assets	2,851,695	12,096,153	1,508,542	16,456,390
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	2,882	1,248,267	16,062	1,267,211
Due to other funds	5,671	3,854,724	-	3,860,395
Total liabilities	8,553	5,102,991	16,062	5,127,606
Fund balances:				
Reserved for:				
Encumbrances	681,413	3,210,967	-	3,892,380
Unreserved				
Designated - subsequent year expenditures	2,161,729	3,782,195	1,492,480	7,436,404
Total fund balances	2,843,142	6,993,162	1,492,480	11,328,784
Total liabilities and fund balances	$2,851,695	$12,096,153	$1,508,542	$16,456,390

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit D-2

	SCIP Construction Fund	City Funded CIP Construction Fund	Red Rock Canyon COP Fund	Total
Revenues				
Donations	$185,000	$1,155,932	$ -	$1,340,932
Investment earnings	212,195	1,107,907	49,165	1,369,267
Total revenues	397,195	2,263,839	49,165	2,710,199
Expenditures				
Debt Service:				
Principal payment	-	5,025,000	-	5,025,000
Interest and other charges	373,532	2,449,389	-	2,822,921
Capital outlay	408,340	14,029,243	21,075	14,458,658
Total expenditures	781,872	21,503,632	21,075	22,306,579
Excess (deficiency) of revenues over expenditures	(384,677)	(19,239,793)	28,090	(19,596,380)
Other financing sources (uses)				
Transfers - in	-	16,662,562	-	16,662,562
Net change in fund balances	(384,677)	(2,577,231)	28,090	(2,933,818)
Fund balances - January 1	3,227,819	9,570,393	1,464,390	14,262,602
Fund balances - December 31	$2,843,142	$6,993,162	$1,492,480	$11,328,784

CITY OF COLORADO SPRINGS

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs for the benefit of the City or its citizenry.

Cemetery Endowment fund
Used to account for the investment activities of the Cemetery Endowment corpus with investment earnings used to finance cemetery operations.

C.D. Smith, Perkins, Woods, Sabine and TOPS Maintenance Trust funds
Used to account for the investment activities of each funds' corpus with investment earnings used in accordance with trust provisions.

PERMANENT FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	C.D. Smith Trust Fund	Perkins Trust Fund	Woods Trust Fund	Sabine Trust Fund
ASSETS				
Cash and investments	$361,514	$3,080	$3,753	$1,465
Accounts receivable (net of allowances for uncollectibles)	-	-	-	-
Restricted investments	594,281	-	-	-
Total assets	955,795	3,080	3,753	1,465
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	2,740	-	54	47
Total liabilities	2,740	-	54	47
Fund balances:				
Reserved for:				
Endowments	953,055	3,080	3,699	1,418
Total liabilities and fund balances	$955,795	$3,080	$3,753	$1,465

CITY OF COLORADO SPRINGS
COLORADO
Exhibit E-1

Cemetery Endowment Fund	TOPS Maintenance Trust Fund	Total
$12,197	$731,107	$1,113,116
1,150	-	1,150
8,674,023	-	9,268,304
8,687,370	731,107	10,382,570
-	-	2,841
-	-	2,841
8,687,370	731,107	10,379,729
$8,687,370	$731,107	$10,382,570

PERMANENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2006

	C.D. Smith Trust Fund	Perkins Trust Fund	Woods Trust Fund
Revenues			
Endowments	$ -	$ -	$ -
Investment earnings	73,214	109	132
Total revenues	73,214	109	132
Expenditures			
Current:			
Culture and recreation	53,937	76	54
Total expenditures	53,937	76	54
Excess of revenues over expenditures	19,277	33	78
Fund balances - January 1	933,778	3,047	3,621
Fund balances - December 31	$953,055	$3,080	$3,699

Sabine Trust Fund	Cemetery Endowment Fund	TOPS Maintenance Trust Fund	Total
$ -	$90,505	$ -	$90,505
51	741,848	25,915	841,269
51	832,353	25,915	931,774
47	-	11,500	65,614
47	-	11,500	65,614
4	832,353	14,415	866,160
1,414	7,855,017	716,692	9,513,569
$1,418	$8,687,370	$731,107	$10,379,729

	Budget	Actual	Variance Positive (Negative)
Revenues			
C.D. Smith Trust Fund	$85,600	$73,214	($12,386)
Perkins Trust Fund	150	109	(41)
Woods Trust Fund	200	132	(68)
Sabine Trust Fund	100	51	(49)
Cemetery Endowment Fund*	-	832,353	832,353
TOPS Maintenance Trust Fund	11,500	25,915	14,415
Total revenues	$97,550	$931,774	$834,224
Expenditures			
C.D. Smith Trust Fund	$85,600	$53,937	$31,663
Perkins Trust Fund	150	76	74
Woods Trust Fund	200	54	146
Sabine Trust Fund	100	47	53
Cemetery Endowment Fund*	-	-	-
TOPS Maintenance Trust Fund	11,500	11,500	-
Total expenditures	$97,550	$65,614	$31,936

*No budget approved for Cemetery Endowment Fund.

NON-MAJOR PROPRIETARY FUNDS
ENTERPRISE FUNDS

Enterprise Funds account for the acquisition, operations and maintenance of the City's facilities and services supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Patty Jewett Golf fund
Used to account for the activities of the City owned golf course.

Valley Hi Golf fund
Used to account for the activities of the City owned golf course.

Pikes Peak Highway fund
Used to account for the activities of the Pikes Peak Highway.

Human Services Complex fund
Used to account for the City owned Senior Citizen Center complex.

Cemetery fund
Used to account for the activities of the two City owned cemeteries.

Development Review fund
Used to account for certain activities related to development review.

Stormwater fund
Used to account for certain activities related to new enterprise for stormwater capital improvements and maintenance.

NON-MAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund	Human Services Complex Fund
ASSETS				
Current assets				
Cash and investments	$843,377	$395,341	$1,056,273	$671,541
Accounts receivable (net of allowance for uncollectibles)	8,417	2,040	31,906	8,310
Inventories	-	-	86,280	-
Due from other funds	-	-	2,613	-
Total current assets	851,794	397,381	1,177,072	679,851
Noncurrent assets				
Capital assets:				
Land	60,000	931,200	667	537,000
Buildings	1,856,999	238,833	4,527,446	2,553,590
Improvements other than buildings	1,717,669	1,510,289	4,006,752	553,006
Machinery and equipment	1,592,051	884,464	2,097,450	-
Less accumulated depreciation	(3,263,381)	(1,787,843)	(5,441,407)	(1,399,531)
Total noncurrent assets	1,963,338	1,776,943	5,190,908	2,244,065
Total assets	$2,815,132	$2,174,324	$6,367,980	$2,923,916

CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-1
(PAGE 1 OF 2)

Cemetery Fund	Development Review Fund	Stormwater Fund	Total
$198,852	$936,895	$1,208,459	$5,310,738
199,258	3,777	-	253,708
-	-	-	86,280
-	-	-	2,613
398,110	940,672	1,208,459	5,653,339
140,841	-	-	1,669,708
514,720	58,792	-	9,750,380
1,649,014	80,289	-	9,517,019
457,329	107,519	-	5,138,813
(1,117,538)	(75,740)	-	(13,085,440)
1,644,366	170,860	-	12,990,480
$2,042,476	$1,111,532	$1,208,459	$18,643,819

(continued)

NON-MAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund	Human Services Complex Fund
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$10,117	$12,192	$20,640	$354
Accrued salaries and benefits	19,613	8,415	51,373	3,327
Compensated absences	3,096	1,220	8,882	420
Due to other funds	16,019	20,016	-	6,503
Deferred revenue	16,625	9,240	-	-
Notes payable	-	-	47,359	-
Capital leases payable	-	58,563	68,505	-
Total current liabilities	65,470	109,646	196,759	10,604
Noncurrent liabilities				
Compensated absences	58,818	23,187	168,751	7,985
Due to other funds	-	-	-	-
Notes payable	-	-	821,314	-
Capital lease payable	-	191,718	230,281	-
Total noncurrent liabilities	58,818	214,905	1,220,346	7,985
Total liabilities	124,288	324,551	1,417,105	18,589
Net assets				
Invested in capital assets, net of related debt	1,963,339	1,526,662	4,023,449	2,244,065
Restricted for debt service	-	-	270,000	-
Unrestricted	727,505	323,111	657,426	661,262
Total net assets	2,690,844	1,849,773	4,950,875	2,905,327
Total liabilities and net assets	$2,815,132	$2,174,324	$6,367,980	$2,923,916

CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-1
(PAGE 2 OF 2)

Cemetery Fund	Development Review Fund	Stormwater Fund	Total
$8,760	$2,402	$42,398	$96,863
25,745	52,778	5,107	166,358
8,294	7,473	133	29,518
3,837	-	451,755	498,130
-	-	-	25,865
-	-	-	47,359
-	-	-	127,068
46,636	62,653	499,393	991,161
157,589	141,987	2,536	560,853
-	-	1,678,245	1,678,245
-	-	-	821,314
-	-	-	421,999
157,589	141,987	1,680,781	3,482,411
204,225	204,640	2,180,174	4,473,572
1,644,365	170,861	-	11,572,741
-	-	-	270,000
193,886	736,031	(971,715)	2,327,506
1,838,251	906,892	(971,715)	14,170,247
$2,042,476	$1,111,532	$1,208,459	$18,643,819

NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended December 31, 2006

	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund	Human Services Complex Fund
Operating revenues				
Charges for services	$1,944,126	$1,144,303	$2,364,003	$243,042
Operating expenses				
Salaries and benefits	636,975	294,980	1,437,472	106,528
Other operating expenses	1,172,701	729,159	689,922	160,192
Depreciation	250,434	112,290	370,458	96,123
Total operating expenses	2,060,110	1,136,429	2,497,852	362,843
Operating income (loss)	(115,984)	7,874	(133,849)	(119,801)
Nonoperating revenues (expenses)				
Investment earnings	33,114	15,317	48,062	29,580
Interest expense	-	(8,598)	(57,342)	-
Gain on disposal of capital assets	2,481	7,644	59,883	-
Total nonoperating revenues (expenses)	35,595	14,363	50,603	29,580
Income (loss) before contributions and transfers	(80,389)	22,237	(83,246)	(90,221)
Transfers in	-	-	797,500	-
Change in net assets	(80,389)	22,237	714,254	(90,221)
Total net assets - January 1	2,771,233	1,827,536	4,236,621	2,995,548
Total net assets - December 31	$2,690,844	$1,849,773	$4,950,875	$2,905,327

CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-2

Cemetery Fund	Development Review Fund	Stormwater Fund	Total
$1,135,768	$1,831,283	$ -	$8,662,525
780,702	1,379,334	148,153	4,784,144
473,579	503,076	859,007	4,587,636
88,151	20,619	-	938,075
1,342,432	1,903,029	1,007,160	10,309,855
(206,664)	(71,746)	(1,007,160)	(1,647,330)
174,840	39,676	34,293	374,882
-	-	-	(65,940)
-	-	-	70,008
174,840	39,676	34,293	378,950
(31,824)	(32,070)	(972,867)	(1,268,380)
-	-	-	797,500
(31,824)	(32,070)	(972,867)	(470,880)
1,870,075	938,962	1,152	14,641,127
$1,838,251	$906,892	($971,715)	$14,170,247

NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund	Human Services Complex Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$1,966,816	$1,158,480	$2,390,533	$166,072
Receipts from interfund services provided	90	-	-	69,660
Payments to suppliers	(779,148)	(440,375)	(436,677)	(102,359)
Payments to employees	(649,253)	(288,742)	(1,429,180)	(105,369)
Payments for interfund services used	(382,955)	(293,166)	(282,843)	(53,737)
Net cash provided (used) by operating activities	155,550	136,197	241,833	(25,733)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of advance from other funds	-	(9,100)	-	-
Transfers in from other City funds	-	-	797,500	-
Net cash provided (used) by noncapital financing activities	-	(9,100)	797,500	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	-	-	-
Purchases of capital assets	(132,404)	(8,641)	(1,171,269)	-
Payments from accounts payable incurred for capital asset additions	(12,759)	-	-	-
Principal paid on capital debt	-	-	(45,520)	-
Interest paid on capital debt	-	-	(36,117)	-
Repayment of capital lease obligations	-	(61,053)	(65,492)	-
Interest paid - other	-	(8,598)	(21,224)	-
Proceeds from sales of capital assets	2,481	15,644	59,883	-
Net cash provided (used) by capital and related financing activities	(142,682)	(62,648)	(1,279,739)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	442,335	148,480	806,754	385,348
Purchase of investments	(447,003)	(209,536)	(559,844)	(355,928)
Interest and dividends received	27,957	13,851	37,516	24,938
Net cash provided (used) by investing activities	23,289	(47,205)	284,426	54,358
Net increase in cash and cash equivalents	36,157	17,244	44,020	28,625
Cash and cash equivalents - January 1	4,030	1,595	6,310	3,374
Cash and cash equivalents - December 31	40,187	18,839	50,330	31,999
Cash and cash equivalents	40,187	18,839	50,330	31,999
Investments	803,190	376,502	1,005,943	639,542
Total cash and investments	$843,377	$395,341	$1,056,273	$671,541

Cemetery Fund	Development Review Fund	Stormwater Fund	Total
$1,056,100	$1,719,021	$ -	$8,457,022
-	109,162	-	178,912
(94,872)	(246,471)	(778,387)	(2,878,289)
(779,789)	(1,342,565)	(140,257)	(4,735,155)
(373,400)	(256,658)	(38,342)	(1,681,101)
(191,961)	(17,511)	(956,986)	(658,611)
-	-	-	(9,100)
-	-	-	797,500
-	-	-	788,400
-	-	1,770,000	1,770,000
(45,000)	(9,442)	-	(1,366,756)
-	-	-	(12,759)
-	-	-	(45,520)
-	-	-	(36,117)
-	-	-	(126,545)
-	-	-	(29,822)
-	-	-	78,008
(45,000)	(9,442)	1,770,000	230,489
178,081	530,175	-	2,491,173
(105,395)	(496,570)	(802,811)	(2,977,087)
172,431	33,320	45,584	355,597
245,117	66,925	(757,227)	(130,317)
8,156	39,972	55,787	229,961
1,319	4,671	1,796	23,095
9,475	44,643	57,583	253,056
9,475	44,643	57,583	253,056
189,377	892,252	1,150,876	5,057,682
$198,852	$936,895	$1,208,459	$5,310,738

(continued)

NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund	Human Services Complex Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	($115,984)	$7,874	($133,849)	($119,801)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	250,434	112,290	370,458	96,123
(Increase) decrease in accounts receivable	6,154	4,936	28,700	(7,310)
Increase in inventories	-	-	(18,773)	-
(Increase) decrease in due from other funds	-	-	(2,613)	-
Increase (decrease) in accounts and other payables	1,863	(4,965)	(4,321)	309
Increase (decrease) in accrued expenses	(12,277)	6,239	8,291	1,159
Increase (decrease) in due to other funds	8,735	583	(6,060)	3,787
Increase in other liabilities	16,625	9,240	-	-
Net cash provided (used) by operating activities	$155,550	$136,197	$241,833	($25,733)
Noncash investing, capital and financing activities				
Noncash acquisition of capital assets (incurrence of payable/capital lease obligation)	$ -	$2,350	$ -	$ -
Increase (decrease) in fair value of investments	5,157	1,466	10,546	4,642

CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-3
(PAGE 2 OF 2)

Cemetery Fund	Development Review Fund	Stormwater Fund	Total
($206,664)	($71,746)	($1,007,160)	($1,647,330)
88,151	20,619	-	938,075
(79,668)	(3,776)	-	(50,964)
-	-	-	(18,773)
-	677	-	(1,936)
4,575	67	42,398	39,926
914	36,648	7,776	48,750
731	-	-	7,776
-	-	-	25,865
($191,961)	($17,511)	($956,986)	($658,611)
$ -	$875	$ -	$3,225
2,409	6,356	(11,291)	19,285

CITY OF COLORADO SPRINGS

NON-MAJOR PROPRIETARY FUNDS
INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Support Services fund
Used to account for centralized fleet management, information services and risk and safety administration activities.

Claims Reserve Self-Insurance fund
Used to account for self-insurance activities of the City (except Utilities and Hospital) in the area of general liability.

Workers Compensation Self-Insurance fund
Used to account for the self-insurance activities related to employee workers compensation (except Hospital).

Employee Benefits Self-Insurance fund
Used to account for self-insurance activities of the City employee benefit program (except Hospital).

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Support Services Fund	Claims Reserve Self-Insurance Fund	Workers Compensation Self-Insurance Fund
ASSETS			
Current assets			
Cash and investments	$8,835	$1,734,710	$2,529,719
Accounts receivable (net of allowance for uncollectibles)	235,887	-	47,363
Inventories	1,049,982	-	-
Due from other funds	1,082,480	-	66,287
Total current assets	2,377,184	1,734,710	2,643,369
Noncurrent assets			
Capital assets			
Land	13,000	-	-
Buildings	380,967	-	6,850
Improvements other than buildings	396,917	-	-
Machinery and equipment	5,173,403	-	306,673
Construction in progress	72,913	-	-
Less accumulated depreciation	(4,836,882)	-	(301,414)
Total noncurrent assets	1,200,318	-	12,109
Total assets	3,577,502	1,734,710	2,655,478
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	786,595	988,982	6,527,591
Accrued salaries and benefits	435,161	-	24,801
Compensated absences	72,240	-	2,433
Due to other funds	49,162	32,097	26,876
Capital lease payable	44,748	-	-
Total current liabilities	1,387,906	1,021,079	6,581,701
Noncurrent liabilities			
Compensated absences	1,372,553	-	46,233
Capital lease obligations	73,408	-	-
Total noncurrent liabilities	1,445,961	-	46,233
Total liabilities	2,833,867	1,021,079	6,627,934
Net assets (deficit)			
Invested in capital assets, net of related debt	1,082,162	-	12,109
Unrestricted	(338,527)	713,631	(3,984,565)
Total net assets (deficit)	743,635	713,631	(3,972,456)
Total liabilities and net assets	$3,577,502	$1,734,710	$2,655,478

CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-1

Employee Benefits Self-Insurance Fund	Total
$10,203,792	$14,477,056
131	283,381
-	1,049,982
-	1,148,767
10,203,923	16,959,186
-	13,000
-	387,817
-	396,917
-	5,480,076
-	72,913
-	(5,138,296)
-	1,212,427
10,203,923	18,171,613
4,307,393	12,610,561
1,810	461,772
102	74,775
31,378	139,513
-	44,748
4,340,683	13,331,369
1,936	1,420,722
-	73,408
1,936	1,494,130
4,342,619	14,825,499
-	1,094,271
5,861,304	2,251,843
5,861,304	3,346,114
$10,203,923	$18,171,613

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended December 31, 2006

	Support Services Fund	Claims Reserve Self-Insurance Fund	Workers Compensation Self-Insurance Fund
Operating revenues			
Charges for services	$26,828,827	$266,126	$5,353,867
Operating expenses			
Salaries and benefits	10,204,807	-	730,569
Other operating expenses	15,721,978	725,743	7,097,593
Depreciation	392,470	-	40,233
Total operating expenses	26,319,255	725,743	7,868,395
Operating income (loss)	509,572	(459,617)	(2,514,528)
Nonoperating revenues (expenses)			
Investment earnings	178	88,053	148,317
Interest expense	(30,697)	-	-
Loss on disposal of fixed assets	(74,532)	-	-
Miscellaneous	(3,617)	-	-
Total nonoperating revenues (expenses)	(108,668)	88,053	148,317
Change in net assets	400,904	(371,564)	(2,366,211)
Total net assets (deficit) - January 1	342,731	1,085,195	(1,606,245)
Total net assets (deficit) - December 31	$743,635	$713,631	($3,972,456)

CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-2

Employee Benefits Self-Insurance Fund	Total
$34,609,807	$67,058,627
47,195	10,982,571
37,873,691	61,419,005
-	432,703
37,920,886	72,834,279
(3,311,079)	(5,775,652)
551,002	787,550
-	(30,697)
-	(74,532)
-	(3,617)
551,002	678,704
(2,760,077)	(5,096,948)
8,621,381	8,443,062
$5,861,304	$3,346,114

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Support Services Fund	Claims Reserve Self-Insurance Fund	Workers Compensation Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$799,632	$ -	$151,530
Receipts from interfund services provided	25,681,589	266,126	5,219,052
Payments to suppliers	(13,025,551)	(600,187)	(5,639,801)
Payments to employees	(10,112,003)	-	(728,860)
Payment for interfund services used	(2,982,176)	(290,848)	(343,765)
Net cash provided (used) by operating activities	361,491	(624,909)	(1,341,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(219,763)	-	-
Payments from accounts payable incurred for capital asset additions	(18,336)	-	-
Repayment of capital lease obligations	(99,970)	-	-
Interest paid - other	(30,697)	-	-
Net cash used by capital and related financing activities	(368,766)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	12,297	1,548,392	2,673,283
Purchases of investments	(4,682)	(919,425)	(1,340,793)
Interest and dividends received	-	67,121	111,078
Net cash provided by investing activities	7,615	696,088	1,443,568
Net increase in cash and cash equivalents	340	71,179	101,724
Cash and cash equivalents - January 1	81	11,480	18,817
Cash and cash equivalents - December 31	421	82,659	120,541
Cash and cash equivalents	421	82,659	120,541
Investments	8,414	1,652,051	2,409,178
Total cash and investments	$8,835	$1,734,710	$2,529,719

CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-3
(PAGE 1 OF 2)

Employee Benefits Self-Insurance Fund	Total
$6,926,721	$7,877,883
27,766,590	58,933,357
(31,906,612)	(51,172,151)
(44,971)	(10,885,834)
(7,191,041)	(10,807,830)
(4,449,313)	(6,054,575)
-	(219,763)
-	(18,336)
-	(99,970)
-	(30,697)
-	(368,766)
9,856,660	14,090,632
(5,408,179)	(7,673,079)
415,772	593,971
4,864,253	7,011,524
414,940	588,183
71,270	101,648
486,210	689,831
486,210	689,831
9,717,582	13,787,225
$10,203,792	$14,477,056

(continued)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2006

	Support Services Fund	Claims Reserve Self-Insurance Fund	Workers Compensation Self-Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$509,572	($459,617)	($2,514,528)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	392,470	-	40,233
(Increase) decrease in accounts receivable	(153,881)	-	(47,163)
Increase in inventories	(181,699)	-	-
(Increase) decrease in due from other funds	(193,725)	-	63,878
Increase (decrease) in accounts and other payables	(98,971)	125,223	1,179,318
Increase in accrued expenses	92,804	-	1,709
Increase (decrease) in due to other funds	(5,079)	(290,515)	(65,291)
Net cash provided (used) by operating activities	$361,491	($624,909)	($1,341,844)
Noncash investing, capital and financing activities			
Noncash acquisition of capital assets (incurrence of payable/capital lease obligation)	$58,608	$ -	$ -
Increase in fair value of investments	178	20,932	37,239

CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-3
(PAGE 2 OF 2)

Employee Benefits Self-Insurance Fund	Total
($3,311,079)	($5,775,652)
-	432,703
67,409	(133,635)
-	(181,699)
16,095	(113,752)
(1,255,314)	(49,744)
2,224	96,737
31,352	(329,533)
($4,449,313)	($6,054,575)
$ -	$58,608
135,230	193,579

CITY OF COLORADO SPRINGS

FIDUCIARY FUNDS

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for other agencies, individuals, private organizations or governmental units and cannot be used to support the City's program.

Pension Trust:

Fire and Police Pension Trust funds
Used to account for assets of the Colorado Springs Fire and Police pension plans. Includes Old Hire Fire and Old Hire Police Trust funds.

Agency*:*

Miscellaneous Depository Agency fund
Used to account for assets that the City holds on behalf of others as their agent.

	Old Hire Fire Pension Trust Fund	Old Hire Police Pension Trust Fund	Totals
Pension assets held in trust by Fire and Police Pension Association	$107,884,412	$90,434,213	$198,318,625
Net assets - held in trust for pension benefits	$107,884,412	$90,434,213	$198,318,625

FIDUCIARY FUNDS **CITY OF COLORADO SPRINGS**
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS **COLORADO**
For the year ended December 31, 2006 **Exhibit H-2**

	Old Hire Fire Pension Trust Fund	Old Hire Police Pension Trust Fund	Totals
Additions			
City contributions	$2,567,577	$2,062,926	$4,630,503
Participant contributions	31,025	30,298	61,323
Total contributions	2,598,602	2,093,224	4,691,826
Investment earnings:			
Interest and dividend income	4,266,163	3,581,775	7,847,938
Rental income	452,854	380,399	833,253
Net increase in fair value of investments	10,020,936	8,412,541	18,433,477
Total investment gain	14,739,953	12,374,715	27,114,668
Less investment expenses	690,171	579,365	1,269,536
Net investment gain	14,049,782	11,795,350	25,845,132
Total additions	16,648,384	13,888,574	30,536,958
Deductions			
Benefits	(7,774,634)	(6,802,465)	(14,577,099)
Administrative expenses	(9,826)	(10,114)	(19,940)
Total deductions	(7,784,460)	(6,812,579)	(14,597,039)
Change in net assets	8,863,924	7,075,995	15,939,919
Net assets held in trust for pension benefits - January 1	99,020,488	83,358,218	182,378,706
Net assets held in trust for pension benefits - December 31	$107,884,412	$90,434,213	$198,318,625

	Miscellaneous Depository Fund
ASSETS	
Cash and investments	$3,075,129
Accounts receivable (net of allowances for uncollectibles)	126,830
Total assets	3,201,959
LIABILITIES	
Accounts payable	2,729,727
Due to component unit	472,232
Total liabilities	$3,201,959

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
For the year ended December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Exhibit H-4

	Beginning balance	Debits	Credits	Ending balance
ASSETS				
Miscellaneous depository fund				
Cash and investments	$2,105,106	$203,490,505	$202,520,482	$3,075,129
Accounts receivable (net of allowance for uncollectibles)	47,079	196,665	116,914	126,830
Total assets	2,152,185	203,687,170	202,637,396	3,201,959
LIABILITIES				
Miscellaneous depository fund				
Accounts payable	736,937	197,299,302	199,292,092	2,729,727
Due to component unit	1,415,248	1,415,248	472,232	472,232
Total liabilities	$2,152,185	$198,714,550	$199,764,324	$3,201,959

CITY OF COLORADO SPRINGS

STATISTICAL SECTION

NET ASSETS BY COMPONENT
Last five fiscal years

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental activities					
Invested in capital assets, net of related debt	$792,111,419	$737,918,070	$473,414,958	$217,276,297	$173,534,935
Restricted	19,626,343	18,110,760	20,007,713	16,172,145	15,262,852
Unrestricted	69,855,088	76,136,180	137,298,420	91,064,529	106,662,267
Total governmental activities net assets	$881,592,850	$832,165,010	$630,721,091	$324,512,971	$295,460,054
Business-type activities					
Invested in capital assets, net of related debt	$1,282,203,625	$1,136,184,516	$1,070,922,705	$1,096,293,319	$1,068,858,457
Restricted	57,715,492	64,247,486	62,682,812	76,149,594	74,583,999
Unrestricted	464,250,952	620,409,743	501,642,567	396,257,068	399,709,416
Total business-type activities net assets	$1,804,170,069	$1,820,841,745	$1,635,248,084	$1,568,699,981	$1,543,151,872
Primary government					
Invested in capital assets, net of related debt	$2,074,315,044	$1,874,102,586	$1,544,337,663	$1,313,569,616	$1,242,393,392
Restricted	77,341,835	82,358,246	82,690,525	92,321,739	89,846,851
Unrestricted	534,106,040	696,545,923	638,940,987	487,321,597	506,371,683
Total primary government net assets	$2,685,762,919	$2,653,006,755	$2,265,969,175	$1,893,212,952	$1,838,611,926

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

CHANGES IN NET ASSETS
Last five fiscal years

	Fiscal Year				
	2006	**2005**	**2004**	**2003**	**2002**
Expenses					
Governmental activities:					
General government	$72,426,781	$66,069,123	$57,537,266	$41,823,969	$41,437,932
Public safety	127,123,546	116,674,354	107,890,403	59,741,269	101,744,389
Public works	70,720,058	71,137,000	69,387,263	66,599,122	48,661,328
Health and welfare	1,061,100	896,675	1,025,059	964,844	900,745
Culture and recreation	23,336,913	27,454,595	20,254,797	51,066,216	20,958,219
Urban redevelopment and housing	6,505,047	5,615,284	8,274,058	10,446,365	10,830,340
Economic development	2,862,511	2,577,708	2,356,907	2,384,770	2,877,692
Economic opportunities	24,045	12,163	10,578	12,536	16,241
Interest on long-term debt	6,064,813	6,411,059	6,106,004	5,743,426	6,518,058
Miscellaneous	480,442	574,337	448,175	320,608	334,317
Total governmental activities expenses	310,605,256	297,422,298	273,290,510	239,103,125	234,279,261
Business-type activities:					
Utilities	794,957,734	567,771,779	621,608,610	552,190,622	458,822,295
Hospital	412,148,000	374,257,000	339,519,000	320,294,000	302,379,000
Airport	45,455,853	24,707,950	24,293,095	22,644,913	25,269,898
Parking	2,517,840	2,483,200	2,176,488	2,134,017	2,964,608
Other	10,457,158	9,178,016	7,856,321	7,436,249	8,195,943
Total business-type activities expenses	1,265,536,585	978,397,945	995,453,514	904,699,801	797,631,744
Total primary government expenses	$1,576,141,841	$1,275,820,243	$1,268,744,024	$1,143,802,926	$1,031,911,005
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$20,650,157	$21,090,902	$19,743,456	$16,576,340	$14,175,886
Public safety	4,639,941	3,665,390	3,463,338	2,950,931	2,802,961
Public works	10,389,741	10,337,995	11,055,412	12,156,539	10,603,871
Culture and recreation	3,287,652	3,181,267	2,771,570	3,029,537	2,990,651
Urban redevelopment and housing	2,800,362	791,692	2,035,112	1,734,672	1,064,089
Economic development	120,061	36,278	77,746	124,299	-
Economic opportunities	-	-	-	-	180,853
Operating grants and contributions	13,806,989	60,461,831	14,940,239	15,345,556	19,778,433
Capital grants and contributions	93,664,188	34,263,627	52,223,578	48,325,604	70,969,201
Total governmental activities program revenues	$149,359,091	$133,828,982	$106,310,451	$100,243,478	$122,565,945

(continued)

CHANGES IN NET ASSETS
Last five fiscal years

	Fiscal Year				
	2006	2005	2004	2003	2002
Business-type activities:					
Charges for services:					
Utilities	$678,530,612	$671,846,586	$590,990,827	$519,269,460	$485,658,771
Hospital	425,091,000	397,956,000	365,445,000	350,867,000	305,642,000
Airport	25,411,477	24,714,030	26,945,053	22,941,627	22,763,619
Parking	3,200,612	2,785,403	2,775,362	2,688,034	2,601,750
Other	8,732,533	8,528,184	7,433,408	7,450,748	7,401,488
Operating grants and contributions	-	-	-	-	171,140
Capital grants and contributions	91,230,189	57,521,098	64,671,742	39,233,969	49,370,710
Total business-type activities program revenues	1,232,196,423	1,163,351,301	1,058,261,392	942,450,838	873,609,478
Total primary government program revenues	$1,381,555,514	$1,297,180,283	$1,164,571,843	$1,042,694,316	$996,175,423
Net (expense)/revenue					
Governmental activities	($161,246,165)	($163,593,316)	($166,980,059)	($138,859,647)	($111,713,316)
Business-type activities	(33,340,162)	184,953,356	62,807,878	37,751,037	75,977,734
Total primary government net (expense) revenue	($194,586,327)	$21,360,040	($104,172,181)	($101,108,610)	($35,735,582)
General revenues and other changes in net assets					
Governmental activities:					
Taxes					
Property taxes	$21,906,181	$20,485,055	$19,782,761	$20,443,870	$21,010,517
Sales taxes	158,461,159	153,812,340	149,466,682	138,347,621	136,939,555
Specific ownership taxes	3,094,339	3,146,062	3,119,592	3,141,358	3,143,447
Occupational liquor taxes	256,852	253,228	246,664	242,462	232,070
Admissions tax	440,766	405,455	371,828	362,858	387,840
Bicycle excise tax	111,463	122,757	118,425	101,100	105,096
Gain on sale of capital assets	51,479	16,576	-	-	-
Contributions to endowments	90,505	83,980	86,892	73,705	-
Investment earnings	6,637,647	3,657,449	2,857,160	4,230,670	4,433,102
Transfers	24,558,860	24,359,629	22,389,858	22,223,619	24,136,998
Total governmental activities	215,609,251	206,342,531	198,439,862	189,167,263	190,388,625
Business-type activities:					
Investment earnings	35,910,334	24,999,934	26,130,083	10,020,691	4,126,218
Transfers	(24,558,860)	(24,359,629)	(22,389,858)	(22,223,619)	(24,136,998)
Total business-type activities	11,351,474	640,305	3,740,225	(12,202,928)	(20,010,780)
Total primary government	$226,960,725	$206,982,836	$202,180,087	$176,964,335	$170,377,845
Change in net assets					
Governmental activities	$54,363,086	$42,749,215	$31,459,803	$50,307,616	$78,675,309
Business-type activities	(21,988,688)	185,593,661	66,548,103	25,548,109	55,966,954
Total primary government	$32,374,398	$228,342,876	$98,007,906	$75,855,725	$134,642,263

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

FUND BALANCES OF GOVERNMENTAL FUNDS
Last five fiscal years

Table 3

	Fiscal Year				
	2006	**2005**	**2004**	**2003**	**2002**
General fund					
Reserved	$8,706,621	$7,590,511	$10,935,884	$10,985,168	$9,937,071
Unreserved	24,119,856	31,626,013	33,310,291	29,966,862	29,018,235
Total general fund	$32,826,477	$39,216,524	$44,246,175	$40,952,030	$38,955,306
All other governmental funds					
Reserved	$10,919,723	$10,520,249	$20,116,568	$19,540,784	$20,526,292
Unreserved, reported in:					
Special revenue funds	36,559,557	32,027,399	26,413,825	26,014,189	25,479,321
Capital projects funds	11,328,784	14,262,602	8,825,087	15,552,243	24,872,625
Total all other governmental funds	$58,808,064	$56,810,250	$55,355,480	$61,107,216	$70,878,238

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenues					
Taxes	$184,419,011	$178,378,079	$173,436,945	$162,876,843	$162,611,439
Licenses and permits	980,916	667,337	642,912	620,800	557,105
Intergovernmental	54,367,954	43,158,722	40,183,425	43,689,688	50,916,128
Charges for services	33,375,567	32,821,512	31,856,403	29,909,498	24,894,425
Endowments and donations	2,636,147	3,634,011	1,489,187	1,103,146	855,244
Other revenue	2,321,482	2,725,085	3,011,634	5,055,993	2,503,010
Investment earnings	5,572,923	3,111,062	2,581,807	3,711,689	3,938,252
Rental income	746,082	660,478	343,776	282,034	242,122
Total revenues	284,420,082	265,156,286	253,546,089	247,249,691	246,517,725
Expenditures					
General government	66,991,217	57,177,292	51,961,932	37,678,420	34,103,423
Public safety	119,126,698	110,140,218	101,792,209	99,908,503	96,634,706
Public works	40,554,899	38,190,123	36,948,686	42,067,993	43,585,425
Health and welfare	1,061,100	896,675	1,025,059	964,844	909,016
Culture and recreation	20,390,415	20,104,499	17,434,214	18,350,978	18,699,141
Urban redevelopment and housing	6,840,243	5,787,915	8,157,828	10,118,217	10,846,771
Economic development	2,830,396	2,557,373	2,377,006	2,390,999	2,903,944
Economic opportunities	23,775	12,067	10,668	12,569	16,601
Miscellaneous	514,049	660,481	744,467	538,577	337,194
Capital outlay	33,440,043	42,296,100	50,576,149	67,229,786	63,392,665
Debt service					
Principal	10,904,822	13,769,724	11,292,768	11,116,285	9,473,619
Interest	6,127,357	6,381,097	6,122,759	5,785,070	6,500,970
Total expenditures	308,805,014	297,973,564	288,443,745	296,162,241	287,403,475
Deficiency of revenues over expenditures	(24,384,932)	(32,817,278)	(34,897,656)	(48,912,550)	(40,885,750)
Other financing sources (uses)					
Capital lease financing	-	1,218,293	561,191	3,276,269	1,085,603
Sale of capital assets	369,085	646,863	280,374	525,138	323,972
Transfers in	42,599,569	45,172,685	37,353,535	29,808,563	38,160,185
Transfers out	(18,040,709)	(20,490,444)	(14,701,582)	(7,541,718)	(13,415,328)
Proceeds from issuance of bond	-	2,695,000	25,915,000	15,070,000	-
Premium on refunding bonds issued	-	-	430,447	-	-
Payment on refunding bonds	-	-	(17,398,900)	-	-
Total other financing sources (uses)	24,927,945	29,242,397	32,440,065	41,138,252	26,154,432
Net change in fund balances	$543,013	($3,574,881)	($2,457,591)	($7,774,298)	($14,731,318)
Debt service as a percentage of noncapital expenditures	4.0%	5.4%	4.7%	4.9%	4.2%

CITY OF COLORADO SPRINGS
COLORADO

SALES AND USE TAX REVENUE
Last ten fiscal years

Table 5

Fiscal Year	City Sales and Use Tax	Public Safety Sales and Use Tax	Trails, Open Space and Parks Sales and Use Tax	Total Direct Tax Rate
1997	$88,780,019	$ -	$2,337,875	2.10%
1998	93,966,591	-	4,698,337	2.10%
1999	100,806,260	-	5,040,312	2.10%
2000	112,231,520	-	5,611,576	2.10%
2001	113,001,375	-	5,650,068	2.10%
2002	108,328,494	20,812,079	5,416,424	2.50%
2003	106,150,250	21,041,083	5,307,512	2.50%
2004	116,471,513	23,000,535	5,823,575	2.50%
2005	118,648,568	23,660,221	5,932,430	2.50%
2006	122,626,114	24,478,592	6,131,306	2.50%

Source: City Sales Tax Division

The Public Safety Sales and Use Tax was implemented January 1, 2002. The Trails, Open Space and Parks Sales and Use Tax was implemented July 1, 1997.

Fiscal Year	City Direct Rates				Overlapping Rates		Total Direct and Overlapping Rates
	City Sales and Use Tax	Public Safety Sales and Use Tax	Trails, Open Space and Parks Sales and Use Tax	Total Direct	El Paso County Sales Tax	Pikes Peak Rural Transportation Authority Tax	
1997	2.00%	-	0.10%[2]	2.00%	1.00%	-	3.00%
1998	2.00%	-	0.10%	2.10%	1.00%	-	3.10%
1999	2.00%	-	0.10%	2.10%	1.00%	-	3.10%
2000	2.00%	-	0.10%	2.10%	1.00%	-	3.10%
2001	2.00%	-	0.10%	2.10%	1.00%	-	3.10%
2002	2.00%	0.40%[1]	0.10%	2.10%	1.00%	-	3.10%
2003	2.00%	0.40%	0.10%	2.50%	1.00%	-	3.50%
2004	2.00%	0.40%	0.10%	2.50%	1.00%	-	3.50%
2005	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%[3]	4.50%
2006	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%

Note: In April 1991, voters approved City Charter Amendment #3, entitled the "Taxpayers Bill of Rights." A similar statewide constitutional amendment was passed in November 1992. One of the provisions of this amendment is that advance voter approval is necessary for any new tax or tax increase.

[1]The Public Safety Sales and Use Tax was implemented January 1, 2002.

[2]The Trails, Open Space and Parks Sales and Use Tax was implemented July 1, 1997.

[3]In November 2004, voters in El Paso County, Colorado Springs, Manitou Springs, and Green Mountain Falls approved the new Pikes Peak Regional Transportation Authority 1% sales and use tax. The new tax was effective as of January 1, 2005.

Industry	Fiscal Year 2006 Sales and Use Tax Amount	Rank	Percentage of Total City Sales and Use Tax	Fiscal Year 2005 Sales and Use Tax Amount	Rank	Percentage of Total City Sales and Use Tax
Department and discount stores	$19,756,087	1	13.47%	$24,284,180	1	13.66%
Miscellaneous retail	18,011,858	2	12.28%	20,810,428	4	11.70%
Miscellaneous non-retail	17,471,619	3	11.91%	21,236,850	3	11.94%
Building materials	17,361,094	4	11.84%	21,899,790	2	12.32%
Restaurants	16,369,943	5	11.16%	19,963,444	5	11.23%
	$88,970,601		60.66%	$108,194,692		60.85%

Source: City Sales Tax Division

Note: Due to requirements under the City charter, the names of the ten largest revenue payers are confidential. The industry categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Sales and use tax data not available by industry prior to 2002. Will compare 2005 to future years until nine years of data is available.

RATIOS OF OUTSTANDING DEBT BY TYPE
Last ten fiscal years

CITY OF COLORADO SPRINGS
COLORADO
Table 8

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Sales Tax Revenue Bonds	Governmental Activities: Certificates of Participation	Governmental Activities: Special Assessment Bonds & Notes	Governmental Activities: Capital Leases	Business-Type Activities: Revenue Bonds	Business-Type Activities: Notes Payable	Business-Type Activities: Capital Leases	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
1997	$29,879,624	$ -	$1,545,000	$1,437,986	$2,360,000	$804,021,188	$ -	$2,571,000	$841,814,798	10.50%	$2,518
1998	42,029,624	-	1,460,000	1,301,348	6,620,000	886,780,282	22,204,270	1,790,000	962,185,524	10.90%	2,823
1999	39,077,710	85,800,000	5,575,000	1,364,903	5,130,000	948,029,376	21,708,115	5,098,000	1,111,783,104	11.55%	3,165
2000	36,093,443	81,885,000	12,745,000	1,204,673	11,668,000	947,453,470	21,195,955	3,931,000	1,116,176,541	10.52%	3,114
2001	33,297,893	77,805,000	12,505,000	1,082,527	11,593,000	1,113,332,470	20,662,455	3,744,000	1,274,022,345	11.54%	3,481
2002	30,360,000	73,550,000	12,025,000	924,096	5,270,000	1,347,489,210	20,096,945	4,182,000	1,493,897,251	13.32%	4,039
2003	27,345,000	69,115,000	26,590,000	783,886	5,304,000	1,487,634,950	20,483,420	1,465,000	1,638,721,256	14.28%	4,389
2004	32,445,000	64,490,000	25,305,000	644,096	4,399,000	1,664,306,354	19,806,501	679,000	1,812,074,951	15.02%	4,806
2005	29,195,000	59,670,000	23,915,000	535,550	3,807,745	1,775,025,698	19,101,208	675,691	1,911,925,892	15.37%	5,030
2006	25,935,000	54,645,000	22,475,000	404,854	2,655,993	1,833,364,852	19,651,003	636,563	1,959,768,265	15.21%	5,092

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]Personal income and population data can be found on Table 13.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last ten fiscal years

CITY OF COLORADO SPRINGS
COLORADO
Table 9

Fiscal Year	General Obligation Bonds	Less: Non-City Obligations	City General Obligation Bonds	Assessed Value of Property (in '000s)	Percentage of Assessed Value of Property	Per Capita [1]
1997	$29,879,624	$ -	$29,879,624	$2,793,988	1.07%	$89.38
1998	42,029,624	14,225,000	27,804,624	2,889,454	0.96%	81.59
1999	39,077,710	12,720,000	26,357,710	3,255,179	0.81%	75.04
2000	36,093,443	12,205,000	23,888,443	3,322,468	0.72%	66.65
2001	33,297,893	11,630,000	21,667,893	3,730,306	0.58%	59.20
2002	30,360,000	11,005,000	19,355,000	3,875,111	0.50%	52.33
2003	27,345,000	10,375,000	16,970,000	3,734,731	0.45%	45.46
2004	32,445,000	18,450,000	13,995,000	3,783,803	0.37%	37.12
2005	29,195,000	17,885,000	11,310,000	4,103,863	0.28%	29.76
2006	25,935,000	17,360,000	8,575,000	4,215,419	0.20%	22.28

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]Population data can be found in Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
El Paso County	$93,374,606	100.00%	$93,374,606
Pikes Peak Library District	893,725	75.62%	675,835
Harrison School District #2	80,152,189	92.79%	74,373,216
Widefield School District #3	13,366,166	2.83%	378,262
Fountain/Fort Carson School District #8	17,959,704	0.02%	3,592
Colorado Springs School District #11	256,070,255	94.11%	240,987,717
Cheyenne Mountain School District #12	35,774,228	97.12%	34,743,930
Manitou School District #14	10,117,776	9.87%	998,624
Air Academy School District #20	18,169,428	82.85%	15,053,371
Ellicott School District #22	5,069,404	0.58%	29,403
Falcon School District #49	68,814,798	46.62%	32,081,459
Metex Metropolitan District	7,520,000	89.94%	6,763,488
Colorado Springs Cottonwood General Improvement District	5,865,000	100.00%	5,865,000
Colorado Springs Spring Creek General Improvement District	2,695,000	100.00%	2,695,000
Colorado Springs Briargate General Improvement District	8,800,000	100.00%	8,800,000
Briargate Center Business Improvement District	10,235,000	100.00%	10,235,000
First & Main North Business Improvement District	1,927,000	100.00%	1,927,000
Subtotal, overlapping debt			528,985,503
City direct debt			88,755,847
Total direct and overlapping debt			$617,741,350

Sources: Assessed value data used to estimate applicable percentages provided by the El Paso County Assessor's office final certification letter dated November 22, 2006.
Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

LEGAL DEBT MARGIN INFORMATION
Last ten fiscal years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	$279,398,775	$288,945,375	$325,517,916	$332,246,757	$373,030,578	$387,511,106	$373,473,130	$378,380,271	$410,386,307	$421,541,959
Total net debt applicable to limit	29,879,624	27,804,624	26,357,710	23,888,443	21,667,893	19,355,000	16,970,000	13,995,000	11,310,000	8,575,000
Legal debt margin	$249,519,151	$261,140,751	$299,160,206	$308,358,314	$351,362,685	$368,156,106	$356,503,130	$364,385,271	$399,076,307	$412,966,959
Total net debt applicable to the limit as a percentage of debt limit	10.69%	9.62%	8.10%	7.19%	5.81%	4.99%	4.54%	3.70%	2.76%	2.03%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value - 2006 for 2007 taxes	$4,215,419,590
Debt limit (10% of assessed value)	421,541,959
Debt applicable to limit:	
General obligation bonds	8,575,000
Total net debt applicable to limit	8,575,000
Legal debt margin	$412,966,959

PLEDGED-REVENUE COVERAGE
Last ten fiscal years

Utilities Revenue Bonds

Fiscal Year	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal[1]	Debt Service Interest	Coverage
1997	$389,440,747	$276,016,154	$113,424,593	$46,030,681	$ -	2.46
1998	416,531,223	292,415,168	124,116,055	52,916,465	-	2.35
1999	403,721,143	287,512,452	116,208,691	56,788,496	-	2.05
2000	501,593,208	383,850,513	117,742,695	11,382,160	46,233,899	2.04
2001	616,750,161	429,695,488	187,054,673	4,318,500	55,170,471	3.14
2002	513,370,775	360,738,821	152,631,954	13,655,510	43,467,345	2.67
2003	545,620,366	427,414,052	118,206,314	14,233,525	48,257,013	1.89
2004	633,739,434	474,551,233	159,188,201	16,603,572	55,118,082	2.22
2005	716,218,779	516,369,158	199,849,621	17,256,540	63,524,157	2.47
2006	718,507,863	531,512,370	186,995,493	18,298,215	68,756,629	2.15

Hospital Revenue Bonds

Fiscal Year	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
1997	$207,855,000	$166,164,000	$41,691,000	$1,945,000	$5,286,000	5.77
1998	223,395,930	188,605,852	34,790,078	1,540,000	4,946,943	5.36
1999	244,183,612	215,475,788	28,707,824	1,540,000	4,946,943	4.43
2000	271,549,474	237,585,151	33,964,323	9,040,000	3,272,288	2.76
2001	313,661,744	267,639,911	46,021,833	9,040,000	3,272,288	3.74
2002	336,672,993	301,853,566	34,819,427	14,070,000	4,860,688	1.84
2003	427,373,003	356,865,392	70,507,611	14,070,000	4,860,688	3.72
2004	433,790,077	371,616,042	62,174,035	20,840,000	1,921,706	2.73
2005	435,369,989	375,481,034	59,888,955	20,840,000	1,921,706	2.63
2006	479,344,468	417,945,851	61,398,617	20,840,000	1,921,706	2.70

Airport Revenue Bonds

Fiscal Year	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
1997	$19,046,046	$8,992,384	$10,053,662	$ -	$4,041,031	2.49
1998	19,925,062	9,723,643	10,201,419	2,060,000	4,075,122	1.66
1999	20,772,344	10,924,981	9,847,363	2,170,000	3,956,267	1.61
2000	21,157,418	11,092,890	10,064,528	2,305,000	3,827,798	1.64
2001	22,791,117	11,906,465	10,884,652	2,445,000	3,687,998	1.77
2002	22,621,860	12,040,291	10,581,569	2,453,334	3,600,437	1.75
2003	22,289,621	12,967,319	9,322,302	2,000,855	3,652,705	1.65
2004	22,571,575	13,039,813	9,531,762	2,169,586	3,660,099	1.64
2005	22,648,070	13,216,734	9,431,336	2,167,466	3,660,882	1.62
2006	23,602,795	13,804,532	9,798,263	2,175,370	3,659,313	1.68

Parking Revenue Bonds

Fiscal Year	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
1997	$ -	$ -	$ -	$ -	$ -	-
1998	-	-	-	-	-	-
1999	2,893,227	1,125,021	1,768,206	315,000	291,920	2.91
2000	3,190,273	970,930	2,219,343	325,000	379,776	3.15
2001	3,031,199	883,058	2,148,141	335,000	370,026	3.05
2002	2,745,084	1,231,754	1,513,330	345,000	359,138	2.15
2003	2,860,296	1,117,453	1,742,843	360,000	345,338	2.47
2004	2,831,493	1,168,642	1,662,851	375,000	330,938	2.36
2005	2,974,004	1,548,439	1,425,565	385,000	315,938	2.03
2006	3,200,612	1,904,144	1,296,468	400,000	549,684	1.37

Sales and Use Tax Revenue Bonds

Fiscal Year	Sales and Use Tax Collections	Debt Service Principal	Debt Service Interest	Coverage
1997	$ -	$ -	$ -	-
1998	-	-	-	-
1999	100,971,342	2,175,000	2,188,910	23.14
2000	111,393,526	3,915,000	3,933,446	14.19
2001	111,826,511	4,080,000	3,767,059	14.25
2002	107,735,252	4,255,000	3,593,659	13.73
2003	108,235,624	4,435,000	3,412,821	13.79
2004	117,043,184	4,625,000	3,224,334	14.91
2005	120,215,439	4,820,000	3,027,771	15.32
2006	123,813,924	5,025,000	2,822,921	15.78

Special Assessment Bonds

Fiscal Year	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
1997	$204,716	$98,389	$98,704	1.04
1998	176,213	106,638	91,217	0.89
1999	163,540	80,595	87,857	0.97
2000	272,008	164,693	101,442	1.02
2001	269,901	141,261	99,643	1.12
2002	257,317	177,544	90,974	0.96
2003	221,888	178,932	78,423	0.86
2004	223,355	156,592	65,205	1.01
2005	193,015	138,769	53,707	1.00
2006	192,999	143,432	43,155	1.03

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]Details regarding the Utilities' breakout between principal and interest not available prior to 2000.

Fiscal Year	Population[1]	Personal Income (in 000's)	Per Capita Personal Income[2]	Unemployment Rate[3]
1997	334,300	$8,016,180	$23,979	3.8%
1998	340,800	8,827,061	25,901	4.1%
1999	351,269	9,627,581	27,408	3.5%
2000	358,400	10,612,941	29,612	2.8%
2001	366,000	11,035,998	30,153	4.4%
2002	369,853	11,217,272	30,329	6.3%
2003	373,328	11,474,609	30,736	6.4%
2004	377,006	12,060,799	31,991	5.7%
2005	380,073	12,439,409	32,729	5.3%
2006	384,876	12,886,803	33,483	4.6%

Sources:

[1]Colorado Department of Local Affairs, Demography section, Housing & Households

[2]U.S. Department of Commerce, Bureau of Economic Analysis

[3]U.S. Department of Labor, Bureau of Labor Statistics for Colorado Springs

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2006 Rank	2006 Percentage of Total County Employment	1997 Rank	1997 Percentage of Total County Employment
Fort Carson Army Post	1	8.70%	1	9.37%
Peterson Air Force Base	2	4.75%	2	5.17%
City of Colorado Springs[1]	3	3.72%	4	2.92%
United States Air Force Academy	4	2.65%	3	4.78%
Schriever Air Force Base[2]	5	2.44%	5	1.80%
Colorado Springs School District #11	6	1.54%	7	1.52%
Academy School District #20	7	1.21%	-	0.00%
Penrose-St. Francis Health Services	8	1.20%	8	1.05%
El Paso County	9	0.91%	10	0.92%
Lockheed Martin Corporation	10	0.85%	-	-
MCI Network Services	-	-	6	1.79%
Atmel Corporation	-	-	9	0.96%
		27.97%		30.28%

Notes:

[1]City of Colorado Springs figures include all primary government employees.

[2]Schriever Air Force Base previously known as Falcon Air Force Base.

Sources: Employer and employee information from the Colorado Springs Economic Development Corporation as well as local businesses. Total El Paso County employment information used to calculate the percentage of total county employment from the Colorado Department of Labor & Employment.

FULL-TIME EQUIVALENT
CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last two fiscal years

CITY OF COLORADO SPRINGS
COLORADO
Table 15

Function/Program	Fiscal year ended December 31 2006	2005
General government	595	625
Public safety	1,244	1,244
Public works	236	225
Culture and recreation	184	174
Urban redevelopment and housing	64	23
Utilities	1,916	1,930
Hospital	3,333	3,050
Airport	118	118
Parking	8	8
Other non-major enterprise funds	70	70
Total	7,768	7,467

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	1997	1998	1999	2000
General government				
Internal audits completed	96	93	98	70
Summons filed	65,019	54,184	51,434	55,839
Contractual transactions	N/A	4,538	4,497	4,847
Workers compensation claims	N/A	696	632	650
Public safety				
Emergency response time - Police	N/A	10.3	11.2	12.2
Percent of emergency incident arrival within 8 minutes	N/A	N/A	90.2	89.0
Violent and property crime rates (per 1,000 population)	N/A	N/A	N/A	N/A
Emergency incidents (per 10,000 population)	911	941	942	1,023
Public works				
Miles resurfaced	115	93	76	91
Fixed route transit revenue hours of service	132,372	138,868	136,681	139,520
Painted lane miles	N/A	2,609	2,500	1,900
Culture and recreation				
Museum/archive attendance	134,826	78,751	60,888	83,654
Street and park trees	N/A	86,500	95,200	103,000
Acres of parks maintained	N/A	N/A	9,230	9,433
Program participants	N/A	N/A	N/A	N/A
Urban redevelopment and housing				
Projects managed	N/A	8	8	8
Affordable housing developed and rehabilitated	N/A	N/A	348	364
Clients assisted	N/A	N/A	N/A	N/A
Utilities				
Total metered customers[1]	504,403	522,960	537,316	551,530
Annual natural gas moved through pipes (thousands of mcf)	21,047	22,510	21,238	23,128
Electric use (thousands of MWh)	3,866	4,054	4,110	4,388
Water use (millions of gallons)	24,579	27,757	27,142	30,601
Wastewater treatment (millions of gallons)	19,007	16,622	17,119	16,926
Hospital				
Admissions	N/A	N/A	N/A	N/A
Outpatient visits	N/A	N/A	N/A	N/A
Emergency visits	N/A	N/A	N/A	N/A
Births	N/A	N/A	N/A	N/A
Airport				
Passenger boardings (in thousands)	2,049	1,321	1,243	1,220
Revenue per enplaned passengers	1.71	4.15	5.29	4.99
Parking				
Revenues collected per space - on-street	486	543	542	549
Revenues collected per space - off-street	529	737	890	783
Other				
Cemetery - burial services	644	662	684	613
Development Review - plans reviewed	N/A	4,254	4,231	4,606
Golf courses - rounds played	227,678	246,929	235,249	216,420
Pikes Peak Highway - number of visitors	N/A	311,924	292,870	285,002

Note:
[1]Some customers have multiple services and may be counted more than once

Sources: City, Hospital and Utilities staff reports and websites.

Fiscal Year					
2001	2002	2003	2004	2005	2006
84	83	56	61	96	55
59,680	59,537	59,537	72,135	70,805	73,159
4,252	3,760	3,767	4,756	5,082	5,200
741	607	582	521	565	510
13.3	12.5	11.2	11.3	11.5	11.6
87.9	88.2	89.0	88.8	90.0	90.1
53	58	56	59	56	57
1,143	1,161	1,092	1,131	1,163	1,097
111	91	80	95	144	159
135,438	143,598	139,229	134,736	135,808	174,110
2,700	1,900	1,800	1,300	1,400	1,400
105,900	107,771	72,090	73,841	85,939	105,000
103,400	122,000	119,000	118,500	118,500	123,700
11,620	11,770	11,724	12,562	12,764	12,786
N/A	N/A	1,041,601	1,017,471	1,110,609	1,111,000
7	5	6	5	7	9
316	438	445	282	250	345
N/A	N/A	N/A	662	401	320
569,195	586,828	603,081	617,981	508,655	517,884
24,494	26,534	23,416	23,309	22,910	22,755
4,588	4,685	4,493	4,558	4,593	4,548
30,487	27,314	24,819	23,816	26,975	26,410
16,253	13,527	12,876	12,703	13,262	12,810
22,696	24,652	25,643	25,552	27,774	27,805
203,319	213,264	268,996	295,979	309,173	322,983
97,854	99,656	97,761	93,261	98,167	101,797
3,664	4,395	4,505	4,150	4,430	4,546
1,066	1,068	1,010	1,035	1,031	1,017
6.34	6.12	7.87	7.54	6.98	7.27
566	581	565	560	619	566
795	724	737	693	714	717
693	709	661	647	704	705
4,894	6,922	7,091	17,927	15,784	14,200
227,896	222,475	220,264	205,970	216,109	213,121
288,325	246,363	252,552	241,688	257,309	286,392

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last two fiscal years

CITY OF COLORADO SPRINGS COLORADO
Table 17

Function/Program	Fiscal year 2006	2005
Public safety		
Police		
Area commands (stations)	4	4
Patrol units	285	330
Fire		
Stations	20	20
Emergency units	73	69
Public works		
Streets (miles)	1,542	1,450
Major bridges	83	83
Signalized intersections	546	500
Transit buses	102	86
Culture and recreation		
Parks and open space locations	184	178
Sports complexes	5	6
Community centers	5	5
Utilities		
Electric distribution lines (miles)	3,319	2,892
Natural gas pipe (miles)	2,160	2,104
Water distribution lines (miles)	1,800	1,800
Hospital		
Number of hospital beds	477	477
Health care facilities	15	15
Airport		
Number of runways	3	3
Parking		
Number of parking spaces - on-street	2,360	2,360
Number of parking spaces - off-street	2,136	2,136

Sources: City, Hospital and Utilities staff reports and websites.

SALES AND USE TAX REVENUE COLLECTION COSTS AND REQUIRED REFUNDS
Last ten fiscal years

CITY OF COLORADO SPRINGS COLORADO
Table 18

Fiscal Year	Collection Cost	Required Refunds
1997	$2,401,931	$1,842,984
1998	2,575,208	638,490
1999	2,786,155	1,110,831
2000	3,088,355	773,330
2001	3,146,904	1,098,357
2002	3,044,827	582,183
2003	3,045,962	562,868
2004	2,170,329	590,059
2005	2,205,574	1,477,009
2006	2,282,465	797,409

MUNICIPAL SOLID WASTE LANDFILL
CLOSURE AND POSTCLOSURE CARE COSTS
December 31, 2006

CITY OF COLORADO SPRINGS
COLORADO
Table 19

Facility	Closure Costs	Postclosure Costs	Total Cost	Percentage of Capacity Used
Hancock	$238,526	$319,936	$558,462	n/a
Hanna Ranch - Gravel Pit #1	696,829	318,997	1,015,826	45.37%
Hanna Ranch - Ash Disposal	1,279,487	129,979	1,409,466	58.40%
Hanna Ranch - Solids Disposal	401,267	910,990	1,312,257	30.60%
Total Cost	$2,616,109	$1,679,902	$4,296,011	

Note: Percentage of capacity used does not apply to the Hancock facility. The entire liability for this facility is recognized on the Government-wide Statement of Net Assets.

Liabilities for the Hanna Ranch facilities are recognized on a capacity used basis in the Utilities fund.

ANNUAL STATEMENT OF RECEIPTS AND EXPENDITURES FOR ROADS, BRIDGES AND STREETS
Current year

CITY OF COLORADO SPRINGS COLORADO
Table 20
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Financial Planning 02/01

The public report burden for this information collection is estimated to average 380 hours annually. Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Colorado Springs
		YEAR ENDING : December 2006
This Information From The Records Of: The City of Colorado Springs	Prepared By:	Margie M. Tantanella
	Phone:	(719) 385-5109

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	40,001,481
3. Other local imposts (from page 2)	19,660,004
4. Miscellaneous local receipts (from page 2)	7,238,539
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	66,900,024
B. Private Contributions	
C. Receipts from State government (from page 2)	15,559,783
D. Receipts from Federal Government (from page 2)	544,016
E. Total receipts (A.7 + B + C + D)	83,003,823

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	21,607,530
2. Maintenance:	10,471,197
3. Road and street services:	
a. Traffic control operations	5,340,793
b. Snow and ice removal	1,559,222
c. Other	
d. Total (a. through c.)	6,900,015
4. General administration & miscellaneous	5,340,420
5. Highway law enforcement and safety	33,566,472
6. Total (1 through 5)	77,885,634
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	1,414,195
b. Redemption	4,024,142
c. Total (a. + b.)	5,438,337
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	5,438,337
C. Payments to State for highways	33,638
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	83,357,609

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	34,238,240		4,024,142	30,214,098
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
19,128,357	83,003,823	83,357,609	18,774,571	0

Notes and Comments:

ANNUAL STATEMENT OF RECEIPTS AND EXPENDITURES FOR ROADS, BRIDGES AND STREETS
Current year

CITY OF COLORADO SPRINGS COLORADO
Table 20
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LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2006

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		**A.4. Miscellaneous local receipts:**	
a. Property Taxes and Assessments		a. Interest on investments	52,316
b. Other local imposts:		b. Traffic Fines & Penalities	7,186,223
1. Sales Taxes	13,704,683	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	3,196,040	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	2,759,281	g. Other Misc. Receipts	
6. Total (1. through 5.)	19,660,004	h. Other	
c. Total (a. + b.)	19,660,004	i. Total (a. through h.)	7,238,539
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user taxes	14,317,266	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	544,016
c. Motor Vehicle Registrations	1,242,517	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	1,242,517	g. Total (a. through f.)	544,016
4. Total (1. + 2. + 3.f)	15,559,783	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs		1,732,624	1,732,624
b. Engineering Costs		4,284,618	4,284,618
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements		2,025,789	2,025,789
(3). System Preservation		8,102,806	8,102,806
(4). System Enhancement & Operation		5,461,693	5,461,693
(5). Total Construction (1) + (2) + (3) + (4)	0	15,590,288	15,590,288
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	21,607,530	21,607,530
			(Carry forward to page 1)

Notes and Comments:

FORM FHWA-536 (Rev.1-05) PREVIOUS EDITIONS OBSOLETE