DENVER INTERNATIONAL AIRPORT

City and County of Denver

Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2009 and 2008

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City and County of Denver
Municipal Airport System

INTRODUCTION (UNAUDITED)

December 31, 2009 and 2008

Introduction

The Municipal Airport System (Airport System) is organized as a department of the City and County of Denver (the City). The Airport System includes the Denver International Airport (Denver International or the Airport) and the 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 is further comprised of 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 the annual financial statements typically provide.

Description of Denver International

Situated approximately 24 miles northeast of downtown Denver, Denver International is the primary air carrier airport serving the Denver region. According to Airport Council International, in 2009, Denver International was the fifth busiest airport in the United States and the tenth busiest in the world, serving 50.2 million passengers. The Denver International site 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 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 using the airport along with the ability to accommodate the new generation of massive airliners, including the Airbus A-380.

The passenger terminal complex includes a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and other facilities and is served by terminal curbside roads for public and private vehicles. Automobile parking facilities are provided in two public parking structures 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. Airline service within the United States is provided nonstop between Denver and more than 160 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the capabilities of Denver International to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2009, 50.2 million passengers traveled through Denver International, of which approximately 55.6% originated or terminated their air journeys in Denver and 44.4% connected between flights. The Denver Metropolitan Area, with a population of more than 2.7 million, is the primary region served by Denver International. The Denver Metropolitan Area is comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, in January 2010, 26 airlines provided scheduled passenger service at Denver International: 11 major/national airlines, 10 regional/commuter airlines, and 5 foreign-flag airlines.

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

Table 1

Scheduled Passenger Airlines Serving Denver

January 2010

Major/national	Regional/commuter
AirTran Airways	Comair/Delta Connection
Alaska Airlines	Express Jet/ Continental Express
American Airlines	GoJet/UAX
Continental Airlines	Great Lakes Aviation
Delta Air Lines/Northwest (1)	Lynx Aviation
Frontier Airlines (2)	Mesa Airlines/US Airways/United Express (3)
JetBlue Airways	Mesaba Northwest/Delta
Midwest Airline (2)	SkyWest (UAX)/Delta
Southwest Airlines	Shuttle America/UAX
United Airlines	Tran States Airlines/UAX
US Airways	

Foreign-flag
Aero Mexico
Air Canada
British Airways
Lufthansa German Airlines
Mexicana de Aviacion

Source: Airport management records, January 2010

(1) Effective January 1, 2010, the two Airlines will operate under a single air Carrier operating certificate.

(2) Republic purchased Midwest Airlines in July 2009 and purchased Frontier when they emerged from bankruptcy on October 1, 2009 and are continuing operations as subsidiaries of Republic Holding.

(3) Mesa Airlines filed for bankruptcy protection on January 5, 2010 and are continuing operations.

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, 2009 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 50% that the Airport System received 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 opened is reflected in Table 2 below.

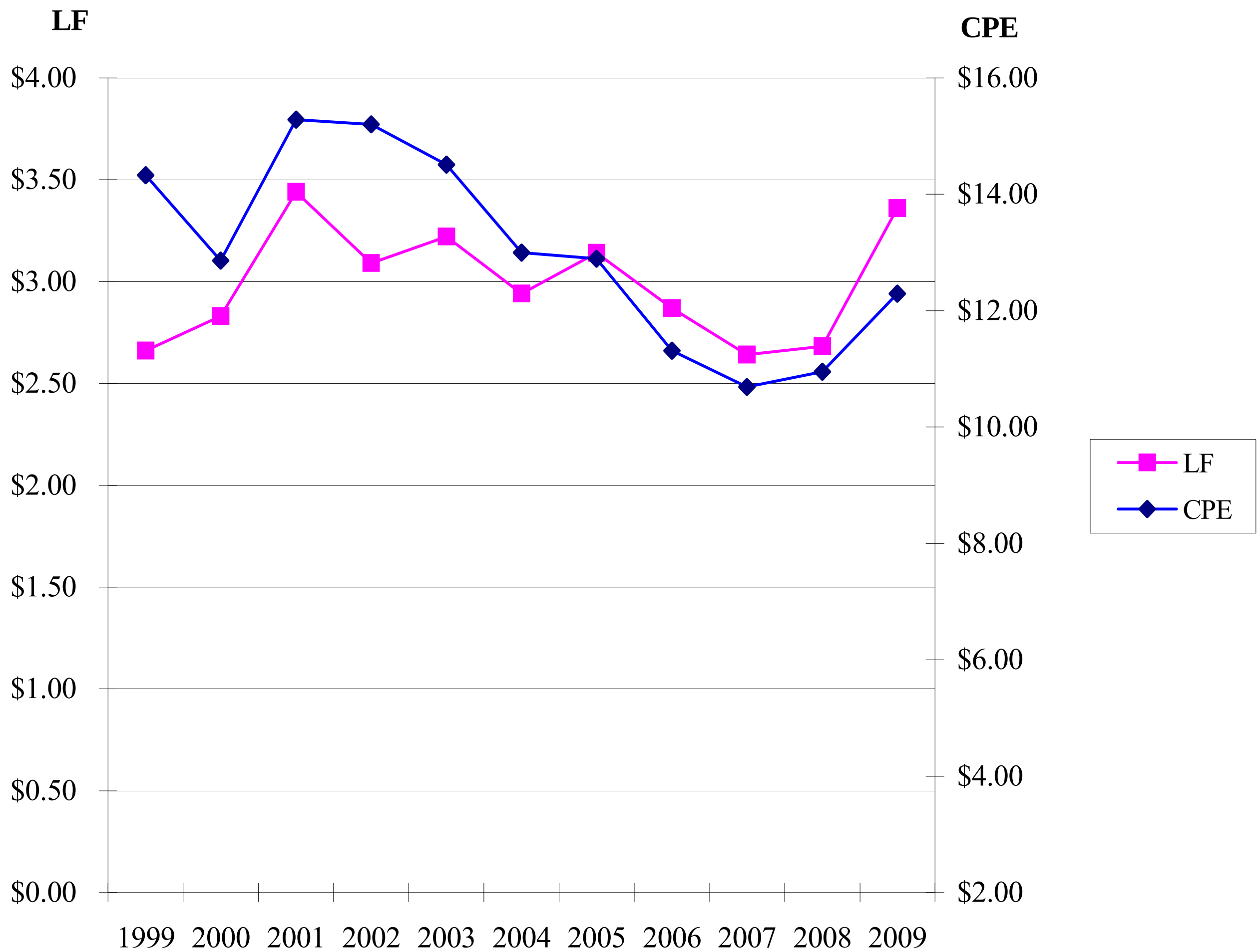
Table 2
Net Revenue Available for Sharing
(In thousands)

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

Through 2000, the airline rates, fees, and charges to passengers at Denver International 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, 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 once again. In 2009, the landing fee saw a significant increase 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 CPE increased in 2009 largely due to the increase in landing fees, lower airline revenue credit, elimination of the one-time State Aviation Fuel tax rebate, and lower enplaned passengers.



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

CPE = Cost per enplaned passenger

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, 2009 and 2008, cash and investments totaled approximately $1,476.6 million and $1,423.5 million, respectively. Current investment vehicles include U.S. government securities, high-grade commercial paper, and local government investment pools. In 2009 and 2008, the City charged a fee of $332,544 and $388,218, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was down 2.1% in 2009 compared with a national average decrease of (5.3%) as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was up 3.8% through March 2010 compared to year-to-date March 2009.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) decreased 2.7% in 2009 compared to 2008, largely as the result of decrease in passenger traffic.

United Airlines (United)

United, one of the world's largest airlines is the principal air carrier operating at Denver International. United Airlines operates a major connecting hub at Denver International under a use and lease agreement with the City that expires in 2025. The United group accounted for approximately 46.2% and 46.3% of passenger enplanements at Denver International in 2009 and for the first three months of 2010, respectively.

Denver International has been the second busiest airport in the route structure of United in terms of enplaned passengers for at least the last five years.

In an agreement between United Airlines and the Airport System dated October 6, 2009, United agreed to provide the Airport System with 5 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.

In 2008, United began to significantly reduce its consolidated domestic capacity, its consolidated overall capacity and its workforce.

In a 2006 Amendment, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10 million per year, using available Capital Fund moneys and other legally available Airport funds to defease associated debt. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new and enhanced passenger amenities. These improvements are referred to herein as the Concourse B Commuter Facility Project.

United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. In December 2005, the Airport System reached an agreement to mitigate a portion of the baggage equipment debt and the associated rates and charges (the 2005-2 Amendatory Agreement), through the use of excess Passenger Facility Charges (PFCs) and other available funds to defease associated debt. In exchange for United increasing the number of its connecting passengers through Denver, the Airport System reduced United's rates and charges $4.9 million in 2006, $8.0 million in 2007, and $11.0 million in 2008 through 2025, the last year of the term of the United Use and Lease Agreement.

In the 2005 amendment to the United Use and Lease Agreement, United agreed that it would enplane revenue connecting passengers at the Airport in each year through the end of the term of the United Use and Lease Agreement in the following minimum amounts: for 2006, $7.5 million; for 2007, $7.6 million; and for 2008 and subsequent years, $7.7 million. If United fails to meet this "Base Hub Commitment" in any calendar year, United will not be in default under the United Use and Agreement Lease Agreement; however, for each connecting revenue enplaned passenger by which United falls below the Base Hub Commitment for that year, the Airport System's commitment to reduce rates and charges to United will decline $6.00 per connecting revenue enplaned passenger United falls below, with such amount to be set-off against United's share of the Net Revenues Credit. United failed to meet its Base Hub Commitment in 2008 and 2009 and the Airport System offset United's share of the Net Revenues credit for 2008 and 2009 by an amount equal to $6.00 multiplied by the shortfall in connecting revenue enplaned passengers in 2008 and 2009.

Under the 2006 Amendment, United gradually relinquished its six leased gates on Concourse A. See "Bonds Payable" (note 8) relating to Economic Defeasance of the ABS baggage system.

United and Continental Airlines announced on May 3, 2010, that the companies have reached a merger agreement that will form the world's largest airline by total passenger traffic. The transaction must still be approved by each airline's labor unions, and it must also meet the approval of federal regulators within the U.S. Department of Justice. Both companies have said that they hope to close the merger transaction by December 31, 2010.

Frontier Airlines (Frontier)

Frontier has the second largest market share at the Airport, which serves as Frontiers only hub, which accounted for approximately 23.0% and 21.7% of passenger enplanements at the Airport in 2009 and for the first three months of 2010, respectively.

Frontier filed for bankruptcy protection in April of 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, that also has purchased Midwest Airlines in July of 2009. Since then, the two carriers have operated as partners with the goal of eventually integrating into one carrier. On April 13, 2010, Republic Holdings announced that it has selected the Frontier Airlines name for its consolidated branded airline. Republic expects it to take up to 12-18 months to integrate the airlines.

As part of its bankruptcy 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, as part of its reorganization proceedings. To cure their debt owed to the Airport prior to 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. The Use and Lease Agreement was amended to reduce the number of gates used by Frontier and to eliminate administrative spaces leased 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 as well as one common use international gate on Concourse A on a subordinated basis. Pursuant to the amended Use and Lease Agreement, Frontier agreed to lease 17 gates on Concourse A and relinquished its preferential rights to other gates.

The Airport currently holds a letter of credit provided by Frontier in the amount of $3.0 million as security for its obligations under the terms of its Use and Lease Agreement.

Southwest Airlines (Southwest)

Southwest Airlines (Southwest) began service at the Airport in January of 2006, with an initial daily schedule of 13 departing flights, utilizing two gates on Concourse C. Effective March 1, 2006, Southwest leased a third gate and increased its schedule to 20 daily departing flights. On August 1, 2006 and in November 2008, Southwest leased additional gates, bringing its total number of usage to 14 gates and will get another 5 gates in May of 2010. Southwest currently operates 107 average daily flights, to 32 nonstop destinations. Southwest now offers 120 nonstop flights, and by August 2010 it will have 144 daily flights.

Southwest is the third largest market share at the Airport, which accounted for 14.4% and 16.0% of passenger enplanements at the Airport in 2009 and for the first three months of 2010, respectively.

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 also thank all members of the Department who contributed to the preparation of the report.

Respectfully Submitted,

Kim Day	Patrick Heck
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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 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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.

experience BKD

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Audit Committee
City and County of Denver

The accompanying management's discussion and analysis as listed in the table of contents 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 accompanying 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 24, 2010

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 (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, 2009 and 2008. 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 $564.5 million for the year ended December 31, 2009, an increase of $23.7 million (4.4%), as compared to the year ended December 31, 2008. The increase in revenue was primarily related to the increase in facility rentals and landing fees which was offset by a decrease in passenger traffic, which led to a decrease in concession, parking, aviation fuel tax and car rental revenues. Passenger traffic decreased 2.1% for the year ended December 31, 2009.

Operating expenses, exclusive of depreciation and amortization, were $379.5 million for the year ended December 31, 2009, an increase of $5.7 million (1.5%) as compared to the year ended December 31, 2008. The increase was attributable to an increase in personnel costs, shuttle buses, City service charges, commercial chemicals and solvents, and, major repair and maintenance expenses of construction projects associated United's payment for the relinquishment of gates on Concourse B.

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. 2009, 2008, and 2007).

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, 2009, 2008, and 2007 (in thousands):

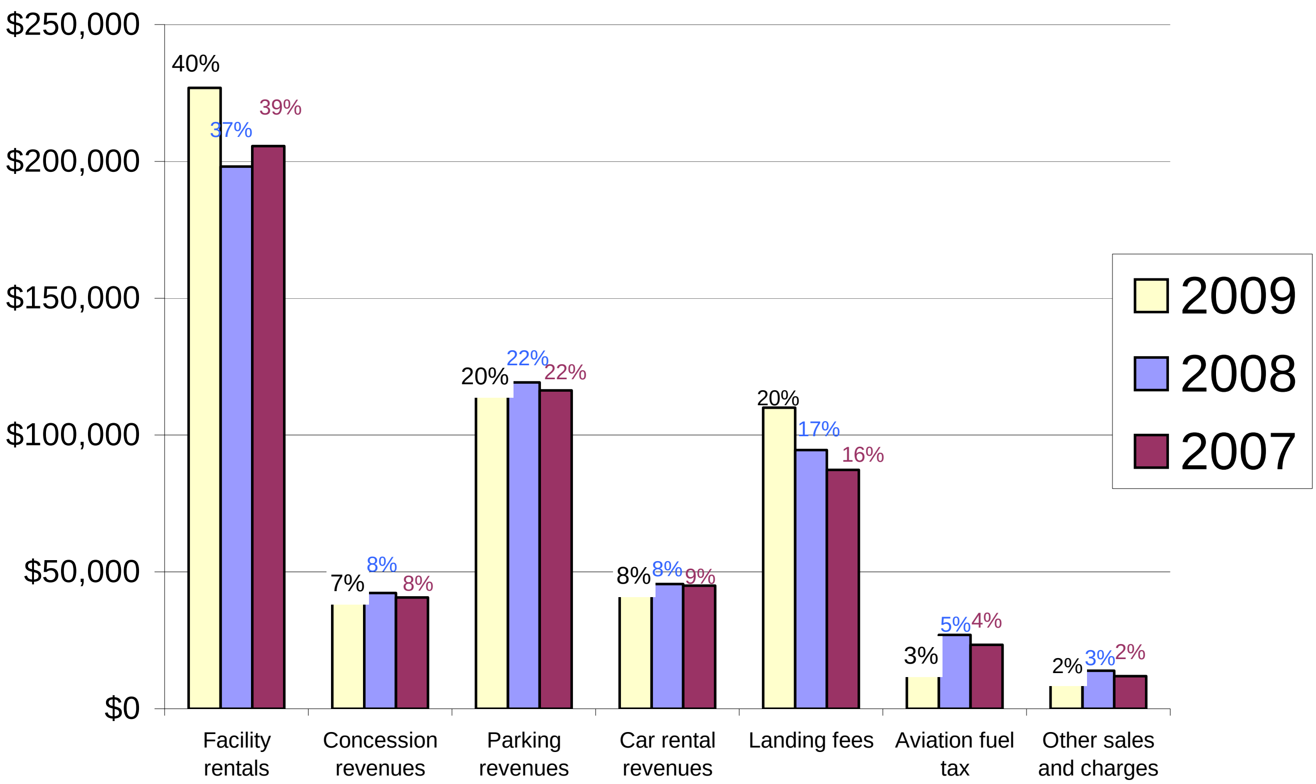
	2009	2008	2007
Operating revenues	$ 564,490	$ 540,760	$ 530,151
Operating expenses before depreciation and amortization	(379,517)	(373,829)	(290,773)
Operating income before depreciation and amortization	184,973	166,931	239,378
Depreciation and amortization	(177,583)	(168,026)	(159,309)
Operating income (loss)	7,390	(1,095)	80,069
Nonoperating revenues	112,147	193,655	179,764
Nonoperating expenses	(230,917)	(238,643)	(228,891)
Capital contributions	38,621	14,393	2,426
Transfers in	12	-	-
Increase (decrease) in net assets	(72,747)	(31,690)	33,368
Net assets, beginning of year	842,300	873,990	840,622
Net assets, end of year	$ 769,553	$ 842,300	$ 873,990

Operating Revenues
(In thousands)

	2009	2008	2007
Operating revenues:			
Facility rentals	$ 226,839	$ 198,138	$ 205,639
Concession revenues	41,085	42,297	40,599
Parking revenues	114,862	119,284	116,326
Car rental revenues	42,989	45,618	44,998
Landing fees	110,084	94,480	87,282
Aviation fuel tax	16,849	27,012	23,385
Other sales and charges	11,782	13,931	11,922
Total operating revenues	$ 564,490	$ 540,760	$ 530,151

Operating Revenues

% of Total Operating Revenues



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

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.

The Airport System's activities increased in four areas as described below and decreased in cargo for the year ended December 31, 2008 as compared to 2007 (in thousands):

	2008	2007	Percentage change
Enplanements	25,650	24,941	2.8 %
Passengers	51,245	49,863	2.8 %
Aircraft operations (1)	625	619	1.0 %
Cargo (in pounds)	553,459	589,402	(6.1) %
Landed weight (in tons)	33,251	32,834	1.3 %

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

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.

The parking revenues decline of $4.4 million, or 3.7%, 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.

2008/2007

Operating revenues increased by 2.0%, to $540.8 million in 2008, from $530.2 million in 2007, primarily due to increases in parking, concession, fuel tax, and car rental revenues. The parking revenues increase of $3.0 million, or 2.5%, is attributable to an increase in passenger traffic. Concession revenues between 2008 and 2007 increased by $1.7 million, or 4.2%. The concession revenues increase was attributable to food and beverage service and retail concession revenue growth due to an increase in passenger traffic, and a minor increase in the spend-rate per passenger. Car rental revenues increased by $.6 million, or 1.4%, to $45.6 million due to an increase in O & D passenger traffic.

Aviation fuel tax increased in 2008 by $3.6 million, or 15.5%, due to the increase in usage and prices.

Landing fees increased by $7.2 million, or 8.2%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $2.65 for signatory (an airline that has entered into a lease/use agreement with the Airport System) and $3.18 for non-signatory airlines (an airline that has entered into a Non-Signatory Airline Operating Agreement with the Airport System) in 2007 to $2.68 for signatory, and $3.20 for non-signatory airlines in 2008.

Facility rentals decreased by $7.5 million, or 3.6%, which is attributable to the Airport in 2008 agreeing to issue the airlines credits of $10.7 million for additional monies that were identified in the state fuel tax audit. This was offset by an increase in space rent, preferential use which relates to the billing on Concourse B regional jet.

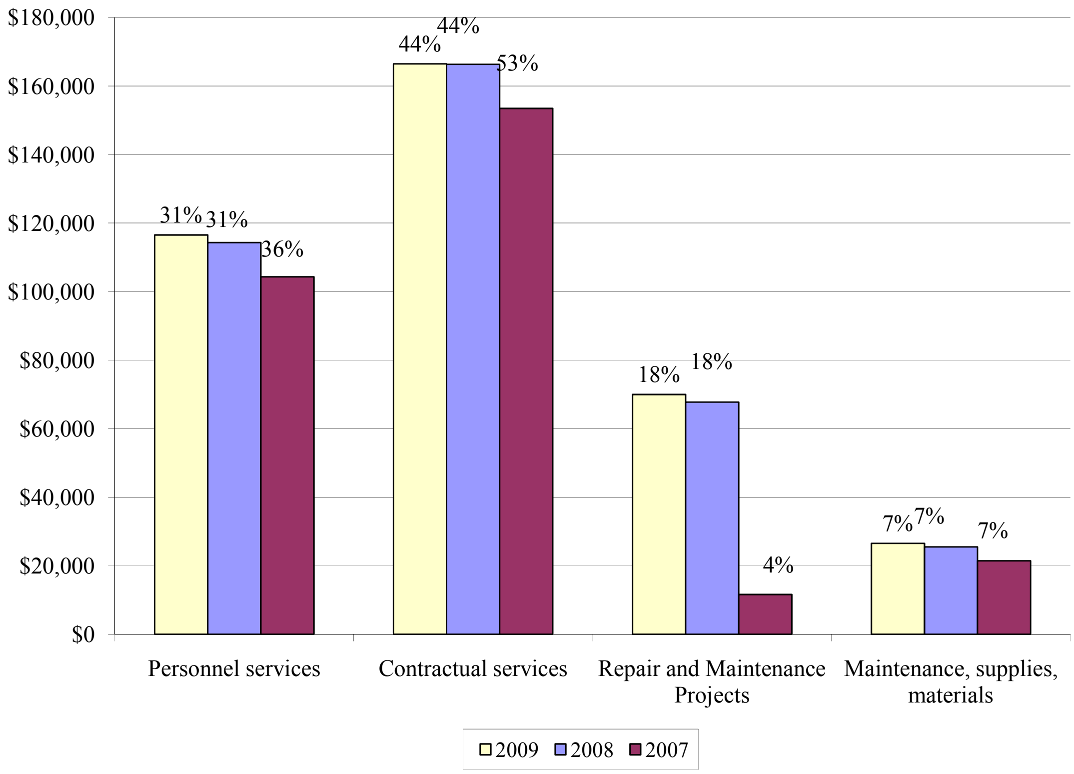
Operating Expenses Before Depreciation and Amortization

(In thousands)

	2009	2008	2007
Operating expenses before depreciation and amortization			
Personnel services	$ 116,540	$ 114,288	$ 104,321
Contractual services	166,469	166,299	153,489
Repair and maintenance projects	69,975	67,737	11,555
Maintenance, supplies, and materials	26,533	25,505	21,408
Total operating expenses before depreciation and amortization	$ 379,517	$ 373,829	$ 290,773

% Total Operating Expenses Before Depreciation and Amortization

(In thousands)



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.

2008/2007

Operating expenses before depreciation and amortization increased by $83.0 million, or 28.6%, from $290.8 million in 2007 to $373.8 million in 2008. Personnel services increased by $10.0 million, or 9.6%, to $114.3 million in 2008 compared to $104.3 million in 2007. The increase in personnel costs permanent salaries was due to an increase in personnel staff and a 1% cost of living increase in 2008 for permanent salaries, overtime cost relating to snow personnel, and health insurance.

The increase in contractual services in 2008 compared to 2007 of $12.8 million was due to an increase of $1.7 million for the repair and maintenance of the Automated Guideway Transportation System (AGTS) train and shuttle bus operations of $5.3 million due to an increase in the contracted maintenance rates. Additionally, there was an increase of $3.7 million in snow removal and an increase of $2.3 million for electricity.

The increase in repair and maintenance projects was due to a write-off in design work of $10.4 million related to hotel design, $3.9 million of concourse carpeting, $15.8 million of remodel of bathrooms, concourse remodel, relocation, and renovations, $5.0 million of roadways, surface repairs, $4.6 million in studies, $4.3 million in central plant relining, $3.5 million in ceiling replacements, $7.0 million of miscellaneous expenses, and $13.2 million in other costs such as inside/out communication wiring, community press room, emergency employees lodging, pond liner, baggage repair, telecommunications, and ground power replacement.

Maintenance, supplies, and materials increased by $4.1 million or 19.1% to $25.5 million from $21.4 million in 2007 due to an increase in commercial snow removal chemicals and solvents, radio and electronic supplies and gasoline, diesel and natural gas costs, due to the increase in fuel costs in the first six months of 2008.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2009/2008

Total nonoperating expenses, net of nonoperating revenues, increased by $73.8 million to $119 million in 2009. The increase was due largely to a decrease in investment income of $72.2 million, or 82.5%, 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. 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.

2008/2007

Total nonoperating expenses, net of nonoperating revenues, decreased by $4.1 million to $45.0 million in 2008. The decrease was due to an increase in investment income of $5.2 million, or 6.4%, which was due to additional proceeds from notes payable being invested during the year and an unrealized gain on investments of $23.8 million. Stapleton costs decreased $17.5 million related to the reimbursement of insurance costs to complete the remediation of certain environmental conditions at Stapleton. The reduction in total nonoperating expenses, net of nonoperating revenues, was partially offset by an increase in interest expense. The increase in interest expense was due to distressed auction bonds and Variable Rate Demand Notes (VRDNs) that were refunded.

In 2008 and 2007, capital grants totaled $14.0 million and $1.9 million, respectively. The increase was due to the final reimbursements of the deicing containment facility, and airfield pavement. In 2008, there was a capital contribution related to a hazmat vehicle.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2009, 2008, and 2007 (in thousands):

	2009	2008	2007
Assets:			
Current assets, unrestricted	$ 206,665	$ 320,948	$ 320,616
Restricted assets, current	169,611	386,568	571,245
Noncurrent investments	299,258	170,301	121,443
Long-term receivables	2,000	2,000	-
Capital assets, net	3,314,609	3,400,133	3,472,238
Bond issue costs, net	51,457	52,204	59,633
Deferred loss on swap termination, net	38,577	19,857	-
Investments - restricted	900,246	642,223	541,593
Assets held for disposition	12,799	13,073	14,095
Total assets	4,995,222	5,007,307	5,100,863
Liabilities:			
Current liabilities, unrestricted	114,180	122,371	121,258
Current liabilities payable from restricted assets	225,393	200,450	200,385
Bonds payable, noncurrent	3,808,388	3,767,329	3,850,321
Notes payable, noncurrent	71,783	69,137	49,532
Special Incentive Program payable, noncurrent	351	-	-
Compensated absences payable, noncurrent	5,574	5,720	5,377
Total liabilities	4,225,669	4,165,007	4,226,873
Net assets (deficit):			
Invested in capital assets, net of related debt	(291,115)	(213,290)	(131,740)
Restricted	658,095	679,782	676,271
Unrestricted	402,573	375,808	329,459
Total net assets	$ 769,553	$ 842,300	$ 873,990

2009/2008

Total assets decreased by $12.1 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, an increase in accounts receivable associated with the insurance recoveries of pollution remediation, and an increase of $22.1 million for the deferred loss on the 1998 Swap termination.

Total liabilities increased by $60.7 million in 2009, compared to 2008. The increase was due to the $22.1 million for notes payable related to the 1998 Swap termination, 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.

Of the Airport System's 2009 total net assets, 85.5% were 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 $402.6 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 asset 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.

2008/2007

Total assets decreased by $93.6 million in 2008, compared to 2007. This was primarily due to a decrease in unrestricted cash and cash equivalents of $38.6 million and current investments which decreased by $55.6 million in 2008, a decrease in capital assets of $72.1 million, an increase of $17.3 million in accounts receivable associated with insurance recoveries of pollution remediation, an increase of $21.1 million for the deferred loss on the 2006A swap termination and an increase in notes receivable of $3.0 million associated with Frontier's stipulated order.

Total liabilities decreased by $61.9 million in 2008, compared to 2007. The decrease was due to $99.7 million in payments of revenue bonds. There was an increase in other liabilities of $10.0 million associated with liabilities related to the pollution remediation and $21.1 million for notes payable related to the 2006A swap termination.

Of the Airport System's 2008 total net assets, 80.7% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $657.6 million for debt service and $22.2 million for capital projects, respectively.

At December 31, 2008, the remaining net assets included unrestricted net assets of $375.8 million that 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 asset amount as allowed in 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition ($213.3) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the assets net book value.

Long-Term Debt

As of December 31, 2009 and 2008, the Airport System had approximately $4.1 billion 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 $348.5 million in 2009.

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 stable outlooks.

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, 2009 and 2008 was 156% and 160%, respectively, of total debt service.

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 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.

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 the 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.

On November 2, 2008, the Airport issued $92,600,000 and $200,000,000 of Airport System Revenue Bonds, Series 2008C1 and 2008C2-C3 in a variable rate mode for the purpose of refunding the 2000C and 2000B Bonds.

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, primarily snow removal equipment, based on a ten-year life.

On June 24, 2008, the Airport issued $81,800,000 of Airport System Revenue Bonds, Series 2008B in a variable rate mode for the purpose of refunding Series 2005C1-C2 Bonds which were trading at above market rate because of distressed bond insurance.

The Airport drew $50.0 million on March 28, 2008 and $50.0 million on April 1, 2008 of Commercial Paper Notes, Series A, to current refund the Series 2001C1-C2 Auction Rate Securities ("ARS"). On April 14, 2008, the Airport issued $221,215,000, $111,000,000, $181,965,000, and $94,660,000 of 2008A1-A4 Bonds in a fixed rate and term rate mode for the purpose of current refunding $100,000,000 of the Series 2001C3-C4, $267,625,000 of the Series 2002A1-A3, $85,275,000 of the Series 2005B1-B2 Airport Revenue Bonds that were variable rate bonds in an auction rate mode and to current refund $144,000,000 of the 2004A-B variable rate bonds. The Series 2001C1-C4 Airport Revenue Bonds which were Auction Rate Securities and associated with 1999, 2002, and 2007A Swap Agreements, were refunded on March 28, 2008, April 1, 2008, and April 14, 2008, with Commercial Paper and a portion of the Series 2008A1-A4 variable rate bonds which will bear interest initially in a term mode. The refunding transactions were necessitated by the deterioration of the credit ratings of certain bond insurers.

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, 2009 and 2008, the Airport System had capital assets of approximately $3.3 billion and $3.4 billion, respectively. These amounts are net of accumulated depreciation of approximately $1.9 billion and $1.7 billion, respectively.

The Airport System purchased World Port, a cargo property on March 5, 2008 for $4 million using internal funds (Capital Fund) for the acquisition.

In an agreement between United Airlines and the Airport System dated October 6, 2009, United agreed to provide the Airport System with 5 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.

In 2008, United began to significantly reduce its consolidated domestic capacity, consolidated overall capacity, and its workforce.

Automated Baggage System: United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. The rates and charges associated with the system continued to be charged to United as the exclusive user of Concourse B. However, the Airport System began discussions with United and all airlines to explore ways to mitigate automated baggage system costs over time, consistent with the cost reduction goals and sources of funds outlined in the Stipulated Order. These discussions culminated with the 2005-2 Amendatory Agreement, whereby the Airport System reduced United's Rates and Charges up to $11.0 million per year, over three years, in exchange for certain concessions.

2006 Amendment: In the 2006 Amendment to United's Use and Lease Agreement, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10.0 million per year, using available Capital Fund monies and other legally available Airport funds to defease associated debt. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new and enhanced passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, cost $41.3 million. The facility opened April 24, 2007.

Under the 2006 Amendment, United agreed to gradually relinquish its six leased gates on Concourse A. This was completed in 2007.

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, 2009, a total of $1.1 billion has been remitted to the Airport, including interest earned on late payments, of which $105.0 million has been expended on approved projects, $1.02 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $8.2 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, 2009, the Airport System had outstanding contractual construction and professional services commitments of approximately $153.0 million, and had made over $143.5 million in contractual payments for the year then ended.

The Airport's current 2009-2012 Capital Program includes approximately $583.5 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if there is sufficient need of such projects and they are financially viable. The 2009-2012 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.

In addition, the fourth module of the parking garage on the west side of Jeppesen Terminal opened in January of 2008.

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

Economic Factors

Passenger traffic was down 2.1% in 2009 compared with a national average change of (5.3%) as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

Southwest Airlines (Southwest) began service at the Airport in January of 2006, with an initial daily schedule of 13 departing flights, utilizing two gates on Concourse C. Southwest has grown steadily and now offers 113 nonstop flights, and by August 2010 it will have 144 daily flights.

The dominant air carrier at Denver International Airport is United, it accounted for approximately 46.2% and 46.3% of passenger enplanements at the Airport in 2009 and for the first three months of 2010, respectively.

United discounted its Ted operating unit in 2008 and ceased reporting separate enplanement data for Ted commencing with August 2008.

Frontier has the second largest market share at the Airport, which serves as Frontiers only hub, which accounted for approximately 23.0% and 21.7% of passenger enplanements at the Airport in 2009 and for the first three months of 2010, respectively.

Frontier filed for bankruptcy protection in April of 2008, received approval of a plan for reorganization in September 2009, and emerged from bankruptcy on October 1, 2009 as a subsidiary of Republic Holdings, that also has purchased Midwest Airlines in July of 2009. Since then, the two carriers have operated as partners with the goal of eventually integrating into one carrier. On April 13, 2010, Republic Holdings announced that it has selected the Frontier Airlines name for its consolidated branded airline. Republic expects it to take up to 12-18 months to integrate the airlines.

As part of its bankruptcy 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, as part of its reorganization proceedings. To cure their debt owed to the Airport prior to 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 it used by Frontier eliminate administrative spaces leased 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 as well as one common use international gate on Concourse A on a subordinated basis. Pursuant to the amended Use and Lease Agreement, Frontier agreed to lease 17 gates on Concourse A and relinquished its preferential rights to other gates.

The Airport currently holds a letter of credit provided by Frontier in the amount of $3.0 million as security for its obligations under the terms of its Use and Lease Agreement.

In November 2008, Southwest leased an additional gate bringing its total number of usage to 14 gates and will get another 5 gates in May of 2010. Southwest has the third largest market share at the Airport, which accounted for approximately 14.4% and 16.0% of passenger enplanements at the Airport for 2009 and for the first three months of 2010, respectively.

On April 15, 2008, Delta Air Lines announced it had reached an agreement with Northwest Airlines to acquire Northwest and create the world's largest carrier. The Delta/Northwest merger received Department of Justice approval on October 30, 2008. The combined entity has expressed interest in returning space to the Airport, including a gate. An agreement was reached to return one gate in June 2009.

United and Continental Airlines announced on May 3, 2010, that the companies have reached a merger agreement that will form the world's largest airline by total passenger traffic. The transaction must still be approved by each airline's labor unions, and it must also meet the approval of federal regulators within the U.S. Department of Justice. Both companies have said that they hope to close the merger transaction by December 31, 2010.

As previously discussed, operating revenues were up 4.4% in 2009 compared to 2008. Operating income before depreciation and amortization of $185.0 million represented an increase of $18.0 million compared to 2008. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was $58.0 million. The airlines will receive $29.3 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.

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,628,667	$ 94,817,156
Investments	30,740,497	155,232,557
Accounts receivable (net of allowance for doubtful accounts $1,074,533 and $1,025,211)	57,847,456	53,151,011
Accrued interest receivable	6,064,842	6,040,726
Other receivables	1,118,640	1,030,000
Inventories	10,739,578	10,054,201
Prepaid expenses and other	2,524,994	621,880
Total current unrestricted assets	206,664,674	320,947,531
Restricted assets:		
Cash and cash equivalents	71,194,287	218,444,354
Investments	77,541,269	142,453,247
Accrued interest receivable	2,631,092	2,151,945
Prepaid expenses and other	8,788,509	5,466,414
Grants receivable	357,887	9,458,785
Passenger facility charges receivable	9,098,428	8,593,038
Total current restricted assets	169,611,472	386,567,783
Total current assets	376,276,146	707,515,314
Noncurrent assets:		
Investments	299,257,982	170,301,192
Long-term receivable, net of current portion	2,000,000	2,000,000
Capital assets		
Buildings	1,988,351,492	1,990,254,694
Improvements other than buildings	2,161,395,306	2,130,485,966
Machinery and equipment	689,952,223	683,471,238
	4,839,699,021	4,804,211,898
Less accumulated depreciation	(1,904,391,951)	(1,746,588,398)
	2,935,307,070	3,057,623,500
Construction-in-progress	83,996,420	47,204,134
Land, land rights and air rights	295,305,625	295,305,625
Total capital assets	3,314,609,115	3,400,133,259
Bond issue costs, net of accumulated amortization	51,456,627	52,204,523
Deferred loss on swap termination, net of current portion	38,576,664	19,857,144
Investments - restricted	900,246,114	642,222,572
Assets held for disposition	12,799,153	13,073,101
Total noncurrent assets	4,618,945,655	4,299,791,791
Total assets	4,995,221,801	5,007,307,105

continued

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2009 and 2008

		2009		2008
LIABILITIES				
Current liabilities:				
Vouchers payable		34,259,867		35,307,375
Due to other City agencies		23,668,950		18,072,610
Special Incentive Program payable		245,442		-
Compensated absences payable		2,010,263		2,097,649
Other liabilities		1,606,260		3,051,362
Revenue credit		29,334,593		40,000,000
Deferred rent		23,054,356		23,842,853
Total current liabilities		114,179,731		122,371,849
Current liabilities payable from restricted assets:				
Vouchers payable		19,321,389		13,642,042
Retainages payable		22,531,914		22,459,220
Accrued interest and matured coupons		25,203,128		24,241,055
Notes payable		17,052,812		15,611,304
Other liabilities		28,888,635		23,711,112
Revenue bonds		112,395,000		100,785,000
Total current liabilities payable from restricted assets		225,392,878		200,449,733
Total current liabilities		339,572,609		322,821,582
Noncurrent liabilities:				
Bonds payable:				
Revenue bonds, net of current portion		4,023,745,000		3,998,990,000
(Less) plus:				
Deferred losses on bond refunding		(274,564,624)		(295,179,410)
Net unamortized premiums		59,207,645		63,518,072
Total bonds payable, noncurrent		3,808,388,021		3,767,328,662
Notes payable		71,783,218		69,136,743
Special Incentive Program payable		350,487		-
Compensated absences payable		5,574,438		5,720,174
Total noncurrent liabilities		3,886,096,164		3,842,185,579
Total liabilities		4,225,668,773		4,165,007,161
NET ASSETS				
Invested in capital assets, net of related debt		(291,114,739)		(213,290,453)
Restricted for :				
Capital projects		13,062,862		22,163,760
Debt service		645,031,962		657,618,225
Unrestricted		402,572,943		375,808,412
Total net assets	$	769,553,028	$	842,299,944

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, 2009 and 2008

	2009	2008
Operating revenues:		
Facility rentals	$ 226,838,509	$ 198,138,164
Concession revenues	41,084,601	42,297,262
Parking revenues	114,861,852	119,283,478
Car rental revenues	42,989,223	45,618,135
Landing fees	110,083,983	94,479,498
Aviation fuel tax	16,849,474	27,012,242
Other sales and charges	11,782,469	13,931,468
Total operating revenues	564,490,111	540,760,247
Operating expenses:		
Personnel services	116,539,988	114,287,724
Contractual services	166,468,909	166,299,254
Repair and maintenance projects	69,974,674	67,736,821
Maintenance, supplies and materials	26,533,326	25,505,576
Total operating expenses, before depreciation and amortization	379,516,897	373,829,375
Operating income before depreciation and amortization	184,973,214	166,930,872
Depreciation and amortization	177,582,988	168,026,267
Operating income (loss)	7,390,226	(1,095,395)
Nonoperating revenues (expenses):		
Passenger facility charges	96,864,736	96,786,406
Investment income	15,282,228	87,483,406
Interest expense	(227,122,048)	(238,642,827)
Grants	(829,224)	703,155
Other income (expense)	(2,965,292)	8,682,524
Total nonoperating revenues (expenses)	(118,769,600)	(44,987,336)
Loss before capital grants and contributions	(111,379,374)	(46,082,731)
Capital grants	36,964,192	13,993,410
Capital contributions	1,656,437	399,637
Transfers in	11,829	-
Change in net assets	(72,746,916)	(31,689,684)
Net assets, beginning of year	842,299,944	873,989,628
Net assets, end of year	$ 769,553,028	$ 842,299,944

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

		2009		2008
Cash flows from operating activities:				
Receipts from customers	$	549,008,417	$	555,822,784
Payments to suppliers		(236,656,345)		(253,659,523)
Interfund activity payments to other funds		(18,377,890)		(13,131,284)
Payments to employees		(115,818,382)		(111,297,407)
Net cash provided by operating activities		178,155,800		177,734,570
Cash flows from noncapital financing activities:				
Operating grants received		-		66,610
Proceeds from note payable		22,100,000		21,100,000
Swap termination payment		(22,100,000)		(21,100,000)
Transfers in		11,829		-
Net cash provided by noncapital financing activities		11,829		66,610
Cash flows from capital and related financing activities:				
Proceeds from issuance of debt		242,022,569		16,832,560
Proceeds from note payable		-		15,295,480
Principal paid on notes payable		(15,857,491)		(13,318,496)
Principal paid on revenue bonds		(203,770,000)		(99,736,973)
Interest paid on revenue bonds		(210,306,507)		(231,452,357)
Bond issuance costs paid		(3,603,956)		(7,333,875)
Interest paid on notes payable		(2,580,180)		(2,617,141)
Capital grant receipts		46,065,090		11,238,665
Passenger Facility Charges		96,359,346		99,897,771
Purchases of capital assets		(56,414,768)		(55,483,262)
Payments of accrued expenses for capital assets		(33,228,489)		(36,720,227)
Payments to escrow for current refunding of debt		(4,082)		(13,813,109)
Proceeds from sale of capital assets		1,210,576		217,703
Net cash used in capital and related financing activities		(140,107,892)		(316,993,261)
Cash flows from investing activities:				
Purchases of investments		(9,218,474,839)		(5,813,321,480)
Proceeds from sales and maturities of investments		8,997,007,219		5,743,315,098
Proceeds from sales of assets held for disposition		273,948		1,021,174
Payments to maintain assets held for disposal		(8,753,045)		(26,147,182)
Insurance recoveries for Stapleton environmental remediation		8,615,889		20,490,000
Interest and dividends on investments and cash equivalents		38,832,535		62,176,590
Net cash used in investing activities		(182,498,293)		(12,465,800)
Net decrease in cash and cash equivalents		(144,438,556)		(151,657,881)
Cash and cash equivalents, beginning of year		313,261,510		464,919,391
Cash and cash equivalents, end of year	$	168,822,954	$	313,261,510

(Continued)

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31, 2009 and 2008

	2009	2008
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 7,390,226	$ (1,095,395)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	177,582,988	168,026,267
Miscellaneous income	1,565,709	3,114,333
Changes in assets and liabilities:		
Receivables, net of allowance	(2,604,592)	13,716,124
Inventories	(685,377)	(3,396,481)
Prepaid expenses and other	(4,516,300)	(1,751,993)
Vouchers and other payables	(1,094,820)	2,866,229
Deferred rent	(788,497)	21,327
Due to other City agencies	5,596,340	(167,990)
Special Incentive Program payable	595,929	-
Compensated absences	(233,122)	526,660
Other operating liabilities	(4,652,684)	(4,124,511)
Net cash provided by operating activities	$ 178,155,800	$ 177,734,570

Noncash activities:

The Airport System issued bonds in the amount of $340,135,000 and $1,083,240,000 in 2009 and 2008, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $121,731,559 and $1,085,033,919 for 2009 and 2008, respectively, were deposited immediately into 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 $3,617,601 and $12,656,769 were realized on the issuance of bonds in 2009 and 2008, respectively.

	2009	2008
Unrealized gain (loss) on investments	$ (23,891,326)	23,834,924
Capital assets added through incurrence of vouchers and retainages payable	36,251,283	33,228,489
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	18,060,703	17,919,645

See accompanying notes to financial statements.

(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 (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, 2009. 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.

(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, 2009 and 2008. 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, runways/taxiways, 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 2009 and 2008 was $4,238,039 and $8,594,909, 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. A total of 322 employees elected to participate in the program. The City recorded a current liability of $2,079,798 for the 2010 payments and a long-term liability of $2,969,912 for the 2011 and 2012 payments. The Airport System had a total of 36 employees who elected to accept the plan. 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.

(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

2009

The Airport System assets exceeded liabilities by $769,553,028 as of December 31, 2009, a $72,746,916 decrease in net assets from the prior year-end. Of the Airport System's 2009 net assets, 85.5% are 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 represent $13,062,862.

The remaining net assets include unrestricted net assets of $402,572,943 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 asset 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.

2008

The Airport System's assets exceeded liabilities by $842,299,944 as of December 31, 2008, a $31,689,684 decrease in net assets from the prior year-end. Of the Airport System's 2008 net assets, 80.7% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $657,618,225 which is externally restricted for debt service. The net assets restricted for capital projects represent $22,163,760.

The remaining net assets include unrestricted net assets of $375,808,412 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 asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($213,290,453) 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 distinguish 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 recently enacted 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, 2009 and 2008, the Airport System had accrued a liability (receivable) to/from the airlines, included in other current liabilities, of ($5,891,209), and $1,184,259, 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 $29,334,593 and $40,000,000 for 2009 and 2008, respectively. Liabilities for these amounts were accrued as of December 31, 2009 and 2008, 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 2008 balances have been reclassified to conform to the 2009 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, 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, 2009 was $114,312. All other deposits are not subject to custodial credit risk since they are deposited in certified eligible public depositories under the PDPA.

(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.

The City has retained Dominion Capital Group, Inc. (DCG) to perform quarterly reviews of the investment portfolio to ensure that the investments are authorized by the Denver City Charter and are in compliance with the City's Investment Policy. DCG also reviews investment market prices for accuracy as well as the accuracy of the portfolio performance as reported by the City.

At December 31, 2009 and 2008, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2009	December 31, 2008
Cash equivalents	$ 14,273	$ 35,539
Certificate of deposit	13,367	—
Local government investment pools	126,267	72,503
Municipal auction securities	625	72,561
Commercial paper	71,383	443,630
State and local government securities	14,851	15,135
U.S. Treasury securities	194,507	34,761
U.S. Agency securities	1,041,336	749,342
	$ 1,476,609	$ 1,423,471

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2009 and 2008, is as follows (in thousands).

	December 31, 2009	December 31, 2008
Cash and cash equivalents	$ 97,629	$ 94,817
Investments	329,999	325,534
Restricted cash equivalents	71,194	218,444
Restricted investments	977,787	784,676
	$ 1,476,609	$ 1,423,471

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, 2009, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (in thousands):

		Investments maturity in years			
Investment type	**Fair value**	**Less than 1**	**1-5**	**6-10**	**Greater than 10****
Discount Commercial Paper	$ 71,383	$ 71,383	$ —	$ —	$ —
U.S. Treasury securities	194,507	—	146,483	48,024	—
U.S. Agency securities	1,041,336	35,412	785,872	173,949	46,103
State and local government securities	14,851	9,008	2,613	3,230	—
Municipal auction securities	625	—	—	—	625
Total	$ 1,322,702	$ 115,803	$ 934,968	$ 225,203	$ 46,728

**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, 2009, the Airport System owned callable securities with a fair value of $264,824,702. Of these, securities with scheduled increases to predetermined interest rates had a fair value of $51,448,338.

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 of December 31, 2009, 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, 2009, 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, 2009, were subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit 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 and investment in municipal securities to 15% of total investments.

As of December 31, 2009, all investments in commercial paper, money markets funds and municipal securities were in compliance with this policy.

(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, 2009 and 2008, an allowance of $1,074,533 and $1,025,211, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2009 and 2008 were as follows (in thousands):

	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

	2008				
	January 1, 2008	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2008
Depreciable:					
Buildings	$ 1,972,606	$ 5,038	$ 23,611	$ (11,000)	$ 1,990,255
Improvements other than buildings	2,014,224	4,865	111,397	-	2,130,486
Machinery and equipment	603,385	33,218	48,201	(1,333)	683,471
	4,590,215	43,121	183,209	(12,333)	4,804,212
Less accumulated depreciation and amortization	(1,583,993)	(168,026)	-	5,431	(1,746,588)
	3,006,222	(124,905)	183,209	(6,902)	3,057,624
Nondepreciable:					
Construction in progress	170,710	89,009	(183,209)	(29,306)	47,204
Land, land rights, and air rights	295,306	-	-	-	295,306
Total capital assets	$ 3,472,238	$ (35,896)	$ -	$ (36,208)	$ 3,400,134

(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 under the PLL. 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 $70 million in payments for asbestos remediation it agrees is covered, including an additional $8.8 million in 2009 and early 2010. Several additional remediation projects were on hold in 2009 due to denial of coverage, but the parties have worked collectively throughout 2009 to reach agreement, and the City has been able to proceed with remediating several projects which had been on hold. On March 10, 2010, Chartis formally approved the City's state-approved clean-up plan for Filing 19, and has accepted coverage for Filing 7. There are still some differences in position, but the City is optimistic that litigation will not be necessary and that an acceptable compromise will be reached for the remediation of the other ACM areas. If litigation is necessary, the City will pursue all available remedies, and although it is still possible that the loss through denial coverage will be in excess of the materiality limits, the recent negotiations are promising.

The carrying value of Stapleton was $12,799,153 and $13,073,101 at December 31, 2009 and 2008, respectively. The current and anticipated costs accrued for environmental liability for Stapleton was $25,496,960 and $19,365,644 at December 31, 2009 and 2008, respectively. The Airport has accrued $34,437,389 and $32,256,896 of insurance recoveries at December 31, 2009 and 2008, respectively, that are reported as accounts receivable in the statements of net assets. The Airport has received payments for insurance recovery totaling $8,442,727 in 2009.

(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 2009 and 2008 totaled $18,377,890 and $13,131,284, 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 $45,939,203 and $38,394,714 for the years ended December 31, 2009 and 2008, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $23,668,950 and $18,072,610 at December 31, 2009 and 2008, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2009 and 2008 were as follows (in thousands):

	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	

	2008					
	January 1, 2008	Additions	Refunded debt	Retirements	December 31, 2008	Amounts due within one year
Airport System revenue bonds	$ 4,002,742	$ 1,083,240	$ (1,079,100)	$ (99,737)	$ 3,907,145	$ 97,115
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	141,228	-	-	(3,478)	137,750	3,670
Less deferred loss on bonds	(303,121)	(13,000)	-	20,942	(295,179)	-
Plus unamortized premiums	58,422	12,656	-	(7,560)	63,518	-
Total bond debt	$ 3,954,151	$ 1,082,896	$ (1,079,100)	$ (89,833)	3,868,114	$ 100,785
Less current portion					(100,785)	
Noncurrent portion					$ 3,767,329	

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, 2009 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding 2009	2008
Airport system revenue bonds				
Series 1991D				
Term bonds	November 15, 2013	7.75%	$ 53,815,752	$ 69,210,752
Series 1992F,G*	November 15, 2025	.290%	43,900,000	45,400,000
Series 1995C				
Term bonds	November 15, 2012	6.50%	10,625,000	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	175,990,000
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	5.00-6.00%	187,870,000	201,775,000
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%	197,297,504	206,912,115
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%	50,305,000	53,510,000
Series 2002C*	November 15, 2024	.290%	37,000,000	38,400,000
Series 2002E				
Serial bonds	Annually November 15, 2010 to 2023	4.00-5.50%	140,440,000	152,440,000
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

Bond	Maturity	Interest Rate	Amount Outstanding 2009	2008
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%	111,170,000	133,555,000
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	31,950,000
Series 2007E Term bonds	November 15, 2032	5.00%	47,400,000	47,400,000
Series 2007F1-F4**	November 15, 2025	.735%-.795%	207,025,000	208,025,000
Series 2007G1-G2*	November 15, 2025	.280%	147,800,000	148,500,000
Series 2008A1 Serial bonds	Annually November 15, 2010 to 2017	5.00-5.50%	181,465,000	201,830,000
Series 2008A2-A4 Term rate bonds	November 15, 2032	5.00-5.25%	372,815,000	387,625,000
Series 2008B*	November 15, 2025	.290%	75,700,000	78,800,000
Series 2008C1- C3*	November 15, 2025	.280%-.35%	292,600,000	292,600,000
Series 2009A	November 15, 2012 to 2036	5.00-5.25%	170,190,000	—
Series 2009B	November 15, 2039	6.414%	65,290,000	—
Series 2009C *	November 15, 2022	.250%	104,655,000	—
Series 2008 A-B Commercial Paper	November 15, 2022	1.10%	—	100,000,000
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%	103,405,026	137,750,415
Total revenue bonds			4,136,140,000	4,099,775,000
Less current portion			(112,395,000)	(100,785,000)
Net unamortized premiums			59,207,645	63,518,072
Deferred loss on refundings			(274,564,624)	(295,179,410)
Total bonds payable noncurrent			$ 3,808,388,021	$ 3,767,328,662

* Variable rates are as of December 31, 2009

** Auction rates are as of December 31, 2009

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 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.

On November 2, 2008, the Airport issued $92,600,000 and $200,000,000 of Airport System Revenue Bonds, Series 2008C1 and 2008C2-C3 in a variable rate mode for the purpose of refunding the 2000C and 2000B bonds.

On June 24, 2008, the Airport issued $81,800,000 of Airport System Revenue Bonds, Series 2008B in a variable rate mode for the purpose of refunding Series 2005C1-C2 bonds which were trading at above market rate because of distressed bond insurance.

The Airport drew $50 million on March 28, 2008 and $50 million on April 1, 2008 of Commercial Paper Notes, Series A, to current refund the series 2001C1-C2 Auction Rate Securities (“ARS”). On April 14, 2008, the Airport issued $221,215,000, $111,000,000, $181,965,000 and $94,660,000 of 2008A1-A4 Bonds in a fixed rate and term rate mode for the purpose of current refunding $100,000,000 of the Series 2001C3-C4, $267,625,000 of the Series 2002A1-A3, $85,275,000 of the 2005B1-B2, Airport Revenue Bonds that were variable rate bonds in an auction rate mode and to current refund $144,000,000 of the 2004A-B variable rate bonds. The Series 2001C1-C4 Airport Revenue Bonds which were Auction Rate Securities and associated with 1999, 2002, and 2007A Swap Agreements, were refunded on March 28, 2008, April 1, 2008 and April 14, 2008, with Commercial Paper and a portion of the Series 2008A1-A4 variable rate bonds which will bear interest initially in a term mode. The refunding transactions were necessitated by the deterioration of the credit rating of certain bond insurers.

Deferred Refunding

The proceeds of the Series 2009A Bonds were used together with other Airport monies to current 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.

The proceeds of the 2008A1-A4, 2008B, 2008C1, and 2008C2-C3 bonds were used, together with other Airport monies, to current refund all the outstanding Series 2001C3-C4, 2002A1-A3, 2004A-B, 2005B1-B2, 2005C1-C2, 2000B and 2000C Airport Revenue Bonds. Series 2008A1-A4, 2008B, 2008C1 and 2008C2-C3 debt service maturities approximately match the principal amortization of the refunded bonds, and debt service. The current refunding resulted in a defeasance of debt between the reacquisition price of $979,100,000 and the net carrying amount of the old debt of $966,099,416, and the recognition of a deferred loss on refunding in the amount of $13,000,584. The deferred loss on refunding is being amortized over the remaining life of the old debt. Debt service savings and economic gains resulting from the refunding transactions are not meaningful because all debt was variable rate debt.

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, 2009 and 2008, 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, 2009 are as follows:

	Principal	Interest
Year:		
2010	$ 105,784,263	$ 165,093,930
2011	128,549,389	158,729,064
2012	135,781,839	151,620,702
2013	133,409,483	144,027,600
2014	138,630,000	136,840,371
2015-2019	788,465,000	567,741,587
2020-2024	1,169,030,000	380,563,578
2025-2029	955,190,000	174,875,973
2030-2034	327,355,000	70,524,641
2035-2039	95,660,000	18,607,530
Total	$ 3,977,854,974	$ 1,968,624,976

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2009, are as follows:

	Principal	Interest
Year:		
2010	$ -	$ 3,601,900
2011	-	3,601,900
2012	-	3,601,900
2013	14,800,000	3,601,900
2014	-	2,454,900
2015-2019	-	12,274,500
2020-2024	24,060,000	12,274,500
2025	16,020,000	981,225
Total	$ 54,880,000	$ 42,392,725

Debt service requirements for the economic defeasance ABS Baggage system of the Airport System to maturity as of December 31, 2009, are as follows:

	Principal	Interest
Year:		
2010	$ 6,610,737	$ 5,978,216
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 – 2019	49,445,000	11,532,410
2020 – 2021	11,020,000	674,462
Total	$ 103,405,026	$ 37,255,947

(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.

Additionally, in connection with the termination of the 2006A Swap Agreement with Lehman Brothers Special Financing, the Airport System entered into a new swap agreement (the 2008A Swap Agreement – see Note 12) with Royal Bank of Canada. Under the 2008A Swap Agreement, the City received $21,100,000 from Royal Bank of Canada to assist in paying the settlement amount due at termination of the 2006A Swap Agreement. The $21,100,000 will be repaid monthly, including interest at an implied rate of 6.519%, commencing January 1, 2009 through November 15, 2025. The loss on termination of the 2006A Swap Agreement has been deferred and will be amortized over the remaining life of the debt which matures November 15, 2025.

In connection with the termination of the 1998 Swap with Lehman Brothers Special Financing, the Airport System entered into a new swap agreement (the 2008B Swap Agreement – see Note 12) with Loop Financial Products LLC. Under the 2008B Swap Agreement, the City received $22,100,000 from Loop Financial Products LLC, to assist in paying the settlement amount due at termination of the 1998 Swap Agreement. The $22,100,000 will be repaid monthly, including interest at an implied rate of 7.118% commencing on February 2, 2009 through November 15, 2025. The loss on termination of the 1998 Swap Agreement has been deferred and will be amortized over the remaining life of the debt which matures November 15, 2025.

The payment schedule relating to note requirements as of December 31, 2009 is as follows:

	Principal	Interest
Year:		
2010	$ 17,052,812	$ 4,356,071
2011	14,937,436	3,616,665
2012	9,516,472	3,078,249
2013	8,592,392	2,627,417
2014	6,729,471	2,256,960
2015-2019	21,244,408	6,700,689
2020-2024	10,071,197	1,726,935
2025	691,842	25,067
	$ 88,836,030	$ 24,388,053

Changes in notes payable for the years ended December 31, 2009 and 2008 were as follows:

	Balance January 1, 2009	Additions	Retirements	Balance December 31, 2009	Amounts due within one year
Notes payable	$ 84,748,047	$ 22,100,000	$ (18,012,017)	$ 88,836,030	$ 17,052,812
Less current portion				(17,052,812)	
Noncurrent portion				$ 71,783,218	

	Balance January 1, 2008	Additions	Retirements	Balance December 31, 2008	Amounts due within one year
Notes payable	$ 61,671,062	$ 36,395,480	$ (13,318,495)	$ 84,748,047	$ 15,611,304
Less current portion				(15,611,304)	
Noncurrent portion				$ 69,136,743	

(10) Demand Bonds

Included in long-term debt are $43,900,000 for Series 1992F, G; $37,000,000 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 $147,800,000 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, 2007G1-G2, 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	$ 24,000,000	$ 24,370,849	0.163%	October 2, 2014
Series 1992G	19,900,000	20,207,496	0.163%	October 2, 2014
Series 2002C	37,000,000	37,571,726	0.163%	October 2, 2014
Series 2007G1-G2	147,800,000	149,500,712	0.280%	November 13, 2014
Series 2008B	75,700,000	76,571,068	0.800%	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, 2009 and 2008 no amounts have been drawn under any of the existing agreements.

(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.

Summary of Interest Rate Swap Transactions

(12) Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. In accordance with US GAAP, the fair value of swap agreements is not reported in the financial statements.

Counterparty	Trade date	Effective date	Notional amount (in millions)	Bond/Swap termination date	Associated Debt series (1)	Payable swap rate	Variable receivable swap rate	Fair values December 31, 2009
1998 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	1/22/1998	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	Bond rate	$ (18,777,108)
Societe Generale, New York Branch	1/22/1998	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	Bond rate	(17,824,998)
1999 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	7/22/1999	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	(23,725,401)
Merrill Lynch Capital Services, Inc.	7/22/1999	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	(11,562,043)
RFPC, LTD.	7/22/1999	10/4/2001	50	11/1/2022	(1)	5.6229%	SIFMA	(11,885,828)
2002 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	4/11/2002	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	(180,789)
RFPC, LTD.	4/11/2002	4/15/2002	100	11/1/2022	(1)	SIFMA	76.00% LIBOR	(302,124)
2005 Swap Agreements								
Royal Bank of Canada	4/14/2005	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	(4,652,820)
JP Morgan Chase Bank, N.A.	4/14/2005	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	(4,825,654)
Jackson Financial Products, LLC	4/14/2005	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	(9,305,639)
Piper Jaffray Financial Products, Inc.	4/14/2005	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	(4,652,820)
2006B Swap Agreements								
Royal Bank of Canada	8/9/2006	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	5,223,457
JP Morgan Chase Bank, N.A.	8/9/2006	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	5,223,457
Jackson Financial Products, LLC	8/9/2006	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	10,446,914
Piper Jaffray Financial Products, Inc.	8/9/2006	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	5,223,457
2006A Swap Agreements								
JP Morgan Chase Bank, N.A.	6/1/2006	11/15/2007	179.850	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	(20,548,313)
GKB Financial Services Corp.	6/1/2006	11/15/2007	59.950	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	(6,849,438)
2007A Swap Agreements								
JP Morgan Chase Bank, N.A.	12/21/2007	5/1/2010	150	11/1/2022	(2)	76.165% IM LIBOR	65.55% 10 YR LIBOR	5,881,139
Royal Bank of Canada	12/21/2007	5/1/2010	50	11/1/2022	(2)	76.165% IM LIBOR	65.55% 10 YR LIBOR	1,962,713
2008A Swap Agreements								
Royal Bank of Canada	12/18/2008	12/18/2008	119.90	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	(13,690,742)
2008B Swap Agreements								
Loop Financial Products I LLC	1/8/2009	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	(17,534,728)
Total								$ (132,357,308)

(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. 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, 2009. 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, 2009, 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 stable 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, 2009 are as follows:

	Ratings of the counterparty or its credit support provider		
Counterparty (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 I 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, 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.

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 (SIFMA) Index 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 year ended December 31, 2009. As of December 31, 2009, 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).

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 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 Brothers 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.

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 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 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 Products 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.

Swap Payments and Associated Debt

Interest Rate Swap Profile (all rates as of December 31, 2009)

Swaps	**1999,2002(1)**	**2005,2006B**	**2006A,2008A**	**1998**	**2008B**
Associated Debt	**CP, 2002C, 2008B, 2009C(2)**	**2006A**	**2007F-G, 2002C(3)**	**2008C2-C3**	**2008C1, 2002C(4)**
Payment to Counterparty:	5.853%	3.912%	4.008%	4.740%	4.760%
Payment from Counterparty:	.426%	4.247%	.162%	.280%	0.275%
Net Swap Payment:	5.427%	(0.335%)	3.846%	4.460%	4.485%
Associated Bond Interest Rate:	.269%	4.950%	0.554%	0.280%	0.345%
Net Swap & Bond Payment:	5.696%	4.615%	4.400%	4.740%	4.830%

(1) Associated 1999 Swap with RFPC, Ltd. was terminated, and replaced with a 2010 Swap Agreement, and associated 2002 Swap with RFPC, Ltd. was terminated on January 12, 2010. The effect of this termination and replacement is 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 Series 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, 2009, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2010	$ 900,000	$ 17,275,431	$ 37,158,030	$ 55,333,461
2011	1,500,000	17,270,536	37,115,715	55,886,251
2012	1,600,000	17,263,901	37,073,401	55,937,302
2013	7,320,000	17,256,511	37,027,239	61,603,750
2014	32,450,000	17,232,532	36,981,077	86,663,609
2015-2019	340,740,000	75,673,658	168,518,217	584,931,875
2020-2024	619,590,000	46,540,619	73,817,634	739,948,253
2025	135,185,000	2,363,737	3,787,675	141,336,412
Total	$ 1,139,285,000	$ 210,876,925	$ 431,478,988	$ 1,781,640,913

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2009.

(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, 2009 and 2008, Special Facility Revenue Bonds outstanding totaled $304,260,000 and $309,905,000, respectively.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2009 and 2008 are as follows:

	Balance January 1, 2009	Additions	Retirements	Balance December 31, 2009	Amounts due within one year
Compensated absences payable	$ 7,817,823	$ 785,400	$ (1,018,522)	$ 7,584,701	$ 2,010,263
Less current				2,010,263	
Noncurrent portion				$ 5,574,438	

	Balance January 1, 2008	Additions	Retirements	Balance December 31, 2008	Amounts due within one year
Compensated absences payable	$ 7,291,163	$ 845,577	$ (318,917)	$ 7,817,823	$ 2,097,649
Less current				(2,097,649)	
Noncurrent portion				$ 5,720,174	

(15) Pension Plan

Substantially all of DIA'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, 2009, 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, 2009, 2008 and 2007 were approximately $41,006,000, $41,313,000, and $38,862,000, respectively, which equaled the required contributions each year. DIA's share of the City's contributions for the years ended December 31, 2009, 2008 and 2007 were approximately $5,782,918, $5,676,000 and $5,311,000, respectively.

(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, 2009, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	57,503,367
Construction projects to be funded by bonded debt		89,362,742
Projects related to remediation – Stapleton		6,126,392
Total commitments	$	152,992,501

(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, 2009, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty due for 2009.

(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 2009 and 2008 was $67,895,546 and $71,582,216, respectively.

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

2010	$	52,433,175
2011		49,846,611
2012		47,922,961
2013		45,772,384
2014		14,025,507
2015-2019		18,474,604
2020-2022		1,056,000
Total minimum future rentals	$	229,531,242

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 2009 or 2008. 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 DIA 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 the years ended December 31, 2009 and 2008, United Airlines represented approximately 51% and 56% of the Airport System's airline operating revenues, respectively. Frontier Airlines represented 14% and 15% in 2009 and 2008 of the Airport System's airline operating revenues, respectively. Southwest Airlines represented 10% in 2009. 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, accounted for 46.2% and 46.3% of enplaned passengers at the Airport in 2009 and for the first three months of 2010, respectively.

(21) Subsequent Events

United and Continental Airlines announced on May 3, 2010, that the companies have reached a merger agreement that will form the world's largest airline by total passenger traffic. The transaction must still be approved by each airline's labor unions, and it must also meet the approval of federal regulators within the U.S. Department of Justice. Both companies have said that they hope to close the merger transaction by December 31, 2010.

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 current 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 March 5, 2010, the Airport System spent $5.5 million to buy 27 oil and natural gas wells on its property. 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 the airport property and it is anticipated the wells will provide the Airport with additional annual revenue of approximately $3.5 million.

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 commencing on January 1, 2011. The loan proceeds will be used for the acquisition of the completed commissioned 1.6MWDC photovoltaic solar electrical generation plant.

On February 5, 2010 and February 10, 2010, the Airport System terminated the 2007A Swaps in order 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 Financial Products I LLC will take into account such payments and will be above the market rate. The 2002 swap agreement was not replaced.

(22) Future Accounting Pronouncements

GASB 51

Effective January 1, 2010, the Airport System adopted GASB 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. GASB 51 also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

GASB 53

Effective January 1, 2010, the Airport System adopted GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting.

The standard provides specific criteria that governments will use to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments will be recognized in the reporting period to which they relate. The changes in fair value of these hedging derivative instruments do not affect current investment revenue, but are instead reported as deferrals in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. GASB 53 also improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks.

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 (Unaudited)

Year ended December 31, 2009

Gross revenue:	
Facility rentals	$ 251,700,814
Concession income	41,084,601
Parking income	114,861,852
Car rental income	42,989,223
Landing fees	110,083,983
Aviation fuel tax	16,849,474
Other sales and charges	11,782,469
Interest income	24,893,823
Designated Passenger Facility Charge Revenues	15,085,647
Miscellaneous income	2,260,152
Operation and Gross revenues as defined in the ordinance	631,592,038
Personnel services	116,539,988
Contractual services	166,468,909
Maintenance, supplies and materials	26,261,568
Miscellaneous expense	—
Operation and maintenance expenses as defined in the ordinance	309,270,465
Net revenue	322,321,573
Other available funds	49,288,429
Net revenue plus other available funds as defined in the ordinance	$ 371,610,002
Debt service requirements as defined in the ordinance (1)	$ 237,905,217
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)	156%

(1) Net of irrevocably committed Passenger Facility Charges of $63,125,243 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, 2009

(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 account balance at December 31, 2009
Series 1991D	05/15/10	$ 2,085,360	$ 347,560
Series 1992F-G	01/01/10	12,833	12,833
Series 1995C	05/15/10	345,313	57,552
Series 1997E	05/15/10	1,033,851	172,309
Series 1998A	05/15/10	3,217,375	536,229
Series 1998B	05/15/10	2,584,875	430,813
Series 2000A	05/15/10	6,472,365	1,078,727
Series 2001A	05/15/10	5,425,428	904,238
Series 2001B	05/15/10	456,563	76,094
Series 2001D	05/15/10	1,337,113	222,852
Series 2002C	01/01/10	10,816	10,816
Series 2002E	05/15/10	3,705,313	617,552
Series 2003A	05/15/10	4,049,125	674,854
Series 2003B	05/15/10	1,886,500	314,417
Series 2005A	05/15/10	5,610,500	935,083
Series 2006A	05/15/10	6,710,402	1,118,400
Series 2006B	05/15/10	2,779,250	463,208
Series 2007A	05/15/10	4,708,750	784,792
Series 2007B	05/15/10	606,250	101,042
Series 2007C	05/15/10	865,875	144,313
Series 2007D	05/15/10	3,924,319	654,053
Series 2007D2	05/15/10	730,000	121,667
Series 2007E	05/15/10	1,185,000	197,500
Series 2007F1-F4	01/01/10	107,904	107,904
Series 2007G1-G2	01/01/10	35,917	35,917
Series 2008A	05/15/10	14,318,950	2,386,492
Series 2008B	01/01/10	21,445	21,445
Series 2008C1	01/01/10	36,786	36,786
Series 2008C2-C3	01/01/10	54,301	54,301
Series 2009A	05/15/10	4,841,932	806,989
Series 2009B	05/15/10	2,291,603	381,934
Series 2009C	01/01/10	41,174	41,174
			$ 13,849,846

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, 2009

(b) 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, 2009
Series 1991D	11/15/10	$ 13,846,524	$ 1,153,877
Series 1992 F, G	11/15/10	1,600,000	133,333
Series 1995C	11/15/10	3,320,000	276,667
Series 2000A	11/15/10	14,730,000	1,227,500
Series 2001A	11/15/10	14,952,739	1,246,062
Series 2001D	11/15/10	3,365,000	280,417
Series 2002C	11/15/10	1,500,000	125,000
Series 2002E	11/15/10	11,300,000	941,667
Series 2006B	11/15/10	20,805,000	1,733,750
Series 2007F1-F4	11/15/10	500,000	41,667
Series 2007G1-G2	11/15/10	400,000	33,333
Series 2008A	11/15/10	20,365,000	1,697,083
Total principal account requirement			$ 8,890,356

(c) 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.

(d) 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, 2009, the redemption account had a balance of $17.3 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

Aggregate required Bond Account balance	$	22,740,202
Bond Account balance at December 31, 2009		23,237,315
Overfunded	$	497,113

(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, 2009 is $375,988,134. The minimum Bond Reserve Account requirement is $375,988,134.

(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, 2009.

Computation of minimum operation and maintenance reserve:

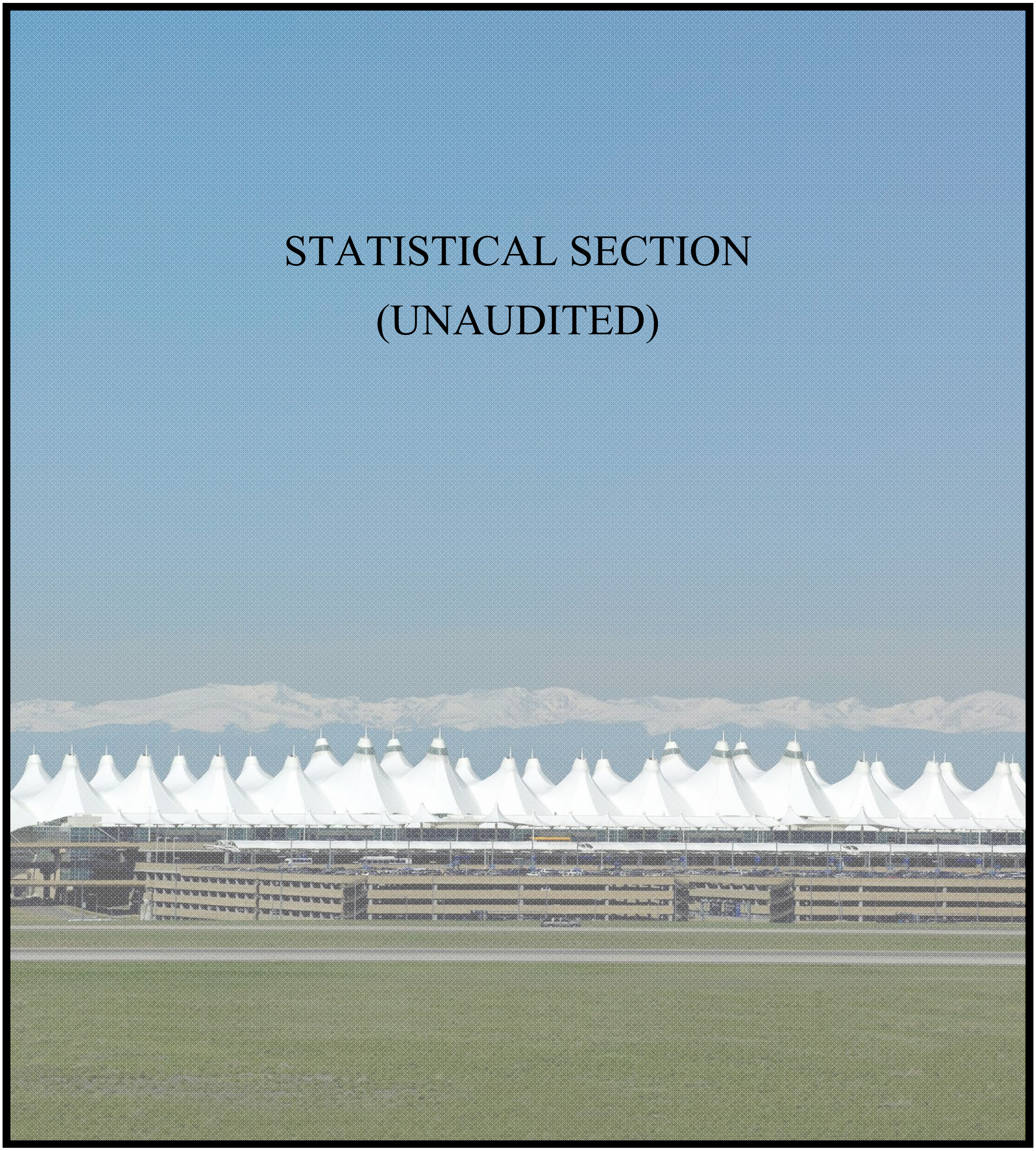
2008 Operation and Maintenence expenses	$	306,092,554
Minimum operations and maintenance reserve requirement for 2008	$	51,015,426
Operation and maintenance reserve account balance at December 31, 2009		59,733,489
Overfunded	$	8,718,063

(1) 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.

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS



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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues	$ 438,340	$ 450,695	$ 443,921	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151	$ 540,760	$ 564,490
Operating expenses, before depreciation and amortization	191,389	223,408	238,484	211,913	221,214	239,405	262,514	290,773	373,829	379,517
Operating income before depreciation and amortization	246,951	227,287	205,437	245,473	256,722	257,772	245,793	239,378	166,931	184,973
Depreciation and amortization	150,631	151,796	125,692	148,763	135,338	150,823	151,507	159,309	168,026	177,583
Impairment loss	-	-	-	-	18,007	85,286	-	-	-	-
Operating income (loss)	96,320	75,491	79,745	96,710	103,377	21,663	94,286	80,069	(1,095)	7,390
Nonoperating revenues (expenses)	(158,277)	(124,391)	(119,845)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)	(44,987)	(118,770)
Capital contributions, grants and transfers	-	13,735	91,152	40,542	62,205	31,547	29,188	2,426	14,393	38,633
Change in net assets	$ (61,957)	$ (35,165)	$ 51,052	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368	$ (31,689)	$ (72,747)

(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
2000	18,684,319	1.5	386,526	15.0	322,151	12.2	19,392,996	1.9
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)

(b) Enplaned Passengers by Airline

Airline	2008	% of Total	2009	% of Total
United	8,361,071	32.6%	8,164,709	32.5%
United Express	4,010,696	15.6%	3,440,268	13.7%
Total United	12,371,767	48.2%	11,604,977	46.2%
American	862,468	3.4%	715,674	2.8%
Continental	528,196	2.0%	514,592	2.0%
Delta	747,663	2.9%	757,552	3.0%
Frontier	6,531,100	25.5%	5,782,329	23.0%
Northwest	505,023	2.0%	503,454	2.0%
Southwest	2,378,512	9.3%	3,614,028	14.4%
USAir	460,757	1.8%	540,865	2.2%
Other	1,264,937	4.9%	1,094,562	4.4%
Totals	25,650,423	100.0%	25,128,033	100.0%

(c) Originating and Connecting Enplaned Passengers for the Year ended December 31, 2009

Airline	Originating	Connecting	Total
United	4,266,202	7,338,775	11,604,977
Other	9,389,347	4,133,709	13,523,056
Totals	13,655,549	11,472,484	25,128,033
Percent of total	54%	46%	100%

(3) Aircraft Operations

(a) Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2000	362,824	119,799	16,846	982	500,451	5.7 %
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) %

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

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

Year	Amount	Year	Amount
2000	$ 51,482	2005	$84,000
2001	61,988	2006	93,510
2002	69,742	2007	97,191
2003	71,945	2008	96,786
2004	82,161	2009	96,865

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION
(UNAUDITED)

LAST TEN FISCAL YEARS

(5) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2000	171,803,661	319,537,612	491,341,273	1.7 %
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) %

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross revenue	$ 530,694	$ 526,631	$ 499,435	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106	$ 635,607	$ 631,592
Operation and maintenance expenses	192,384	211,272	216,791	201,573	220,254	238,142	256,191	282,746	305,382	309,270
Net revenue	338,310	315,359	282,644	325,994	322,790	332,960	335,919	333,360	330,225	322,322
Other available funds	55,620	54,558	46,751	50,807	54,849	55,173	50,791	53,251	53,575	49,288
Total amount available for debt service requirements	$ 393,930	$ 369,917	$ 329,395	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611	$ 383,800	$ 371,610
Debt service requirements	$ 255,837	$ 248,375	$ 225,286	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923	$ 240,028	$ 237,905
Debt service coverage	154%	149%	146%	163%	155%	161%	176%	168%	160%	156%

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION

SUMMARY OF INSURANCE COVERAGE
(UNAUDITED)

December 31, 2009

Policy number	Company	Item covered	Expiration date		Annual premium		Coverage
PPLG2389452001	ACE USA	Pollution	9/1/2010	$	78,934		$10,000,000
ICM108684662A12090108	ACE	Fine Arts	9/1/2010		1,359	(1)	350,000,000
FM 547	FM Global	Property/boiler and machinery	9/1/2010		2,960,000		1,000,000,000
L9900439	Lloyds/Allianz	Airport Liabilty-Excess	9/1/2010		255,919		400,000,000
AAPN 00981771003	ACE	Airport Liabilty-Primary	9/1/2010		373,552		100,000,000
XPEG24877024	ACE USA	Airport Liability- Excess	9/1/2010		92,700		1,000,000

(1) Based on % of Total Insurable Values