DENVER INTERNATIONAL AIRPORT

City and County of Denver

Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2010 and 2009

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INTRODUCTION (UNAUDITED)

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Introduction

The Municipal Airport System (Airport System) is organized as a department of the City and County of Denver, Colorado (the City). The Airport System includes Denver International Airport (the Airport) and former Stapleton International Airport (Stapleton). The Airport System is headed by a Manager of Aviation who reports directly to the Mayor. The senior management team further comprises seven deputy managers. This report was prepared by the Airport System's Finance Section in collaboration with other Airport System personnel to provide a better understanding of the Airport System than annual financial statements typically provide.

Description of Denver International Airport

Situated approximately 24 miles northeast of Downtown Denver, Denver International Airport is the primary air carrier airport serving the Denver region. According to Airports Council International, in 2010 Denver International Airport was the fifth-busiest airport in the United States and the tenth-busiest in the world, serving 52.2 million passengers. The Airport comprises approximately 33,800 acres (53 square miles) of land, an area larger than the island of Manhattan. The passenger terminal complex is reached via Pẽna Boulevard, a 12-mile dedicated access road from Interstate 70. Denver International Airport has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline and the ability to accommodate the new generation of massive airliners, such as the Airbus A-380.

The Airport's passenger complex has a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and passenger screening and is flanked by roads and curbs for public and private vehicles. Automobile parking is available in two public garages adjacent to the landside terminal and in surface parking lots. Spaces are also provided for employee parking.

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The airside concourses provide 92 full-service jet gates for large jet aircraft and up to 64 parking positions for regional/commuter airline aircraft.

Air Traffic

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Denver has airline service to more than 160 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by Denver International Airport's ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2010, 52.2 million passengers traveled through Denver International Airport, of which approximately 53.3% originated or terminated their air journeys in Denver, and 46.7% made flight connects. The Denver Metropolitan Area, with a population of more than 2.9 million, is the primary region served by Denver International Airport. The Denver Metropolitan Area comprise Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, in January 2011, 27 airlines provided scheduled passenger service at Denver International Airport: 11 major/national airlines, 12 regional/commuter airlines, and 4 foreign-flag airlines.

In addition, several passenger charter and all-cargo airlines, including Airborne Express, DHL Worldwide Express, Emery Worldwide, Federal Express, and United Parcel Service provide service at Denver International Airport.

Table 1

Scheduled Passenger Airlines Serving Denver

January 2011

Major/national	Regional/commuter
AirTran Airways (1)	American Eagle Airlines
Alaska Airlines	Atlantic Southeast Airlines (Delta Connection)
American Airlines	Comair (Delta Connection)
Continental Airlines (2)	Compass Airlines (Delta Connection)
Delta Air Lines/Northwest (3)	ExpressJet (Continental Express)
Frontier Airlines	GoJet Airline (United Express)
Frontier/Republics	Great Lakes Aviation
JetBlue Airways	Lynx (4)
Southwest Airlines (1)	Mesa Airlines (US Air Express)
United Airlines (2)	Mesaba Airlines (Delta Connection)
US Airways	Shuttle America (United Express)
	SkyWest Airlines (United Express, Delta Connection)
	Foreign-flag
	Aero-Mexico
	Air Canada
	British Airways
	Lufthansa German Airlines

Source: Airport management records, January 2011

(1) Southwest entered into a definitive merger agreement with AirTran Holdings, Inc. Southwest expects the merger to be completed in the second quarter of 2011.

(2) Continental became a subsidiary of United Continental Holdings, Inc. effective October 1, 2010. United and Continental are expected to be fully integrated under the United brand and operate under a single FAA operating certificate by the end of 2011.

(3) Delta and Northwest merged on October 29, 2008, with Northwest becoming the wholly-owned subsidiary of Delta since January 1, 2010. The two airlines operate under a single FAA operating certificate.

(4) Lynx commenced service at the Airport in December 2007. However, Republic Holdings, the parent company of Lynx, has announced its intention to wind down the operation of Lynx. Lynx stopped operation on March 30, 2011.

Airlines' Rates, Fees, and Charges

The Airport System has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport System recovers its costs of operating the airfield. Airline space rentals are compensatory wherein any unrecovered costs serve to reduce the airline revenue credit described below. Concessionaires and nonairline tenants operate under agreements with the Airport System that provide for the payment of a minimum annual guarantee, which was set by the Airport System to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues, whichever is higher. Under the airline use and lease agreements, 2010 net revenue as defined, has been shared between the Airport System and airlines, with the airlines receiving 50% of the net (up to a $40 million cap per year). The net revenue, as defined, that the Airport System retained was deposited in the capital improvement account and can be used by the Airport System for any lawful airport purpose. The net revenue available for sharing since Denver International Airport opened is reflected in Table 2 below.

Table 2
Net Revenue Available for Sharing
(In thousands)

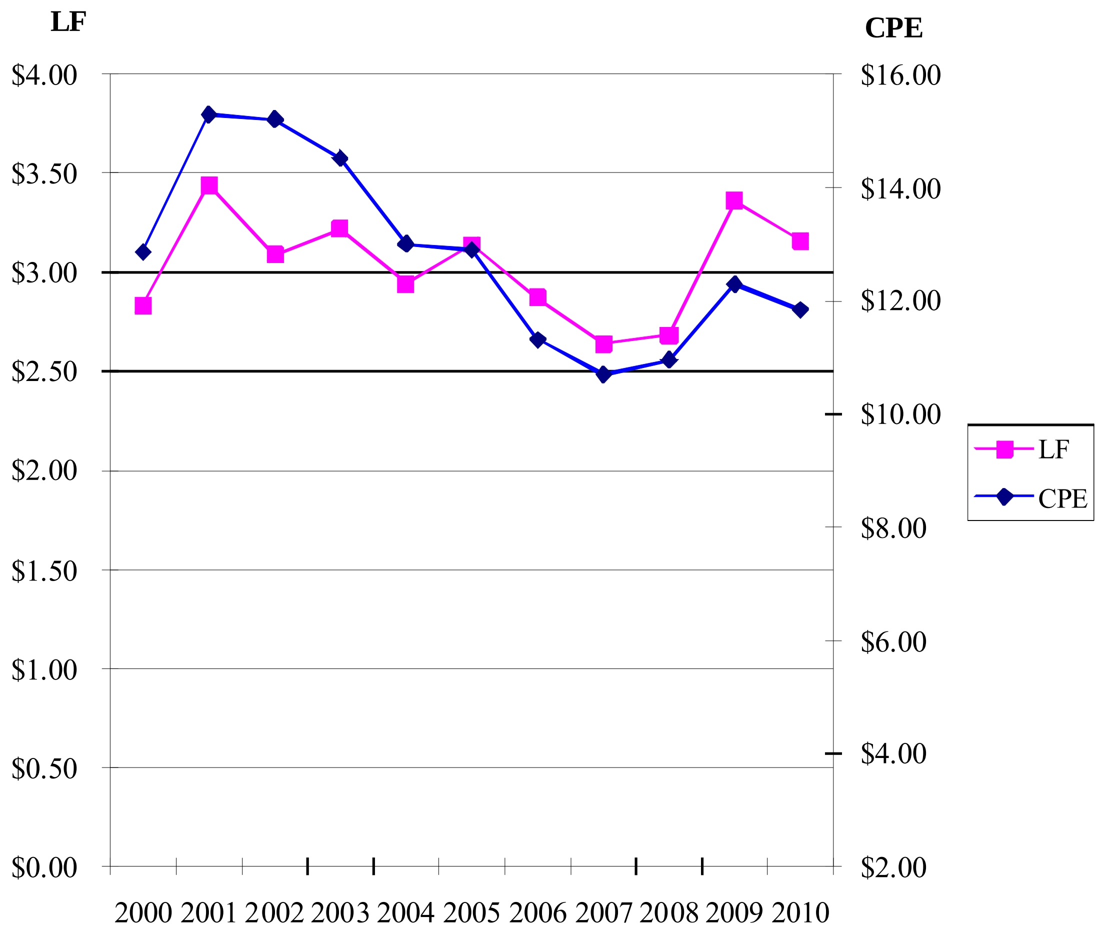
Year	Total	Airport share
1996	$ 34,771	$ 6,954
1997	26,555	5,311
1998	58,551	18,551
1999	55,058	15,058
2000	65,534	25,534
2001	45,332	11,332
2002	38,771	9,693
2003	59,736	19,736
2004	66,321	26,322
2005	79,399	39,399
2006	97,721	57,721
2007	89,152	49,152
2008	73,508	36,402
2009	57,966	28,631
2010	88,314	48,314

Source: Airport Management

Through 2000, the airline rates, fees, and charges to passengers at Denver International Airport showed a steady decline. As a result of the September 11, 2001 terrorist attacks (September 11 Events) and the resulting decline in flight activity and enplaned passengers, the Airport costs for 2001 and 2002 showed increases as depicted in the graph below.

From 2003 through 2008, the airline rates, fees, and charges steadily declined. In 2009 and 2010, the landing fee significantly increased due to the combination of operating expense increases for airfield chemicals and snow removal costs, a lower offset of State Aviation Fuel Tax revenue to the airfield, and lower landed weight.

The overall cost per enplanement (CPE) decreased in 2010 largely due to the increase in landing fees, higher airline revenue credit, and more enplaned passengers.



LF = Landing Fee – Cost per 1,000 lbs. landed weight

CPE = Cost per enplaned passenger (enplanement)

Source: Airport Management Records

Cash Management

The Airport System's cash is under the control of the City's Chief Financial Officer who invests the funds pursuant to the City's investment policy. As of December 31, 2010 and 2009, cash and investments totaled approximately $1,420.7 million and $1,476.6 million, respectively. Current investment vehicles include U.S. Government securities, high-grade commercial paper, and local government investment pools. In 2010 and 2009, the City charged a fee of $457,958 and $332,544, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up 4.1% in 2010 compared with a national average increase of 2.1% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was up through March 2011 by 1.4% compared to year-to-date March 2010.

Activity-based revenues at Denver International Airport (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 6.1% in 2010 compared to 2009, largely as the result of increase in passenger traffic.

United Group (United and Continental)

United, one of the world's largest airlines is the principal air carrier operating at Denver International Airport. United Airlines operates a major connecting hub at Denver International Airport under a use and lease agreement with the City that expires in 2025. United currently leases 35 of the Airport's 92 full-service jet gates and all 16 gates at Concourse B's regional jet facility.

At Denver International Airport, United, together with its United Express commuter affiliate, accounted for approximately 44.1% and 42.5% of passenger enplanements in 2010 and the first three months of 2011, respectively.

The UAL Corporation, Inc. (the parent company of United) and Continental merged effective October 1, 2010, under a plan in which United and Continental became wholly-owned subsidiaries of UAL, which then changed its name to United Continental Holdings, Inc. United Continental Holdings, Inc. is integrating the two airlines under the United brand to operate under a single Federal Aviation Administration (FAA) operating certificate, by the end of 2011. Continental currently leases three gates on Concourse B under a use and lease agreement and accounted for approximately 2.1% and 3.0% of the Airport's passenger enplanements in 2010 and the first three months of 2011, respectively.

The United Group (United and Continental) accounted for approximately 46.2% and 45.4% of Denver passenger enplanements at the Airport in 2010 and the first three months of 2011, respectively. In addition, the Airport would rank as the 4th busiest airport in the combined route network of United and Continental based on enplaned passenger data for 2010.

In December 2009, the United use and lease agreement was further amended to temporarily reduce, for a period of six years ending December 31, 2015, the number of gates leased by United on Concourse B by five gates. In connection with the amendment of the United use and lease agreement in December 2009, Continental and US Airways, each belong to the Star Alliance airline network (to which United belongs), relocated their operations from Concourse A and Concourse C, respectively, to the other five full service jet gates on Concourse B.

In an agreement between United Airlines and the Airport System dated October 6, 2009, United agreed to provide the Airport System with five gates on Concourse B and in exchange, the Airport agreed to compensate United for these gates in the amount of $2.5 million per gate, for a total of $12.5 million, payable on December 31, 2009. United will be relieved of all lease payment obligations for the leasehold (gates, holdrooms, support areas, equipment rental, etc.) for a period of six years beginning January 1, 2010. The Airport System will lease the gates to other carriers. Effective January 1, 2016, the leasehold will automatically revert to United Airlines.

Frontier Group (Frontier and Republic Holdings)

Frontier has the second largest market share at Denver International Airport for 2010 and third largest market share for the first three months of 2011. Denver International Airport is one of Frontier's three hubs and, in 2010, the busiest airport in the Frontier system. Frontier currently leases 18 of the 30 full-service gates on Concourse A, constituting approximately 19.6% of the current 92 full-service gates at the Airport. The Frontier Group accounted for 21.8% and 20.4% of passenger enplanements at the Airport in 2010 and the first three months of 2011, respectively.

Republic Holdings has announced its intention to integrate the operations of its Midwest Airlines brand, with Frontier operations, by the end of 2011. On February 4, 2010, Republic Holdings announced that it planned to discontinue the operations of Lynx service. Lynx service stopped operation on March 30, 2011.

Frontier filed for bankruptcy protection in April 2008, received approval of a plan of reorganization in September 2009, and emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, which purchased Midwest Airlines in July 2009.

As part of its bankruptcy proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its Denver International Airport use and lease agreement, as well as certain ground service and cargo leases, as part of its reorganization proceedings. To cure their debt owed to the Airport prior to filing for bankruptcy, Frontier issued and delivered its $3.0 million promissory note payable in three equal installments, plus interest thereon at 3% per annum. The use and lease agreement was amended to reduce Frontier's gate commitment to eliminate some administrative space leases such as those for ticket counters and office space.

The Airport currently holds a $2.0 million letter of credit provided by Frontier as security for its obligations under the terms of its use and lease agreement.

Southwest Airlines (Southwest)

Southwest Airlines (Southwest) has the third-largest market share at the Airport for 2010 and the second largest market share for the first three months of 2011. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport which is the airline's fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest accounted for approximately 18.1% and 20.8% of passenger enplanements at the Airport in 2010 and the first three months of 2011, respectively.

Southwest has entered into a definitive merger with AirTran Holdings, Inc. that provides for Southwest acquiring AirTran Holdings Inc. Southwest expects the merger to be completed by the second quarter of 2011. Southwest then plans to integrate AirTran Airways into the Southwest brand and operate as one airline within two years.

Accounting and Internal Control

The Airport System follows accounting principles generally accepted in the United States of America applicable to governmental unit enterprise funds. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with these accounting principles. In developing and evaluating the Airport System's accounting system, consideration has been given to the adequacy of internal controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe that the Airport System's process of internal control adequately safeguards assets and provides reasonable assurance that financial transactions are recorded properly.

Acknowledgments

The preparation of this report in a timely and efficient manner is the result of in large part the dedicated service and professionalism of the Department's Accounting staff. We thank all members of the Department who contributed to the preparation of the report.

Respectfully Submitted,

Kim Day	Patrick Heck
Manager of Aviation	Deputy Manager of Aviation

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Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the City and County of Denver's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2010 and 2009, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2010 and 2009, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22, during the year ended December 31, 2010, the Airport System changed its method of accounting for derivative instruments by retroactively restating prior year financial statements.

Audit Committee
City and County of Denver

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

May 28, 2011

Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2010 and 2009. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

Operating revenues at the Airport were $601.4 million for the year ended December 31, 2010, an increase of $36.9 million (6.5%), as compared to the year ended December 31, 2009. The increase in revenue was primarily related to the increase in passenger traffic of 4.1% which contributed to the increase in concession, parking, and car rental revenues. Revenues from facility rentals, landing fees and aviation fuel tax also increased.

Operating expenses, exclusive of depreciation and amortization, were $409.9 million for the year ended December 31, 2010, an increase of $30.3 million (8.0%) as compared to the year ended December 31, 2009. The increase was attributable to an increase in electricity, repair and maintenance for the baggage system, nonstructural improvements and roads, and repair and maintenance expenses for construction projects associated with Flight Information Display systems (FIDS), baggage system removal, central plant repairs, roadways and surface repairs (apron and ramp), airfield lighting, Concourse A gate expansion, remodeling projects, South Terminal projects and parking garage stair replacements.

Overview of the Financial Statements

The Airport System is an enterprise fund of the City. An enterprise fund is established to account for operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

The Airport System's financial statements consist of its statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and notes to financial statements. The statements of net assets present information on the Airport System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statements of revenues, expenses, and changes in net assets present information showing how the Airport System's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – the current year, the prior year and the year proceeding the prior year (i.e. 2010, 2009 and 2008).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2010 and 2009

Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2010, 2009, and 2008 (in thousands):

	2010	2009 * (as restated)	* 2008
Operating revenues	$ 601,402	$ 564,490	$ 540,760
Operating expenses before depreciation and amortization	(409,865)	(379,517)	(373,829)
Operating income before depreciation and amortization	191,537	184,973	166,931
Depreciation and amortization	(181,496)	(177,583)	(168,026)
Operating income (loss)	10,041	7,390	(1,095)
Nonoperating revenues	150,747	171,156	193,655
Nonoperating expenses	(238,542)	(230,905)	(238,643)
Capital grants and contributions	30,200	38,621	14,393
Decrease in net assets	(47,554)	(13,738)	(31,690)
Net assets, beginning of year	602,577	842,300	873,990
Adjustment for fair value of derivatives instruments	-	(225,985)	-
Net assets, beginning of year, as restated	602,577	616,315	873,990
Net assets, end of year	$ 555,023	$ 602,577	$ 842,300

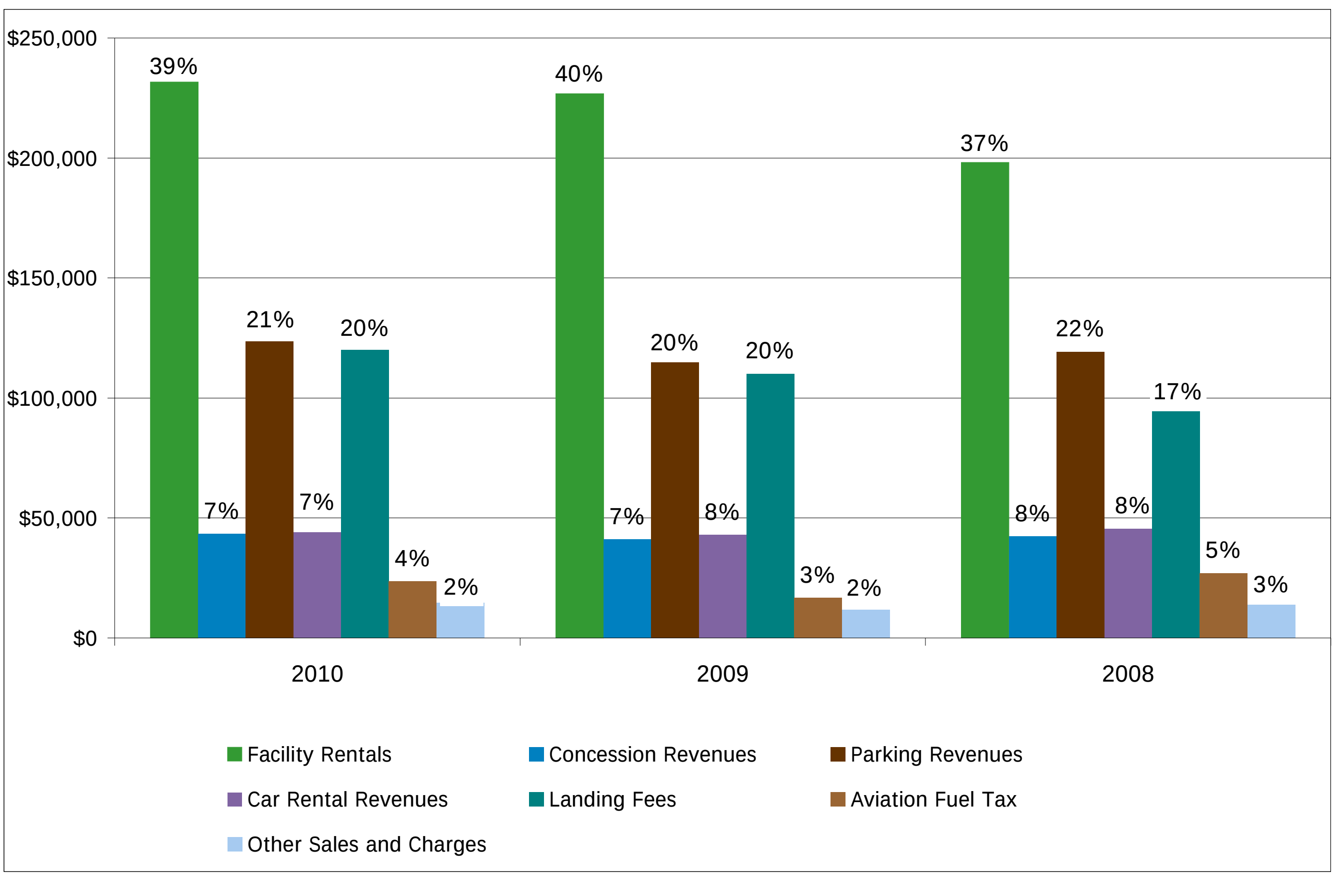
* 2009 has been restated for adoption of GASB 53. 2008 has not been restated for adoption of GASB 53 because it is not practical to do so.

Operating Revenues
(in thousands)

	2010	2009	2008
Operating revenues:			
Facility rentals	$ 231,603	$ 226,839	$ 198,138
Concession revenues	43,398	41,085	42,297
Parking revenues	123,673	114,862	119,284
Car rental revenues	44,181	42,989	45,618
Landing fees	120,054	110,084	94,480
Aviation fuel tax	23,680	16,849	27,012
Other sales and charges	14,813	11,782	13,931
Total operating revenues	$ 601,402	$ 564,490	$ 540,760

Operating Revenues

Percentage of Total Operating Revenues



In order to understand some of the variances in the Airport System financial statement changes, the analysis below explains the increase in revenues.

The Airport System's activities increased in all areas as described below for the year ended December 31, 2010 as compared to 2009 (in thousands):

	2010	2009	Percentage change
Enplanements	26,134	25,128	4.0 %
Passengers	52,209	50,167	4.1 %
Aircraft operations (1)	635	612	3.8 %
Cargo (in pounds)	555,186	494,763	12.2 %
Landed weight (in tons)	33,275	32,695	1.8 %

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

The Airport System's activities decreased in all areas as described below for the year ended December 31, 2009 as compared to 2008 (in thousands):

	2009	2008	Percentage change
Enplanements	25,128	25,650	(2.0) %
Passengers	50,167	51,245	(2.1) %
Aircraft operations (1)	612	625	(2.1) %
Cargo (in pounds)	494,763	553,459	(10.6) %
Landed weight (in tons)	32,695	33,251	(1.7) %

(1) Aircraft operations are takeoffs, landings, or other communications with the control tower.

2010/2009

Operating revenues increased by $36.9 million, or 6.5% from $564.5 million in 2009 to $601.4 million in 2010, primarily due to increases in facility rentals, landing, aviation fuel tax, other sales and charges, and non airline revenue concession, parking and car rental.

Landing fees increased by $10.0 million, or 9.0%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $3.40 for signatory and $4.08 for non-signatory airlines in 2009 to $3.62 for signatory and $4.30 for non-signatory airlines in 2010.

Facility rentals increased by $4.8 million, or 2.1%, which is attributable to an increase in non-preferential use fees and baggage fees and offset by the increase in year-end revenue credit.

Concession revenues between 2010 and 2009 increased by $2.3 million, or 5.6%, primarily due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $9.62 in 2009 to $9.87 in 2010.

Parking revenue increased by $8.8 million, or 7.7%, is attributable to the increase in originating and destination (O & D) traffic and an increase in parking rates in July of 2009 of $1.00 for the economy and shuttle parking lots.

Car rental revenues increased $1.2 million or 2.8%, to $44.2 million due to an increase in O&D passenger traffic. Total passenger traffic increased 4.1% for the year ended December 31, 2010; O & D passenger increased 2.9%.

Aviation fuel tax increased in 2010 by $6.8 million, or 40.5%, due to increased in fuel prices and flight operations.

Other sales and charges increased by $3.0 million or 25.7% due to an increase in natural resources related to the purchase of the oil and gas wells this year which was offset by a decrease in charges to tenants for utilities and trash, interest and miscellaneous revenues.

2009/2008

Operating revenues increased by $23.7 million, or 4.4% from $540.8 million in 2008 to $564.5 million in 2009, primarily due to increase in facility rentals and landing fees, which is offset by a decrease in concession, car rental, parking and aviation fuel tax. Landing fees increased by $15.6 million, or 16.5%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $2.68 for signatory and $3.20 for non-signatory airlines in 2008 to $3.40 for signatory and $4.08 for non-signatory airlines in 2009.

Facility rentals increased by $28.7 million, or 14.5% with the increase being primarily attributable to the Airport 2009 year-end revenue credit, which was $29.3 million, thus not meeting the $40.0 million cap for the first time in several years. Additionally, there was an increase in space rent and preferential use.

Concession revenues between 2009 and 2008 decreased by $1.2 million, or 2.9%, primarily due to the decrease in passenger traffic. Additionally, there was a decrease in spend rate per enplaned passenger from $9.71 in 2008 to $9.62 in 2009.

Parking revenue declined $4.4 million, or 3.7%, which is attributable to the decrease in originating and destination (O & D) traffic that was partly offset by a rate increase effective July 1, 2009.

Car rental revenues decreased $2.6 million or 5.8%, to $43.0 million due to a decrease in O&D passenger traffic. Total passenger traffic decreased 2.1% for the year ended December 31, 2009; O & D passenger declined 5.0%.

Aviation fuel tax decreased in 2009 by $10.1 million, or 37.6%, due to the decrease in fuel price and usage.

Other sales and charges decreased by $2.1 million or 15.4% due to the decrease in price of natural resources (oil and gas), thus reflecting the decrease in oil and gas prices from record highs in 2008.

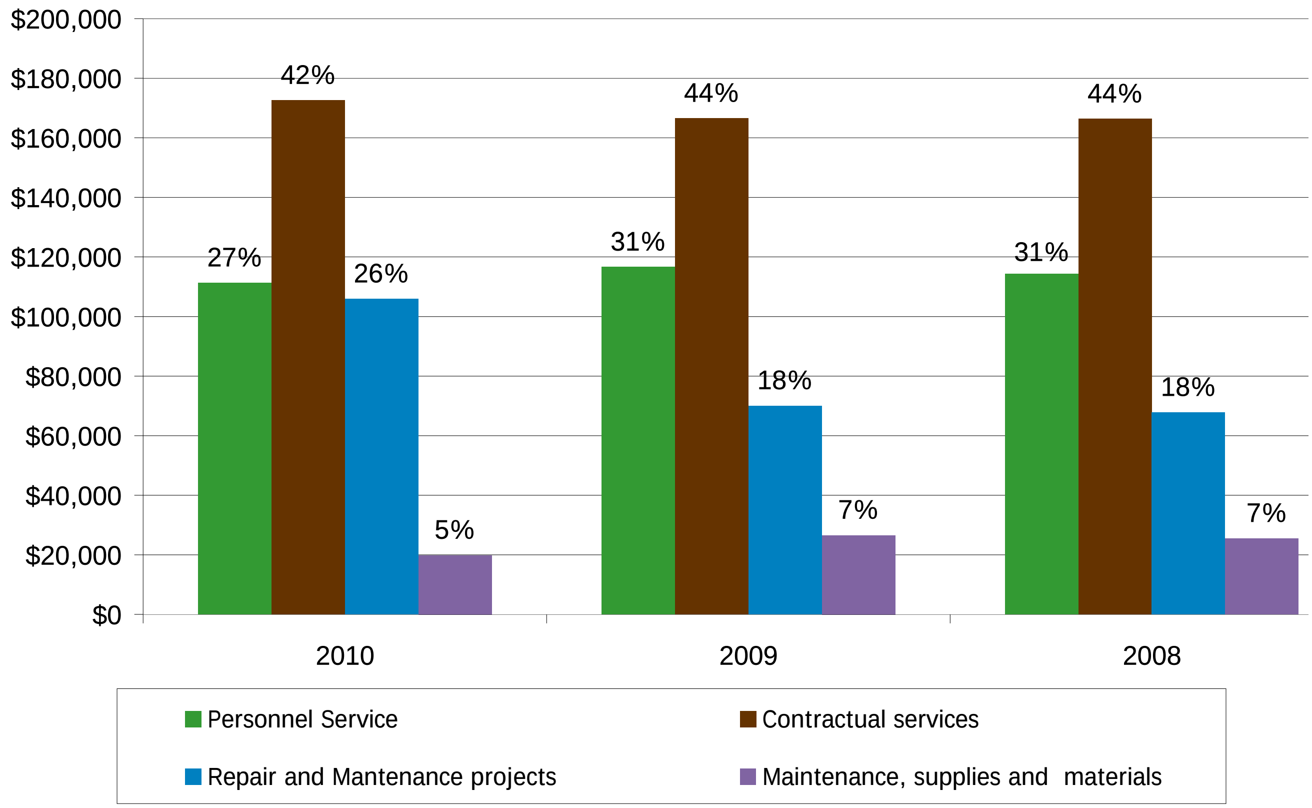
Operating Expenses Before Depreciation and Amortization

(In thousands)

	2010	2009	2008
Operating expenses before depreciation and amortization			
Personnel services	$ 112,230	$ 116,540	$ 114,288
Contractual services	172,492	166,469	166,299
Repair and maintenance projects	105,943	69,975	67,737
Maintenance, supplies, and materials	19,200	26,533	25,505
Total operating expenses before depreciation and amortization	$ 409,865	$ 379,517	$ 373,829

% Total Operating Expenses Before Depreciation and Amortization

(In thousands)



2010/2009

Operating expenses before depreciation and amortization increased by $30.4 million, or 8.0%, from $379.5 million in 2009 to $409.9 million in 2010.

Personnel services decreased by $4.3 million, or 3.7%, in 2010 which was due to a decrease in snow overtime and direct labor and benefits associated with furlough days taken by personnel in 2010 which was offset by an increase in other city personnel.

Contractual services increased in 2010 compared to 2009 by $6.0 million, or 3.6%, due primarily to an increase in banking service, electricity, trash removal, management services, repairs and maintenance of the baggage system, the AGTS train system, nonstructural improvements and roads offset by a decrease in snow removal, janitorial services, and repair and maintenance of building equipment.

Repair and maintenance projects increased by $36.0 million, or 51.4%, which is primarily due to the expenses for the Flight Information Display system (FIDS), baggage system removal, roadways and surface repairs (apron and ramp), central plant repairs, Concourse A expansion, the South Terminal Redevelopment Program, and parking structure stairway replacements.

Maintenance, supplies and materials decreased $7.3 million, or 27.6%, to $19.2 million from $26.5 million in 2009 due to decrease in runway lightings, emergency lighting, and commercial chemicals and solvents due to the decrease in price and usage, which is offset by an increase in natural gas and periodicals and bulletins.

2009/2008

Operating expenses before depreciation and amortization increased by $5.7 million, or 1.5%, from $373.8 million in 2008 to $379.5 million in 2009. Personnel services increased by $2.3 million, or 2.0%, in 2009 which was due to an increase in health insurance, worker compensation, special incentive early retirement and other City agency salaries.

Repair and maintenance projects increased by $2.2 million, or 3.3%, related to the $12.5 million United payment for the release of 5 gates on Concourse B which is being amortized over a six-year period, which was offset by a decrease in construction projects being expensed for 2009.

Maintenance, supplies and materials increased $1.0 million, or 4.0%, to $26.5 million from $25.5 million in 2008 due to increases in runway lighting, and air conditioning repair parts. The majority of the increase was related to the increase in commercial chemicals and solvents due to the increase in price and usage.

Contractual services increased in 2009 compared to 2008 by $.2 million due primarily to an increase in shuttle buses and City agency charges offset by a decrease in electricity, snow removal and other contractual services.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2010/2009

Total nonoperating expenses, net of nonoperating revenues, increased by $28.0 million to $87.8 million in 2010. The increase was due principally to a decrease in investment income of $26.5 million, net of a receipt of $11.1 million for the termination of the 2007A swaps. There was an increase of $5.7 million or 5.9% in Passenger Facility Charges (PFCs) and an increase in other expense due to the clean up of Stapleton.

In 2010 and 2009, capital grants totaled $25.7 million and $37.0 million, respectively. The decrease was due to the decrease in reimbursements in 2010 for the FAA grants and the Airport receiving grant allocations through the recently enacted American Recovery and Reinvestment Act of 2009.

2009/2008

Total nonoperating expenses, net of nonoperating revenues, increased by $14.8 million to $59.8 million in 2009. The increase was due largely to a decrease in investment income of $13.2 million, which was due to a decrease in yields from 3.91% in 2008 to 2.05% in 2009 and an unrealized loss on investments of $23.9 million offset by an increase in fair value of derivative instruments. An increase in other expense net, of $11.6 million or 134.2% was due to an increase in Stapleton expenses and the reversal of K-9 grant monies that were never received. The increase in total nonoperating expenses, net of revenues, was partially offset by a decrease in interest expense and a small increase in PFC revenues.

In 2009 and 2008, capital grants totaled $37.0 million and $14.0 million, respectively. The increase was due to the increase in reimbursements in the FAA grants and the Airport receiving grant allocations through the recently enacted American Recovery and Reinvestment Act of 2009.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2010, 2009, and 2008 (in thousands):

	2010	2009 * (as restated)	2008 *
Assets:			
Current assets, unrestricted	$ 301,899	$ 206,665	$ 320,948
Restricted assets, current	260,573	167,143	386,568
Noncurrent investments	263,705	299,258	170,301
Long-term receivables	4,885	2,000	2,000
Capital assets, net	3,198,235	3,314,609	3,400,133
Bond issue costs, net	45,594	51,457	52,204
Interest rate swaps	31,715	33,961	19,857
Investments - restricted	686,209	900,246	642,223
Assets held for disposition	9,620	12,799	13,073
Total assets	4,802,435	4,988,138	5,007,307
Deferred Outflows			
Acccumulated decrease in fair value of hedging derivatives	1,814	-	-
Liabilities:			
Current liabilities, unrestricted	110,395	114,180	122,371
Current liabilities payable from restricted assets	242,392	222,924	200,450
Bonds payable, noncurrent	3,649,442	3,808,388	3,767,329
Interest rate swaps, noncurrent	207,548	166,418	-
Notes payable, noncurrent	20,640	33,207	69,137
Compensated absences payable, noncurrent	6,020	5,925	5,720
Total liabilities	4,236,437	4,351,042	4,165,007
Deferred inflows			
Accumualted increase in fair value of hedging derivatives	12,789	34,519	-
Net assets (deficit):			
Invested in capital assets, net of related debt	(388,461)	(291,115)	(213,290)
Restricted	666,022	658,095	679,782
Unrestricted	277,462	235,597	375,808
Total net assets	$ 555,023	$ 602,577	$ 842,300

* 2009 has been restated for the adoption of GASB 53. 2008 has not been restated for adoption of GASB 53 because it is not practical to do so.

2010/2009

Total assets decreased by $185.7 million in 2010, compared to 2009. This was primarily due to a decrease in capital assets, (net) of $116.4 million, a decrease in bond issues costs and a decrease in restricted cash and cash equivalents and investments of $129.2 million spent on construction projects such as the South Terminal Redevelopment Program and removal of the baggage system offset by an increase in grants receivable and unrestricted cash and cash equivalents and investments.

Total deferred outflows increased by $1.8 million due to the change in the fair value of the hedging derivatives.

Total liabilities decreased by $114.6 million in 2010, compared to 2009. The decrease was primarily attributed to the payment of the revenue bonds of $138.2 million, a decrease in notes payable and due to other agencies since the other City personnel indirect cost study was paid before December 31, 2010, and not accrued. This decrease is offset by an increase in other liabilities and compensated absences.

Deferred Inflows decreased by $21.7 due to the increase in the fair value for hedging derivatives.

Of the Airport System's 2010 total net assets, 120% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $643.1 million for debt service and $23.0 million for capital projects, respectively.

At December 31, 2010, the remaining net assets include unrestricted net assets of $277.5 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net assets amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($388.5) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness

2009/2008

Total assets decreased by $19.2 million in 2009, compared to 2008. This was primarily due to a decrease in capital assets, net, of $85.5 million, a decrease in bond issues costs and grants receivable, which was offset by an increase in cash, cash equivalents and investments associated with the 2009 bond series, and an increase in accounts receivable associated with the insurance recoveries of pollution remediation. Interest rate swap assets increased by $14.1 million, net of previously reported deferred loss on swap termination prior to implementation of GASB 53.

Total liabilities increased by $186.0 million in 2009, compared to 2008. The increase was due to the $166.4 million for interest rate swaps related to the implementation of GASB 53, and an increase in revenue bonds payable associated with the 2009 new money revenue bonds issued which is offset by the payments of revenue bonds for 2009, and an increase in due to other City agencies of $5.6 million which is associated with the increase in other City personnel and the City's indirect cost study increase for 2009 of $4.4 million.

Deferred Inflows increased by $34.5 million due to the implementation of GASB 53 for derivative instruments.

Of the Airport System's 2009 total net assets, 109.2% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $645.0 million for debt service and $13.1 million for capital projects, respectively.

At December 31, 2009, the remaining net assets include unrestricted net assets of $235.6 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net assets amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($291.1) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

Long-Term Debt

As of December 31, 2010 and 2009, the Airport System had approximately $4.0 and $4.1 billion respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately $336.5 million in 2010.

The Airport System's senior lien debt is currently rated by Standard & Poor's, Moody's, and Fitch at A+, A1 and A+, respectively, with Standard and Poor's and Fitch giving the Airport a stable outlook and Moody's rating the Airport with a negative outlook.

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2010 and 2009 was 180% and 156%, respectively, of total debt service.

On March 9, 2010, the Airport System issued $171,360,000 of the Airport System Revenue Bonds Series 2010A Bonds in a fixed-rate mode to currently refund all of the 2008A2 term-rate bonds (Subseries 2008A2 Bonds) and a portion of the 2008A3 and 2008A4 (Subseries 2008A3 and 2008A4) term rate bonds.

On February 5, 2010 and February 10, 2010, the Airport System terminated the 2007A swaps to monetize the economic value of those agreements. The Airport System received $11,092,000 from the counterparties for the settlement of the agreements.

On January 12, 2010, the Airport System terminated the 1999 and 2002 Swap Agreements with RFPC Ltd, due to deterioration in the credit ratings of AMBAC, the credit support provider for those swaps. The Airport System simultaneously entered into an interest rate swap agreement with Loop Financial Products I LLC to replace the 1999 swap agreement. The Airport System received $10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $11,460,000 due to RFPC, Ltd. As a result of receiving $10,570,000 from Loop Financial Products I LLC, the fixed rate to be paid by the Airport System to Loop Financials Products I LLC will take into account such payments and will be above the market rate. The 2002 swap agreement was not replaced.

On November 6, 2009, the Airport issued $104,655,000 of Airport System Revenue Bonds, Series 2009C, in a variable rate mode for the purpose of current refunding all of the Airport System Subordinate Commercial Paper Note, Series A.

On October 28, 2009, the Airport issued $170,190,000 and $65,290,000 of Airport System Revenue Bonds, Series 2009A and 2009B (taxable "Build America Bonds") in a fixed rate mode for the purpose of purchasing and retiring portions of the Series 2006B, Series 2007D2, and Subseries 2008A4 bonds, and the funding of new money for capital improvement projects.

On January 8, 2009, the City entered into an interest rate swap agreement ("the 2008B Swap Agreement") with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to $100.0 million notional amount associated with the 2008C1 Bonds outstanding in the amount of $92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Agreement and 70% of London Interbank Offered Rate (LIBOR) for three month deposits of U. S. dollars payable by Loop Financial Product I LLC. The City received $22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $22,213,550 due to Lehman Brothers Special Financing. As a result of receiving $22,100,000 from Loop Financial Product I LLC, the fixed rate to be paid by the City to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 bonds, is that the Airport System will effectively pay a fixed rate on $100.0 million, plus or minus the difference between the actual rate on $92.6 million of the Series 2008C1 Bonds and 70% of three month LIBOR on $100.0 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement due to the differences between the variable interest rate it pays on the associated debt and 70% of three month LIBOR received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.

Additional information related to the Airport's long-term debt can be found in notes 8, 9, 10, 11 and 12.

Capital Assets

As of December 31, 2010 and 2009, the Airport System had capital assets of approximately $3.2 billion and $3.3 billion, respectively. These amounts are net of accumulated depreciation of approximately $2.1 billion and $1.9 billion, respectively.

On September 15, 2010, The Airport System announced that the Airport will gain a third solar-energy installation with the development of a new 4.4 megawatt facility by Denver-based Oak Energy Partners. Project construction began in the fall of 2010, and completion is expected in early 2011.

On August 26, 2010, The Regional Transportation District (RTD) broke ground at the Airport for the FasTracks East Corridor-rail line that will link Downtown Denver to Denver International Airport. The East Corridor Line, which is estimated to be completed in 2016, is the project's only commuter-rail line, but FasTracks also will build light-rail lines for an expanded public transportation rail system in the region.

On July 29, 2010, the Airport unveiled the conceptual design of the South Terminal Redevelopment Program at the Westin Tabor Center in Denver. In conjunction with the RTD FasTracks East Corridor, the South Terminal Redevelopment Program is expected to create 6,600 jobs and is scheduled to be finished in 2016. The South Terminal Redevelopment Program includes the construction of a station for the commuter-rail line that will connect the Airport to Downtown Denver, and an open-air plaza. A new 500-room hotel and conference center connected to Jeppesen Terminal is also part of the program.

On March 5, 2010, the Airport System bought 27 oil and natural gas wells on its property for $5.5 million. The Airport owns the mineral rights on all of its 34,000 acres, but had leased approximately 27,000 acres to Petro-Canada Resources (USA) Inc. (PCR) for oil and natural gas exploration. The Airport exercised its preferential right to buy the assets on airport property and it is anticipated, at current prices, that the wells could produce additional annual revenue of approximately $3.5 million for the Airport.

On March 4, 2010, the Airport System entered into a loan agreement, with Airport Solar I LLC, for $4 million to be repaid together with interest at the rate of 5.5% over twenty years. The principal and interest shall be due and payable in annual installments of $334,717 beginning on January 1, 2011. The loan proceeds will be used to buy the completed commissioned 1.6 megawatt–direct current photo voltaic (solar) electrical generation plant.

In an agreement between United Airlines and the Airport System dated October 6, 2009, United agreed to provide the Airport System with five gates on Concourse B and in exchange the Airport agreed to compensate United for these gates in the amount of $2.5 million per gate, for a total of $12.5 million, payable on December 31, 2009. United will be relieved of all lease payment obligations for the leasehold (gates, hold rooms, support areas, equipment rental etc.) for a period of six years beginning January 1, 2010. The Airport System will lease the gates to other carriers. Effective January 1, 2016, the leasehold will automatically revert to United Airlines.

PFC: In 1992, the PFC program authorized the imposition of a fee of $3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of $4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2010, a total of $1.2 billion has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $1.1 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $8.0 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of $3.3 billion authorized maximum amount of PFC revenues.

Construction Commitments: As of December 31, 2010, the Airport System had outstanding contractual construction and professional services commitments of approximately $123.8 million and had made over $113.5 million in contractual payments for the year then ended.

The Airport's current 2011-2016 Capital Program includes approximately $909.4 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if such projects are needed and are financially viable. The 2011-2016 Capital Programs are expected to be financed with a combination of airport revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

Additional information related to the Airport's capital assets can be found in note 5.

Economic Factors

Passenger traffic was up 4.1% in 2010 compared with a national average change of 2.1% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International Airport is United Airlines, which together with its affiliates, accounted for approximately 44.1% and 42.5% of passenger enplanements at the Airport in 2010 and for the first three months of 2011, respectively.

United and Continental airlines announced on May 3, 2010, that they had reached a merger agreement that will form the world's largest airline by passenger traffic. The deal has been approved by each airline's stockholders and the United States Department of Justice has cleared the merger on the condition that the combined company make appropriate divestitures of slots at Newark Airport. European Union regulators have also cleared the transaction to proceed. Both companies have said that they hope to close the merger transaction by December 31, 2011.

Frontier has the second largest market share at the Airport for 2010 and third largest market share for the first three months of 2011. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 21.8% of passenger enplanements in 2010 and 20.4% for the first three months of 2011.

Frontier filed for bankruptcy protection in April 2008, and received approval of a reorganization plan in September 2009. The airline emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, Republic Holdings, also purchased Midwest Airlines in July 2009. On April 13, 2010, Republic Holdings announced that it had selected Frontier Airlines name for its consolidated branded airline.

As part of its bankruptcy reorganization proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its use and lease agreement with the Airport, as well as certain ground service and cargo leases. To cure its debt owed to the Airport before filing for bankruptcy, Frontier issued and delivered to the Airport its $3.0 million promissory note payable in three equal installments plus interest thereon at 3% per annum commencing October 1, 2010. The use and lease agreement was amended to reduce the number of gates that Frontier uses, and to eliminate leased administrative spaces, such as ticket counters and office space. Prior to bankruptcy, Frontier leased 15 gates on Concourse A and used six additional full- service jet gates on Concourse A on a preferential basis. It also leased one common use international gate on Concourse A on a subordinated basis. Pursuant to the amended use and lease agreement, Frontier agreed to lease 18 gates on Concourse A and relinquished its preferential rights to other gates.

Southwest Airlines (Southwest) has the third-largest market share at the Airport in 2010 and the second largest market share for the first three months of 2011. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at the Airport, which is the fifth busiest station in the Southwest system. Southwest currently leases 17 gates at under a use and lease agreement. Southwest accounted for approximately 18.1% and 20.8% of passenger enplanements at the Airport 2010 and the first three months of 2011, respectively.

Southwest has entered into agreed to a merger with the AirTran Holdings, Inc. that provides for its acquisition of AirTran Holdings Inc. Southwest expects the merger to be completed by the second quarter of 2011. Within two years Southwest plans to integrate AirTran Airways into its company and operate as one airline.

As previously discussed, operating revenues were up 6.5% in 2010 compared to 2009. Operating income before depreciation and amortization of $191.5 million represented an increase of $6.6 million compared to 2009. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was $88 million. The airlines will receive the $40.0 million, with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

Request for Information

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Laura Trujillo, Accounting Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available on-line at www.flydenver.com.

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City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2010 and 2009

	2010	2009 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 137,851,867	$ 97,628,667
Investments	93,476,444	30,740,497
Accounts receivable (net of allowance for doubtful accounts $1,009,113 and $1,074,533)	51,048,712	57,847,456
Accrued interest receivable	5,642,097	6,064,842
Other receivables	1,313,051	1,118,640
Inventories	10,732,708	10,739,578
Prepaid expenses and other	1,834,519	2,524,994
Total current unrestricted assets	301,899,398	206,664,674
Restricted assets:		
Cash and cash equivalents	76,016,953	71,194,287
Investments	163,432,947	77,541,269
Accrued interest receivable	1,714,883	2,631,092
Prepaid expenses and other	2,211,970	6,319,699
Grants receivable	6,925,284	357,887
Passenger facility charges receivable	10,271,357	9,098,428
Total current restricted assets	260,573,394	167,142,662
Total current assets	562,472,792	373,807,336
Noncurrent assets:		
Investments	263,704,602	299,257,982
Long-term receivable, net of current portion	4,885,283	2,000,000
Capital assets:		
Buildings	1,999,547,458	1,988,351,492
Improvements other than buildings	2,247,619,169	2,161,395,306
Machinery and equipment	720,543,765	689,952,223
	4,967,710,392	4,839,699,021
Less accumulated depreciation and amortization	(2,083,584,224)	(1,904,391,951)
	2,884,126,168	2,935,307,070
Construction in progress	18,805,831	83,996,420
Land, land rights and air rights	295,303,475	295,305,625
Total capital assets	3,198,235,474	3,314,609,115
Bond issue costs, net of accumulated amortization	45,594,223	51,456,627
Interest rate swaps	31,714,500	33,961,137
Investments - restricted	686,208,559	900,246,114
Assets held for disposition	9,620,168	12,799,153
Total assets	4,802,435,601	4,988,137,464
Deferred outflows		
Accumulated decrease in fair value of hedging derivatives	1,813,815	-

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2010 and 2009

	2010	2009 (as restated)
Liabilities		
Current liabilities:		
Vouchers payable	$ 29,529,578	$ 34,259,867
Due to other City agencies	7,206,481	23,668,950
Compensated absences payable	2,359,480	2,255,705
Other liabilities	8,204,483	1,606,260
Revenue credit payable	40,000,000	29,334,593
Deferred rent	23,095,107	23,054,356
Total current unrestricted liabilities	110,395,129	114,179,731
Current liabilities payable from restricted assets:		
Vouchers payable	24,165,133	19,321,389
Retainages payable	17,019,196	22,531,914
Accrued interest and matured coupons	25,342,787	25,203,128
Notes payable	10,789,052	14,584,003
Other liabilities	31,471,049	28,888,635
Revenue bonds	133,605,000	112,395,000
Total current unrestricted liabilities	242,392,217	222,924,069
Total current liabilities	352,787,346	337,103,800
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,841,940,000	4,023,745,000
(Less) plus:		
Deferred losses on bond refundings	(253,473,480)	(274,564,624)
Net unamortized premiums	60,975,306	59,207,645
Total bonds payable, noncurrent	3,649,441,826	3,808,388,021
Interest rate swaps	207,548,413	166,418,445
Notes payable	20,640,245	33,206,553
Compensated absences payable	6,019,665	5,924,925
Total noncurrent liabilities	3,883,650,149	4,013,937,944
Total liabilities	4,236,437,495	4,351,041,744
Deferred inflows		
Accumulated increase in fair value of hedging derivatives	12,788,811	34,518,619
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(388,461,289)	(291,114,739)
Restricted for:		
Capital projects	22,959,179	13,062,862
Debt service	643,063,432	645,031,962
Unrestricted	277,461,788	235,597,016
Total net assets	$ 555,023,110	$ 602,577,101

See accompanying notes to financial statements

City and County of Denver
Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2010 and 2009

	2010	2009 (as restated)
Operating revenues:		
Facility rentals	$ 231,603,031	$ 226,838,509
Concession revenues	43,397,645	41,084,601
Parking revenues	123,672,753	114,861,852
Car rental revenues	44,180,988	42,989,223
Landing fees	120,054,119	110,083,983
Aviation fuel tax	23,680,542	16,849,474
Other sales and charges	14,812,923	11,782,469
Total operating revenues	601,402,001	564,490,111
Operating expenses:		
Personnel services	112,229,670	116,539,988
Contractual services	172,492,471	166,468,909
Repair and maintenance projects	105,943,200	69,974,674
Maintenance, supplies and materials	19,199,594	26,533,326
Total operating expenses, before depreciation and amortization	409,864,935	379,516,897
Operating income before depreciation and amortization	191,537,066	184,973,214
Depreciation and amortization	181,496,012	177,582,988
Operating income	10,041,054	7,390,226
Nonoperating revenues / (expenses)		
Passenger facility charges	102,594,509	96,864,736
Investment income	47,751,657	74,291,216
Interest expense	(225,053,652)	(227,122,048)
Grants	400,500	(829,224)
Other income (expense)	(13,487,848)	(2,953,463)
Total nonoperating expenses, net	(87,794,834)	(59,748,783)
Loss before capital grants and contributions	(77,753,780)	(52,358,557)
Capital grants	25,689,789	36,964,192
Capital contributions	4,510,000	1,656,437
Change in net assets	(47,553,991)	(13,737,928)
Net assets, beginning of year	602,577,101	842,299,944
Adjustment for fair value of derivative instruments	-	(225,984,915)
Net assets, beginning of year, as restated	602,577,101	616,315,029
Net assets, end of year	$ 555,023,110	$ 602,577,101

See accompanying notes to financial statements

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009 (as restated)
Cash flows from operating activities:		
Receipts from customers	$ 620,610,627	$ 549,008,417
Payments to suppliers	(299,439,071)	(236,656,345)
Interfund activity payments to other funds	(17,511,948)	(18,377,890)
Payments to employees	(111,763,153)	(115,818,382)
Net cash provided by operating activities	191,896,455	178,155,800
Cash flows from noncapital financing activities		
Operating grants received	400,500	-
Proceeds from imputed debt on swap termination	10,570,000	22,100,000
Transfers in	-	11,829
Net cash provided by noncapital financing activities	10,970,500	22,111,829
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	1,638,822	242,022,569
Principal paid on notes payable	(16,361,259)	(15,857,491)
Principal paid on revenue bonds	(153,550,000)	(203,770,000)
Interest paid on revenue bonds	(164,093,290)	(174,024,087)
Bond issuance costs paid	(2,691,088)	(3,603,956)
Interest paid on notes payable	(1,651,876)	(2,580,180)
Capital grants receipts	23,632,392	46,065,090
Passenger Facility Charges	101,421,580	96,359,346
Purchases of capital assets	(36,210,196)	(56,414,768)
Payments of accrued expenses for capital assets	(36,251,283)	(33,228,489)
Payments to escrow for current refunding of debt	-	(4,082)
Payments to bond reserve fund	(899,631)	-
Proceeds from sale of capital assets	155,290	1,210,576
Net cash used in capital and related financing activities	(284,860,539)	(103,825,472)
Cash flows from investing activities:		
Purchases of investments	(4,736,385,532)	(9,218,474,839)
Proceeds from sales and maturities of investments	4,821,530,276	8,997,007,219
Proceeds from sales of assets held for disposition	3,178,985	273,948
Proceeds from swap termination	11,092,000	-
Swap termination payment	(10,570,000)	(22,100,000)
Interest rate swap settlements	(37,895,232)	(36,282,420)
Payments to maintain assets held for disposal	(7,677,058)	(8,753,045)
Insurance recoveries for Stapleton environmental remediation	10,115,852	8,615,889
Interest and dividends on investments and cash equivalents	73,650,159	38,832,535
Net cash provided by (used in) investing activities	127,039,450	(240,880,713)
Net increase (decrease) in cash and cash equivalents	45,045,866	(144,438,556)
Cash and cash equivalents, beginning of year	168,822,954	313,261,510
Cash and cash equivalents, end of year	$ 213,868,820	$ 168,822,954

See accompanying notes to financial statements

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009 (as restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 10,041,054	$ 7,390,226
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	181,496,012	177,582,988
Miscellaneous income	1,546,939	1,565,709
Changes in assets and liabilities:		
Receivables, net of allowance	357,306	(2,604,592)
Inventories	6,870	(685,377)
Prepaid expenses and other	4,808,302	(4,516,300)
Vouchers and other payables	(4,730,289)	(1,094,820)
Deferred rent	40,751	(788,497)
Due to other City agencies	(16,462,469)	5,596,340
Compensated absences	198,515	117,365
Other operating liabilities	14,593,464	(4,407,242)
Net cash provided by operating activities	$ 191,896,455	$ 178,155,800

Noncash activities:

The Airport System issued bonds in the amount of $171,360,000 and $340,135,000 in 2010 and 2009, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $110,995,192 ($171,360,000 plus original issue premium of $14,592,502; less underwriters discount of $974,087; less cash proceeds to the Airport of $1,638,822; less payment to purchase and retire certain 2008A-3 and 2008A-4 Bonds of $72,344,401) and $121,731,559 for 2010 and 2009, respectively, were deposited immediately in an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of $14,592,502 and $3,617,601 were realized on the issuance of bonds in 2010 and 2009, respectively.

	2010	2009
Unrealized gain (loss) on investments	$ 15,818,566	$ (23,891,326)
Unrealized gain (loss) on derivatives	(8,740,982)	59,008,988
Capital assets added through incurrence of vouchers and retainages payable	34,650,433	36,251,283
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	17,617,855	18,060,703

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(1) Organization and Reporting Entity

(a) Nature of Operations

Pursuant to Article XX of the State of Colorado Constitution and the City and County of Denver, Colorado (the City) Charter, the City acquired, owns, operates, and maintains certain airport facilities. These facilities include Denver International Airport (Denver International) and certain assets of Stapleton International Airport (Stapleton) and are referred to herein as the City and County of Denver Municipal Airport System (the Airport System). The Airport System is operated as the Department of Aviation, with a Manager of Aviation appointed by and reporting to the Mayor.

Denver International consists of a landside terminal building, three airside concourses, six runways, roadways, and ancillary facilities on a 53-square mile site. Stapleton was closed to all air traffic on February 27, 1995. See note 6 for further discussion.

(b) Reporting Entity

The accompanying financial statements present only the Airport System enterprise fund and are not intended to present fairly the financial position of the City, and the changes in its financial position and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Airport System is an enterprise fund of the City and, as such, is an integral part of the City. An enterprise fund is established to account for an activity that is financed with debt secured solely by a pledge of net revenues from fees and charges of the activity or when laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges rather than with taxes or similar revenues. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). As an enterprise fund, the Airport System uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2010. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

During the year ended December 31, 2010, the Airport System adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting for intangible assets such that they are classified as capital assets. There was no impact to the financial statements upon the adoption of this statement.

During the year ended December 31, 2010, the Airport System also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* This statement establishes accounting and financial reporting for derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting (see note 22 for the description of the impact of this standard.)

(b) Cash and Cash Equivalents

Cash and cash equivalents, which the City manages, consist principally of U.S. Treasury securities, U.S. agency securities, and commercial paper with original maturities of less than 90 days.

(c) Investments

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2010 and 2009. The Airport System's investments are maintained in pools at the City and include U.S. Treasury securities, U.S. Agency securities, and commercial paper.

(d) Inventories

Inventories consist of materials and supplies which have been valued at the lower of cost (weighted average cost method) or market.

(e) Capital Assets

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Repairs and maintenance are charged to operations as incurred, unless they have the effect of improving and extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2010 and 2009 was $3,370,616 and $2,035,448, respectively.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings	20 – 40 years
Roadways	30 – 40 years
Runways/taxiways	35 – 40 years
Other improvements	15 – 40 years
Major system equipment	15 – 25 years
Vehicles and other equipment	5 – 10 years

(f) Bond Issue Costs, Deferred Losses on Bond Refundings, and Unamortized Premiums (Discounts)

Bond issue costs, deferred losses on bond refundings, and unamortized premiums (discounts) are deferred and amortized over the life of the old bonds, or the remaining life of the refunding bonds, whichever is shorter, using the effective interest rate method. Bond issue costs are recorded as deferred charges. Unamortized premiums on bond refundings are recorded as an addition to the face amount of the bonds payable. Unamortized discounts and deferred losses on bond refundings are recorded as a reduction of the face amount of the bonds payable.

(g) Assets Held for Disposition

Assets held for disposition consist of the Stapleton assets. Depreciation is not recorded on those assets held for sale. Ongoing maintenance and redevelopment costs are expensed as incurred. See note 6 for further discussion.

(h) Compensated Absences Payable

Accumulated vested sick and vacation benefits are recorded as an expense and a liability as benefits accrue to employees. The Airport System uses the vesting method for estimating sick leave compensated absences payable.

(i) Special Incentive Program (SIP)

In 2009, the City approved a Special Incentive Program (SIP) for the purpose of reducing payroll expenses by encouraging employees eligible to retire to separate from employment. Under the SIP, each employee who separated from employment will receive $500 per month for thirty months beginning in January 2010. The Airport System had a total of 36 employees who elected to accept the plan. As of December 31, 2010, the Airport System recorded a current liability of $245,442 for the 2011 payments and a long-term liability of $120,036 for the 2012 payments. As of December 31, 2009, the Airport System recorded a current liability of $245,442 for the 2010 payments and a long-term liability of $350,487 for the 2011 and 2012 payments. The liability for 2011 and 2012 was calculated using the present value of the payments. The discount rate of .23% used for the present value calculation was based on the projected yield of investments that will be used to fund the future payments. The amounts related to the SIP are included in the statement of net assets in compensated absences as of December 31, 2010 and 2009.

(j) Deferred Rent

Deferred rent is recorded when rental payments are received by the Airport System prior to a legal claim to them. Included in deferred rent are customer credits and deposits.

(k) Net Assets

2010

The Airport System assets exceeded liabilities by $555,023,110 as of December 31, 2010, a $47,553,991 decrease in net assets from the prior year-end. Of the Airport System's 2010 net assets, 120.0% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $643,063,432 and are externally restricted for debt service. The net assets restricted for capital projects represents $22,959,179.

The remaining net assets include unrestricted net assets of $277,461,788 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net assets amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($388,461,289) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2009

The Airport System assets exceeded liabilities by $602,577,101 as of December 31, 2009, a $239,722,843 decrease in net assets from the prior year-end, including an adjustment for fair value derivative instruments of $212,131,941. Of the Airport System's 2009 net assets, 109.0% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $645,031,962 and are externally restricted for debt service. The net assets restricted for capital projects represents $13,062,862.

The remaining net assets include unrestricted net assets of $235,597,016 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net assets amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($291,114,739) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(l) Restricted and Unrestricted Resources

Uses of restricted and unrestricted resources are made on a case-by-case basis by management depending on overall requirements. Generally, management applies restricted resources and then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(m) Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net assets distinguishes operating revenues and expenses from nonoperating activity and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denver International's principal ongoing operations. The principal operating revenues of the Airport System are charges to airline tenants for facility rentals, landing fees and parking. Operating expenses include the cost of providing services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. Such items include Passenger Facility Charges (PFCs), interest expense, interest income, grants from the federal government and Stapleton demolition and remediation expenses.

(n) Governmental Grants

The Airport System periodically receives grant revenues from federal agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred by the Airport System. Revenues from capital grants are reported as capital contributions on the statements of revenue, expenses and changes in net assets and revenues from operating grants are reported as nonoperating revenues. The Airport System has also received a grant allocation through the American Recovery and Reinvestment Act (ARRA) of 2009.

(o) Rates and Charges

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2010 and 2009, the Airport System had accrued a liability to the airlines, included in current other liabilities, of $6,831,425, and ($5,891,209), respectively.

For the years ended December 31, 2000 through 2005, 75% of Net Revenues (as defined by the bond ordinance) remaining at the end of each year were to be credited in the following year to the passenger airlines signatory use and lease agreements; and thereafter it is 50%, capped at $40,000,000 for all years. The Net Revenues credited to the airlines totaled $40,000,000 and $29,334,593 for 2010 and 2009, respectively. Liabilities for these amounts were accrued as of December 31, 2010 and 2009, respectively, and are reported in the statement of net assets as revenue credit payable.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

(q) Reclassifications

Certain 2009 balances have been reclassified to conform to the 2010 financial statements presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's investment policy requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the Act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2010, the amount of the Airport System's deposits was $7,143,659. In addition, the Airport System had $5,084,492 in uncashed payroll and vendor warrants at December 31, 2010. At December 31, 2009, the amount of the Airport System's deposits was $17,669,750. In addition, the Airport System had $5,500,382 in uncashed payroll and vendor warrants at December 31, 2009. Also, the Airport System's portion of a certificate of deposit owned by the City was $13,366,692.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities. St. Paul/Travelers Insurance (St. Paul) manages an owner-controlled insurance plan on behalf of the Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2010 was $119,685.

(b) Investments

The Airport System's investments are managed by the City and are subject to the Investment Policy of the City. It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. The City's Investment Policy applies to all investment activity of the City under the control of the Chief Financial Officer (CFO), including investments of certain monies related to business-type activities, and trust and agency funds. The City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the CFO for investment shall also be administered in accordance with the Investment Policy.

The City Charter, Section 2.5.3(c), and Denver Revised Municipal Code, Section 20-21, authorizes the type of investments that the City can hold. The Investment Policy generally requires that investments shall be managed in accordance with portfolio theory management principles to compensate for actual or anticipated changes in market interest rates. To the extent possible, investment maturity will be matched with anticipated cash flow requirements of each investment pool. Additionally, to the extent possible, investments will be diversified by security type and institution. This diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Deviations from expectations shall be reported in a timely fashion and appropriate action taken to control adverse developments.

At December 31, 2010 and 2009, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

		December 31, 2010		December 31, 2009
Cash Equivalents	$	2,257	$	14,273
Certificate of Deposit		—		13,367
Local government investment pools		45,805		126,267
Municipal securities		499		625
Commercial paper		233,985		71,383
State & Local Government Securities		5,842		14,851
U.S. Treasury securities		244,971		194,507
U.S. Agency securities		887,333		1,041,336
	$	1,420,692	$	1,476,609

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2010 and 2009, is as follows (amount expressed in thousands).

		December 31, 2010		December 31, 2009
Cash and cash equivalents	$	137,852	$	97,629
Investments		357,181		329,999
Restricted cash equivalents		76,017		71,194
Restricted investments		849,642		977,787
	$	1,420,692	$	1,476,609

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 investment. The City manages interest rate risk for investments under the control of the CFO by limiting their maximum maturity. Commercial paper can have a maximum maturity of 366 days. U. S. Treasury and Agency securities can have a maximum maturity of ten years.

At December 31, 2010, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

		Investments maturity in years			
Investment type	Fair value	Less than 1	1-5	6-10	Greater than 10**
Discount Commercial Paper	$ 233,985	$ 233,985	$ —	$ —	$ —
U.S. Treasury securities	244,971	15,931	178,802	50,238	—
U.S. Agency securities	887,333	122,126	586,148	129,746	49,313
Total	$ 1,366,289	$ 372,042	$ 764,950	$ 179,984	$ 49,313

**The CFO is authorized to waive certain portfolio constraints when such action is deemed to be in the best interest of the City. The CFO has waived the maximum maturity for certain investments in U.S. Agency securities that are part of the Denver Airport System structured pool created to facilitate an economic defeasance of a portion of the future debt service payments due on certain Airport System bonds.

The Airport System's portfolio of U.S. agency securities includes callable securities with scheduled interest changes. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2010, the Airport System owned callable securities with a fair value of $105,215,998. Of these, securities with scheduled increases to predetermined interest rates had a fair value of $39,756,551.

Credit Quality Risk: Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are assigned credit quality ratings AAA. Of the City's investments at December 31, 2010, commercial paper, municipal variable rate demand obligations (VRDO's) and local government investment pools were subject to credit quality risk. The VRDO's were issued by the City and County of Denver. The City's investment policy requires that commercial paper be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase. The investment policy requires that the VRDO's have a minimum underlying issuer rating from at least one of the three rating agencies of A from Standard & Poor's and Fitch and A2 from Moody's. The investment policy also requires the local government investment pools to have over $1 billion in assets or have the highest current rating from one or more nationally recognized rating agencies.

As of December 31, 2010, all of the City's investments subject to credit quality risk were in compliance with the City's investment policy.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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 are held by the counterparty's trust department or agent but not held in the City's name.

None of the Airport System's investments owned at December 31, 2010, were subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's Investment Policy states that a maximum of 5% of the portfolio may be invested in commercial paper, municipal securities, or certificates of deposit issued by any one provider.

The City's Investment Policy also limits investments in money market funds to 25% of total investments, investment in municipal securities to 15% of total investments, and investments in certificates of deposit to 15% of total investments.

As of December 31, 2010, all investments in money markets funds and municipal securities were in compliance with this policy, with one exception. The City purchased commercial paper issued by Credit Agricole North America on December 20, 2010. The purchase price of the investment was $24,980,166 which caused the total commercial paper investment in the City's portfolio in Credit Agricole North America to exceed 5% of the total portfolio. At December 31, 2010 the total commercial paper investment issued by the Credit Agricole North America had a fair value of $119,953,150 which exceeded 5% of the total portfolio by $9,426,319. The total commercial paper investment in Credit Agricole North America fell below the 5% of the total portfolio on January 18, 2011 when another holding of commercial paper of Credit Agricole North America matured.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2010 and 2009, an allowance of $1,009,113 and $1,074,533, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2010 and 2009 were as follows (in thousands):

	2010				
	January 1, 2010	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2010
Depreciable:					
Buildings	$ 1,988,352	$ 4,509	$ 10,100	$ (3,414)	$ 1,999,547
Improvements other than buildings	2,161,395	-	86,337	(113)	2,247,619
Machinery and equipment	689,952	11,185	20,551	(1,144)	720,544
	4,839,699	15,694	116,988	(4,671)	4,967,710
Less accumulated depreciation and amortization	(1,904,392)	(181,496)	-	2,304	(2,083,584)
	2,935,307	(165,802)	116,988	(2,367)	2,884,126
Nondepreciable:					
Construction in progress	83,996	56,232	(116,988)	(4,434)	18,806
Land, land rights, and air rights	295,306	-	-	(3)	295,303
Total capital assets	$ 3,314,609	$ (109,570)	$ -	$ (6,804)	$ 3,198,235

	2009				
	January 1, 2009	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2009
Depreciable:					
Buildings	$ 1,990,255	$ 410	$ 1,231	$ (3,544)	$ 1,988,352
Improvements other than buildings	2,130,486	-	31,231	(322)	2,161,395
Machinery and equipment	683,471	15,675	11,566	(20,760)	689,952
	4,804,212	16,085	44,028	(24,626)	4,839,699
Less accumulated depreciation and amortization	(1,746,588)	(177,583)	-	19,779	(1,904,392)
	3,057,624	(161,498)	44,028	(4,847)	2,935,307
Nondepreciable:					
Construction in progress	47,204	80,820	(44,028)	-	83,996
Land, land rights, and air rights	295,306	-	-	-	295,306
Total capital assets	$ 3,400,134	$ (80,678)	$ -	$ (4,847)	$ 3,314,609

(6) Assets Held for Disposition

The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is continuing to dispose of the Stapleton property. Certain portions of Stapleton were acquired with proceeds from federal grants, which provide for the return of certain federal funds. In addition, certain portions of the property are also subject to deed restrictions, under which the property would revert to the United States government. The City is able to seek releases from the grant assurances and deed restrictions from the Secretary of Transportation as dispositions occur, provided that: 1) the property is sold at fair market value, and 2) the proceeds are used to develop, improve, and construct Denver International. The City intends to continue to seek such releases and, in accordance with certain use and lease agreements, use any net proceeds from sales of Stapleton to retire or defease subordinate debt.

In 1999, as the land that comprised the former Stapleton International Airport (“SIA”) was being prepared for sale, the City purchased from American International Specialty Lines Insurance (“AISLIC”) a Pollution Legal Liability Policy (“PLL”) to cover unknown environmental conditions at SIA. AISLIC is a subsidiary of AIG Commercial Group, Inc. and has now become Chartis Specialty Insurance Company. Beginning in 2003, certain areas of SIA were found to have friable asbestos in the soil, and the City filed Notices of Loss with AISLIC as asbestos continued to be found in new sites. Originally, AISLIC accepted the claims. As the claims climbed into the tens of millions of dollars, however, AISLIC reconsidered and began denying claims on the basis that the City’s remediation choices exceeded what was required by law. AISLIC now Chartis, has made over $100 million in payments for remediation covered by the PLL and the now-closed Cost cap policies through February 2011. Several additional remediation projects were on hold in 2009 due to denial of coverage, but the parties have worked collectively throughout 2009 and 2010 to reach agreement, on a site by site basis; and the City has been able to proceed and complete several of the projects which had been on hold. In 2010, remediation for Filing 19 and Filing 7 was completed and paid for by Chartis. In addition, Chartis has paid the majority of the formerly disputed remediation costs, reducing the still-disputed amount by nearly 75%, to an amount below $4 million. There continue to be some differences in position, but because the site by site negotiating has been successful, the City will pursue all available remedies. Although it is still possible that the loss through denial of coverage will be in excess of the materiality limits, the recent negotiations are promising.

The carrying value of Stapleton was $9,620,168 and $12,799,153 at December 31, 2010 and 2009, respectively. The current and anticipated costs accrued for environmental liability for Stapleton was $26,636,123 and $25,496,960 at December 31, 2010 and 2009, respectively. The Airport has accrued $31,075,645 and $34,437,389 of insurance recoveries at December 31, 2010 and 2009, respectively. The Airport has received payments for insurance recovery totaling $10,855,091 in 2010.

(7) Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2010 and 2009 totaled $17,511,948 and $18,377,890, respectively, and have been included in operating expenses.

In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other City personnel which are reflected as personnel services expenses. The total services paid for City service and personnel are $46,576,613 and $45,939,203 for the years ended December 31, 2010 and 2009, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $7,206,481 and $23,668,950 at December 31, 2010 and 2009, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2010 and 2009 were as follows (in thousands):

	2010					
	January 1, 2010	Additions	Refunded debt	Retirements	December 31, 2010	Amounts due within one year
Airport System revenue bonds	$ 3,977,855	$ 171,360	$ (178,405)	$ (138,224)	$ 3,832,586	$ 125,954
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	103,405	-	-	(15,326)	88,079	7,651
Less deferred loss on bonds	(274,565)	(881)	-	21,973	(253,473)	-
Plus unamortized premiums	59,208	11,547	-	(9,780)	60,975	-
Total bond debt	$ 3,920,783	$ 182,026	$ (178,405)	$ (141,357)	3,783,047	$ 133,605
Less current portion					(133,605)	
Noncurrent portion					$ 3,649,442	

	2009					
	January 1, 2009	Additions	Refunded debt	Retirements	December 31, 2009	Amounts due within one year
Airport System revenue bonds	$ 3,907,145	$ 340,135	$ (120,215)	$ (149,210)	$ 3,977,855	$ 105,784
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	137,750	-	-	(34,345)	103,405	6,611
Less deferred loss on bonds	(295,179)	(931)	-	21,545	(274,565)	-
Plus unamortized premiums	63,518	3,618	-	(7,928)	59,208	-
Total bond debt	$ 3,868,114	$ 342,822	$ (120,215)	$ (169,938)	3,920,783	$ 112,395
Less current portion					(112,395)	
Noncurrent portion					$ 3,808,388	

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest on fixed rate bonds is payable semi-annually. The variable rate bonds are issued in weekly mode. Auction rate bonds carry interest rates that are periodically reset for 7 day periods. As such, the actual interest rate on the bonds will vary based on market conditions in the short-term tax-exempt bond market.

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2010 and 2009 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding 2010	Amount Outstanding 2009
Airport system revenue bonds				
Series 1991D Term bonds	November 15, 2013	7.75%	$ 39,969,228	$ 53,815,752
Series 1992F, G*	November 15, 2025	0.350%	42,300,000	43,900,000
Series 1995C Term bonds	November 15, 2012	6.50%	7,305,000	10,625,000
Series 1997E Serial bonds	Annually November 15, 2011 and 2013	6.00%	34,461,718	34,461,718
Series 1998A Term bonds	November 15, 2025	5.00%	128,695,000	128,695,000
Series 1998B Term bonds	November 15, 2025	5.00%	103,395,000	103,395,000
Series 2000A				
Serial bonds	Annually November 15, 2010 to 2019	5.125-6.00%	141,600,000	187,870,000
Term bonds	November 15, 2023	5.625%	31,495,000	31,495,000
Series 2001A Serial bonds	Annually November 15, 2010 to 2017	5.00-5.625%	182,344,765	197,297,504
Series 2001B Serial bonds	Annually November 15, 2013 to 2016	4.75-5.50%	16,675,000	16,675,000
Series 2001D Serial bonds	Annually November 15, 2010 to 2024	5.00-5.50%	46,940,000	50,305,000
Series 2002C*	November 15, 2024	0.350%	35,500,000	37,000,000
Series 2002E Serial bonds	Annually November 15, 2010 to 2023	4.75-5.50%	129,140,000	140,440,000
Series 2003A Term bonds	November 15, 2026 and 2031	5.00%	161,965,000	161,965,000
Series 2003B Term bonds	November 15, 2033	5.00-5.75%	75,460,000	75,460,000
Series 2005A Serial bonds	Annually November 15, 2011 to 2025	4.00-5.00%	224,510,000	224,510,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000	279,585,000
Series 2006B Serial bonds	Annually November 15, 2010 to 2015	5.00%	90,365,000	111,170,000
Series 2007A Serial & Term bonds	Annually November 15, 2023, 2024, 2026, 2027 and 2030	5.00%	188,350,000	188,350,000
Series 2007B Term bonds	November 15, 2032	5.00%	24,250,000	24,250,000
Series 2007C Term bonds	Annually November 15, 2016, 2017 and 2023	5.00%	34,635,000	34,635,000
Series 2007D Serial bonds	Annually November 15, 2016 to 2023	5.25-5.50%	147,815,000	147,815,000
Series 2007D2 Serial bonds	Annually November 15, 2014 to 2015	5.00%	29,200,000	29,200,000
Series 2007E Term bonds	November 15, 2032	5.00%	47,400,000	47,400,000
Series 2007F1-F4**	November 15, 2025	.58-.90%	206,525,000	207,025,000
Series 2007G1-G2*	November 15, 2025	0.310%	147,400,000	147,800,000

Bond	Maturity	Interest Rate	Amount Outstanding 2010	Amount Outstanding 2009
Series 2008A1 Serial bonds	Annually November 15, 2010 to 2017	5.00-5.50%	161,100,000	181,465,000
Series 2008A2-A4 Term rate bonds	November 15, 2032	5.00-5.25%	194,410,000	372,815,000
Series 2008B*	November 15, 2025	0.35%	75,700,000	75,700,000
Series 2008C1-C3*	November 15, 2025	.360%-.380%	292,600,000	292,600,000
Series 2009A	November 15, 2012 to 2036	5.00-5.25%	170,190,000	170,190,000
Series 2009B	November 15, 2039	6.414%	65,290,000	65,290,000
Series 2009C*	November 15, 2022	0.320%	104,655,000	104,655,000
Series 2010A	November 15, 2032	4.00-5.00%	171,360,000	-
Economic defeasance				
LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000	54,880,000
ABS baggage defeasance	November 15, 2010 to 2021	5.00-7.75%	88,079,289	103,405,026
Total revenue bonds			3,975,545,000	4,136,140,000
Less current portion			(133,605,000)	(112,395,000)
Net unamortized premiums			60,975,306	59,207,645
Deferred loss on refundings			(253,473,480)	(274,564,624)
Total bonds payable noncurrent			$ 3,649,441,826	$ 3,808,388,021

* Variable rates are as of December 31, 2010

** Auction rates are as of December 31, 2010.

Most of the Airport term bonds are subject to certain mandatory redemption requirements and most of the Airport System bonds are subject to certain optional redemption provisions. Certain of the Airport System bonds are subject to certain mandatory sinking fund redemption requirements.

Economic Defeasances

On November 1, 1999, the Airport System entered into an economic defeasance of $54,880,000 through the use of certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under a 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the City. Escrow A proceeds will be used to defease $40,080,000 of the Series 1992C Bonds maturing on November 15, 2025. Escrow B proceeds will be used to defease $14,800,000 of the Series 1991D Bonds maturing on November 15, 2013. These bonds are considered defeased for bond ordinance purposes; however, the defeasance was not considered a legal defeasance or an in-substance defeasance under accounting principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

On December 27, 2006, the Airport entered into an economic defeasance of $90,000,000 funded by PFC and net revenues. These funds were set aside in a special escrow account (ABS Baggage System defeasance) held by the City. The proceeds will be used to defease a portion of the Airport System Revenue bonds related to the ABS baggage system. On December 12, 2007, the Airport added an additional $85,000,000 to the ABS Baggage System defeasance escrow.

Bond Issuances

On March 9, 2010, the Airport System issued $171,360,000 of Airport System Revenue Bonds, Series 2010A, in a fixed-rate mode to currently refund all of the Subseries 2008A2 Bonds and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds.

On November 6, 2009, the Airport issued $104,655,000 of Airport System Revenue Bonds, Series 2009C, in a variable rate mode for the purpose of current refunding all of the Airport System Subordinate Commercial Paper Notes, Series A.

On October 28, 2009, the Airport issued $170,190,000 and $65,290,000 (Build America Bonds) of Airport System Revenue Bonds, Series 2009A and 2009B, in a fixed rate mode for the purpose of purchasing and retiring portions of the Series 2006B, Series 2007D2 and Subseries 2008A4 Bonds, and the funding of new money for capital improvement projects.

Deferred Refunding

The proceeds of the 2010A Bonds were used together with other Airport monies to currently refund all of the Subseries 2008A2 Bonds, and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt with a difference between the reacquisition price of $182,266,410 and the net carrying amount of the old debt of $181,384,701, and the recognition of a deferred loss on refunding in the amount of $881,709. The deferred loss on refunding is being amortized over the remaining life of the old debt. The transaction resulted in a difference in cash flows to service the old debt and the new debt of $(1,913,323) and an economic loss of $(2,231,478).

The proceeds of the 2009A Bonds were used together with other Airport monies to currently refund a portion of the Series 2006B, Series 2007D2 and Subseries 2008A1-A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt with a difference between the reacquisition price of $21,253,068 and the net carrying amount of the old debt of $20,321,917, and the recognition of a deferred loss on refunding in the amount of $931,151. The deferred loss on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be $455,626.

Defeased Bonds

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2010 and 2009, respectively, $65,720,000 and $65,720,000 of bonds outstanding are considered defeased.

(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2010 are as follows:

		Principal		Interest
Year:				
2011	$	125,954,389	$	156,530,959
2012		133,036,839		149,601,939
2013		133,289,483		142,170,157
2014		135,495,000		134,987,822
2015		142,275,000		128,013,566
2016-2020		776,550,000		524,923,589
2021-2025		1,680,005,000		338,120,603
2026-2030		364,970,000		147,759,553
2031-2035		262,410,000		53,932,666
2036-2039		78,600,000		12,825,404
Total	$	3,832,585,711	$	1,788,866,258

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2010, are as follows:

		Principal		Interest
Year:				
2011	$	-	$	3,601,900
2012		-		3,601,900
2013		14,800,000		3,601,900
2014		-		2,454,900
2015		-		2,454,900
2016-2020		-		12,274,500
2021-2025		40,080,000		10,800,825
Total	$	54,880,000	$	38,790,825

Debt service requirements for the economic defeasance ABS Baggage system of the Airport System to maturity as of December 31, 2010, are as follows:

	Principal	Interest
Year:		
2011	$ 7,650,611	$ 5,553,011
2012	8,148,161	5,060,261
2013	11,425,517	4,571,459
2014	9,105,000	3,886,128
2015	9,605,000	3,385,503
2016 – 2020	40,515,000	8,739,868
2021	1,630,000	81,500
Total	$ 88,079,289	$ 31,277,730

(b) Notes Payable

The Airport System entered into two Master Installment Purchase Agreements on March 15, 2004, one with Siemens Financial Services for $20 million and one with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.6448% based on a 30/360 calculation for 2004. Payments are due semiannually to Siemens Financial Services and quarterly to GE Capital Public Finance. The Airport System entered into three Master Installment Purchase Agreements on October 26, 2006, and one on August 1, 2006. These include two agreements with Koch Financial Corporation for $23.0 million and $2.0 million, for a total of $25.0 million, and two agreements with GE Capital Public Finance for $9.0 million and $20.0 million for a total of $29.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16% and 4.67% based on a 30/360 calculation for 2007. The Airport System entered into a $15.3 million Master Installment Purchase Agreement with Chase Equipment Leasing Inc. on August 5, 2008, to finance capital equipment purchases, at a rate of 3.329% based on 30/360 calculation for 2008.

The payment schedule relating to note requirements as of December 31, 2010 is as follows:

	Principal	Interest
Year:		
2011	$ 10,789,052	$ 990,058
2012	6,429,024	695,334
2013	5,602,999	460,506
2014	3,548,309	298,541
2015	5,059,913	191,242
	$ 31,429,297	$ 2,635,681

Changes in notes payable for the years ended December 31, 2010 and 2009 were as follows:

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Notes payable	$ 47,790,558	$ -	$ (16,361,261)	$ 31,429,297	$ 10,789,052
Less current portion				(10,789,052)	
Noncurrent portion				$ 20,640,245	

	Balance January 1, 2009	Additions	Retirements	Balance December 31, 2009	Amounts due within one year
Notes payable	$ 63,648,040	$ -	$ (15,857,482)	$ 47,790,558	$ 14,584,003
Less current portion				(14,584,003)	
Noncurrent portion				$ 33,206,555	

(10) Demand Bonds

Included in long-term debt are $42,300,000 for Series 1992F, G; $35,500,000 of Series 2002C, $75,700,000 of Series 2008B, $92,600,000 of Series 2008C1, $200,000,000 of Series 2008C2-C3, $104,655,000 of Series 2009C and $147,400,000 for Series 2007G1-G2 of Airport System Revenue Bonds Series, respectively, which bear interest at flexible or weekly rates and are subject to mandatory redemption upon conversion of the interest rate to a different rate type or rate period. If the bonds are in a weekly (or monthly) mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. Each series has an irrevocable letter of credit or standby bond purchase agreement which the remarketing agent for the bonds can draw upon to purchase the bonds. If the bonds purchased by the remarketing agent could not be resold within a designated period of time, each irrevocable letter of credit and standby bond purchase agreement contains provisions for a take out agreement which would convert the obligation to an installment loan with the provider of that agreement. If the take out agreement were to be exercised, the Airport System would be required to pay interest amounts on the loan that are expected to be higher than the interest amount on the bonds.

Irrevocable letters of credit and standby bond purchase agreements (SBPA) were issued as collateral for the Series 1992F, 1992G, 2002C, 2007G, 2008B, 2008C1, 2008C2-C3 and 2009C revenue bonds in the amounts as follows:

Bonds	Par amount outstanding	Letter of credit or SBPA amount *	Annual commitment fee	Letter of credit or SBPA expiration date
Series 1992F	$ 23,100,000	$ 23,456,943	0.163%	October 2, 2014
Series 1992G	19,200,000	19,496,680	0.163%	October 2, 2014
Series 2002C	35,500,000	36,048,548	0.163%	October 2, 2014
Series 2007G1-G2	147,400,000	149,096,120	0.280%	November 13, 2014
Series 2008B	75,700,000	76,571,068	0.750%	June 30, 2011
Series 2008C1	92,600,000	93,909,085	1.100%	November 4, 2011
Series 2008C2-C3	200,000,000	202,827,398	0.800%	November 3, 2011
Series 2009C	104,655,000	106,134,507	1.400%	November 5, 2012

*As of December 31, 2010 and 2009 no amounts have been drawn under any of the existing agreements.

The Airport System is evaluating the feasibility of refunding the Series 2008B and the 2008C1-C3 bonds subsequent to year-end. If these bonds are not refunded, the Airport System plans on renewing the irrevocable letters of credit and standby bond purchase agreements associated with these bonds.

(11) Bond Ordinance Provisions

Additional Bonds

The Airport System may issue additional parity and subordinate bonds, subject to certain coverage and other provisions, for the purpose of acquiring, improving or equipping facilities related to the Airport System.

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, outstanding commercial paper is collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

The Airport System is required by the Bond Ordinance to set and collect rates and charges sufficient, together with other available funds, to provide for the payment of all operating and maintenance expenses for the current fiscal year plus 125% of the aggregate principal and interest payments of the Senior Bonds for such fiscal year prior to the issuance of additional bonds. Management believes the Airport System is in compliance with the bond covenants listed in the bond ordinance.

(12) Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements are all pay fixed-receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System's swap agreements are considered investment derivatives. Certain of the City's derivatives have been reported as investment derivatives in accordance with the provisions of GASB 53. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments. The fair value balances and notional amounts of the swaps outstanding at December 31, 2010 and 2009 and the changes in fair value of such swaps for the year then ended, are as follows:

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value: Classification	Changes in Fair Value: Amount	Fair Value 12/31/2010
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	Bond rate	Deferred Inflow	6,153,589	$ (22,978,744)
							Investment Income	(2,051,953)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	Bond rate	Deferred Inflow	5,990,855	(21,794,453)
							Investment Income	(2,021,400)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Inflow	3,985,328	(25,405,318)
							Investment Income	(2,305,411)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Inflow	1,978,823	(12,413,640)
							Investment Income	(1,127,226)	
RFPC, LTD.	10/4/2001	50	11/1/2022 *	(1)	5.6229%	SIFMA	Deferred Inflow	3,621,213	-
							Investment Income	(15,507,041)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	2,038,379	(2,219,168)
RFPC, LTD.	4/15/2002	100	11/1/2022 *	(1)	SIFMA	76.00% LIBOR	Investment Income	(302,124)	-
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	Investment Income	2,258,775	(7,084,429)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	4,527,239	(13,832,878)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	180.850	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	6,334,036	(26,882,349)
GKB Financial Services Corp.	11/15/2007	60.283	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	2,111,345	(8,960,783)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2010
							Classification	Amount	
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(2,238,886)	12,685,800
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
2007A Swap Agreements									
JP Morgan Chase Bank, N.A.	5/1/2010	150	11/1/2022 *	n/a	76.165% 1M LIBOR	65.55% 10 YR LIBOR	Investment Income	5,881,139	-
Royal Bank of Canada	5/1/2010	50	11/1/2022 *	n/a	76.165% 1M LIBOR	65.55% 10 YR LIBOR	Investment Income	1,962,713	-
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	120.23	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	4,224,019	(17,914,761)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	3,969,393	(21,504,121)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	1,813,815	(12,724,891)
							Investment income	10,911,076	
Total									$ (175,833,913)

* Swap agreement terminated or replaced during 2010.

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2009
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	Bond rate	Deferred Inflow	(11,282,436)	$ (18,877,108)
							Investment Income	(1,842,189)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	Bond rate	Deferred Inflow	(11,887,494)	(17,824,998)
							Investment Income	(1,814,739)	
Lehman Brothers Special Financing, Inc.	10/4/2000	100	11/15/2005	2008C1	4.7600%	Bond rate	Investment Income	13,852,974	-
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Inflow	(5,163,491)	(23,725,401)
							Investment Income	(2,072,676)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Inflow	(2,563,985)	(11,562,043)
							Investment Income	(1,013,419)	
RFPC, LTD.	10/4/2001	50	11/1/2022	(1)	5.6229%	SIFMA	Deferred Inflow	(3,621,213)	(11,885,828)
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(6,447,206)	(180,789)
RFPC, LTD.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.00% LIBOR	Investment Income	(6,418,448)	(302,124)
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(6,655,803)	(4,652,820)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	Investment Income	(6,680,152)	(4,825,654)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(13,311,606)	(9,305,639)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(6,655,803)	(4,652,820)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2009
							Classification	Amount	
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	180.850	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(19,175,474)	(20,548,313)
GKB Financial Services Corp.	11/15/2007	60.283	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(6,391,824)	(6,849,438)
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	3,108,383	5,223,457
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	3,108,383	5,223,457
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	6,216,766	10,446,914
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	3,108,383	5,223,457
2007A Swap Agreements									
JP Morgan Chase Bank, N.A.	5/1/2010	150	11/1/2022	n/a	76.165% 1M LIBOR	65.55% 10 YR LIBOR	Investment Income	(5,690,433)	5,881,139
Royal Bank of Canada	5/1/2010	50	11/1/2022	n/a	LIBOR	LIBOR	Investment Income	(1,899,054)	1,962,713
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	120.23	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	7,836,169	(13,690,742)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	0.1%	Investment Income	17,534,728	(17,534,728)
Total									$ (132,457,308)

(1) Swaps are currently associated with Series 2009C bonds, Series 2008B and a portion of Series 2002C bonds.
(2) A portion of the Series 2002C bonds are additionally associated with these swaps.

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2009 and 2010. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2010. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2010, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a negative outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below).

The ratings of the counterparties, or their credit support providers, as of December 31, 2010 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider		
	S&P	Moody's	Fitch
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A	A1	A+
JP Morgan Chase Bank, N.A.	AA-	Aa1	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa3	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A	A2	A+
Royal Bank of Canada	AA-	Aa1	AA
Societe Generale, New York Branch	A+	Aa2	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A+	Aa2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A	A2	A

The ratings of the counterparties, or their credit support providers, as of December 31, 2009 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider		
	S&P	Moody's	Fitch
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A	A1	A+
JP Morgan Chase Bank, N.A.	AA-	Aa1	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa1	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A	A2	A+
Royal Bank of Canada	AA-	Aaa	AA
Societe Generale, New York Branch	A+	Aa2	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A+	Aa2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A	A2	A
RFPC, Ltd (Ambac Assurance Corporation)	R	Caa2	NR

As of December 31, 2010 and 2009, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

Termination Risk – Any party to the Airport System's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport System may terminate any of its swap agreements at any time at its sole discretion. Further, certain credit events can lead to a termination event under the swap agreements (see Credit Risk above). If, at the time of termination, the swap has a negative fair value, the Airport System could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport System's swap agreements are terminated, the associated variable rate bonds would either no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. The Airport System is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.

Interest Rate Risk **–** The Airport System is exposed to interest rate risk in that as the variable rates of the swap agreements decreases, the Airport System's net payment on the swap agreements increases.

Basis Risk – Each of the Airport System's swap agreements are associated with certain debt obligations or other swaps. The Airport System pays interest at variable interest rates on some of the associated debt obligations and associated swaps. The Airport System receives variable payments under some of its swap agreements. To the extent the variable rate on the associated debt or the associated swap paid by the Airport System is based on an index different than that used to determine the variable payments received by the Airport System under the swap agreement, there may be an increase or decrease in the synthetic interest rate intended under the swap agreement. The nature of this risk for each of the Airport System's series of swaps is discussed more specifically in the descriptions of these swap agreements below.

Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements ("the 1998 Swap Agreements") in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of $100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Securities Industry and Financial Markets Association index (SIFMA) and LIBOR such that the daily average SIFMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days. The effect of a counterparty applying the alternative rate would be to increase the basis risk for the swap. There would be a greater likelihood of differences between the variable rate paid by the Airport System on the associated debt and variable payments received from the counterparty under the swap. There was no such taxability event for the years ended December 31, 2010 and 2009. As of December 31, 2010, the short-term ratings of Series 2008C1were A-1 by S&P, VMIG-1 by Moody's and F-1+by Fitch. The short term ratings of Series 2008C2-C3 Bonds were A-2 by S&P, VMIG-1 Moody's and F-1+ by Fitch. On January 20, 2010, S&P withdrew ratings on LBBW, the liquidity provider for the Series 2008C2-C3 Bonds, at LBBW's request. Consequently, S & P's short-term rating on the Series 2008C2-C3 Bonds was also withdrawn.

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The Series 2000B and Series 2000C Bonds were refunded in 2008, by the Series 2008C1-C3 bonds. The Series 2008C2-C3 Bonds are currently associated debt with the 1998 swaps. The aggregate weighted average fixed rate payable by the Airport System under the 1998 Swap Agreements is 4.7463%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

The 1999 Swap Agreements and Associated Debt – On July 28, 1999, the Airport System entered into interest rate Swap Agreements ("the 1999 Swap Agreements") in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1991A Bonds and Series 1991D Bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2001. The 1999 Swap Agreements have notional amounts of $100 million, $50 million and $50 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the SIFMA Index payable by the respective financial institutions. Historically, SIFMA Index averages have been lower than the variable interest rate the Airport System pays on the associated debt. The Airport System attributes this difference largely to the fact that the associated debt is subject to the alternative minimum tax. This means that, on average, the Airport System pays more in interest on the associated debt than it receives under the 1999 Swap Agreements. This basis risk is modified when the 1999 Swap Agreements and associated debt are considered together with the 2002 Swap Agreements and 2007A Swap Agreements.

On October 4, 2001, the Airport System issued the Series 2001 C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The Series 2001C1-C4 Bonds were refunded by commercial paper and Series 2008A1-A4 Bonds in April 2008. Because the Series 2008A1-A4 were initially issued in a fixed rate mode, the 1999 Swap

Agreements were subsequently associated with the commercial paper, Series 2008B Bonds and a portion of the Series 2002C Bonds. The commercial paper was refunded by the Series 2009C Bonds. The 1999 Swap Agreements are currently associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 1999 Swap Agreements, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the Bond Market Association Index, on $200 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.6029%. The 1999 Swap Agreements became effective on October 4, 2001, and payments under these Agreements commenced on November 1, 2001.

On January 12, 2010, the Airport System terminated the 1999 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for that swap. The Airport System simultaneously entered into a replacement swap with Loop Financial Products I LLC (credit support provided by Deutsche Bank) (See "The 2009A Swap Agreement" discussed below).

The 2002 Swap Agreements and Associated Debt – On April 11, 2002, the Airport System entered into interest rate Swap Agreements ("the 2002 Swap Agreements") with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the SIFMA Index to a percentage of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR). The 2002 Swap Agreements have a notional amount of $200 million, relate to the 1999 Swap Agreements and provide for certain payments to or from each financial institution equal to the difference between SIFMA payable by the Airport System and a percentage of LIBOR payable by the respective financial institutions. The net effect of the 2002 Swap Agreements, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.165% of LIBOR, rather than SIFMA, to offset the actual rate paid on the associated bonds. (See "the 1999 Swap Agreements and Associated Debt").

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.165% of LIBOR received under the 2002 Swap Agreements. This basis risk is modified when the 1999 Swap Agreements and associated debt and the 2002 Swap Agreements are considered together with the 2007A Swap Agreements. The 2002 Swap Agreements became effective on April 15, 2002 and payments under these Agreements commenced on May 1, 2002.

On January 12, 2010, the Airport System terminated the 2002 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC the credit support provider for the swap. The 2002 swap agreement was not replaced. (See "The 2009A Swap Agreement" discussed below).

The 2005 Swap Agreements – In April 2005, the Airport System entered into interest rate Swap Agreements ("the 2005 Swap Agreements") with four financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1996A Bonds and Series 1996D Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2006. On August 9, 2006, the Airport System amended the 2005 Swap Agreements. The notional amounts of the 2005 Swap Agreements are approximately $56 million, $56 million, $112 million and $56 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds, and entered into the 2006B Swap Agreements (described below under *"The 2006B Swap Agreements")*. The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70% of 1-month LIBOR on $280 million of obligations.

The aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements is 3.66%. The Airport System is exposed to basis risk under the 2005A Swap Agreements, due to the difference in indices between SIFMA paid on the associated 2006B Swap Agreements and 70.0% LIBOR received under the 2005 Swap Agreements. The 2005 Swap Agreements became effective on November 15, 2006 and payments under the Agreements commenced on December 1, 2006.

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements ("the 2006A Swap Agreements") with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. One of these agreements, with Lehman Brother Special Financing was terminated on December 18, 2008 and replaced with a 2008A swap agreement with Royal Bank of Canada described below. The remaining 2006A Swap Agreements have notional amounts of approximately $179.9 million and $60.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on $241.0 million of obligations.

The Airport System is exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2006A Swap Agreements. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.0085%. The 2006A Swap Agreements became effective on November 15, 2007 and payments under these Agreements commenced on December 1, 2007.

The 2006B Swap Agreements - On August 9, 2006 the Airport System entered into interest rate swap agreements ("the 2006B Swap Agreements") with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the Series 1996A and 1996D bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of approximately $56.0 million, $56.0 million, $112.0 million and $56.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the SIFMA Index payable by the Airport System under each Agreement and a fixed rate payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A bonds, is that the Airport System will effectively pay a variable rate based on SIFMA plus or minus the difference between the fixed rate on the Series 2006A bonds and the fixed rate received under the 2006B Agreements on $280.0 million of obligations. In November 2006, the 2005 Swap Agreements became effective. The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70.0% of 1-month LIBOR, minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on $280.0 million of obligations.

The aggregate weighted average fixed rate payable by the financial institutions under the 2006B Swap Agreements is 4.09%. The 2006B Swap Agreements became effective on November 15, 2006 and payments under these Agreements commenced on December 1, 2006.

The 2007A Swap Agreements - On December 21, 2007, the City entered into interest rate swap agreements ("the 2007A Swap Agreements") with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of the London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars ("one-month LIBOR") to a percentage of LIBOR for ten-year deposits of U.S. dollars ("ten-year LIBOR"). The 2007A Swap Agreements have notional amounts of $150.0 million and $50.0 million, $100 million relate to the 2008C commercial paper, $78.8 of Series 2008B bonds and $12.2 of Series 2002C bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the 2008 Commercial paper, Series 2008B bonds and a portion of the Series 2002C bonds (see "the 1999 Swap Agreements and Associated Debt" and "the 2002 Swap Agreements and Associated Debt").

The Airport System is exposed to basis risk under the 1999, 2002 and 2007A Swap Agreements, due to the differences in indices between the variable rate it pays on the associated debt and 65.55% of ten-year LIBOR received under the 2007A Swap agreements. The 2007A Swap Agreements have an effective date of May 1, 2010 and payments under these agreements have not commenced.

On February 5, 2010 and February 10, 2010, the City terminated the 2007A Swaps in order to monetize the economic value of those Agreements and received $11,092,000 from the counterparties.

The 2008A Swap Agreement – On December 18, 2008, the City entered into an interest rate swap agreement ("the 2008A Swap Agreement") with Royal Bank of Canada and simultaneously terminated a 2006A Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for chapter 11 bankruptcy protection on September 15, 2008, as counterparty to $120.233 million notional amount associated with 2007-G Bonds. The swap provides for certain payment to or from Royal Bank of Canada equal to the difference between the fixed rate payable by the Airport System under the Agreement and 70% of London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable to Royal Bank of Canada. The City received $21,100,000 from Royal Bank of Canada to assist in paying the settlement amount of $21,353,831 due to Lehman Brothers Special Financing. As a result of receiving the loan of $21,100,000 from Royal Bank of Canada, this loan, including interest at an implied rate of 6.519%, will be paid through the fixed rate to be paid by the City to Royal Bank of Canada.

The net effect of the 2008A Swap Agreement, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 bonds, is that the Airport system will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on $120.233 million of obligations.

The Airport System is exposed to basis risk under the 2008A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2008A Swap Agreement. The fixed rate payable by the Airport System under the 2008A Swap Agreement is 4.0085%. The 2008A Swap Agreement became effective on December 18, 2008 and payment under this Agreement commenced on January 1, 2009.

The 2008B Swap Agreement – On January 8, 2009, the City entered into an interest rate swap agreement ("the 2008B Swap Agreement") with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for chapter 11 bankruptcy protection on September 15, 2008, as counterparty to $100 million notional associated with the 2008C1 Bonds outstanding in the amount of $92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Agreement and 70% of London Interbank Offered Rate (LIBOR) for three month deposits of U.S. dollars payable by Loop Financial Products I LLC. The City received $22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $22,213,550 due to Lehman Brothers Special Financing. As a result of receiving $22,100,000 from Loop Financial Product I LLC, the fixed rate to be paid by the City to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 bonds, is that the Airport System will effectively pay a fixed rate on $100 million, plus or minus the difference between the actual rate on $92.6 million of the Series 2008C1 Bonds and 70% of three month LIBOR on $100 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of three month LIBOR received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.

The 2009A Swap Agreement – On January 12, 2010, the Airport System terminated the 1999 and 2002 Swap Agreements with RFPC, Ltd. Due to the deterioration in the credit ratings of AMBAC, the credit support provider for the swap. The Airport System simultaneously entered into an interest rate swap agreement ("the 2009A Swap Agreement") with Loop Financial Products I LLC. The fixed rate payable and variable rate index receivable on the 2009A Swap is identical to the terminated 1999 Swap. Because the fixed rate was higher than current market conditions; however, the Airport System received $10,570,000 from Loop Financial Products I LLC for the off-market portion of the swap. These proceeds were used to pay a portion of the settlement amount of $11,460,000 due to RFPC, Ltd. As a result of receiving proceeds of $10,570,000 from Loop Financial Products I LLC, this transaction is booked as a loan, including interest imputed at an implied rate of 5.667%, which will be paid through the fixed rate to be paid by the Airport System to Loop Financial Products I LLC.

The 2009A Swap Agreement has a notional amount of $50 million and provide for certain payments to or from the financial institution equal to the difference between a fixed rate payable by the Airport System under the Agreement and the SIFMA Index payable by the respective financial institution.

Swap Payments and Associated Debt

Interest Rate Swap Profile (all rates as of December 31, 2010)

Swaps	**1999,2002, 2009A (1)**	**2005,2006B**	**2006A,2008A**	**1998**	**2008B**
Associated Debt	**2002C, 2008B, 2009C(2)**	**2006A**	**2007F-G, 2002C(3)**	**2008C2-C3**	**2008C1, 2002C(4)**
Payment to Counterparty:	5.943%	4.002%	4.008%	4.740%	4.760%
Payment from Counterparty:	.539%	4.268%	.182%	.360%	0.312%
Net Swap Payment:	5.404%	(0.266%)	3.826%	4.380%	4.448%
Associated Bond Interest Rate:	.334%	4.950%	0.600%	0.360%	0.378%
Net Swap & Bond Payment:	5.738%	4.684%	4.426%	4.740%	4.826%

(1) Associated 1999 Swap with RFPC, Ltd. was terminated, and replaced with 2009A Swap Agreement, and associated 2002 Swap with RFPC, Ltd. was terminated on January 12, 2010. The effect of this termination and replacement are not reflected here. The 2007A swaps were terminated on February 5, 2010 and February 10, 2010. Because these swaps were not scheduled to be effective until May 1, 2010, the effect of these swaps is not included.

(2) Swaps currently associated by the Airport with $104.655 million 2009C, $75.70 million Series 2008B, and a portion of the Series 2002C Bonds

(3) Swaps currently associated by the Airport with $207,025,000 Series 2007F1-F4, $147,800,000 Series 2007G1-G2, and a portion of the Series 2002C Bonds

(4) Swaps currently associated by the Airport with $92,600,000 Series 2008C1, and a portion of the Series 2002C Bonds.

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2010, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999 and 2009A swap agreements), assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2011	$ 600,000	$ 1,388,604	$ 19,566,922	$ 21,555,526
2012	600,000	1,386,504	19,566,922	21,553,426
2013	4,700,000	1,384,404	19,566,922	25,651,326
2014	4,800,000	1,367,954	19,566,922	25,734,876
2015	6,045,000	1,351,154	19,566,922	26,963,076
2016-2020	165,425,000	6,093,202	90,790,406	262,308,608
2021-2025	217,830,000	2,098,684	24,796,959	244,725,643
Total	$ 400,000,000	$ 15,070,506	$ 213,421,975	$ 628,492,481

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2010

(13) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2010 and 2009, Special Facility Revenue Bonds outstanding totaled $298,255,000 and $304,260,000, respectively.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2010 and 2009 are as follows:

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Compensated absences payable	$ 8,180,630	$ 6,318,587	$ (6,120,072)	$ 8,379,145	$ 2,359,480
Less current				(2,359,480)	
Noncurrent portion				$ 6,019,665	

	Balance January 1, 2009	Additions	Retirements	Balance December 31, 2009	Amounts due within one year
Compensated absences payable	$ 7,817,823	$ 1,381,329	$ (1,018,522)	$ 8,180,630	$ 2,255,705
Less current				(2,255,705)	
Noncurrent portion				$ 5,924,925	

(15) Pension Plan

Substantially all of the Airport's employees are covered under the City and County of Denver's pension plan, the Denver Employees Retirement Plan.

Plan Description

The following are brief descriptions of the retirement plan. Plan participants should refer to the appropriate source documents or publicly available financial reports for more complete information on the plans.

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2010, the date of the last actuarial valuation, the plan was underfunded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

The plan issues a publicly available financial report that includes financial statements and required supplementary information of that plan. Those reports are available by contacting:

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plans' Funding Policy and Annual Pension Cost

For DERP, the City contributes 8.50% of covered payroll and employees make a pre-tax contribution of 2.50% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2010, 2009 and 2008 were approximately $38,427,461, $41,006,000, and $41,313,000, respectively, which equaled the required contributions each year. The Airport's share of the City's contributions for the years ended December 31, 2010, 2009 and 2008 were approximately $5,509,853, $5,782,918 and $5,676,000, respectively.

Postemployment Healthcare Benefits

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2009, the monthly health insurance premium supplement was $12.50 per year of service for retired participants under the age of 65, and $6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

Before consideration of the premium supplement or premiums paid by the employer, the premiums charged to retirees are the same as charged to active employees for the same coverage. This results in an implicit rate subsidy, which is considered another postretirement benefit (OPEB). Because the Plan is a cost-sharing multiple-employer plan, the actuarially determined obligation for the OPEB is not reflected as a liability in the financial statements of the participating employers. Expense related to the implicit rate subsidy OPEB represents contractually required contributions under the cost-sharing multi-employer plan.

(16) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

(17) Commitments and Contingencies

(a) Commitments

At December 31, 2010, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	43,026,378
Construction projects to be funded by bonded debt		75,998,367
Projects related to remediation – Stapleton		4,757,800
Total commitments	$	123,782,545

(b) Noise Litigation

The City and Adams County entered into an intergovernmental agreement for Denver International dated April 21, 1988 (the Intergovernmental Agreement). The Intergovernmental Agreement establishes maximum levels of noise that should not be exceeded on an average annual basis at various grid points surrounding the Airport. Penalties must be paid to Adams County when these maximums are exceeded.

As of December 31, 2010, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty paid in 2010.

(c) Claims and Litigation

The Airport System is involved in several other claims and lawsuits and is the subject of certain other investigations. The Airport System and its legal counsel estimate that the ultimate resolution of these matters will not materially affect the accompanying financial statements of the Airport System.

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2010 and 2009 was $70,216,520 and $67,895,546, respectively.

Minimum future rentals due from concession tenants are as follows for the years ending December 31:

2011	$	51,050,528
2012		48,176,958
2013		46,081,476
2014		14,384,784
2015		8,830,104
2016-2020		11,498,399
2021-2022		232,506
Total minimum future rentals	$	180,254,755

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds $20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2010 or 2009. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal grants

Under the terms of the Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The Airport System management believes disallowances, if any, will be immaterial to its financial position and activities of the Airport.

(18) Insurance

The Airport System is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Airport System has purchased commercial insurance for the various risks.

Employees of the City (including all Airport System employees) are covered by the City's insurance policies. Effective October 1, 1989, the City established a workers' compensation self-insurance trust in accordance with State statutes, to be held for the benefit of the City's employees.

The City's Workers' Compensation Internal Service Fund compensates City employees, or their eligible dependents, for injuries as authorized by the State Workers' Compensation law or City ordinances. The administrators of the fund provide safety training and enhancement programs, in addition to maintaining in-house records of claims. On August 1, 1991, a separate insurance program was established by the City to insure all contract labor working on-site at Denver International. The program provides medical and indemnity payments as required by law for on-the-job related injuries for all non-City employees and builders' risk, general liability, and professional liability for all applicable construction and consulting firms working on-site at the Denver International Airport. The insurance program covers only incidents incurred prior to September 1994.

Deductibles under this insurance program are: (1) workers' compensation liability of $250,000 per occurrence; and (2) general liability, builders' risk, and professional liability insurance of $25,000, $100,000, and $1,000,000 per occurrence, respectively.

Settled claims for these risks have not exceeded this commercial coverage in any of the past three fiscal years.

(19) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airline's landing and facility rental fees (airline operating revenue). For each of the years ended December 31, 2010 and 2009, United Airlines group not including Continental Airlines represented approximately 54% of the Airport System's airline operating revenue. Frontier Airlines group represented 14.1% and 14.1% in 2010 and 2009 of the Airport System's airline operating revenue, respectively. Southwest Airlines represented 12.1% and 10% in 2010 and 2009, respectively. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

(20) United Airlines

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 35 of the 92 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, but not including Continental accounted for 44.1% and 42.5% of enplaned passengers at the Airport in 2010 and through March of 2011, respectively.

(21) Subsequent Events

On April 14, 2011, the Airport System issued $349,730,000 of the Airport System Revenue Bonds Series 2011A Bonds in a fixed rate mode to current refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds in the amounts of $122,060,000 and $72,350,000 respectively, and a portion of the Series 2000A Bonds in the amount of $160,135,000.

On May 2, 2011, the Airport announced that in an effort to optimize revenue and to make Denver's airline operating costs more competitive, maximum daily parking rates at the Airport will increase June 1, 2011. This will bring the Airport more in line with other major airports around the country.

(22) Change in Accounting Principle

During the year ended December 31, 2010, the Airport System adopted GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments.* GASB 53 establishes accounting and financial reporting for all state and local governments that enter into derivative instruments. Derivative instruments, as defined in GASB 53, are measured on the statement of net assets at fair value. Changes in fair value for those derivative instruments that meet the requirements under GASB 53 to be treated as hedging derivative instruments do not affect investment revenue but are reported as deferrals. Changes in fair value of investment derivative instruments, which include ineffective hedging derivative instruments, are reported within the investment revenue classification in the period of change. The effect of adopting GASB 53 on the 2009 financial statements is summarized as follows:

	As Previously Reported	Adjustment	As Restated
Statement of Net Assets			
Interest rate swaps	$ -	$ 33,961,137	$ 33,961,137
Prepaid expenses and other	8,788,509	(2,468,810)	6,319,699
Deferred loss on swap termination, net of current portion	38,576,664	(38,576,664)	-
Notes payable-current	(17,052,812)	2,468,809	(14,584,003)
Notes payable-noncurrent	(71,783,218)	38,576,665	(33,206,553)
Interest rate swaps	-	(166,418,445)	(166,418,445)
Deferred Inflows			
Accumulated increase in fair value of hedging derivative	-	(34,518,619)	(34,518,619)
Statement of Revenues, Expenses and Changes in Net Assets			
Investment Income	15,282,228	59,008,988	74,291,216
Net Assets as of January 1, 2009	842,299,944	(225,984,915)	616,315,029

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City and County of Denver
Municipal Airport System

SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE AIRPORT REVENUE ACCOUNT

Year ended December 31, 2010

Gross revenue:		
Facility rentals	$	253,998,352
Concession income		43,397,645
Parking income		123,672,753
Car rental income		44,180,988
Landing fees		120,054,119
Aviation fuel tax		23,680,542
Other sales and charges		14,812,923
Interest income		26,590,974
Designated Passenger Facility Charge Revenues		17,566,987
Miscellaneous income		929,493
Operation and Gross revenues as defined in the ordinance		668,884,776
Personnel services		112,229,670
Contractual services		172,492,471
Maintenance, supplies and materials		18,158,458
Miscellaneous expense		—
Operation and maintenance expenses as defined in the ordinance		302,880,599
Net revenue		366,004,177
Other available funds		57,448,791
Net revenue plus other available funds as defined in the ordinance	$	423,452,968
Debt service requirements as defined in the ordinance (1)	$	235,243,879
Coverage ratio (net revenue plus other avialble funds as a percentage of debt service requirements)		180%

(1) Net of irrevocably committed Passenger Facility Charges of $68,042,679 applied under Supplemental Bond Ordinance.

City and County of Denver
Municipal Airport System

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

Year ended December 31, 2010

(1) Bond Account

There shall be credited to the Bond Account, in the following order of priority:

(a) Interest Account

Required deposit monthly to the Bond Interest Account, commencing on the first day of the month immediately succeeding the issuance of any bonds, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of interest on such series of bonds.

Bond series	Interest payment date	Balance interest due	Required Interest Acct. balance at December 31, 2010
Series 1991D	05/15/11	$ 1,548,808	$ 258,135
Series 1992F-G	01/01/11	12,574	12,574
Series 1995C	05/15/11	237,413	39,569
Series 1997E	05/15/11	1,033,851	172,309
Series 1998A	05/15/11	3,217,375	536,229
Series 1998B	05/15/11	2,584,875	430,813
Series 2000A	05/15/11	5,108,559	851,427
Series 2001A	05/15/11	5,014,228	835,705
Series 2001B	05/15/11	456,563	76,094
Series 2001D	05/15/11	1,252,988	208,831
Series 2002C	01/01/11	10,553	10,553
Series 2002E	05/15/11	3,422,813	570,469
Series 2003A	05/15/11	4,049,125	674,854
Series 2003B	05/15/11	1,886,500	314,417
Series 2005A	05/15/11	5,610,500	935,083
Series 2006A	05/15/11	6,710,402	1,118,400
Series 2006B	05/15/11	2,259,125	376,521
Series 2007A	05/15/11	4,708,750	784,792
Series 2007B	05/15/11	606,250	101,042
Series 2007C	05/15/11	865,875	144,313
Series 2007D	05/15/11	3,924,319	654,053
Series 2007D2	05/15/11	730,000	121,667
Series 2007E	05/15/11	1,185,000	197,500
Series 2007F1-F4	01/01/11	69,130	69,130
Series 2007G1-G2	01/01/11	34,649	34,649
Series 2008A	05/15/11	9,090,313	1,515,052
Series 2008B	01/01/11	21,196	21,196
Series 2008C1	01/01/11	29,328	29,328
Series 2008C2-C3	01/01/11	54,301	54,301
Series 2009A	05/15/11	4,424,100	737,350
Series 2009B	05/15/11	2,093,850	348,975
Series 2009C	01/01/11	27,268	27,268
Series 2010A	05/15/11	4,240,922	706,820
			$ 12,969,419

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

Year ended December 31, 2010

Principal Account

Required deposit monthly to the Bond Principal Account, commencing on the first day of the month immediately succeeding the issuance of any Serial Bonds, or commencing one year prior to the first fixed maturity date of such Serial Bonds, whichever date is later, an amount which if made in substantially equal installments thereafter would be sufficient to pay the next maturing installment of principal of such Serial Bonds.

Bond series	Principal payment date		Balance principal due		Required principal account balance at December 31, 2010
Series 1991D	11/15/11	$	14,770,651	$	1,230,888
Series 1992 F, G	11/15/11		1,700,000		141,667
Series 1995C	11/15/11		3,535,000		294,583
Series 1997E	11/15/11		17,558,973		1,463,248
Series 2000A	11/15/11		12,960,000		1,080,000
Series 2001A	11/15/11		11,219,765		934,980
Series 2001D	11/15/11		3,530,000		294,167
Series 2002C	11/15/11		1,600,000		133,333
Series 2002E	11/15/11		12,000,000		1,000,000
Series 2005A	11/15/11		70,000		5,833
Series 2006B	11/15/11		24,675,000		2,056,250
Series 2007F1-F4	11/15/11		500,000		41,667
Series 2007G1-G2	11/15/11		400,000		33,333
Series 2008A	11/15/11		22,335,000		1,861,250
Series 2008B	11/15/11		600,000		50,000
Total principal account requirement				$	10,621,199

(b) Sinking Account

Required deposit monthly, to the Bond Sinking Account, commencing on the first day of the twelfth calendar month prior to the date on which the City is required to pay any Term Bonds, one twelfth of the amount necessary to pay the redemption price or principal of such Term Bonds scheduled to be retired in any year by mandatory redemption, at fixed maturity or otherwise, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore. The 1991D Series are subject to mandatory sinking fund redemption requirements.

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATION AND MAINTENANCE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

Year ended December 31, 2010

(c) Redemption Account

Required deposit to the Bond Redemption Account, on or prior to any date on which the Airport System exercises its option to call for prior redemption of any Bonds, an amount necessary to pay the redemption price of such bonds on such Redemption Date, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore.

As of December 31, 2010, the redemption account had a balance of $18.9 million for the sixth runway and baggage system.

(d) Bond Account Summary

The sum of the required bond account balances described in items (a) through (b) above is as follows:

Aggregate required Bond Account balance	$	23,590,618
Bond Account balance at December 31, 2010		23,590,618
Overfunded/(Underfunded)	$	-

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2010 is $374,965,292. The minimum Bond Reserve Account requirement is $374,965,292.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2010.

Computation of minimum operation and maintenance reserve:

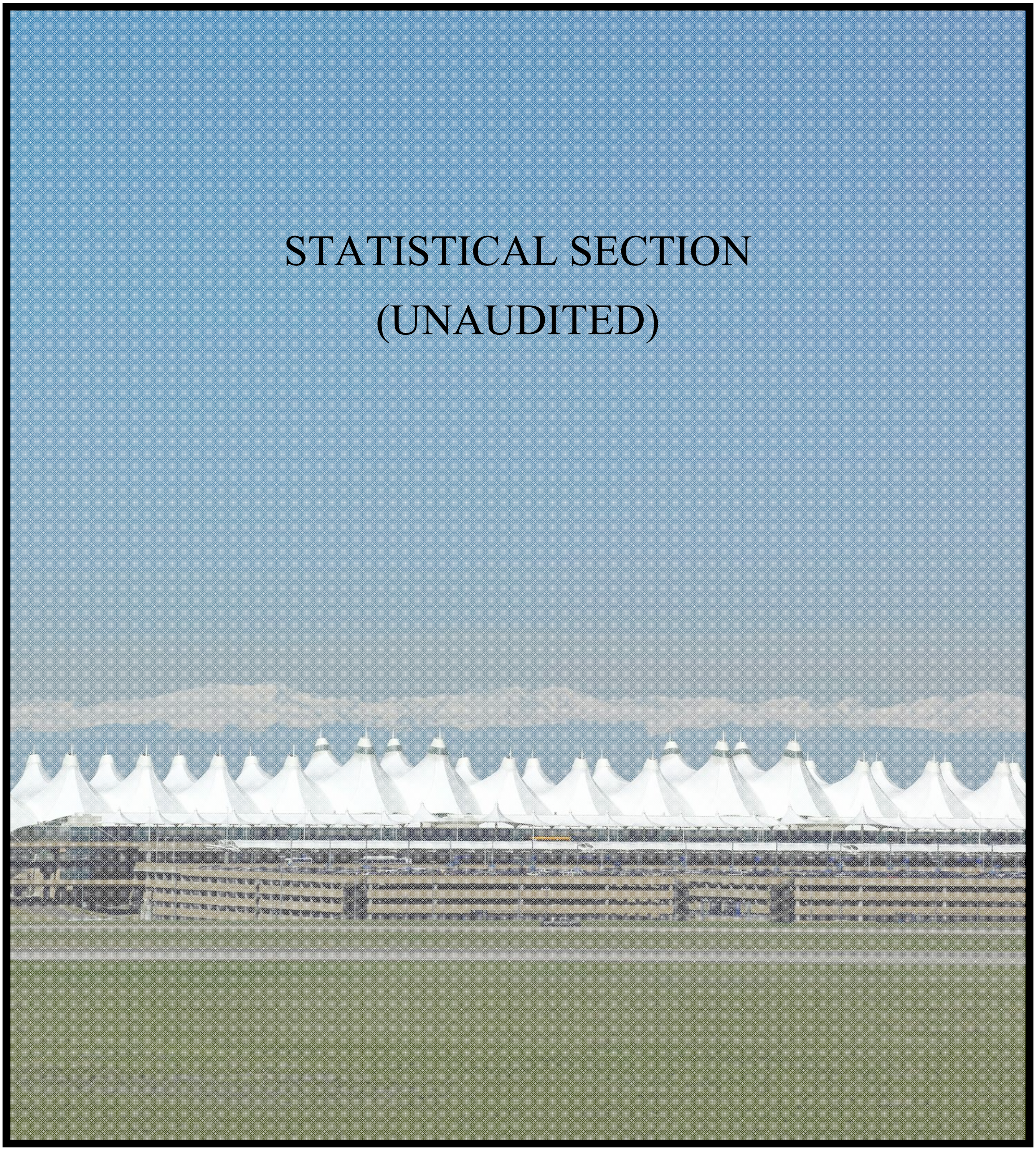
2009 Operation and Maintenence expenses	$	309,270,465
Minimum operations and maintenance reserve requirement for 2009	$	51,545,078
Operation and maintenance reserve account balance at December 31, 2010		69,242,531
Overfunded	$	17,697,453

Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to three times the prior year's monthly average.

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

STATISTICAL SECTION
(UNAUDITED)



City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

(1) Condensed Schedule of Revenues and Expenses (in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009 *	2010
Operating revenues	$ 450,695	$ 443,921	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151	$ 540,760	$ 564,490	$ 601,402
Operating expenses, before depreciation and amortization	223,408	238,484	211,913	221,214	239,405	262,514	290,773	373,829	379,517	409,865
Operating income before depreciation and amortization	227,287	205,437	245,473	256,722	257,772	245,793	239,378	166,931	184,973	191,537
Depreciation and Amortization	151,796	125,692	148,763	135,338	150,823	151,507	159,309	168,026	177,583	181,496
Impairment loss	-	-	-	18,007	85,286	-	-	-	-	-
Operating income (loss)	75,491	79,745	96,710	103,377	21,663	94,286	80,069	(1,095)	7,390	10,041
Nonoperating revenues (expenses)	(124,391)	(119,845)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)	(44,987)	(59,749)	(87,795)
Capital Contributions, grants And transfers	13,735	91,152	40,542	62,205	31,547	29,188	2,426	14,393	38,621	30,200
Change in net assets	$ (35,165)	$ 51,052	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368	$ (31,689)	$ (13,738)	$ (47,554)

* Restated for GASB 53

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major National Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2001	17,353,447	(7.1)	328,909	(14.9)	363,753	112.9	18,046,109	(6.9)
2002	16,805,378	(3.2)	669,432	104.0	354,754	(2.5)	17,829,564	(1.2)
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.6	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	7.6	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0
2007	20,774,889	5.6	3,945,388	4.1	220,676	10.8	24,940,953	5.4
2008	21,514,216	3.6	3,945,641	.0	190,386	(13.7)	25,650,243	2.8
2009	20,646,529	(4.0)	4,239,139	7.4	242,365	27.3	25,128,033	(2.0)
2010	21,141,246	2.4	4,666,047	10.1	326,811	34.8	26,134,104	4.0

(b) Enplaned Passengers by Airline

Airline	2009	% of Total	2010	% of Total
United	8,164,709	32.5%	7,385,764	28.2%
United Express	3,440,268	13.7%	4,151,666	15.9%
Total United	11,604,977	46.2%	11,537,430	44.1%
American	715,674	2.8%	722,380	2.8%
Continental	514,592	2.0%	545,883	2.1%
Delta	757,552	3.0%	1,023,770	3.9%
Frontier	5,782,329	23.0%	5,704,379	21.8%
Northwest	503,454	2.0%	—	0.0%
Southwest	3,614,028	14.4%	4,726,176	18.1%
USAir	540,865	2.2%	599,775	2.3%
Other	1,094,562	4.4%	1,274,311	4.9%
Totals	25,128,033	100.0%	26,134,104	100.0%

(c) Originating and Connecting Enplaned Passengers for the Year ended December 31, 2010

Airline	Originating	Connecting	Total
United	8,129,783	14,671,250	22,801,033
Other	19,719,626	9,688,718	29,408,344
Totals	27,849,409	24,359,968	52,209,377
Percent of total	53%	47%	100%

(4) Aircraft Operations

(a) Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2001	370,072	142,662	14,855	920	528,509	5.6 %
2002	338,049	157,777	12,416	987	509,229	(3.6) %
2003	323,610	174,092	11,228	1,345	510,275	0.2 %
2004	330,674	224,960	9,936	951	566,521	11.0 %
2005	384,552	172,352	9,780	874	567,558	0.2 %
2006	428,794	167,975	11,415	1,333	609,517	7.4 %
2007	451,228	162,319	5,620	147	619,314	1.6 %
2008	460,311	160,746	4,610	177	625,844	1.1 %
2009	456,675	151,659	3,513	130	611,977	(2.2) %
2010	468,962	162,646	3,721	116	635,445	3.8 %

a) Aircraft operations are takeoffs, landings, or other communications with the control tower.

(5) Historical Passenger Facility Charge Revenues (in thousands)

Year	Amount	Year	Amount
2001	61,988	2006	93,510
2002	69,742	2007	97,191
2003	71,945	2008	96,786
2004	82,161	2009	96,865
2005	84,000	2010	102,595

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

(6) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2001	106,841,965	260,170,245	367,012,210	(25.3) %
2002	95,573,027	283,241,306	378,814,333	3.2 %
2003	55,088,719	271,753,872	326,842,591	(13.7) %
2004	40,032,635	281,171,813	321,204,448	(1.7) %
2005	34,463,315	278,199,783	312,663,098	(2.7) %
2006	22,127,087	258,407,346	280,534,433	(10.3) %
2007	5,359,863	257,363,998	262,723,861	(6.3) %
2008	11,783,176	236,339,165	248,122,341	(5.5) %
2009	12,918,962	208,524,571	221,443,533	(10.8) %
2010	19,663,000	222,047,310	241,710,310	9.2 %

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

(7) Historical Net Revenues and Debt Service Coverage under the Bond Ordinance (in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross revenue	$ 526,631	$ 499,435	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106	$ 635,607	$ 631,592	$ 668,885
Operation and maintenance expenses	211,272	216,791	201,573	220,254	238,142	256,191	282,746	305,382	309,270	302,881
Net revenue	315,359	282,644	325,994	322,790	332,960	335,919	333,360	330,225	322,322	366,004
Other available funds	54,558	46,751	50,807	54,849	55,173	50,791	53,251	53,575	49,288	57,449
Total amount available for debt service requirements	$ 369,917	$ 329,395	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611	$ 383,800	$ 371,610	$ 423,453
Debt service requirements	$ 248,375	$ 225,286	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923	$ 240,028	$ 237,905	$ 235,244
Debt service coverage	149%	146%	163%	155%	161%	176%	168%	160%	156%	180%

City and County of Denver
Municipal Airport System

SUMMARY OF INSURANCE COVERAGE (UNAUDITED)

December 31, 20010

Policy number	Company	Item covered	Expiration date		Annual premium	Coverage
PLL668823452	Chartis	Pollution	9/1/2013	$	73,112	$10,000,000
AP086448700-01	Chartis	Airport Liability Primary	9/1/2013		429,334	300,000,000
12000780	Global Aerospace, Inc.	Airprt Liability -Excess	9/1/2013		85,000	200,000,000
XPEG24877024	ACE-Illinois Union	Auto Liability- Excess	9/1/2013		97,850	1,000,000
20412933	Lexington	Property/Boiler & Machinery	9/1/2013		1,844,495	1,500,000,000

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