City and County of Denver, Colorado
Municipal Airport System
Introduction
December 31, 2004 and 2003

INTRODUCTION

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

Description of the Airport

Situated approximately 24 miles northeast of downtown Denver, the Airport is the primary air carrier airport serving the Denver region. According to Airport Council International, in 2004 the Airport was the fifth busiest airport in the United States and the tenth busiest in the world, serving 42 million passengers. The Airport 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. The Airport has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline 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 93 full service jet gates for large jet aircraft and up to 55 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 100 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the capabilities of the Airport to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2004, 42 million passengers traveled through the Airport, of which approximately 55% originated or terminated their air journeys in Denver and 45% connected between flights. The Denver Metropolitan Area, with a population of more than 2.4 million, is the primary region served by the Airport. The Denver Metropolitan Area is comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. As shown in Table 1, currently 33 airlines provide scheduled passenger service at the Airport: 17 major/national airlines, 12 regional/commuter airlines, and 4 foreign-flag airlines. In addition, several passenger charter and all-cargo airlines, including Airborne Express, DHL Worldwide Express, Emery Worldwide, FedEx, and United Parcel Service provide service at the Airport.

Table 1
SCHEDULED PASSENGER AIRLINES SERVING DENVER
March 2005

Major/national
AirTran Airways
Alaska Airlines
Allegiant Airlines
America West Airlines
American Airlines
American Trans Air (ATA) (1)
Champion Airlines
Continental Airlines
Delta Air Lines
Frontier Airlines
Hooters Air
JetBlue Airways
Midwest Express Airlines
Northwest Airlines
Ryan International Airlines
United Airlines (1)
US Airways (1)

Regional/commuter
Air Midwest/Mesa
Air Wisconsin (UAX)
ASA/Delta Connection
Casino Airlines
Great Lakes Aviation
Horizon Air
Horizon/Frontier Jet Express
Mesa Airlines/America West Express
Mesa Airlines/UAX
Miami International Airlines
Skywest (UAX)
Sun Country

Foreign-flag
Air Canada (1)
British Airways
Lufthansa German Airlines
Mexicana de Aviacion

(1) United Airlines filed for bankruptcy protection in December 2002, Air Canada filed for bankruptcy protection on April 2003, US Airways filed for bankruptcy protection in September 2004 and ATA Airlines filed for bankruptcy in October, 2004.

Source: Airport management records, March 2005.

Airlines' Rates, Fees and Charges

The Airport has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport 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 City that provide for the payment of a minimum annual guarantee, which was set by the City 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, net revenue is shared between the Airport and airlines, with the airlines receiving 75% of the net (up to a $40 million cap per year). The 25% that the Airport receives is deposited in the Airport's capital improvement account and can be used by the Airport for any lawful Airport purpose. The net revenue available for sharing since the Airport opened is reflected in Table 2 below.

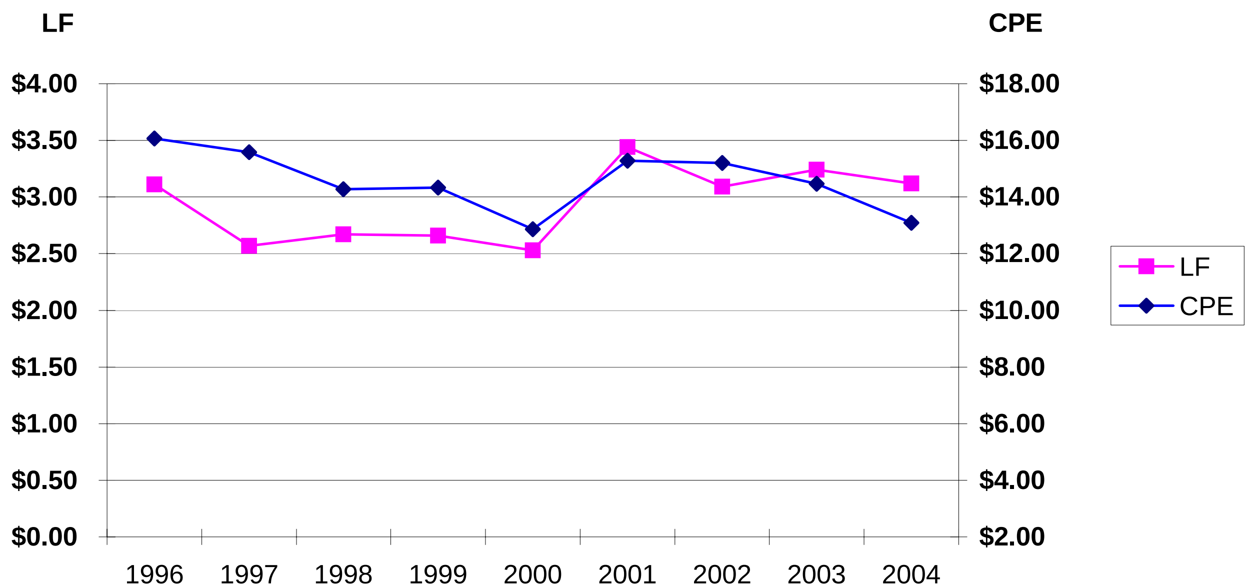
City and County of Denver, Colorado
Municipal Airport System
Introduction
December 31, 2004 and 2003

Table 2
NET REVENUE AVAILABLE FOR SHARING
(in thousands)

Year	Available for Sharing	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	10,953
2002	38,771	8,924
2003	59,026	19,026
2004	70,387	30,387

Source: Airport Management

Through 2000, the airline rates, fees and charges to passengers at the Airport showed a steady decline. As a result of the September 11, 2001 terrorist attacks (September 11 Events) and the resulting decline in flight activity and enplaned passengers, Airport costs for 2001 and 2002 showed increases as depicted in the graph below. Overall costs for 2003 and 2004 showed a decline due to positive factors such as increased passenger traffic, flat debt service payments and operating and maintenance expense within budget.



LF = Landing Fee - Cost per 1000 lbs. landed weight
CPE = Cost per enplaned passenger

Cash Management

The Airport's cash is under the control of the City's Treasurer who invests the funds pursuant to the City's investment policy. As of December 31, 2004 and 2003, cash and investments totaled approximately $1,121.3 million and $1,059.1 million, respectively. Current investment vehicles include U.S. government securities, high-grade commercial paper, and repurchase agreements. In 2004 and 2003, the City charged a fee of $463,065 and $402,830, respectively, from the Airport for performing the cash management function.

Events and Other Factors Affecting the Airport

The Airport, like all major airports in the United States, was adversely affected by the September 11, Events, and the resulting impact on the air transportation industry, the economic slowdown which commenced prior to the September 11 Events, and the ongoing hostilities in the Middle East. While the effect of these events on the Airport's airline tenants continues to linger, the Airport saw a recovery that gained momentum through the years 2003 and 2004.

Passenger traffic was up 13.0% in 2004 compared with a national average increase of 7.2% as reported by the Air Transport Association (ATA), an airline industry trade association. The December 2004 traffic level of over 3.4 million passengers, was the highest December in the Airport's history. This trend continued in January and March of 2005, again setting passenger traffic records. Year-to-date through March 2005, passenger traffic was up 2.2% compared to 4.5% nationally.

Activity-based revenues at the Airport (e.g. landing fees, Passenger Facility Charges (PFCs), concession, car rental and parking revenues) increased 7.8% in 2004 compared to 2003, largely as the result of increases in passenger traffic.

Increased Security Measures

The Aviation and Transportation Security Act (the "Aviation Security Act") was enacted by Congress in November 2001, and, in part, formed the Transportation Security Administration (TSA), which has taken over responsibility from the airlines for passenger screening. TSA requires security awareness programs for airport employees and, after December 31, 2002, screening of all checked baggage by explosive detection systems (EDS). It also requires operation of a system to screen, inspect or, otherwise, to ensure the security of all cargo. The Airport, like most of the nation's airports, was not supplied with a sufficient number of explosive detection systems by TSA by the December 31, 2002, congressionally mandated deadline. As a result, interim measures to screen all checked baggage were put in place and approved by the TSA.

In May 2003, the Airport signed an agreement to have an EDS integrated into the existing baggage system for an estimated cost of $95 million. Construction was put on hold until the TSA agreed to fund a significant portion of the cost. In September 2003, the TSA signed a letter of intent to fund 75% of the $95 million over a four year period. Based on these assurances, a sixteen month construction process commenced and all of the Airport's six terminal modules and customs recheck area had100% fully-automated EDS operations, installed and operational, by June 2005.

United Airlines (United)

United, one of the world's largest airlines, is the principal air carrier operating at the Airport. United Airlines operates a major connecting hub at the Airport under a use and lease agreement with the City that expires in 2005. United, together with its TED low fare unit and its United Express commuter affiliates, accounts for approximately 60.2%, 58.9% and 57.4% of passenger enplanements at the Airport in 2003, 2004 and the first four months of 2005, respectively.

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

On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permits United to continue operations while developing a plan of reorganization to address existing debt, capital, and cost structures. Following months of good faith negotiations, the City and United reached an agreement regarding the affirmation of United's use and lease agreement. The conditions of the affirmation were memorialized in a stipulated order that was filed with and accepted by the bankruptcy court on November 11, 2003. The full text of the stipulated order is available on the Airport's web site, www.flydenver.com. The major provisions of the order are as follows:

- The Airport will construct a variety of capital projects totaling approximately $137 million, including a regional jet facility on Concourse B and an expansion of Concourse A.
- The Airport will reduce United's leasehold by approximately 160,000 square feet.
- United will pay its full pre-petition debt of roughly $13.6 million. Concurrently, the Airport paid United a like amount to settle outstanding claims regarding reimbursement of baggage system related costs.
- Airport provisions will allow Airport management to maximize the use of existing Airport facilities.

While the Airport can not predict the ultimate outcome of United's bankruptcy proceedings, the affirmation of its lease is nonetheless a strong signal of United's commitment to its Denver hub operations.

United Special Facility Bonds

In 1992, the City issued approximately $261 million of special facility bonds on behalf of United. Repayment of these bonds is the sole responsibility of United. The proceeds of the bonds were used to finance the construction of various United specific facilities on Airport premises. On April 1, 2003, United failed to make its semi-annual lease payment of approximately $9 million, claiming that the payment required by the Special Facilities Lease was a disguised financing. The Airport, together with several other airports, filed suit on behalf of its bondholders to enforce the payments under the Special Facilities Lease. In April 2004, the court ruled in favor of the Airport that the Special Facilities Lease was, in fact, a true lease. United has placed five lease payments of approximately $9 million each in escrow while it appeals the ruling.

City and County of Denver, Colorado
Municipal Airport System
Introduction
December 31, 2004 and 2003

Accounting and Internal Control

The Airport 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's accounting system, consideration is 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's process of internal control adequately safeguards assets and provides reasonable assurance that financial transactions are recorded properly.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Honorable John H. Hickenlooper, Mayor
Members of the City Council and the Audit Committee
City and County of Denver
Denver, Colorado:

We have audited the accompanying basic financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Airport System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Airport System as of and for the year ended December 31, 2003, were audited by other auditors whose report thereon dated June 22, 2004 expressed an unqualified opinion on these statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the City and County of Denver, Colorado Municipal Airport System enterprise fund and do not purport to, and do not, present fairly the financial position of the City and County of Denver, Colorado as of December 31, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2004, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the basic financial statements, in the year ended December 31, 2004, the Airport System implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, retroactive to January 1, 2003.

The management's discussion and analysis on pages 9 to 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introduction; the Schedule of Compliance with Rate Maintenance Covenant as Defined in the 1984 Airport System General Bond Ordinance; the 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; the Summary of Insurance Coverage; the Combining Schedule of Assets, Liabilities and Net Assets; the Combining Schedule of Revenues, Expenses, and Changes in Net Assets; and the Annual Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedule of Assets, Liabilities, and Net Assets; and the Combining Schedule of Revenues, Expenses, and Changes in Net Assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introduction; the Schedule of Compliance with Rate Maintenance Covenant as Defined in the 1984 Airport System General Bond Ordinance; the 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; the Summary of Insurance Coverage; and the Annual Financial Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2004 and 2003. 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

The operating revenues at the Airport were $477.7 million, an increase of 4.5% for the year ending December 31, 2004, as compared to December 31, 2003. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in facility rentals, concession, and parking revenues. Passenger traffic increased 13% for the year ended December 31, 2004.

Operating expenses, exclusive of depreciation, increased by $9.3 million (4.4%) for the year ended December 31, 2004, as compared to December 31, 2003. The increase was attributable to an increase in personnel costs, electrical and gas rates, and repair and maintenance costs.

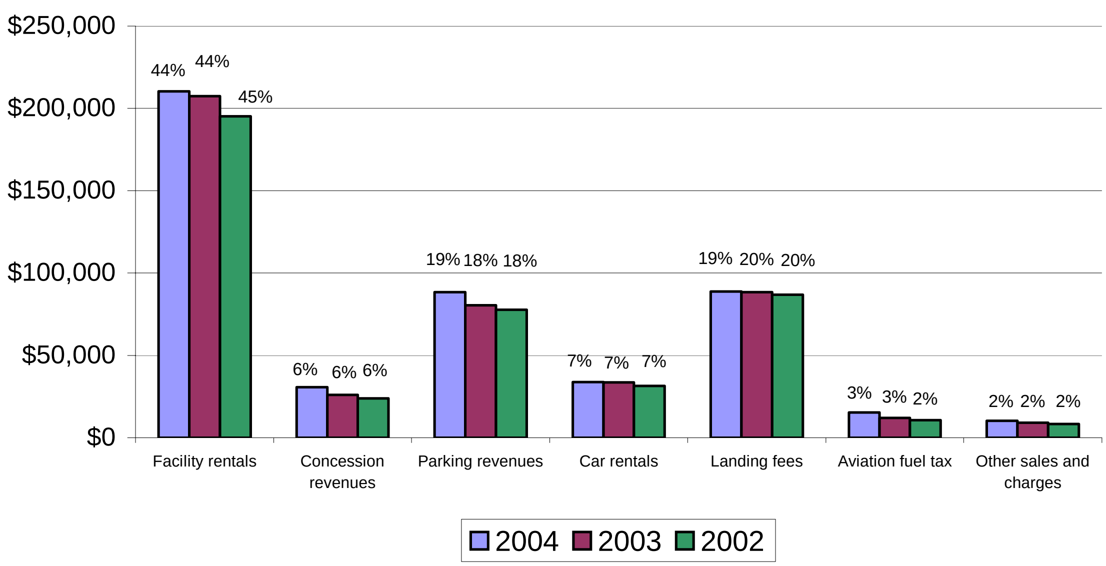
OVERVIEW OF THE FINANCIAL STATEMENTS

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 a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flows, and notes to those financial statements. The statement of net assets presents 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 may serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statement of revenues, expenses and changes in net assets presents 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.

OPERATING REVENUES
(in thousands)

	2004	2003	2002
Operating Revenues:			
Facility rentals	$210,461	$207,540	$195,259
Concession revenues	30,638	25,933	23,977
Parking revenues	88,411	80,380	77,619
Car rentals	33,780	33,530	31,551
Landing fees	88,741	88,473	86,865
Aviation fuel tax	15,402	12,104	10,644
Other sales and charges	10,232	9,133	8,398
Total Operating Revenues	$477,665	$457,093	$434,313



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

The Airport's activities increased in four areas and decreased slightly in Cargo for the year ended December 31, 2004 as compared to 2003 (in thousands):

	2004	2003	Change
Enplanements	21,202	18,761	13.0%
Passengers	42,394	37,505	13.0%
Aircraft Operations	567	510	11.0%
Cargo (in pounds)	699,827	717,520	(2.5)%
Landed Weight (in thousands)	29,651	27,181	9.1%

The Airport's activities increased in three areas and decreased slightly in Cargo and Landed Weight for the year ended December 31, 2003 as compared to 2002 (in thousands):

	2003	2002	Change
Enplanements	18,761	17,830	5.2%
Passengers	37,505	35,652	5.2%
Aircraft Operations	510	509	.2%
Cargo (in pounds)	717,520	731,855	(2.0%)
Landed Weight (in thousands)	27,181	28,037	(3.1%)

Operating revenues increased by 4.5%, from $457.1 million in 2003 to $477.7 million in 2004, primarily due to increases in facility rentals, parking and concession revenues. Facility rentals increased by $2.9 million due to airline preferential and non-preferential use fees offset by a decrease due to the implementation of space reductions under the United Airlines Stipulated Order as further discussed in Note U to the financial statements. The parking revenue increase of $8.0 million, or 10.0%, is attributable to an increase of 13.0% in passenger traffic. Concession revenues between 2004 and 2003 increased $4.7 million, or 18.1%. Gains were seen in food and beverage service and retail concessions as a result of an increase in percentage of gross revenue due to an increase in passenger traffic.

Aviation fuel tax in 2004 increased $3.3 million, or 27.3%, primarily due to the increase in fuel usage that is attributable to the total passenger increase, and the increase in aviation fuel prices.

Car rental revenues increased by $0.25 million, or 0.7%, to $33.8 million as a result of the increase in the percentage of gross revenue due to an increase in passenger traffic. The increase in landing fees of $0.27 million was attributable to the increase in rates per 1,000 pounds landed weight. Landing fee rates were reduced effective July 1, 2004.

Operating revenues increased by 5.2%, from $434.3 million in 2002 to $457.1 million in 2003, primarily due to an increase in facility rentals, concessions and car rental revenues. The other significant airline revenue increase was in landing fees of which $1.6 million was attributable to the increase in rates per 1,000 pounds landed weight from $3.10 for signatory airlines (executed Airport Use and Lease Agreement) and $3.72 for non-signatory airlines (unexecuted Airport Use and Lease Agreement) in 2002, to $3.265 for signatory airlines and $3.918 for non-signatory airlines in 2003.

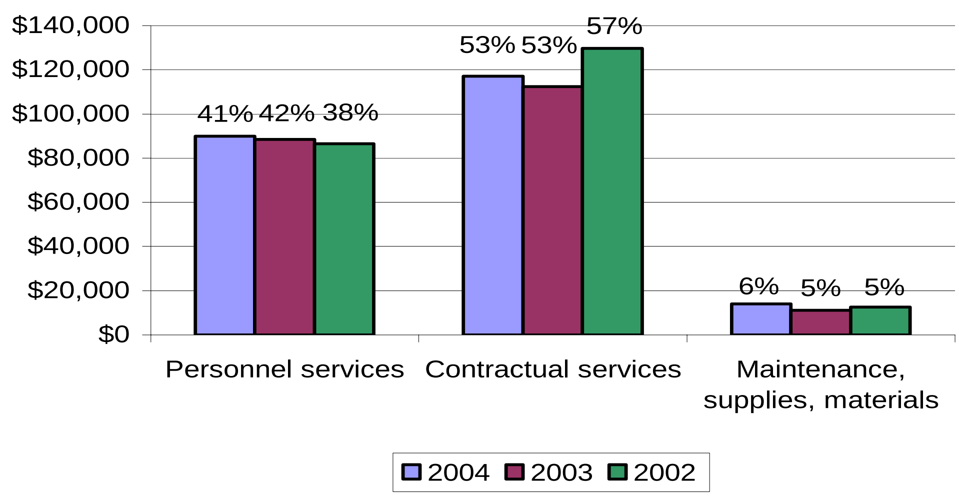
Concession revenues between 2003 and 2002 increased $2.0 million, or 8.2%. Gains were seen in food and beverage service and retail concessions as a result of an increase in passenger traffic.

Car rental revenues increased by $2.0 million, or 6.3%, to $33.5 million and parking revenues increased by $2.8 million, or 3.6%, also due to an increase in passenger traffic.

Facility rentals increased by $12.3 million due to the increase in rates for baggage space rent, new airline entrants leasing space and the allowance for bad debt (United Airlines) that was recorded in facility rentals in 2002, and collected in 2003.

OPERATING EXPENSES
(in thousands)

	2004	2003	2002
Operating Expenses:			
Personnel services	$ 90,006	$ 88,414	$ 86,490
Contractual services	117,091	112,339	129,732
Maintenance, supplies and materials	14,117	11,160	12,654
Total Operating Expenses, excluding depreciation	$221,214	$211,913	$228,876



Operating expenses increased by 4.4%, from $211.9 million in 2003 to $221.2 million in 2004. The increase in contractual services in 2004 of $4.8 million was due to an increase in electricity, gas, interfund service charges, and repair and maintenance expense offset by a decrease in aircraft noise penalty cost of $0.79 million.

Personnel services increased by $1.6 million, or 1.8%, to $90.0 million in 2004, compared to $88.4 million in 2003. The most significant increase in personnel expense was permanent salaries due to a 2.5% increase initiated in July of 2003 and other city agency overtime.

Maintenance, supplies and materials increased $3.0 million, or 26.5%, to $14.1 million from $11.2 million in 2003 due to the increase in maintenance of Pena Boulevard. Additionally, natural gas rates increased and there was an increase in use of chemical and solvents on roadways because of spring blizzards.

Operating expenses decreased by 7.4%, from $228.9 million in 2002 to $211.9 million in 2003. Reductions in contractual services and maintenance, supplies and materials, and expense resulting from budget cuts and continued fiscal restraint, were partially offset by snow overtime days as a result of the March 2003 blizzard. An increase in remarketing fees was due to the issue of new auction rate bonds, and indirect costs for the City auditor, police and fire.

Personnel services increased by $1.9 million or, 2.2%, to $88.4 million in 2003, compared to $86.5 million in 2002. The most significant increases in personnel expense were permanent salaries and snow overtime due to the March 2003 blizzard. In 2003, the Airport collected a payment of $0.8 million, a 75% reimbursement, from the Federal Emergency Management Agency (FEMA), for eligible expense as a result of the blizzard.

Because of uncertainties surrounding United and continued depressed traffic levels, departments were asked to reduce their respective 2004 and 2003 budgets by 6% and identify an additional 4% reduction be held until the United Airlines situation became clearer (the additional cuts were not reinstated). The budget cuts are reflected in the contractual services and maintenance, supplies and materials expense (which decreased as well) and a smaller increase, than originally budgeted, in personnel services.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased $3.6 million, or 2.5%, in 2004 due to the write off of a portion of the automated baggage system.

Depreciation and amortization expense increased $19.1 million, or 15.2%, in 2003. Of that amount, $8.9 million was attributable to assets placed in service in 2003 (including the sixth runway).

SUMMARY OF NONOPERATING REVENUES, NONOPERATING EXPENSES AND CHANGES IN NET ASSETS

The following is a summary of the Revenues, Expenses and Changes in Net Assets for 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
Operating revenues	$ 477,665	$ 457,093	$ 434,313
Operating expenses	(221,214)	(211,913)	(228,876)
Operating income before Depreciation and amortization	256,451	245,180	205,437
Depreciation and amortization	(148,386)	(144,758)	(125,692)
Operating income	108,065	100,422	79,745
Nonoperating revenues	84,766	90,191	109,138
Nonoperating expenses	(223,346)	(225,463)	(228,983)
Capital contributions	62,205	40,542	91,152
Increase in net assets	31,690	5,692	51,052
Net assets beginning of year	653,070	647,378	596,326
Net assets end of year	$ 684,760	$ 653,070	$ 647,378

2004

The operating revenues at the Airport were $477.7 million, an increase of 4.5% for the period ending December 31, 2004, as compared to December 31, 2003. The increase was primarily related to an increase in passenger traffic which led to an increase in facility rentals, concession and parking revenues.

Operating expenses increased by $9.3 million, or 4.4%, for the period ending December 31, 2004, as compared to December 31, 2003. The increase was attributable to an increase in personnel, electrical and gas rates, and repair and maintenance costs.

For year ended December 31, 2004, net assets increased by $31.7 million, compared to an increase of $5.7 million in 2003. Income from operations increased $7.6 million, or 7.6%, due to an increase in operating expenses of $9.3 million and an increase in depreciation of $3.6 million as a result of the write off of a portion of the automated baggage system. This was offset by an increase in operating revenues of $20.6 million.

Total nonoperating expenses, net of nonoperating revenues, increased by $3.3 million to $138.6 million in 2004. The increase was due primarily to an increase in interest expense of $7.5 million, or 3.5%, as the result of the issuance of additional debt for capital projects. The decrease in investment income of $3.3 million, or 13.0%, due to an unrealized loss on investments and decrease in yields. In addition, PFC revenues decreased $2.0 million, or 3.1%. These were offset by a decrease in other expense of $9.6 million. The decrease was caused by the near completion of environmental and demolition costs associated with Stapleton.

In 2004 and 2003, capital grants totaled $42.1 million and $32.7 million, respectively, while capital PFCs totaled $20.1 million and $7.9 million, respectively. The increase in 2004 capital grants was due to the implementation of the EDS baggage system, which is primarily grant funded. The increase in capital PFCs is due to the increase in passenger traffic and reallocation of PFCs from operating to capital.

2003

Operating revenues at the Airport were $457.l million, an increase of 3.0%, for the period ending December 31, 2003, as compared to December 31, 2002. The increase was primarily related to an increase in passenger traffic, parking revenues, facility rentals and landing fee rates.

Operating expenses decreased by $17.0 million, or 7.4%, for the period ending December 31, 2003, as compared to December 31, 2002. The significant decrease was attributable to the recognition of the Adams County Noise Penalty settlement in the amount of $14.5 million accrued for 2002, compared to $2.5 million in 2003, in addition to other reductions resulting from budgetary control and fiscal restraint.

Total nonoperating expense, net of nonoperating revenues, increased by $15.4 million to $135.3 million in 2003. The decrease in investment income of $16.1 million, or 38.4%, was due to a decrease in yields. There was a decrease of $4.2 million, or 92.0%, in non-capital grants received from the federal government that was offset by an increase in PFCs of $1.3 million, or 2.1%. Also, interest expense decreased by $3.9 million, or 1.9%, as the result of both lower interest rates realized from debt refunding and a decline in variable interest rates paid on several series of outstanding senior and subordinate bonds.

In 2003 and 2002, capital grants totaled $32.7 million and $84.1 million, respectively, while capital PFCs totaled $7.9 million and $7.0 million, respectively. The decrease in capital grants and capital PFCs is due to the completion of the sixth runway which was primarily grant funded.

SUMMARY OF NET ASSETS

The following is a summary of the net assets as of December 31, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
ASSETS:			
Current assets	$ 272,020	$ 192,013	$ 339,057
Restricted assets, current	467,583	477,243	614,313
Noncurrent investments	136,289	171,988	-
Long-term receivables	-	572	1,866
Capital assets	3,490,129	3,525,772	3,565,450
Bond issue costs, net	89,741	95,132	81,458
Investments restricted	309,582	280,975	-
Assets held for disposition	24,500	38,338	46,969
Total assets	4,789,844	4,782,033	4,649,113
LIABILITIES:			
Current liabilities	120,147	110,851	162,482
Current liabilities payable from restricted assets	198,058	202,866	124,385
Bonds payable	3,723,510	3,760,565	3,714,831
Note payable	56,763	45,973	-
Compensated absences	5,548	5,593	-
Capital lease	1,058	3,115	37
Total liabilities	4,105,084	4,128,963	4,001,735
NET ASSETS:			
Invested in capital assets, net of related debt	(142,611)	(148,832)	(37,371)
Restricted	496,536	459,196	418,414
Unrestricted	330,835	342,706	266,335
TOTAL NET ASSETS	$ 684,760	$ 653,070	$ 647,378

2004

Assets decreased by $7.8 million in 2004, compared to 2003, primarily due to the normal depreciation of capital assets and a decrease in assets held for disposition from the sale of Stapleton land. The offset was due to an increase in cash and investments primarily due to an increase in passenger traffic.

Liabilities decreased by $23.9 million in 2004, compared to 2003, primarily due to the decrease in bonds payable which was attributable to higher principal payments paid on debt. This was offset by the addition of notes payable.

Of the Airport System's 2004 net assets, 72.5% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $401.7 million. The Stapleton and sixth runway capital projects, totaling $94.8 million, are restricted because the funds were received from other entities and are to be used only for specific capital projects.

At December 31, 2004, the remaining net assets include unrestricted net assets of $330.8 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 amounts, as allowed for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($142.6) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the assets' book value.

2003

Assets increased by $132.9 million in 2003, compared to 2002. The increase was in cash and investments primarily due to an increase in passenger traffic that was offset by decreases in capital assets and assets held for disposition from the sale of Stapleton land. The increase in liabilities was due to the issuance of notes payable and debt with new monies for capital projects.

The Airport System's assets exceeded liabilities by $653.1 million as of December 31, 2003, a $5.7 million increase in net assets from the prior year.

Of the Airport System's 2003 net assets, 70% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service, represent $401.5 million. Stapleton and sixth runway capital projects, which are restricted due to additional monies received from other entities and used only for the Stapleton and sixth runway projects, represent $57.7 million.

The remaining net assets include unrestricted net assets of $342.7 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 amounts, as allowed for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($148.8) million represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

As of December 31, 2004, the Airport System had approximately $4.1 billion in outstanding bonded debt, both senior and subordinate, paying fixed and variable rates. The total annual debt service (principal and interest) was approximately $311.1 million in 2004. Over the past four years, the Airport System has called or refunded over $2 billion in high interest rate for debt originally issued in the early 1990s. This has resulted in a cumulative present value debt service savings of approximately $620.6 million.

The Airport System's senior lien debt is currently rated by Standard & Poors, Moody's, and Fitch at A, A2 and A, respectively, with stable outlooks at year end 2004.

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 year ended December 31, 2004 and 2003 was 153.0% and 163.0%, respectively, of total debt service.

On October 19, 2004, the Airport issued $150.0 million of Airport System Revenue Bonds, Series 2004 A and 2004B, in a variable rate mode for the purpose of currently refunding $92.7 million of the 1994A bonds and to obtain new monies to fund capital improvements for the Airport.

In February of 2003, the Airport issued additional Airport System Subordinate Commercial Paper 2000A notes, with outstanding principal of $11.5 million.

On May 1, 2003, the Airport issued $287.0 million of Airport System Revenue Bonds, Series 2003A and 2003B, in a fixed rate mode for the purpose of currently refunding $44.3 million, $25.0 million and $89.0 million of the Airport System Subordinate bonds 1997A, 1997B and 2000A Commercial Paper notes, respectively, and new monies to fund capital improvements for the Airport.

As of December 31, 2004, the Airport had outstanding contractual commitments of approximately $177.1 million and had made over $96.0 million in contractual payments for the year then ended. For 2003, the Airport had significant contractual commitments of approximately $105.6 million at December 31, and had made over $93.0 million in contractual payments.

On September 2, 2003, the Airport and TSA entered in to a Memorandum of Agreement (TSA MOA), regarding the implementation of screening of all checked baggage by explosive detection systems. The total cost of the EDS project is currently estimated to be approximately $92.0 million. With the approval of TSA, as required under the TSA MOA, the Airport entered into a contract with Siemens Dematic Corporation for the implementation of the EDS project, designed by Logplan. The construction of the EDS baggage system commenced in 2003 and each of the Airport's six terminal modules and customs recheck areas were 100% automated in May 2005.

The sixth runway was placed in service in the fall of 2003. The runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline using the Airport.

Excluding the commitments under the aforementioned Stipulated Order, the Airport's current 2004-2009 Capital Program includes approximately $334.9 million of planned projects as well as approximately $849.9 million of Demand Responsive Projects that will be undertaken based upon the demand for and the financial viability of such projects.

The 2004-2009 Capital Programs are expected to be financed with a combination of Airport Revenue bonds, commercial paper, equipment loans, federal grants, Passenger Facility Charges (PFCs) and Airport System monies.

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. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2004, a total of $654.9 million has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $543.0 million has been used to pay debt service on the Airport's general airport revenue bonds and $6.9 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 the $3.4 billion authorized amount of PFC revenues.

ECONOMIC FACTORS

The Airport System, like all major airports in the United States, was affected by the September 11, Events and the resulting impact on the air transportation industry, the economic slowdown which commenced prior to September 11, 2001 and the ongoing hostilities in the Middle East. While the effect on the Airport's airline tenants continues to linger, the Airport saw an increase in passenger traffic in 2004 and 2003.

Passenger traffic was up 13.0% in 2004 compared with a national average increase of 7.2% as reported by the Airline Transportation Association (ATA), an airline industry group. The December 2004 traffic level of over 3.4 million was the highest December in the Airport's history. Much of this passenger growth is attributed to the increased service of low cost carriers in the Denver market.

As previously discussed, operating revenue was up 4.5 %. The net result was operating income before depreciation and amortization of $256.5 million, an increase of 4.6%. Revenues Available for Sharing, the net revenue that is split 75%/25% with the signatory airlines under the use and lease agreements, was over $70.4 million, its highest level ever. The airlines will receive the maximum allocation of $40.0 million, with the balance flowing to the Airport'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 Stan Koniz, Chief Financial Officer, 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, Colorado

Municipal Airport System

Statements of Net Assets

December 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 161,221,005	$ 136,289,973
Investments	81,620,854	21,762,025
Accounts receivable (net of allowance for doubtful accounts $621,403 and $2,002,580)	14,209,375	17,610,580
Accrued interest receivable	3,789,208	4,581,430
Current portion of long-term receivables	891,363	1,808,552
Inventories	5,504,769	4,369,692
Prepaid expenses and other	4,783,611	5,591,161
Total current unrestricted assets	272,020,185	192,013,413
Restricted assets:		
Cash and cash equivalents	343,804,751	369,375,986
Investments	88,747,264	78,692,508
Accrued interest receivable	811,698	459,406
Grants receivable	23,248,477	19,112,939
Passenger facility charges receivable	10,971,071	9,601,794
Total current restricted assets	467,583,261	477,242,633
Total current assets	739,603,446	669,256,046
Non-current assets:		
Investments	136,289,290	171,987,907
Long-term receivables, net of current portion	-	571,934
Capital assets:		
Buildings	1,669,551,289	1,664,232,030
Improvements other than buildings	1,907,898,910	1,897,295,792
Machinery and equipment	681,752,860	673,353,122
	4,259,203,059	4,234,880,944
Less accumulated depreciation and amortization	(1,200,724,555)	(1,087,331,213)
	3,058,478,504	3,147,549,731
Construction in progress	136,213,858	82,917,003
Land, land rights and air rights	295,436,625	295,305,625
Total capital assets	3,490,128,987	3,525,772,359
Bond issue costs, net of accumulated amortization	89,740,592	95,131,601
Total non-current unrestricted assets	3,716,158,869	3,793,463,801
Investments – restricted	309,581,707	280,975,153
Assets held for disposition	24,500,229	38,337,829
Total assets	$ 4,789,844,251	$ 4,782,032,829

City and County of Denver, Colorado
Municipal Airport System
Statements of Net Assets, continued
December 31, 2004 and 2003

LIABILITIES AND NET ASSETS	2004	2003
Current liabilities:		
Vouchers payable	$ 24,506,701	$ 23,517,972
Due to other City agencies	7,084,285	16,304,601
Compensated absences payable	810,331	411,507
Other liabilities	22,854,181	17,984,118
Revenue credit payable	40,000,000	40,000,000
Deferred rent	24,891,093	12,632,747
Total current unrestricted liabilities	120,146,591	110,850,945
Current liabilities payable from restricted assets:		
Vouchers payable	16,349,794	17,881,254
Retainages payable	14,824,983	17,044,977
Accrued interest and matured coupons	27,536,811	28,739,313
Notes payable	19,449,588	14,026,508
Capital lease liability	2,056,333	1,990,919
Other liabilities	11,590,469	21,242,692
Revenue bonds	106,250,000	101,940,000
Total current liabilities payable from restricted assets	198,057,978	202,865,663
Total current liabilities	318,204,569	313,716,608
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,980,405,000	4,026,610,000
Less: deferred loss on bond refunding	(244,015,346)	(252,164,609)
Less: unamortized discounts	(12,880,068)	(13,880,637)
Total bonds payable, noncurrent	3,723,509,586	3,760,564,754
Notes payable	56,763,324	45,973,492
Compensated absences	5,548,190	5,592,896
Capital lease liability	1,058,346	3,114,679
Total noncurrent liabilities	3,786,879,446	3,815,245,821
Total liabilities	4,105,084,015	4,128,962,429
Net Assets:		
Invested in capital assets, net of related debt	(142,611,352)	(148,831,936)
Restricted for:		
Capital projects	94,783,131	57,708,438
Debt service	401,753,672	401,488,264
Unrestricted	330,834,785	342,705,634
Total net assets	684,760,236	653,070,400
Total liabilities and net assets	$4,789,844,251	$4,782,032,829

The accompanying notes are an integral part of the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2004 and 2003

	2004	2003
Operating revenues:		
Facility rentals (allowances of ($9,614,845) for 2003)	$ 210,460,910	$ 207,540,048
Concession revenues	30,637,755	25,933,123
Parking revenues	88,410,926	80,380,533
Car rental revenues	33,780,489	33,530,250
Landing fees	88,741,487	88,472,628
Aviation fuel tax	15,401,672	12,103,690
Other sales and charges (allowance of ($110,051) for 2004)	10,232,007	9,132,690
Total operating revenues	477,665,246	457,092,962
Operating expenses:		
Personnel services	90,005,372	88,414,243
Contractual services	117,091,081	112,338,508
Maintenance, supplies and materials	14,117,314	11,160,453
Total operating expenses, before depreciation	221,213,767	211,913,204
Operating income before depreciation and amortization	256,451,479	245,179,758
Depreciation and amortization	148,386,077	144,757,991
Operating income	108,065,402	100,421,767
Nonoperating revenues (expenses):		
Passenger facility charges	62,039,549	64,056,749
Investment income	22,485,968	25,761,844
Interest expense	(221,296,222)	(213,761,974)
Grants	240,500	372,640
Other expense	(2,050,545)	(11,700,474)
Total nonoperating revenues (expenses), net	(138,580,750)	(135,271,215)
Loss before capital contributions	(30,515,348)	(34,849,448)
Capital Contributions:		
Capital grants	42,083,319	32,654,396
Capital passenger facility charges	20,121,865	7,887,909
Change in net assets	31,689,836	5,692,857
Net assets, beginning of year	653,070,400	647,377,543
Net assets, end of year	$ 684,760,236	$ 653,070,400

The accompanying notes are an integral part of the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 498,049,868	$ 467,057,863
Payments to suppliers	(147,595,124)	(114,569,068)
Payments to employees	(89,673,521)	(87,708,241)
Net cash provided by operating activities	260,781,223	264,780,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous nonoperating receipts (expenditures), net	6,458,538	(6,201,268)
Operating grants received	266,066	1,164,414
Passenger facility charges receipts	60,670,272	60,205,588
Net cash provided by noncapital financing activities	67,394,876	55,168,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	57,974,070	140,666,698
Proceeds from note payable	33,000,000	60,000,000
Principal paid on notes payable	(16,787,088)	-
Principal paid on revenue bonds	(101,940,000)	(90,180,000)
Interest paid on revenue bonds	(216,437,179)	(205,946,092)
Principal paid on capital lease	(1,990,919)	-
Bond issuance costs paid	(2,235,311)	(15,998,646)
Passenger facility charges receipts	20,121,865	7,887,909
Capital grant receipts	37,922,215	26,288,810
Purchases of capital assets	(111,445,614)	(111,278,078)
Payments to escrow for current refunding of debt	(10,171,462)	(2,632,000)
Proceeds from sale of capital assets	486,279	479,560
Proceeds from sale of assets held for disposition	13,837,600	8,631,008
Net cash used in capital and related financing activities	(297,665,544)	(182,080,831)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,690,759,326)	(5,952,169,259)
Proceeds from sales and maturities of investments	7,627,937,804	5,889,692,861
Interest and dividends on investments	31,670,764	25,544,283
Net cash used in investing activities	(31,150,758)	(36,932,115)
Net increase (decrease) in cash and cash equivalents	(640,203)	100,936,342
Cash and cash equivalents – beginning of the year	505,665,959	404,729,617
Cash and cash equivalents – end of the year	$ 505,025,756	$ 505,665,959

The accompanying notes are an integral part of the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows, continued
For the Years Ended December 31, 2004 and 2003

	2004	2003
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$108,065,402	$100,421,767
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	148,386,077	144,757,991
Change in assets and liabilities:		
Receivables, net of allowance	4,890,328	4,670,570
Inventories	(1,135,077)	475,081
Prepaid expenses and other	807,550	342,952
Vouchers and other payables	988,729	3,913,941
Deferred rent	12,258,346	(10,435,563)
Due to other City agencies	(9,220,316)	8,788,468
Compensated absences	354,118	470,844
Accrued expenses	(4,613,934)	11,374,503
Net cash provided by operating activities	$260,781,223	$264,780,554

Non Cash Activities

The Airport System issued bonds in the amount of $150,000,000 and $286,965,000 in 2004 and 2003, respectively, in order to refund debt and fund capital projects. Proceeds of $91,762,531 and $158,534,161 for 2004 and 2003, 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. A discount on bonds of $263,400 and $4,170,512 occurred in 2004 and 2003, respectively.

In 2003, the Airport System entered into a capital lease agreement for runway equipment with GE Capital Public Finance of $6,347,267.

The accompanying notes are an integral part of the financial statements.

A. Organization and Reporting Entity

Nature of Operations

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

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

Reporting Entity

There are no other funds of the City included with the Airport System in the accompanying financial statements. All accounts established by bond ordinances related to the Airport System have been included for reporting purposes in the accompanying financial statements.

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.

B. Summary of Significant Accounting Policies

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 services).

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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, 2004. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

During 2004, the Airport System implemented GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* GASB No. 42 states that a capital asset is considered impaired when its service utility has declined significantly and unexpectedly. GASB No. 42 also clarifies accounting for insurance recoveries. There was no impact with adoption of GASB No. 42 to the Airport System other than the disclosure of certain idle assets.

Cash and Cash Equivalents

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

Investments

Investments, which the City maintains, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2004 and 2003. The Airport System's investments are maintained in segregated pools such as U.S. Treasury Securities, U.S. Agency Securities, commercial paper and repurchase agreements.

Inventories

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

Capital Assets

Capital assets are recorded at cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, land rights and air rights at Denver International. 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 2004 and 2003 was $5,048,545 and $4,840,386, respectively. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight line method over the shorter of the lease term or their estimated useful life.

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 years
Other improvements	15-40 years
Major system equipment	15-25 years
Vehicles and other equipment	5-10 years

Bond Issue Costs, Deferred Losses on Bond Refundings, and Unamortized Discounts

Bond issue costs, deferred losses on bond refundings, and unamortized discounts are deferred and amortized over the life of the 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 discounts and deferred losses on bond refundings are recorded as a reduction of the face amount of the bonds payable.

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 G for further discussion.

Compensated Absences Payable

Accumulated vested sick and vacation benefits are recorded as an expense and a liability as benefits accrue to employees.

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.

Net Assets

2004
The Airport System's assets exceeded liabilities by $684,760,236 as of December 31, 2004 a $31,689,836 increase in net assets from the prior year end. Of the Airport System's 2004 net assets, 72.5% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represents $401,753,672 that are externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represent $94,783,131.

The remaining net assets include unrestricted net assets of $330,834,785 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 for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($142,611,352) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2003
The Airport System's assets exceeded liabilities by $653,070,400 as of December 31, 2003, a $5,692,857 increase in net assets from the prior year end. Of the Airport System's 2003 net assets, 70.0% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represents $401,488,264 that are externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represents $57,708,438.

The remaining net assets include unrestricted net assets of $342,705,634 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 for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($148,831,936) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

Restricted and unrestricted Resources

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

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 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 and grants from the federal government and Stapleton demolition and remediation expenses.

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, 2004, the Airport System had accrued a liability, included in current other liabilities, of $17,442,509 and as of December 31, 2003, accrued an accounts receivable of $14,206,562 for such amounts.

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 is to be credited in the following year to the passenger airlines signatory (lease agreement signed) to use and lease agreements; and thereafter it is 50%, capped at $40,000,000 for all years. The Net Revenues credited to the airlines during 2005 and 2004, respectively, were $40,000,000 and $40,000,000. Liabilities for these amounts were accrued as of December 31, 2004 and 2003, respectively, and are reported in the Statement of Net Assets as Revenue Credit Payable.

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.

Reclassifications

Certain 2003 balances have been reclassified to conform with the 2004 financial statements presentation.

C. Cash, Cash Equivalents, and Investments

At December 31, 2004 and 2003, respectively, the carrying amount of the Airport System's deposits were $21,900,870 and $242,784, and the bank balance was $0 and $367,828 at 2004 and 2003, respectively. Of the bank balance at December 31, 2003, $367,828 was insured and collateralized with securities held by banks in their trust departments in the City's name in accordance with the State's Public Deposit Protection Act.

The City's investment portfolio includes investments which bear interest at variable rates or interest rates which periodically increase; investments in mortgage-backed securities; and investments which are callable by the issuer at par. With respect to these investments, as well as other investments within the City's portfolio, the City is subject to market risk, which represents the exposure to changes in the market such as a change in interest rates or a change in price or principal value of a security. Additionally, the Airport System is exposed to credit risk associated with its investment portfolio. Custodial credit risk is exposure to default of counterparty or counterparty's trust department or agent to investment transactions.
The City's investments are categorized into these three categories of custodial credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

At December 31, 2004 and 2003, all of the Airport System's investments were in category 1, except for commercial paper which is category 3. The Airport System's investments are maintained in segregated pools and consist of the following:

	2004 Fair Value	2003 Fair Value
U. S. Treasury Securities	$ 180,609,970	$ 154,727,787
U. S. Agency Securities	292,626,927	250,758,240
Commercial Paper	314,030,284	281,554,741
Repurchase Agreements	290,496,820	371,800,000
Certificates of Deposit	21,600,000	-
	1,099,364,001	1,058,840,768
Deposits	21,900,870	242,784
Total	$1,121,264,871	$1,059,083,552

Investment income earned on the Airport System's pooled cash and investments is allocated to the participating Airport System accounts funds based upon the average investment balances of each fund. Investment income for 2004 and 2003 is comprised of interest income and a net unrealized gain (loss) on investments of ($8,712,717) and $2,196,746, respectively.

At December 31, cash, cash equivalents, and investments included in restricted assets were restricted for the following purposes:

	2004	2003
Operations and maintenance reserve	$ 50,393,287	$ 42,153,825
Bond interest and retirement	449,949,591	459,245,149
Acquisition, construction and replacement	241,683,540	227,537,369
Deposits	107,304	107,304
	$742,133,722	$729,043,647

D. 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, 2004 and 2003, an allowance of $621,403 and $2,002,580, respectively, had been established. No amount is reserved for United Airlines (United) in 2004. See further discussion regarding United in Note U of the financial statements.

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
December 31, 2004 and 2003

E. **Capital Assets**

Changes in capital assets for the year ended December 31, 2004 and 2003 were as follows (in thousands):

2004

	January 1, 2004	Additions	Transfers of Completed Projects	Retirements	December 31, 2004
Depreciable:					
Buildings	1,664,232	$ -	$ 5,319	$ -	$ 1,669,551
Improvements other than buildings	1,897,296	-	10,603	-	1,907,899
Machinery and equipment	673,353	6,870	42,607	(41,077)	681,753
	4,234,881	6,870	58,529	(41,077)	4,259,203
Less accumulated depreciation and amortization	(1,087,331)	(148,386)	-	34,992	(1,200,725)
	3,147,550	(141,516)	58,529	(6,085)	3,058,478
Non Depreciable:					
Construction in progress	82,917	112,013	(58,529)	(187)	136,214
Land, land rights and air rights	295,305	132	-	-	295,437
Total capital assets	$ 3,525,772	$ (29,371)	$ -	$ (6,272)	$ 3,490,129

2003

	January 1, 2003	Additions	Transfers of Completed Projects	Retirements	December 31, 2003
Depreciable:					
Buildings	$ 1,550,511	$ -	$ 113,721	$ -	$ 1,664,232
Improvements other than buildings	1,636,751	-	260,545	-	1,897,296
Machinery and equipment	610,930	9,099	61,874	(8,550)	673,353
	3,798,192	9,099	436,140	(8,550)	4,234,881
Less accumulated depreciation and amortization	(950,019)	(144,758)	-	7,446	(1,087,331)
	2,848,173	(135,659)	436,140	(1,104)	3,147,550
Non Depreciable:					
Construction in progress	426,156	92,901	(436,140)	-	82,917
Land, land rights and air rights	291,121	4,184	-	-	295,305
Total capital assets	$ 3,565,450	$ (38,574)	$ -	$ (1,104)	$ 3,525,772

As of December 31, 2004 and December 31, 2003, there were idle assets, not in use, with a book value of $13,356,889 and $14,952,032, respectively.

F. Long-Term Receivables

Long-term receivables consist of the following:

	2004	2003
Due from Continental Airlines, Inc.	$ 571,934	$1,866,256
Due from concessionaires	319,429	514,230
Total long-term receivables	891,363	2,380,486
Less: current portion	(891,363)	(1,808,552)
Noncurrent portion	$ -	$ 571,934

The amounts due from Continental Airlines, Inc. consist of costs incurred related to improvements to Concourse C at Stapleton. Of the amount due for improvements at Stapleton, $482,663 and $1,245,781 is due in monthly installments of $71,340, for 2004 and 2003 respectively, including interest at 10.3% through July 2005. The remaining $620,475 and $89,271 is due in equal installments, for 2004 and 2003 respectively, including interest at 8.5%, through July 2005.

G. Assets Held for Disposition

Stapleton consists of approximately 4,051 acres of land and various buildings and roadways. The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is proceeding 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 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.

On July 1, 1998, the City entered into a master lease agreement with Stapleton Development Corporation (SDC), which permits SDC to manage and operate the Stapleton site (excluding certain parcels) while disposing of the Stapleton site in accordance with the master lease agreement. In January 2000, the City entered into an agreement with Forest City Corporation for the purchase and redevelopment of the Stapleton site. The agreement calls for Forest City Corporation to purchase the remaining site acreage over 15 years for a total price of $79.4 million as escalated annually by the Consumer Price Index. Effective January 1999, the City reached an agreement with nine of the signatory airlines formerly operating at Stapleton (the Airline Agreement). The Airline Agreement caps the Airport System's financial exposure for demolition and environmental remediation costs of Stapleton at $120 million. The Airline Agreement provided for a direct payment of $15 million by three of the airlines, which was accrued in 1999 and collected in 2000, and recovery of $43.1 million from the signatory airlines through the Airport System's rates and charges over a 25-year period. The remaining cost will be funded up to a total maximum of $120.0 million initially from the Airport's capital account and recouped primarily through the sale of land to Forest City Corporation. As of December 31, 2004, the Airport had funded a total of $51.9 million and recouped $47.7 million.

In March 2000, the Airport System entered into a comprehensive environmental remediation contract and purchased cost cap insurance for environmental issues up to $100 million.

Under certain circumstances, the City may perform remediation that is beyond the level otherwise required by the Stapleton Airline Agreement, and the City is permitted to pay up to a maximum of $20 million for additional remediation from the City's share of Airport Net Revenues in the capital account.

In May 2000, the Airport System issued Series 2000B Subordinate Commercial Paper Notes in an aggregate principal amount of $30,789,000. The proceeds of these notes are to be used to pay costs associated with certain expenses associated with the disposition of Stapleton, as noted above, and are being amortized over a 25-year term. The 2000B subordinate commercial paper notes were refunded in October 2002 with the 2002D Airport System Revenue Bonds.

As a result of the long-term nature of the development plan, the timing and ultimate amount of net proceeds from the disposition of Stapleton's existing plant and improvements is not presently determinable. The carrying value of Stapleton was $24,500,229 and $38,337,829 at December 31, 2004 and 2003, respectively. The current accrued environmental liability for Stapleton was $5,438,736 and $11,884,136 at December 31, 2004 and 2003, respectively.

H. Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, budgeting, police and fire, and engineering. Billings from the City, both direct and indirect, during 2004 and 2003 totaled $38,744,543 and $39,422,948 respectively, and are included in operating expenses. The outstanding liability to the City and its related agencies in connection with these services totaled $7,084,285 and $16,304,601 at December 31, 2004 and 2003, respectively.

I. Bonds Payable

The Airport System has issued bonds 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 is payable semi-annually. The variable rate bonds are issued in weekly mode. As such, the actual interest rate on the bonds will vary weekly, 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, 2004 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds			
Series 1990A			
Capital Appreciation Bonds	November 15, 2005	8.55%	$ 13,450,000
Series 1991A			
Term Bonds	November 15, 2008	14.00%	26,500,000
Series 1991D			
Capital Appreciation Bonds	Annually November 15, 2005 to 2006	7.85-7.95%	26,510,000

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds (continued)			
Term Bonds	November 15, 2013	7.75%	$ 102,600,000
*Series 1992F,G	November 15, 2025	2.05%	50,400,000
Series 1995A	Annually November 15, 2017 to 2025	5.60-5.70%	230,760,000
Series 1995B Serial Bonds	Annually November 15, 2005 to 2011	5.20-5.75%	25,595,000
Term Bonds	November 15, 2017	5.75%	64,915,000
Series 1995C Serial Bonds	Annually November 15, 2005 to 2009	5.00-5.50%	14,230,000
Term Bonds	November 15, 2012, 2016 and 2025	5.60-6.50%	84,240,000
Series 1996A Term Bonds	November 15, 2016 and 2025	5.50-5.75%	146,110,000
Series 1996B Serial Bonds	Annually November 15, 2005 to 2012	5.75-6.25%	68,440,000
Term Bonds	November 15, 2015	5.75%	34,165,000
Series 1996C Serial Bonds	Annually November 15, 2005 to 2011	5.125-6.00%	68,825,000
Term Bonds	November 15, 2013	5.50%	26,015,000
Series 1996D Term Bonds	November 15, 2025	5.50%	142,790,000
Series 1997E Serial Bonds	Annually November 15, 2011 to 2015	5.125-6.00%	105,020,000
Term Bonds	November 15, 2017, 2023 and 2025	5.25-5.50%	310,685,000
Series 1998A Term Bonds	November 15, 2025	5.00%	206,665,000
Series 1998B Term Bonds	November 15, 2025	5.00%	103,395,000
Series 2000A Serial Bonds	Annually November 15, 2005 to 2019	4.75-6.00%	259,415,000

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds (continued)			
Term Bonds	November 15, 2023	5.625%	31,495,000
*Series 2000B	November 15, 2025	2.05%	200,000,000
*Series 2000C	November 15, 2025	2.05%	100,000,000
Series 2001A Serial Bonds	Annually November 15, 2005 to 2017	5.00-5.625%	328,225,000
Series 2001B Serial Bonds	Annually November 15, 2013 to 2016	4.70-5.50%	16,675,000
Series 2001D Serial Bonds	Annually November 15, 2005 to 2024	4.50-5.50%	64,145,000
*Series 2002A1-A3	November 15, 2032	1.875%	287,675,000
*Series 2002C	November 15, 2025	2.05%	46,900,000
*Series 2002D	November 15, 2005	2.42%	10,200,000
Series 2002E Serial Bonds	November 15, 2023	4.00-5.50%	198,770,000
Series 2003A Term Bonds	November 15, 2026 and 2031	5.00%	161,965,000
Series 2003B Serial Bonds	Annually November 15, 2016 to 2020	5.75%	24,540,000
Term Bonds	November 15, 2033	5.00-5.50%	100,460,000
*Series 2004A	November 15, 2024	2.00%	75,000,000
*Series 2004B	November 15, 2024	2.04%	75,000,000
Airport System Subordinate Revenue Bonds			
*Series 2001C1-C4	November 15, 2022	1.70-1.75%	200,000,000
Economic Defeasance LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000
Total revenue bonds		$	4,086,655,000
Less: current portion			(106,250,000)
Net unamortized discount			(12,880,068)
Deferred loss on refundings			(244,015,346)
Total bonds payable, noncurrent		$	3,723,509,586

Most of the Airport System bonds are subject to certain mandatory redemption requirements commencing subsequent to 2004.
*The variable rates are at December 31, 2004

City and County of Denver, Colorado
Municipal Airport System
Notes to the Financial Statements, continued
December 31, 2004 and 2003

Changes in long-term debt for the years ended December 31, 2004 and 2003 were as follows, (in thousands):

2004

	January 1, 2004	Additions	Refunded Debt	Retirements	December 31, 2004
Airport System revenue bonds	$ 4,073,670	$ 150,000	$ (89,955)	$ (101,940)	$ 4,031,775
Economic defeasance	54,880	-	-	-	54,880
Less: deferred loss on bonds	(252,165)	(4,734)	-	12,884	(244,015)
Less: unamortized discounts	(13,881)	-	2,454	(1,453)	(12,880)
Total bond debt	$ 3,862,504	$ 145,266	$ (87,501)	$ (90,509)	$ 3,829,760
Less: current portion					(106,250)
Noncurrent portion					$ 3,723,510

2003

	January 1, 2003	Additions	Refunded Debt	Retirements	December 31, 2003
Airport System revenue bonds	$ 4,023,775	$ 298,465	$ (158,390)	$ (90,180)	$ 4,073,670
Economic defeasance	54,880	-	-	-	54,880
Less: deferred loss on bonds	(261,404)	(159)	-	9,398	(252,165)
Less: unamortized discounts	(12,241)	(2,274)	-	634	(13,881)
Total bond debt	$ 3,805,010	$ 296,032	$ (158,390)	$ (80,148)	$ 3,862,504
Less: current portion					(101,940)
Noncurrent portion					$ 3,760,564

Deferred Refunding
The proceeds of the 2004A-B bonds were used, together with other Airport monies, to currently refund all of the outstanding Series 1994A Airport System Revenue Bonds. The Series 2004A-B is based on an assumed interest rate of 3.4% as well as a series of planned optional redemptions of bonds. The refunding portion of the Series 2004A-B bonds is structured to provide the Airport with approximate level interest savings until the amortization of principal begins in 2018 continuing through 2023. The interest savings of $53,029,333 and debt service savings of $53,584,333 (including principal), are expected to be achieved based upon the planned optional redemptions and interest rate assumptions. The Airport will realize a cash flow savings of $17,036 with this transaction. The current refunding resulted in a defeasance of debt between the requisition price of $89,955,000 and the net carrying amount less the unamortized portion of $85,220,209, which resulted in a deferred refunding amount of $4,734,702. The deferred refunding amount is being amortized over the remaining life of the old debt.

Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates.

Summary of Interest Rate Swap Transactions

Counterparty	Trade Date	Effective Date	Notional Amount ($mm)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Fair Values December 31, 2004
1998 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	1/23/98	10/5/00	$100	11/15/25	2000B	4.7600%	Bond Rate	$ (9,363,232)
Lehman Bros. Special Financing Inc.	1/23/98	10/5/00	$100	11/15/25	2000B	4.7600%	Bond Rate	$(13,316,426)
Societe Generale, New York Branch	1/23/98	10/5/00	$100	11/15/25	2000C	4.7190%	Bond Rate	$(13,324,018)
1999 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	7/23/99	10/5/01	$100	11/1/22	2001C1-4	5.6179%	BMA	$(19,754,747)
Merrill Lynch Capital Services, Inc.	7/23/99	10/5/01	$50	11/1/22	2001C1-4	5.5529%	BMA	$ (9,260,887)
RFPC, LTD.	7/23/99	10/5/01	$50	11/1/22	2001C1-4	5.6229%	BMA	$ (9,585,050)
2002 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	4/12/02	4/16/02	$100	11/1/22	2001C1-4	BMA	76.33% LIBOR	$ (2,027,959)
RFPC, LTD.	4/12/02	4/16/02	$100	11/1/22	2001C1-4	BMA	76.00% LIBOR	$ (1,752,851)
								$(78,385,170)

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 values were calculated using the mid-market LIBOR and BMA Swap curves as of December 31, 2004. 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, 2004. 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 its 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, 2004, the ratings of the Airport System's Senior Bonds were A by Standard & Poor's (with a stable outlook), A2 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, 2004 are as follows:

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A+	Aa3	AA-
Lehman Brothers Special Financing Inc. (Lehman Brothers Holdings Inc.)	A	A1	A+
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A+	Aa3	AA-
RFPC, LTD. (Ambac Assurance Corp.)	AAA	Aaa	AAA
Societe Generale, New York Branch	AA-	Aa3	AA-

As of December 31, 2004 there was no risk of loss being the fair values of the swap agreements are negative.

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 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. The debt associated with each of the swap agreements pays interest at variable interest rates. The Airport System receives variable payments under its swap agreements. To the extent the variable rate on the associated debt is based on an index different that those 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) with three financial institutions 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, a 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 .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 Bond Markets Association Index (BMA) and LIBOR such that the daily average BMA 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 nor a downgrade of the short term ratings for the year ended December 31, 2004.

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 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 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 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) with three 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 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 BMA Index payable by the respective financial institutions. Historically, average BMA Index has been lower than the variable interest rate the Airport System pays on the associated debt. The Airport System attributes this difference 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.

On October 4, 2001, the Airport System issued the Series 2001C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The net effect of the 1999 Swap Agreements, when considered together with the variable rate Series 2001C1-C4 Subordinate Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2001C1-C4 Subordinate 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.

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 Bond Market Association Index (BMA) 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 2001 C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between BMA 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 (2.59), rather than BMA, to offset the actual rate (1.74%) paid on the Series 2001C1-C4 bonds. The average percentage of LIBOR received by the Airport System under the 2002 Swap Agreements is 76.165%.

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. The 2002 Swap Agreements became effective on April 15, 2002 and payments under these Agreements commenced on May 1, 2002.

Swap Payments and Associated Debt

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2004, 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:

Year	Principal	Interest	Interest Rate Swaps Net	Total
2005	$ -	$ 9,630,000	$ 14,115,580	$ 23,745,580
2006	-	9,630,000	14,115,580	23,745,580
2007	-	9,630,000	14,115,580	23,745,580
2008	-	9,630,000	14,115,580	23,745,580
2009	-	9,630,000	14,115,580	23,745,580
2010-2014	-	48,150,000	70,577,900	118,727,900
2015-2019	118,710,000	47,412,803	69,463,743	235,586,546
2020-2024	328,560,000	20,753,138	29,103,805	378,416,943
2025	52,730,000	1,013,405	1,333,475	55,076,880
Total	$ 500,000,000	$ 165,479,345	$ 241,056,824	$ 906,536,169

Bond Issuances

On November 1, 1999, the Airport System entered into an economic defeasance of $54,880,000 from certain 1998 and 1999 Federal grant proceeds from the United States Department of Transportation under the 1990 Letter of Intent. These funds were set aside in a 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 maturing on November 15, 2025. Escrow B proceeds will be used to defease $14,800,000 of the Series 1991D maturing on November 15, 2013. These bonds are considered defeased for bond ordinance purposes; however, the defeasance was not considered a legal defeasance in substance under accounting principals generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

On October 19, 2004, the Airport issued a $150,000,000 of Airport System Revenue Bond Series 2004A and 2004B in a variable rate mode for the purpose of currently refunding $92,655,000 of the 1994A bonds and new monies to fund capital improvements.

J. Demand Bonds

Included in long-term debt are $50,400,000, $200,000,000, $100,000,000, $200,000,000, $287,675,000, $46,900,000, $10,200,000, $75,000,000 and $75,000,000 of Airport System Revenue Bonds Series 1992F, G, 2000B, 2000C, 2001C1-C4, 2002A1-A3, 2002C, 2002D, 2004A and 2004B 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.

Irrevocable letters of credit were issued as collateral for the Series 1992F, 1992G, 2002C and 2002D revenue bonds in the amounts as follows:

Bonds	Par Amount Outstanding	Letter of Credit Amount	Annual Commitment Fee[1]	Letter of Credit Expiration Date
Series 1992F	$27,500,000	$31,059,400	0.370%	September 24, 2009
Series 1992G	22,900,000	25,829,467	0.370%	September 24, 2009
Series 2002C	46,900,000	51,232,000	0.370%	October 8, 2009
Series 2002D	10,200,000	21,133,200	0.370%	October 8, 2009

[1]Commitment fees are payable quarterly on the Letter of Credit amount.

Standby Bond Purchase Agreements in the amount of $318,400,000 were issued, together with municipal bond insurance policies, as collateral for the $300,000,000 Series 2000B and 2000C revenue bonds. The Letters of Credit are scheduled to terminate on August 24, 2006 and the Airport System is required to pay a quarterly commitment fee equal to 0.32% per annum on the total amount of the Letters of Credit. The municipal bond insurance policies covering principal and interest for the life of the Series 2000B and 2000C bonds were issued. The Airport System paid an initial premium for these insurance policies on the closing date of the 2000B and 2000C revenue bonds covering premiums due through August 24, 2002. Beginning on August 24, 2002, the Airport System is required to pay an annual insurance premium equal to 0.070% of the outstanding par amount of the 2000B and 2000C revenue bonds. As of December 31, 2004 and 2003, no amounts have been drawn under any of the letter of credit agreements.

K. 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, the Series 1990A, 1991A, 1991D, 1992F, 1992G, 1995A, 1995B, 1995C, 1996A, 1996B, 1996C, 1996D, 1997E, 1998A 1998B, 2000A, 2000B, 2000C, 2001A, 2001B, 2001D, 2002A1-A3, 2002C, 2002D, 2002E, 2003A, 2003B, 2004A and 2004B (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, the Series 2001C1-C4 Bonds are collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

The Airport System is required by the Bond Ordinance at all times 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. Management believes the Airport System is in compliance with the bond covenants.

L. Bond Debt Service Requirements

Debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2004 are as follows:

Year	Principal	Interest
2005	$ 106,250,000	$ 191,358,735
2006	97,805,000	189,225,431
2007	107,110,000	184,745,094
2008	103,005,000	178,254,278
2009	103,735,000	172,173,851
2010-2014	699,870,000	765,573,371
2015-2019	947,165,000	560,702,864
2020-2024	1,267,460,000	321,708,375
2025-2029	449,435,000	73,927,245
2030-2033	149,940,000	19,150,250
Total	$4,031,775,000	$2,656,819,494

The interest requirements for variable debt was determined using the average coupon rate in effect at December 31, 2004. The variable interest rate fluctuates in accordance to the market.

Debt service requirements for the economic defeasance of the Airport System to maturity as of December 31, 2004, are as follows:

Year	Principal	Interest
2005	$ -	$ 3,601,900
2006	-	3,601,900
2007	-	3,601,900
2008	-	3,601,900
2009	-	3,601,900
2010-2014	14,800,000	16,862,500
2015-2019		12,274,500
2020-2024	-	12,274,500
2025	40,080,000	981,225
Total	$54,880,000	$ 60,402,225

M. 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, 2004 and 2003, Special Facility Revenue Bonds outstanding totaled $323,867,905 and $381,830,000, respectively. In April and October 2003, United Airlines failed to make its facilities lease payment of $8,986,000 to the paying agent which, in turn, led to a failure of the paying agent to make the interest payment of the same amount as required under the related $261,415,000 of Special Facility Bonds. The Airport, together with several other airports, filed suit on behalf of the bondholders to enforce the payments under the Special Facilities Lease. In April 2004, the court ruled in favor of the City that the Special Facilities Lease was in fact a true lease. United has placed five lease payments of $8,986,000 in escrow while it appeals the ruling.

N. Notes Payable

The Airport System entered into a $60 million Master Installment Purchase Agreement with Siemens Financial Services on November 5, 2003 to fund the reimbursable portion of the construction of the in-line EDS baggage screening system. Payments are due annually in advance beginning December 31, 2004. The interest rate is 3.4% and is based on a 30/360 calculation. 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 payment schedule relating to note requirements as of December 31, 2004, is as follows:

Year	Principal	Interest
2005	$19,449,588	$ 2,576,882
2006	20,117,026	1,909,444
2007	20,807,384	1,219,085
2008	5,143,276	505,019
2009	4,154,140	333,174
2010-2012	6,541,498	243,001
	$76,212,912	$ 6,786,605

Changes in Notes Payable for the years ended December 31, 2004 and 2003, were as follows:

	Balance January 1, 2004	Additions	Retirements	Balance December 31, 2004
Notes payable	$60,000,000	$33,000,000	($16,787,088)	$76,212,912
Less: current portion				(19,449,588)
Noncurrent portion				$56,763,324

	Balance January 1, 2003	Additions	Retirements	Balance December 31, 2003
Notes payable	$ -	$60,000,000	$ -	60,000,000
Less: current portion				(14,026,508)
Noncurrent portion				$45,973,492

O. Capital Lease

The Airport System entered into a capital lease agreement for runway equipment with GE Capital Public Finance on July 1, 2003. Future minimum lease obligations, together with the present value of the net minimum lease payments, as of December 31, 2004 are as follows.

Year	Amount
2005	$2,132,096
2006	1,071,495
Total minimum lease payments	3,203,591
Less: Amount representing interest	(88,912)
Present value of lease payments	$3,114,679

The related net book value of equipment under the capital lease obligation as of December 31, 2004 is a follows:

	2004
Equipment	$6,009,746
Less: accumulated depreciation	(2,053,749)
Net book value	$3,955,997

Changes in capital lease for the years ended December 31, 2004 and 2003 were as follows:

	January 1, 2004	Additions	Retirements	December 31, 2004
Capital lease	$5,105,598	$ -	($1,990,919)	$ 3,114,679
Less current				(2,056,333)
Non-capital lease current				$ 1,058,346

	January 1, 2003	Additions	Retirements	December 31, 2003
Capital lease	$6,096,190	$ -	($990,592)	$5,105,598
Less current				(1,990,919)
Non-capital lease current				$3,114,679

P. Pension Plan

Plan Description

Employees of the Airport System, as well as substantially all of the general employees of the City, are covered under the Denver Employees Retirement Plan (DERP). The following is a brief description of the retirement plan. Plan participants should refer to the appropriate source documents or publicly available financial reports for more complete information.

The DERP is a cost sharing multiple-employer, defined benefit plan established by the City to provide pension benefits for its employees. The DERP is administered by the DERP Board of Trustees in accordance with sections 18.401 through 18.422 of the City's Revised Municipal Code. These Code sections establish the plan, provide complete information on the DERP, and vest the authority for the benefit and contribution provision with the City Council. The DERP Board of Trustees acts as the trustee of the plan's assets. As of January 1, 2004, the date of the last actuarial valuation, the plan was overfunded; therefore, there was no net pension obligation. The Retirement 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. The report is available by contacting:

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plan's Funding Policy and Annual Pension Cost

The City's annual pension cost for the current year and related information for the plan is as follows (dollar amounts expressed in thousands):

	DERP	DERP Health Benefits
Contribution rates (as a percentage of covered payroll):		
City	8.08%	.65%
Plan members	2.08%	.16%
Annual pension cost	$51,480	$4,072
Total contributions made	$44,864	$3,929
Actuarial valuation date	1-01-04	1-01-04
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	30 years	30 years
Asset valuation method	5 year smooth mkt.	5 year smooth mkt.
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	4.1-8.7%	4.1-8.7%
*Includes inflation at	4.0%	4.0%
Cost of living adjustments	None	None
Health insurance benefit inflation	-	-

Three-year Trend Information (dollar amounts expressed in thousands):

	Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
DERP	2002	49,067	96.3	$ -
	2003	47,436	96.2	-
	2004	51,480	86.6	-
DERP Health Benefits	2002	3,661	97.1	-
	2003	4,710	97.0	-
	2004	4,072	96.5	-

Q. 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.

R. Commitments and Contingencies

Commitments

At December 31, 2004, the Airport System has the following contractual commitments for construction and professional services:

	2004
Construction projects	$ 50,656,549
Projects related to construction—Denver International	118,477,139
Projects related to remediation—Stapleton	7,945,035
Total commitments	$177,078,723

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. In January 1998, the Board of County Commissioners of Adams County and the Cities of Aurora, Brighton, Commerce City and Thornton filed a complaint against the City in Jefferson County District Court alleging that the City violated the terms of the Intergovernmental Agreement seeking, among other things, an unspecified amount of damages under the Intergovernmental Agreement for violations of that agreement that occurred in 1995, 1996 and 1997. The District Court rendered summary judgment in favor of the City regarding all claims for relief with respect to violations of the Intergovernmental Agreement that allegedly occurred in 1996 and 1997. Judgment against the City in the amount of $4.0 million, for eight noise level violations of the Intergovernmental Agreement that occurred in 1995, was entered by the District Court, and the District Court subsequently awarded the plaintiffs prejudgment interest in the amount of $1.3 million. The City unsuccessfully appealed the judgment both to the Colorado Court of Appeals and the Colorado Supreme Court, and in March 2002 the City paid and satisfied the judgment plus interest thereon, in the total amount of $6.3 million, from the Airport System's Capital Fund.

In March 2001, the Board of County Commissioners of Adams County and the Cities of Aurora, Brighton, Commerce City and Thornton filed an additional complaint against the City in Jefferson County District Court alleging that the City violated the terms of the Intergovernmental Agreement and seeking, among other things, damages under the Intergovernmental Agreement in the amount of $500,000 for each Class II category noise violation under the Intergovernmental Agreement that occurred between February 28, 1996 and February 27, 1998.

The City and plaintiffs have settled this case. The City agreed to pay $26.5 million, plus interest thereon, for the noise violations covering the period February 28, 1996 through February 27, 2001. As part of the settlement, the plaintiffs agreed to waive any claims for alleged noise violations covering the period February 28, 2001 through February 27, 2002. In November 2002, the City paid and satisfied the settlement, plus interest thereon, in the total amount of $34.2 million from the Airport System's Capital Fund.

As of December 31, 2004, the Airport System accrued $4.25 million in the accompanying financial statements for 2002, 2003 and 2004 noise violations.

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.

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, 2004 and 2003, respectively, $32,180,000 and $49,425,000 of bonds outstanding are considered defeased.

Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under non-cancelable 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 2004 and 2003 was $48,268,600 and $35,016,700 respectively.

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

2005	$ 36,157,400
2006	35,181,600
2007	34,243,700
2008	33,205,600
2009	32,672,400
Thereafter	125,191,800
Total minimum future rentals	$ 296,652,500

Leases with airlines with original terms of 10 and 30 years can be terminated by the airline if the airline's cost per enplaned passenger exceeds $25 and $20 (in 1990 dollars), respectively. Current costs per enplaned passenger did not exceed these limits for either 2004 or 2003. 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.

S. Insurance

The Airport System is exposed to various risks of losses 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, as of 2004 and 2003.

Employees of the City 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. 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.

T. Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airlines' landing and facility rental fees (airline operating revenue). For the years ended December 31, 2004 and 2003, United Airlines represented approximately 59% and 69%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 17% and 9.5% of the Airport System's airline operating revenue. 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.

U. 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 51 of the 89 full service gates at the Airport. In addition, United together with its United Express commuter affiliates, accounted for 58.9% and 60.2% of enplaned passengers at the Airport in 2004 and 2003. On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the bankruptcy code. The Chapter 11 filing permits United to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. United Airlines continues to fly at the Airport and in the first three months of 2005 continued to account for over 60% of enplaned passengers at the Airport.

Following months of negotiations, the City and United reached agreement regarding the affirmation of United's Use and Lease Agreement. The conditions of the affirmation were memorialized in a stipulated order that was filed and accepted by the bankruptcy court on November 11, 2003.

V. Subsequent Events

In April of 2005, the Airport System entered into an interest rate swap agreement (2005A Swap Agreements) with four financial institutions.

In May 2005, the Airport System completed construction on the EDS baggage system. Each of the six terminal modules and customs recheck areas were 100% automated.

In May 2005, the City and United reached an agreement in principle for United to permanently release two Concourse A gates that had been temporarily released by United under the Stipulated Order. In exchange, the City anticipates allocating $10.0 million in surplus PFC revenues or other available funds to reduce the Debt Service Requirements on the automated baggage system. The City and United are continuing to discuss other aspects of this proposed agreement related to the final scope of the new Concourse B commuter facility and certain baggage system improvements in the Terminal.

Recently, United announced that it intends to discontinue use of the automated baggage system and revert to the traditional tug and cart system by the end of 2005. At December 31, 2004, the book value of the baggage system was $85,107,513. The rates and charges associated with the system will continue to be charged to United as the exclusive user of Concourse B. However, the City has begun 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.

City and County of Denver, Colorado
Municipal Airport System
Schedule of Compliance with Rate Maintenance Covenant
As Defined in the 1984 Airport System General Bond Ordinance
Airport Revenue Account
Year Ended December 31, 2004

Gross revenue:	
Facility rentals	$250,614,075
Concession income	30,637,755
Parking income	88,410,926
Car rental income	33,780,489
Landing fees	88,741,487
Aviation fuel tax	15,401,672
Other sales and charges	10,232,007
Interest income	24,379,429
Miscellaneous income	845,888
Gross revenues as defined in the ordinance	543,043,728
Operation and maintenance expenses:	
Personnel services	90,005,372
Contractual services	114,641,957
Maintenance, supplies and materials	14,106,223
Miscellaneous expense	1,500,000
Operation and maintenance expenses as defined in the ordinance	220,253,552
Net revenue	322,790,176
Other available funds	54,849,120
Net revenue plus other available funds as defined in the ordinance	$377,639,296
Debt service requirements as defined in the ordinance (1)	$243,494,729
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)	155%

(1) Net of irrevocably committed Passenger Facility Charges of $60,979,849 applied under Supplemental Bond Ordinance.

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
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
Year Ended December 31, 2004

I. 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, 2004
Series 1991A	05/15/05	$1,855,000	$309,167
Series 1991D	05/15/05	3,975,750	662,625
Series 1992F-G	01/01/05	81,702	81,702
Series 1995A-B	05/15/05	9,128,259	1,521,376
Series 1995C	05/15/05	2,776,319	462,720
Series 1996A	05/15/05	4,057,931	676,322
Series 1996B	05/15/05	3,013,184	502,197
Series 1996C	05/15/05	2,626,839	437,807
Series 1996D	05/15/05	3,926,725	654,454
Series 1997E	05/15/05	11,168,913	1,861,485
Series 1998A	05/15/05	5,166,625	861,104
Series 1998B	05/15/05	2,584,875	430,813
Series 2000A	05/15/05	8,451,072	1,408,512
Series 2000B	01/01/05	316,564	316,564
Series 2000C	01/01/05	162,107	162,107
Series 2001A	05/15/05	8,975,547	1,495,924
Series 2001B	05/15/05	456,563	76,094
Series 2001D	05/15/05	1,683,113	280,519
Series 2002A1-A3	01/01/05	306,724	306,724
Series 2002C	01/01/05	76,028	76,028
Series 2002D	01/01/05	21,070	21,070
Series 2002E	05/15/05	5,023,988	837,331
Series 2003A	05/15/05	4,049,125	674,854
Series 2003B	05/15/05	3,279,525	546,588
Series 2004A	01/01/05	117,338	117,338
Series 2004B	01/01/05	117,175	117,175
			$14,898,600

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
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
Year Ended December 31, 2004
(continued)

(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	Principal Payment	Required Principal Account Balance at December 31, 2004
Series 1990A	11/15/05	$ 13,450,000	$1,120,833
Series 1991D	11/15/05	13,255,000	1,104,583
Series 1992 F, G	12/31/05	1,100,000	91,667
Series 1995B	11/15/05	2,315,000	192,917
Series 1995C	11/15/05	2,565,000	213,750
Series 1996B	11/15/05	6,850,000	570,833
Series 1996C	11/15/05	5,030,000	419,167
Series 2000A	11/15/05	11,285,000	940,417
Series 2001A	11/15/05	26,450,000	2,204,167
Series 2001D	11/15/05	2,285,000	190,417
Series 2002A1-A3	11/15/05	6,675,000	556,250
Series 2002C	11/15/05	1,100,000	91,667
Series 2002D	11/15/05	10,200,000	850,000
Series 2002E	11/15/05	2,690,000	224,167
Series 2004A	11/15/05	500,000	41,667
Series 2004B	11/15/05	500,000	41,667
Total principal account requirement			$8,854,169

(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. There are no mandatory sinking account redemptions in 2004.

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
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
Year Ended December 31, 2004
(continued)

(d) Redemption Account

Required deposit to the Bond Redemption Account, on or prior to any date on which the City 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, 2004, the redemption account had a balance of $1.6 million for the sixth runway.

(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	$23,752,769
Bond Account balance at December 31, 2004	$25,034,921
Over funded	$317,848

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
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
Year Ended December 31, 2004
(continued)

II. 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 the Bond Reserve Account, an amount equal to the maximum annual interest payable on all outstanding Senior Bonds of the Airport System. The amount deposited to the Bond Reserve Account at December 31, 2004 is $330,885,345. The minimum Bond Reserve Account requirement is $330,885,345.

III. 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 City is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2005.

Computation of Minimum Operation and Maintenance Reserve:

2003 Operation and Maintenance Expenses	$201,573,147
Minimum Operations and Maintenance Reserve requirement for 2004	$ 33,595,525
Operation and Maintenance Reserve Account balance at December 31, 2004 (1)	$ 50,393,287
Over (under)funded	$ 16,797,762

(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 years monthly average. The City is in the process of increasing the reserve.

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Summary of Insurance Coverage as of December 31, 2004

Policy Number	Company	Item Covered	Expiration Date	Annual Premium	Coverage
PEC 000656201	Indian Harbor Insurance Co.	Pollution and Remediation Legal Liability	12-23-05	$ 180,365	$ 50,000,000
XSR 310244	Clarendon American	Excess Auto	01-01-05	120,627	1,000,000
FL 865	FM Global	Property/Boiler & Machinery	01-01-05	2,451,813	1,100,000,000
L 9900371	Lloyds of London	Excess Liability	01-01-05	393,253	450,000,000
AAPN 00981771	ACE Property and Casualty	Primary Liability	01-01-05	570,213	50,000,000

Unaudited. See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO

MUNICIPAL AIRPORT SYSTEM

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS

December 31, 2004

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve Account	Stapleton Account	Totals
Current assets:							
Cash and cash equivalents	$ 120,291,959	$ 40,929,046	$ -	$ -	$ -	$ -	$ 161,221,005
Investments	68,924,159	12,696,695	-	-	-	-	81,620,854
Accounts receivable, net	11,911,659	2,297,716	-	-	-	-	14,209,375
Accrued interest receivable	807,699	276,496	-	-	2,705,013	-	3,789,208
Current portion of long-term receivables	801,221	90,142	-	-	-	-	891,363
Inventories	5,504,769	-	-	-	-	-	5,504,769
Prepaid expenses and other		-	-	-	-	4,783,611	4,783,611
Total current unrestricted asset	208,241,466	56,290,095	-	-	2,705,013	4,783,611	272,020,185
Restricted assets:							
Cash and cash equivalents	60,064,516	4,069,954	211,970,059		52,233,422	15,466,800	343,804,751
Investments	1,631,219	-	20,369,152	27,750,766	38,996,127	-	88,747,264
Accrued interest receivable	-	-	809,644	-	-	2,054	811,698
Grants Receivable	-	-	23,248,477	-	-	-	23,248,477
Passenger facility charges receivable	10,971,071	-	-	-	-	-	10,971,071
Total current restricted assets	72,666,806	4,069,954	256,397,332	27,750,766	91,229,549	15,468,854	467,583,261
Total current assets	280,908,272	60,360,049	256,397,332	27,750,766	93,934,562	20,252,465	739,603,446
Non-current assets:							
Investments	80,557,192	55,732,098	-	-	-	-	136,289,290
Capital assets							
Buildings	1,669,551,289	-	-	-	-	-	1,669,551,289
Improvements other than buildings	1,907,898,910	-	-	-	-	-	1,907,898,910
Machinery and equipment	679,770,654	1,918,706	-	-	-	63,500	681,752,860
	4,257,220,853	1,918,706	-	-	-	63,500	4,259,203,059
Less accumulated depreciation	(1,200,724,555)		-	-	-		(1,200,724,555)
	3,056,496,298	1,918,706	-	-	-	63,500	3,058,478,504
Contstruction-in-progress	-	9,078,542	127,135,316	-	-		136,213,858
Land, land rights and air rights	-	295,436,625	-	-	-	-	295,436,625
Total capital assets	3,056,496,298	306,433,873	127,135,316	-	-	63,500	3,490,128,987
Bond issue costs, net of accumulated amortization	-	-	88,743,076	997,516	-	-	89,740,592
Total non-current unrestricted ass	3,137,053,490	362,165,971	215,878,392	997,516	-	63,500	3,716,158,869
Investments- restricted	-	-	69,763,796	-	239,817,911	-	309,581,707
Assets held for dispostion - SIA	24,500,229						24,500,229
Total assets	$ 3,442,461,991	$ 422,526,020	$ 542,039,520	$ 28,748,282	$ 333,752,473	$ 20,315,965	$ 4,789,844,251

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS, CONTINUED
December 31, 2004

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve Account	Stapleton Account	Totals
Current liabilities:							
Vouchers payable	$ 21,992,581	$ 2,514,120	$ -	$ -	$ -	$ -	$ 24,506,701
Due to other City agencies	7,076,025	1,660	6,600	-	-	-	7,084,285
Compensated absences payable	810,331	-	-	-	-	-	810,331
Other	22,854,181	-	-	-	-	-	22,854,181
Revenue credit payable	40,000,000	-	-	-	-	-	40,000,000
Deferred rent	24,891,093	-	-	-	-	-	24,891,093
Total current unrestricted liabilities	117,624,211	2,515,780	6,600	-	-	-	120,146,591
Current liabilities payable from restricted assets:							
Vouchers payable	-	-	15,035,311	-	-	1,314,483	16,349,794
Retainages payable	724,798	1,821,473	11,733,055	-	-	545,657	14,824,983
Accrued interest payable	-	-	450,238	27,086,573	-	-	27,536,811
Notes payable	-	4,634,512	14,815,076	-	-	-	19,449,588
Capital lease liability	13,424	2,042,909	-	-	-	-	2,056,333
Other current liabilities	1,724,450	4,427,283	-	-	-	5,438,736	11,590,469
Revenue bonds	-	-	106,250,000	-	-	-	106,250,000
Total current liablities payable from restricted assets	2,462,672	12,926,177	148,283,680	27,086,573	-	7,298,876	198,057,978
Total current liaiblities	120,086,883	15,441,957	148,290,280	27,086,573	-	7,298,876	318,204,569
Non current liabilites							
Bonds Payable:							
Revenue bonds payable, net of current portion	-	-	3,980,405,000	-	-	-	3,980,405,000
Less deferred loss on bond refunding	-	-	(244,015,346)	-	-	-	(244,015,346)
Less unamortized discounts	-	-	(12,880,068)	-	-	-	(12,880,068)
Total bonds payable	-	-	3,723,509,586	-	-	-	3,723,509,586
Notes payable		25,604,908	31,158,416				56,763,324
Compensated Absences	5,548,190	-	-	-	-	-	5,548,190
Capitalized lease	12,757	1,045,589	-	-	-	-	1,058,346
Total non current liabilities	5,560,947	26,650,497	3,754,668,002	-	-	-	3,786,879,446
Total liablilities	125,647,830	42,092,454	3,902,958,282	27,086,573	-	7,298,876	4,105,084,015
Net assets							
Invested in capital assets, net of debt	3,056,496,298	303,345,375	(3,503,514,041)	997,516	-	63,500	(142,611,352)
Restricted for:							
Capital projects	-	-	70,321,200	-	-	24,461,931	94,783,131
Debt service	70,204,134	-	-	664,193	330,885,345	-	401,753,672
Unrestricted	190,113,729	77,088,191	72,274,079	-	2,867,128	(11,508,342)	330,834,785
Total net assets	3,316,814,161	380,433,566	(3,360,918,762)	1,661,709	333,752,473	13,017,089	684,760,236
Total liabilities and net assets	$ 3,442,461,991	$ 422,526,020	$ 542,039,520	$ 28,748,282	$ 333,752,473	$ 20,315,965	$ 4,789,844,251

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO

MUNICIPAL AIRPORT SYSTEM

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2004

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve	Stapleton Account	Totals
Operating revenues:							
Facility rentals (allowances of ($9,614,845) for 2003)	$ 210,460,910	$ -	$ -	$ -	$ -	$ -	$ 210,460,910
Concession income	30,637,755	-	-	-	-	-	30,637,755
Parking income	88,410,926	-	-	-	-	-	88,410,926
Car Rental income	33,780,489	-	-	-	-	-	33,780,489
Landing fees	88,741,487	-	-	-	-	-	88,741,487
Aviation fuel tax	15,401,672	-	-	-	-	-	15,401,672
Other sales and charges (allowance of ($110,051) for 2004)	10,007,998	224,009	-	-	-	-	10,232,007
	477,441,237	224,009	-	-	-	-	477,665,246
Operating expenses:							
Personnel services	90,005,372	-	-	-	-	-	90,005,372
Contractual services	114,641,957	2,449,124	-	-	-	-	117,091,081
Maintenance, supplies & materials	14,114,942	2,372	-	-	-	-	14,117,314
	218,762,271	2,451,496	-	-	-	-	221,213,767
Operating income (loss) before depreciation	258,678,966	(2,227,487)	-	-	-	-	256,451,479
Depreciation and amortization	148,386,077	-	-	-	-	-	148,386,077
Operating income (loss)	110,292,889	(2,227,487)	-	-	-	-	108,065,402
Nonoperating revenues (expenses):							
Passenger facility charges	62,039,549	-	-	-	-	-	62,039,549
Interest on investments	5,158,188	2,489,168	8,312,144		6,265,156	261,312	22,485,968
Interest expense	(2,060,937)	(800,795)	(218,434,490)	-	-	-	(221,296,222)
Grants	240,500	-	-	-	-	-	240,500
Other revenues (expense)	(4,101,582)	(476,691)	(3,999,598)	-	-	6,527,326	(2,050,545)
Total nonoperting revneus (expenses	61,275,718	1,211,682	(214,121,944)	-	6,265,156	6,788,638	(138,580,750)
Income (Loss) before capital contribut	171,568,607	(1,015,805)	(214,121,944)	-	6,265,156	6,788,638	(30,515,348)
Debt coverage transfer	54,849,120	(54,849,120)	-	-	-	-	-
Transfers in (out), net	(347,630,543)	93,465,366	291,003,281	(30,874,542)	(2,390,022)	(3,573,540)	-
Net income (loss)	(121,212,816)	37,600,441	76,881,337	(30,874,542)	3,875,134	3,215,098	(30,515,348)
Capital grants	-	-	42,083,319	-	-	-	42,083,319
Capital passenger facitlity	-	-	20,121,865	-	-	-	20,121,865
Changes in net assets	(121,212,816)	37,600,441	139,086,521	(30,874,542)	3,875,134	3,215,098	31,689,836
Net assets, beginning of year	3,438,026,977	342,833,125	(3,500,005,283)	32,536,251	329,877,339	9,801,991	653,070,400
Net assets, end of year	$ 3,316,814,161	$ 380,433,566	$ (3,360,918,762)	$ 1,661,709	$ 333,752,473	$ 13,017,089	$ 684,760,236

See accompaning independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information
December 31, 2004

I. Condensed Schedule of Revenues and Expenses (in thousands):

	2000	2001	2002	2003	2004
Operating revenues	$ 438,340	$ 450,695	$ 443,921	$457,093	$ 477,665
Operating expenses	191,389	223,408	238,484	211,913	221,214
Operating income before depreciation and amortization	246,951	227,287	205,437	245,180	256,451
Depreciation and amortization	150,631	151,796	125,692	144,758	148,386
Operating Income	96,320	75,491	79,745	100,422	108,065
Nonoperating revenues (expenses)	(158,277)	(124,391)	(119,845)	(135,271)	(138,580)
Capital contributions	-	13,735	91,152	40,542	62,205
Change in net assets	$(61,957)	($ 35,165)	$ 51,052	$ 5,693	$ 31,690

II. 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	18,823,542	-	386,556	-	182,928	-	19,393,026	-
2001	17,248,634	(8.4)%	463,677	20.0%	333,798	82.5%	18,046,109	(6.9)%
2002	16,891,218	(2.1)%	669,432	44.4%	268,914	(19.4)%	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	18,354,881	6.8%	2,623,624	88.0%	223,908	29.6%	21,202,413	13.0%

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information (continued)
December 31, 2004

B. Enplaned passengers by airline:

Airline	2003	Percent of Total	2004	Percent of Total
United	9,574,689	51.0%	8,778,576	41.4%
United Express/TED	1,720,720	9.2%	3,700,290	17.4%
Total United	11,295,409	60.2%	12,478,866	58.8%
American	1,042,889	5.5%	994,250	4.7%
America West	341,317	1.8%	413,795	1.9%
Continental	517,149	2.8%	505,784	2.4%
Delta	788,924	4.2%	879,754	4.2%
Frontier	2,729,240	14.5%	3,579,323	16.9%
Northwest	517,022	2.8%	604,827	2.9%
USAir	368,434	2.0%	383,298	1.8%
Other	1,160,486	6.2%	1,362,516	6.4%
Totals	18,760,879	100.0%	21,202,413	100.0%

C. Originating and connecting enplaned passengers for the year ended December 31, 2004:

Airline	Originating	Connecting	Total
United	3,391,715	5,386,861	8,778,576
United Express/TED	1,097,850	2,602,440	3,700,290
Other	7,253,401	1,470,146	8,723,547
Totals	11,742,966	9,459,447	21,202,413
Percent of Total	55%	45%	

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information (continued)
December 31, 2004

III. Aircraft Operations:

A. Historical aircraft operations:

Year	Air Carrier	Commuter	Taxi/Gen Aviation	Military	Total	Percent Change
2000	370,092	142,662	14,855	920	528,509	-%
2001	352,033	139,538	14,614	1,551	507,736	(3.9)%
2002	338,049	157,777	12,416	987	509,229	.3%
2003	323,610	174,092	11,228	1,345	510,275	.2%
2004	330,674	224,960	9,936	951	566,521	11%

IV. Historical Passenger Facility Charge Revenues (in thousands):

2000	51,482
2001	61,988
2002	69,742
2003	71,945
2004	82,161

V. Enplaned Cargo Operations (in pounds):

Year	Air Mail	Freight and Express	Total	Percent Change
2000	171,803,661	319,537,612	491,341,273	-%
2001	106,841,965	260,170,245	367,012,210	(25.3)%
2002	44,842,352	283,241,306	328,083,658	(10.6)%
2003	55,088,719	271,792,093	326,842,591	(.4)%
2004	40,032,635	281,171,813	321,204,448	(1.7)%

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information (continued)
December 31, 2004

VI. Historical Net Revenues and Debt Service Coverage under the Bond Ordinance (in thousands):

	2000	2001	2002	2003	2004
Gross Revenue	$530,694	$526,631	$499,435	527,567	543,044
Operation & Maintenance Expenses	192,384	211,272	216,791	201,573	220,254
Net Revenue	338,310	315,359	282,644	325,994	322,790
Other Available Funds	55,620	54,558	46,751	50,807	54,849
Total amount available for Debt Service Requirements	$393,930	$369,917	$329,395	$376,801	$377,639
Debt Service Requirements	$255,837	$248,375	$225,286	$230,547	$243,495
Debt service coverage	154%	149%	146%	163%	155%

Unaudited. See accompanying independent auditors' report.