DENVER INTERNATIONAL AIRPORT

Financial Report 2005

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Annual Financial Report

December 31, 2005 and 2004

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Introduction

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 (Denver International) and the former Stapleton International Airport (Stapleton). The Airport System is headed by a Manager of Aviation who reports directly to the Mayor. The senior management team is further comprised of a chief deputy manager and five deputy managers. This report was prepared by the Airport System's Finance Section in collaboration with other Airport System personnel to provide a better understanding of the Airport System than the annual financial statements typically provide.

Description of Denver International

Situated approximately 24 miles northeast of downtown Denver, Denver International is the primary air carrier airport serving the Denver region. According to Airport Council International, in 2005, Denver International was the sixth busiest airport in the United States and the eleventh busiest in the world, serving 43 million passengers. The Denver International site comprises approximately 33,800 acres (53 square miles) of land, an area larger than the island of Manhattan. The passenger terminal complex is reached via Pẽna Boulevard, a 12-mile dedicated access road from Interstate 70. Denver International has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline using the airport along with the ability to accommodate the new generation of massive airliners, including the Airbus A-380.

The passenger terminal complex includes a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and other facilities and is served by terminal curbside roads for public and private vehicles. Automobile parking facilities are provided in two public parking structures adjacent to the landside terminal and in surface parking lots. Spaces are also provided for employee parking.

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The airside concourses provide 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 Denver International to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2005, 43 million passengers traveled through Denver International, of which approximately 55.2% originated or terminated their air journeys in Denver and 44.8% connected between flights. The Denver Metropolitan Area, with a population of more than 2.4 million, is the primary region served by Denver International. The Denver Metropolitan Area is comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, currently 33 airlines provide scheduled passenger service at Denver International: 17 major/national airlines, 12 regional/commuter airlines, and four foreign-flag airlines. In addition, several passenger charter and all-cargo airlines, including Airborne Express, DHL Worldwide Express, Emery Worldwide, FedEx, and United Parcel Service provide service at Denver International.

Table 1

Scheduled Passenger Airlines Serving Denver

March 2006

Major/national	Regional/commuter
AirTran Airways	Air Midwest/Mesa
Alaska Airlines	Air Wisconsin (UAX)
Allegiant Airlines	ASA/Delta Connection
America West Airlines	Casino Airlines
American Airlines	Great Lakes Aviation
American Trans Air (ATA) (2)	Horizon Air
Champion Airlines	Horizon/Frontier Jet Express
Continental Airlines	Mesa Airlines/America West Express
Delta Air Lines (1)	Mesa Airlines/UAX
Frontier Airlines	Miami International Airlines
JetBlue Airways	Skywest (UAX)
Midwest Express Airlines	Sun Country
Northwest Airlines (1)	**(Foreign-flag)**
Ryan International Airlines	Air Canada
Southwest Airlines	British Airways
United Airlines (3)	Lufthansa German Airlines
US Airways	Mexicana de Aviacion

(1) Delta Airlines and Northwest Airlines filed for bankruptcy protection on September 14, 2005.

(2) ATA filed for bankruptcy protection on October 27, 2004. On February 28, 2006, ATA emerged from bankruptcy protection.

(3) United Airlines emerged from bankruptcy protection in February 2006.

Source: Airport management records, March 2006.

Airlines' Rates, Fees, and Charges

The Airport System has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport System recovers its costs of operating the airfield. Airline space rentals are compensatory wherein any unrecovered costs serve to reduce the airline revenue credit described below. Concessionaires and nonairline tenants operate under agreements with the 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, 2005 net revenue as defined, is shared between the Airport System and airlines, with the airlines receiving 75.0% of the net (up to

(Continued)

a $40 million cap per year). The 25.0% that the Airport System receives is deposited in the capital improvement account and can be used by the Airport System for any lawful airport purpose. In 2006 and thereafter, the net revenue available for sharing will be allocated 50% to signatory airlines, up to a maximum of $40 million annually. The net revenue available for sharing since Denver International opened is reflected in Table 2 below.

Table 2

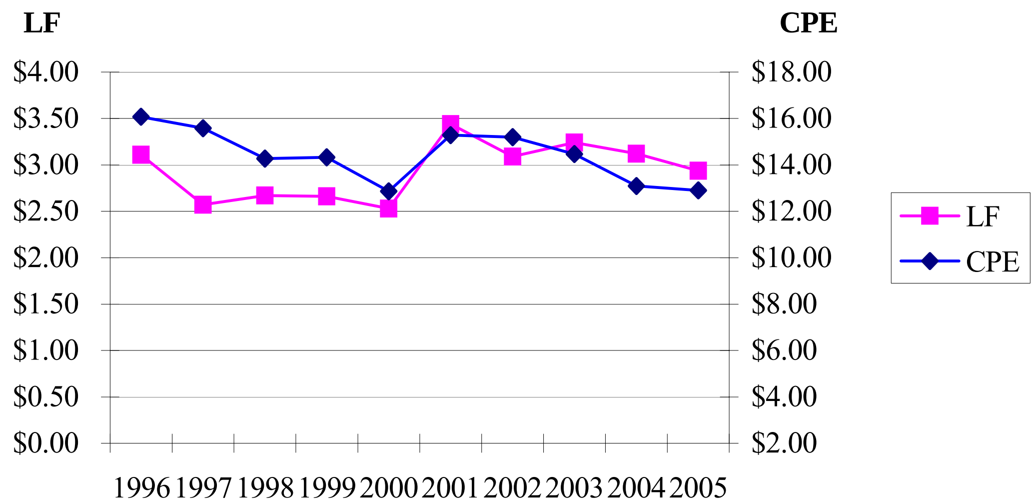
Net Revenue Available for Sharing

(In thousands)

Year	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	43,811	10,953
2002	35,698	8,924
2003	59,026	19,026
2004	70,387	30,387
2005	79,062	39,062

Source: Airport Management

Through 2000, the airline rates, fees, and charges to passengers at Denver International showed a steady decline. As a result of the September 11, 2001 terrorist attacks (September 11 Events) and the resulting decline in flight activity and enplaned passengers, Airport costs for 2001 and 2002 showed increases as depicted in the graph below. Overall costs for 2003, 2004, and 2005 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 System's cash is under the control of the City's Manager of Revenue who invests the funds pursuant to the City's investment policy. As of December 31, 2005 and 2004, cash and investments totaled approximately $1,098.5 million and $1,121.3 million, respectively. Current investment vehicles include U.S. government securities, high-grade commercial paper, and repurchase agreements. In 2005 and 2004, the City charged a fee of $419,759 and $463,065, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up 2.6% in 2005 compared with a national average increase of 1.6% as reported by the Air Transport Association (ATA), an airline industry trade association. The December 2005 traffic level of over 3.5 million passengers, was the highest December in the Airport System's history. This trend continued in January, February, and March of 2006, again setting passenger traffic records. Year-to-date through March 2006, passenger traffic was up 9.6% compared to a decrease of 1.5% nationally.

Activity-based revenues at Denver International (e.g., landing fees, Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 7.0% in 2005 compared to 2004, largely as the result of increases in passenger traffic and the June 15, 2005 parking rate increase.

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. Denver International, 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 System 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 Denver International's six terminal modules and customs recheck area had 100% fully automated EDS operations, installed and operational, in May 2005.

United Airlines (United)

United, one of the world's largest airlines, is the principal air carrier operating at Denver International. United Airlines operates a major connecting hub at Denver International under a use and lease agreement with the City that expires in 2025. United, together with its TED low fare unit and its United Express commuter affiliates, accounts for approximately 56.4% and 59.0% of passenger enplanements at Denver International in 2005 and the first three months of 2006, respectively.

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

On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permitted 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 assumption of United's use and lease agreement. The conditions of the assumption were memorialized in a stipulated order that was filed with and approved by the bankruptcy court on November 11, 2003. The full text of the stipulated order is available on the Airport System's web site, www.flydenver.com.

In July 2005, the City and United reached an agreement for United to permanently release two Concourse A gates that had been temporarily released by United under the Stipulated Order issued by the bankruptcy court (The 2005 Amendatory Agreement). In exchange, the City allocated $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 aspects of an additional agreement related to the final scope of the new Concourse B commuter facility and certain baggage system improvements in the Terminal.

United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. In 2005, the Airport System removed all but approximately $7.0 million of the automated baggage system from its books, with a net book value of $3.2 million, which resulted in a loss of $43.0 million. The remaining $7.0 million was identified by the Airport System's consultant to potentially support a new system in the future. United continues to use a portion of the Concourse B sortation system, which remains on the Airport System's books with a net book value of approximately $8.7 million. The Airport System removed the unused portion of approximately $47.0 million from its books, which resulted in a loss of $21.5 million. In December 2005, the City reached an agreement to mitigate baggage equipment debt and the associated rates and charges (the 2005-2 Amendatory Agreement). In exchange for United increasing the number of its connecting passengers through Denver, the City will reduce United's rates and charges $4.9 million in 2006, $8.0 million in 2007, and $11.0 million in 2008 and thereafter.

United emerged from bankruptcy in February of 2006.

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 special facilities on Airport premises. On April 1, 2003, United failed to make its semi-annual lease payment of approximately $9 million and filed an adversary complaint in the bankruptcy court alleging that the payment required by the Special Facilities Lease was a disguised financing. In April 2004, the bankruptcy court ruled in favor of the Airport System that the Special Facilities Lease was, in fact, a true lease. United has placed seven lease payments of approximately $9 million each in escrow while it appeals the ruling.

Accounting and Internal Control

The Airport System follows accounting principles generally accepted in the United States of America applicable to governmental unit enterprise funds. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with these accounting principles. In developing and evaluating the Airport System's accounting system, consideration 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 System's process of internal control adequately safeguards assets and provides reasonable assurance that financial transactions are recorded properly.

Financial

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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 years ended December 31, 2005 and 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 audits.

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

As discussed in note 1, the financial statements 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, 2005 and 2004, and the changes in its financial position and, where applicable, its cash flows, for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2005 and 2004, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 (a) to the basic financial statements, during 2005, the Airport System adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.*

The management's discussion and analysis on pages 9 to 21 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 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

May 5, 2006

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, 2005 and 2004. 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 $494.5 million, an increase of $16.8 million (3.5%) for the year ending December 31, 2005, as compared to December 31, 2004. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, and car rental revenues. Passenger traffic increased 2.6% for the year ended December 31, 2005.

Operating expenses, exclusive of depreciation, were $231.1 million, an increase of $9.9 million (4.5%) for the year ended December 31, 2005, as compared to December 31, 2004. The increase was attributable to an increase in personnel costs, electricity, natural gas rates, diesel fuel and gasoline costs, 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 statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and notes to those financial statements. The statements of net assets present information on the Airport System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statements of revenues, expenses, and changes in net assets present information showing how the Airport System's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

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Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for 2005, 2004, and 2003 (in thousands):

		2005	2004	2003
Operating revenues	$	494,491	477,665	457,093
Operating expenses		(231,129)	(221,214)	(211,913)
Operating income before depreciation and amortization		263,362	256,451	245,180
Depreciation and amortization		(146,922)	(130,379)	(144,758)
Impairment loss		(85,286)	(18,007)	—
Operating income		31,154	108,065	100,422
Nonoperating revenues		120,063	84,766	90,191
Nonoperating expenses		(227,328)	(223,346)	(225,463)
Capital contributions		31,547	62,205	40,542
Increase (decrease) in net assets		(44,564)	31,690	5,692
Net assets, beginning of year		684,760	653,070	647,378
Net assets, end of year	$	640,196	684,760	653,070

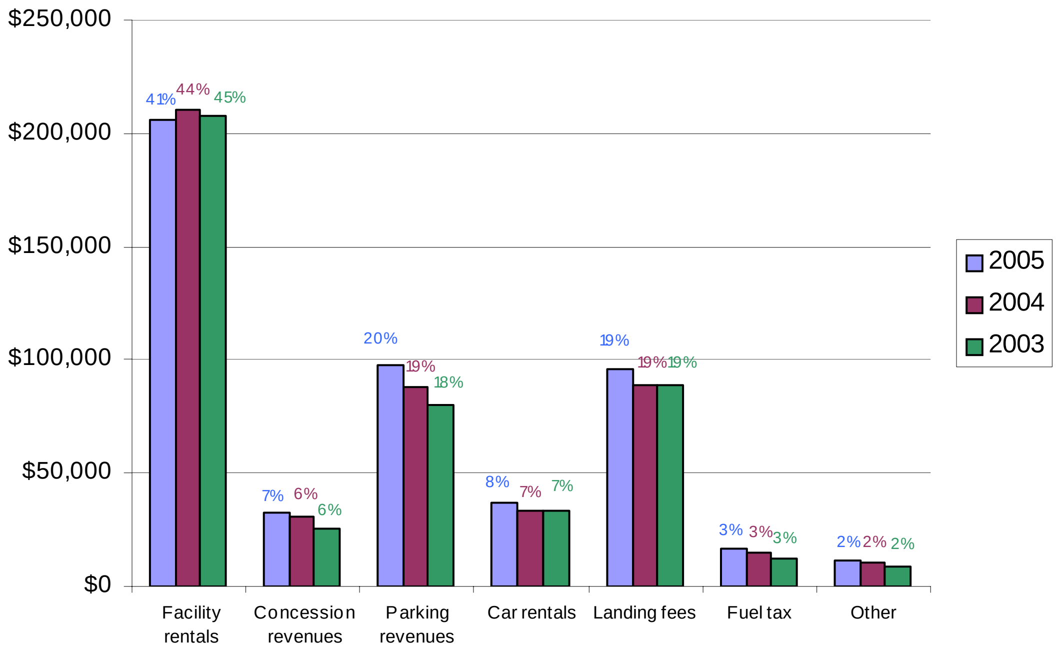
Operating Revenues

(In thousands)

		2005	2004	2003
Operating revenues:				
Facility rentals	$	203,800	210,461	207,540
Concession revenues		32,566	30,638	25,933
Parking revenues		97,919	88,411	80,380
Car rental revenues		37,175	33,780	33,530
Landing fees		94,695	88,741	88,473
Aviation fuel tax		16,995	15,402	12,104
Other sales and charges		11,341	10,232	9,133
Total operating revenues	$	494,491	477,665	457,093

(Continued)

Operating Revenue



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

The Airport System's activities increased in three areas as described below and decreased slightly in landed weight and cargo for the year ended December 31, 2005 as compared to 2004 (in thousands):

	2005	2004	Change
Enplanements	21,702	21,144	2.6%
Passengers	43,388	42,276	2.6
Aircraft operations (1)	568	567	0.2
Cargo (in pounds)	682,830	699,827	(2.4)
Landed weight (in pounds)	29,636	29,651	(0.1)

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

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

	2004	**2003**	**Change**
Enplanements	21,144	18,761	12.7%
Passengers	42,276	37,505	12.7
Aircraft operations (1)	567	510	11.2
Cargo (in pounds)	699,827	717,520	(2.5)
Landed weight (in pounds)	29,651	27,181	9.1

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

Operating revenues increased by 3.5%, from $477.7 million in 2004 to $494.5 million in 2005, primarily due to increases in parking, landing fees, concession revenues, and car rentals. The parking revenue increase of $9.5 million, or 10.8%, is attributable to an increase in originating and deplaning (O&D) passenger traffic and a rate increase effective June 15, 2005. The Airport System increased maximum daily parking rates in the garage and valet by $3, from $15 to $18 and $21 to $24 per day, respectively. Also, there was a $2 increase in the economy parking lot, from $7 to $9 per day. The landing fees increase of $6.0 million, or 6.7%, is attributable to reductions in the year-end settlement in the landing fee rate calculation for signatory airlines. Concession revenues between 2005 and 2004 increased $1.9 million, or 6.3%. The concession revenue increase was attributable to food and beverage service and retail concession revenue due to an increase in passenger traffic and an increase in the spend rate per passenger. Car rental revenues increased by $3.4 million, or 10.1%, to $37.2 million due to an increase in O&D passenger traffic and increased usage charges.

In addition, aviation fuel tax in 2005 increased $1.6 million, or 10.3%, primarily due to the increase in aviation fuel prices.

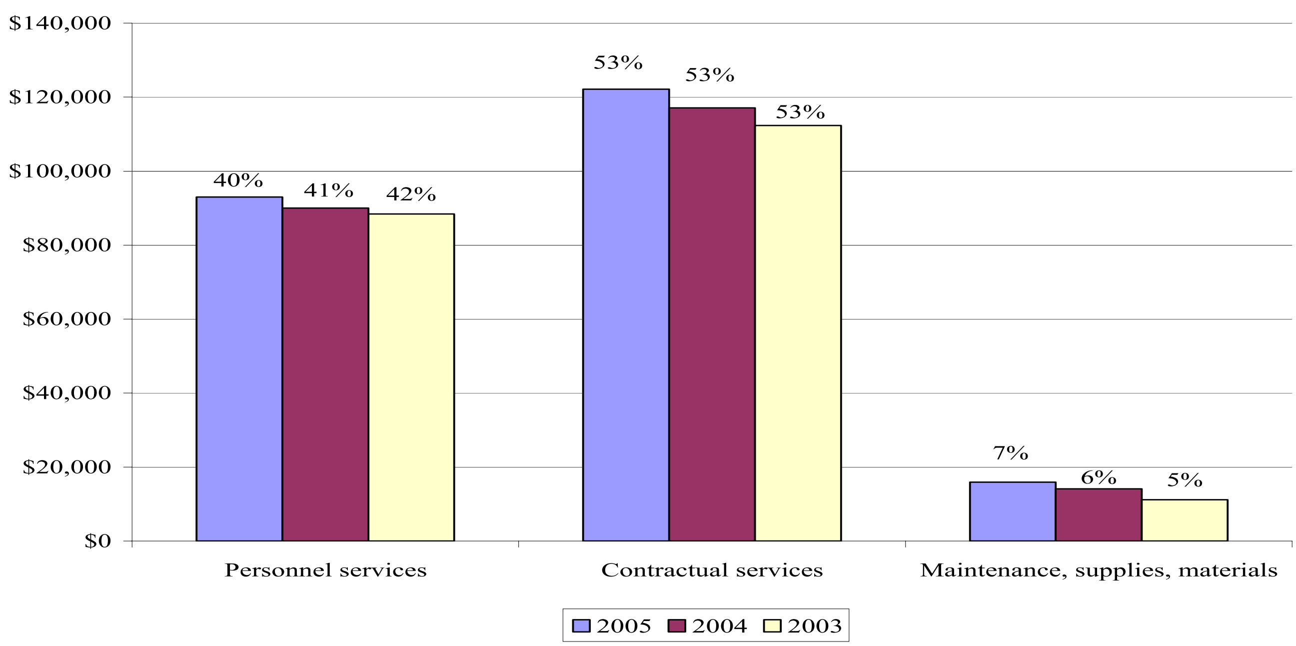
Operating revenue increased by 4.5%, from $457.1 million in 2003 to $477.7 million in 2004, primarily due to increases in facility rentals, parking, and concession revenues. Facility rentals increased by $2.9 million due to airline preferential and nonpreferential use fees offset by a decrease due to the implementation of space reductions under the United Airlines (United) Stipulated Order as further discussed in note 20 to the financial statements. The parking revenue increase of $8.0 million, or 10.0%, was attributable to an increase of 12.7% 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%, due to both the increase in fuel usage that is attributable to the total passenger increase and the increase in aviation fuel prices.

Operating Expenses

(In thousands)

		2005	2004	2003
Operating expenses:				
Personnel services	$	92,980	90,006	88,414
Contractual services		122,193	117,091	112,339
Maintenance, supplies, and materials		15,956	14,117	11,160
Total operating expenses, excluding depreciation	$	231,129	221,214	211,913



Operating expenses increased by 4.5%, from $221.2 million in 2004 to $231.1 million in 2005. The increase in contractual services in 2005 of $5.1 million was due to an increase in electricity, gas, janitorial services, and repair and maintenance expense offset by a decrease in aircraft noise penalty cost of $1.5 million.

Contractual services also saw an increase in the repair and maintenance expense for the Automated Ground Transportation System (AGTS) train due to an increase in the contracted maintenance rates. In addition, contract snow removal costs were higher in 2005 due to the April 2005 blizzard.

Personnel services increased by $3.0 million, or 3.3%, to $93.0 million in 2005 compared to $90.0 million in 2004. The increase in personnel and other city personnel (fire and police) costs was due in part to an increase in permanent salaries of 2.25% granted in 2005. Also, snow overtime costs relating to the April 2005 blizzard contributed to the increase.

Maintenance, supplies, and materials increased $1.8 million, or 13.0%, to $16.0 million from $14.1 million in 2004 due to the increase in runway lighting and janitorial supplies. In addition, an increase in natural gas rates, diesel fuel, and gasoline rates, as a result of increasing oil costs, also contributed to the increase in 2005.

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 as compared to $88.4 million in 2003. The largest increase in personnel expense was an increase in permanent salaries of 2.5% granted in July of 2003 and other city agency overtime.

Maintenance, supplies, and materials increased $2.9 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 the use of chemicals and solvents on roadways because of spring blizzards.

Impairment Losses

In both 2005 and 2004, the Airport System concluded that sections of the automated baggage system were permanently impaired. As a result, the Airport System removed these sections of the automated baggage system, from its books, resulting in an impairment loss of $85.3 million and $18.0 million in 2005 and 2004, respectively. See further discussion regarding the write-off of the automated baggage system in the Capital Assets section below.

Nonoperating Revenues and Expenses

2005

Total nonoperating expenses, net of nonoperating revenues, decreased by $31.3 million to $107.2 million in 2005. This decrease was due to the increase in investment income of $13.3 million, or 59.3%, which was due to an increase in yields and more cash being invested long term. In addition, noncapital PFC revenues increased $22.0 million, or 35.4%, due to an increase in passenger traffic and no PFCs being expended on capital projects. Lastly, there was decrease in interest expense of $16.2 million from the refunding of debt. These factors were offset by an increase in other expense due to an additional $16.2 million in environmental costs associated with the remediation of Stapleton.

In 2005 and 2004, capital grants totaled $31.5 million and $42.1 million, respectively. The decrease in 2005 capital grants was due to the completion of the Explosive Detection System (EDS), which was federally funded. Also, in 2005, there was no capital PFC revenue while in 2004, capital PFC revenues totaled $20.1 million. The decrease in capital PFCs was due to reallocation of PFCs revenues from capital projects to the payment of debt service related to the automated baggage system.

2004

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 12.7% was 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 apparent 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.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2005, 2004, and 2003 (in thousands):

		2005	2004	2003
Assets:				
Current assets	$	222,323	267,237	192,013
Restricted assets, current		487,169	473,364	477,243
Noncurrent investments		197,877	136,289	171,988
Long-term receivables		—	—	572
Capital assets		3,365,021	3,490,129	3,525,772
Bond issue costs, net		76,112	88,743	95,132
Investments restricted		245,207	309,582	280,975
Assets held for disposition		22,724	24,500	38,338
Total assets	$	4,616,433	4,789,844	4,782,033
Liabilities:				
Current liabilities	$	124,503	120,147	110,851
Current liabilities payable from restricted assets		189,904	198,058	202,866
Bonds payable, noncurrent		3,619,827	3,723,510	3,760,565
Notes payable, noncurrent		36,646	56,763	45,973
Compensated absences, noncurrent		5,357	5,548	5,593
Capital lease, noncurrent		—	1,058	3,115
Total liabilities	$	3,976,237	4,105,084	4,128,963
Net assets:				
Invested in capital assets, net of related debt	$	(236,200)	(168,315)	(148,832)
Restricted		571,700	547,526	459,196
Unrestricted		304,696	305,549	342,706
Total net assets	$	640,196	684,760	653,070

2005

Assets decreased by $173.4 million in 2005 as compared to 2004. This was largely due to the decrease in capital assets of $125.1 million. The decline in capital assets was due to two factors: 1) the write-off of portions of the automatic baggage system and sortation systems with a net book value of approximately $43.0 million and $33.5 million, respectively, and 2) normal annual depreciation of approximately $146.9 million. These decreases in capital assets were offset by purchases of machinery, equipment, and additions to projects in progress of approximately $107.1 million.

Cash, cash equivalents, and investments also contributed to the Airport System's decrease in total assets. Cash, cash equivalents, and investments decreased by $22.8 million in 2005 as compared to 2004 due to payments of debt principal of approximately $120 million and purchases of capital assets as discussed above. These payments were offset by cash flows received as part of operating activities, passenger facility charges, and capital grant receipts. See the statement of cash flow for more information regarding the change in cash and investments.

Grants receivable declined by $21.1 million. In 2004, the Airport System was due an outstanding reimbursement from the Transportation Security Administration (TSA) to cover costs relating to the bomb detection system initially paid by the Airport System in 2004. The TSA made the reimbursement in 2005, thus relieving this receivable. Only $1.7 million in grant receivables were outstanding in 2005 related to the bomb detection system project.

Lastly, deferred bond issue costs declined by $12.6 million due to the annual amortization of the costs.

Liabilities decreased by $128.8 million in 2005, compared to 2004, primarily due to the decrease in bonds and notes payable, which was attributable to principal payments paid during 2005 as discussed above.

Of the Airport System's 2005 net assets, 89.3% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $480.0 million. The Stapleton, sixth runway, and other capital projects, totaling $91.7 million, are restricted because the funds were received from other entities and are to be used only for specific capital projects.

At December 31, 2005, the remaining net assets include unrestricted net assets of $304.7 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 in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($236.2) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the assets' net book value.

2004

Assets, in total, increased by $7.8 million, or 0.2%, in 2004. This was primarily due to the fact that while cash, cash equivalents, and investments increased by $62.2 million, capital assets (net) and assets held for disposition decreased by $35.6 million and $13.8 million, respectively.

Cash, cash equivalents, and investments increased in 2004 due to cash flows received as part of operating activities, passenger facility charges, note and bond proceeds, and capital grant receipts. This was offset by payments of debt service of approximately $311.1 million and purchases of capital assets of approximately $111.4 million. See the statement of cash flow for more information regarding the change in cash and investments.

Capital assets decreased during 2004 as compared to 2003 primarily due to annual depreciation of $130.3 million. In addition, during 2004, approximately $18.0 million (net) of the automated baggage system was removed from the books due to the fact it was no longer in use and therefore impaired. These decreases were offset by additions to machinery, equipment, and projects in progress of $119.0 million.

(Continued)

Liabilities decreased by $23.9 million in 2004, compared to 2003, primarily due to the bond principal payments made during 2004. This was offset by the addition of notes payable.

Of the Airport System's 2004 net assets, 80.0% are restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $455.7 million. The Stapleton and sixth runway capital projects, totaling $91.9 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 $305.5 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($168.3) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the capital assets' net book value.

Long-Term Debt

As of December 31, 2005 and 2004, the Airport System had approximately $3.7 billion and $3.8 billion, respectively, in outstanding bonded debt, both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately $312.6 million in 2005. The Airport System has called or refunded over $2.0 billion in higher interest rate debt originally issued in the early 1990s. This has resulted in a cumulative present value debt service savings of approximately $683.7 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. Moody's improved its outlook to positive in July 2005. Fitch improved its outlook to a positive rating in 2005.

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2005 and 2004 was 162% and 155%, respectively, of total debt service.

On August 25, 2005, the Airport issued $227,740,000 of Airport System Revenue Bonds, Series 2005A in a fixed mode for the purpose of currently refunding $230,760,000 of the 1995A bonds.

On November 10, 2005, the Airport issued $91,750,000 and $87,700,000 in an auction rate mode and a variable rate mode, respectively, for the purpose of currently refunding $90,510,000 and $87,845,000 of the 1995B and 1995C bonds, respectively.

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.

On April 14, 2005, the City entered into interest rate swap agreements (the 2005 Swap Agreements), constituting Subordinate Hedge Facility Obligations, with four financial institutions, in order to take advantage of and secure prevailing interest rates in contemplation of the refunding of the Series 1996A Bonds and the Series 1996D

Bonds through the City's issuance of variable rate bonds on or before November 15, 2006. The 2005 Swap Agreements have notional amounts of $120 million, $60 million, $60 million, and $60 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the City under each of the 2005 Swap Agreements and the floating rate equal to 70% of one month LIBOR. There is no assurance that the City will realize savings from these agreements in the future.

In July 2005, the City and United reached an agreement for United to permanently release two Concourse A gates that had been temporarily released by United under the Stipulated Order. In exchange, the City will allocate $10.0 million in surplus PFC revenues or other available funds to reduce the Debt Service Requirements on the automated baggage system, which is discussed below.

Capital Assets

As of December 31, 2005 and 2004, the Airport System had capital assets of approximately $3.4 billion and $3.5 billion, respectively. These amounts are net of accumulated depreciation of approximately $1.2 billion and $1.2 billion, respectively.

Explosive Detection System: 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 the EDS. The total cost of the EDS project was 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. Total cost of the project was $170.5 million, of which $71.0 million is being funded by federal grants.

Automated Baggage System: United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. At December 31, 2004, the book value of the baggage system equipment was $49.6 million. 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 began discussions with United and all airlines to explore ways to mitigate automated baggage system costs over time, consistent with the cost reduction goals and sources of funds outlined in the Stipulated Order. These discussions culminated with the 2005-2 Amendatory Agreement whereby the City will reduce United's Rates and Charges up to $11.0 million per year, over three years, in exchange for certain concessions. Airport System management commissioned a study to determine what, if any, of the existing automated baggage system would be usable in a new system. Based upon this study, management concluded that the bulk of the automated baggage system was impaired and, as a result, management wrote off approximately $43.0 million of the baggage system during 2005, with a remaining book value at December 31, 2005 of $3.2 million.

Baggage Sortation System: The Airport System management commissioned Aviation and Airport Professionals (AvAirPros) to study the future baggage handling system master plan. The master plan states that, at this time, the existing concourses (A, B, and C) are configured with sortation systems that were operable with the automated baggage system discussed above; however, it is not clear whether these existing systems would be capable of being integrated into a new airport-wide baggage system in the future.

Based upon this study, management believes that the sortation systems on concourses A and C were impaired and removed the assets from the books, which resulted in a loss of $11.9 million. United continues to use a portion of the concourse B sortation system, which remains on the Airport System's books with a net book value of approximately $8.7 million. The Airport System removed the unused portion of approximately $47.0 million from its books, resulting in a loss of $21.6 million.

PFC: In 1992, the PFC program authorized the imposition of a fee of $3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of $4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2005, a total of $738.4 million has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $630.4 million has been used to pay debt service on the Airport's general airport revenue bonds, and $2.9 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.

Construction Commitments: As of December 31, 2005, the Airport System had outstanding contractual commitments of approximately $176.7 million and had made over $94.3 million in contractual payments for the year then ended.

The Airport's current 2006-2011 Capital Program includes approximately $362.7 million of planned projects. The City has also identified a number of Demand Responsive Projects that will be undertaken only if there is sufficient need of such projects and they are financially viable. The 2006-2011 Capital Programs are expected to be financed with a combination of Airport Revenue bonds, commercial paper, installment purchase agreements, federal grants, Passenger Facility Charges (PFCs), and Airport System monies.

Economic Factors

Passenger traffic was up 2.6% in 2005 compared with a national average increase of 1.6% as reported by the Airline Transportation Association (ATA), an airline industry group. The December 2005 traffic level of over 3.5 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.

Southwest Airlines (Southwest) announced in October 2005 its intention to commence service to the Airport. Service began in January 2006, with an initial daily schedule of 13 departing flights, utilizing two gates on Concourse C. Effective March 1, 2006, Southwest leased a third gate and increased its schedule to 20 daily departing flights.

The dominant air carrier at Denver International is United. On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permitted United to continue operations while developing a plan of reorganization to address existing debt, capital, and cost structures. In February 2006, United emerged from bankruptcy. United, together with its TED low-fare unit and its United Express commuter affiliates, accounts for approximately 56.4% and 59.0% of passenger enplanements at the Airport in 2005 and for the first three months of 2006, respectively.

As previously discussed, operating revenue was up 3.5%. The net result was operating income before depreciation and amortization of $263.4 million, an increase of 2.7%. Revenues Available for Sharing, the net revenue that is split 75%/25% with the signatory airlines under the use and lease agreements, was over $79.1 million, its highest level ever. The airlines will receive the maximum allocation of $40.0 million, with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

Request for Information

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to 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, 2005 and 2004

Assets		**2005**	**2004**
Current assets:			
Cash and cash equivalents	$	7,586,793	161,221,005
Investments		189,133,508	81,620,854
Accounts receivable (net of allowance for doubtful accounts $323,486 and $621,403, respectively)		14,451,382	14,209,375
Accrued interest receivable		5,423,676	3,789,208
Current portion of long-term receivables		103,452	891,363
Inventories		5,454,318	5,504,769
Prepaid expenses and other		170,131	—
Total current unrestricted assets		222,323,260	267,236,574
Restricted assets:			
Cash and cash equivalents		227,053,440	252,124,060
Investments		231,647,117	180,427,955
Accrued interest receivable		897,577	811,698
Prepaid expenses and other		13,223,650	5,781,126
Grants receivable		2,130,831	23,248,477
Passenger facility charges receivable		12,216,716	10,971,071
Total current restricted assets		487,169,331	473,364,387
Total current assets		709,492,591	740,600,961
Noncurrent assets:			
Investments		197,876,686	136,289,290
Capital assets:			
Buildings		1,692,775,950	1,669,551,289
Improvements other than buildings		1,926,665,356	1,907,898,910
Machinery and equipment		530,719,449	681,752,860
		4,150,160,755	4,259,203,059
Less accumulated depreciation and amortization		(1,243,928,382)	(1,200,724,555)
		2,906,232,373	3,058,478,504
Construction in progress		163,483,424	136,213,858
Land and land rights		295,305,625	295,436,625
Total capital assets		3,365,021,422	3,490,128,987
Bond issue costs, net of accumulated amortization		76,111,450	88,743,077
Total noncurrent unrestricted assets		3,639,009,558	3,715,161,354
Investments – restricted		245,207,135	309,581,707
Assets held for disposition		22,724,103	24,500,229
Total assets	$	4,616,433,387	4,789,844,251

(Continued)

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Net Assets

December 31, 2005 and 2004

Liabilities and Net Assets	**2005**	**2004**
Current liabilities:		
Vouchers payable	$ 32,576,135	24,506,701
Due to other City agencies	18,082,646	7,084,285
Compensated absences payable	1,165,067	810,331
Other liabilities	8,890,941	22,854,181
Revenue credit payable	40,000,000	40,000,000
Deferred rent	23,788,633	24,891,093
Total current unrestricted liabilities	124,503,422	120,146,591
Current liabilities payable from restricted assets:		
Vouchers payable	18,032,591	16,349,794
Retainages payable	12,875,680	14,824,983
Accrued interest and matured coupons	23,263,861	27,536,811
Notes payable	20,117,026	19,449,588
Capital lease liability	1,061,885	2,056,333
Other liabilities	16,747,604	11,590,469
Revenue bonds	97,805,000	106,250,000
Total current liabilities payable from restricted assets	189,903,647	198,057,978
Total current liabilities	314,407,069	318,204,569
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,885,555,000	3,980,405,000
Less:		
Deferred loss on bond refunding	(275,304,950)	(244,015,346)
Unamortized premiums (discounts)	9,576,996	(12,880,068)
Total bonds payable, noncurrent	3,619,827,046	3,723,509,586
Notes payable	36,646,298	56,763,324
Compensated absences	5,357,007	5,548,190
Capital lease liability	—	1,058,346
Total noncurrent liabilities	3,661,830,351	3,786,879,446
Total liabilities	3,976,237,420	4,105,084,015
Net assets:		
Invested in capital assets, net of related debt	(236,200,039)	(168,314,908)
Restricted for:		
Capital projects	91,659,694	91,858,182
Debt service	480,040,793	455,667,619
Unrestricted	304,695,519	305,549,343
Total net assets	640,195,967	684,760,236
Total liabilities and net assets	$ 4,616,433,387	4,789,844,251

See accompanying notes to financial statements.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2005 and 2004

	2005	2004
Operating revenues:		
Facility rentals	$ 203,800,286	210,460,910
Concession revenues	32,565,648	30,637,755
Parking revenues	97,918,928	88,410,926
Car rental revenues	37,175,320	33,780,489
Landing fees	94,694,946	88,741,487
Aviation fuel tax	16,995,501	15,401,672
Other sales and charges (allowance of $45,852 for 2005 ($110,051) for 2004)	11,340,736	10,232,007
Total operating revenues	494,491,365	477,665,246
Operating expenses:		
Personnel services	92,979,459	90,005,372
Contractual services	122,193,155	117,091,081
Maintenance, supplies, and materials	15,956,243	14,117,314
Total operating expenses before depreciation	231,128,857	221,213,767
Operating income before depreciation and amortization and asset impairment	263,362,508	256,451,479
Depreciation and amortization	146,922,302	130,378,851
Impairment losses	85,286,382	18,007,226
Operating income	31,153,824	108,065,402
Nonoperating revenues (expenses):		
Passenger facility charges	83,999,814	62,039,549
Investment income	35,823,022	22,485,968
Interest expense	(205,141,929)	(221,296,222)
Grants	240,500	240,500
Other expense	(22,186,773)	(2,050,545)
Total nonoperating revenues (expenses), net	(107,265,366)	(138,580,750)
Loss before capital contributions	(76,111,542)	(30,515,348)
Capital contributions:		
Capital grants	31,547,273	42,083,319
Capital passenger facility charges	—	20,121,865
Change in net assets	(44,564,269)	31,689,836
Net assets, beginning of year	684,760,236	653,070,400
Net assets, end of year	$ 640,195,967	684,760,236

See accompanying notes to financial statements.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Receipts from customers	$ 479,971,569	498,049,868
Payments to suppliers	(112,268,671)	(147,595,124)
Payments to employees	(92,729,306)	(89,673,521)
Net cash provided by operating activities	274,973,592	260,781,223
Cash flows from noncapital financing activities:		
Miscellaneous nonoperating receipts (expenses), net	(15,265,860)	6,458,538
Operating grants received	240,500	266,066
Passenger facility charges receipts	82,754,169	60,670,272
Net cash provided by noncapital financing activities	67,728,809	67,394,876
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	2,376,840	57,974,070
Proceeds from note payable	—	33,000,000
Principal paid on notes payable	(19,449,588)	(16,787,088)
Principal paid on revenue bonds	(101,370,000)	(101,940,000)
Interest paid on revenue bonds	(215,384,778)	(216,437,179)
Principal paid on capital lease	(2,052,794)	(1,990,919)
Bond issuance costs paid	(6,834,114)	(2,235,311)
Passenger facility charges receipts	—	20,121,865
Capital grant receipts	52,664,919	37,922,215
Purchases of capital assets	(107,368,224)	(111,445,614)
Payments to escrow for current refunding of debt	(10,378,589)	(10,171,462)
Proceeds from sale of capital assets	582,523	486,279
Proceeds from sale of assets held for disposition	1,776,126	13,837,600
Net cash used in capital and related financing activities	(405,437,679)	(297,665,544)
Cash flows from investing activities:		
Purchases of investments	(8,162,358,749)	(7,782,440,017)
Proceeds from sales and maturities of investments	8,006,414,109	7,627,937,804
Interest and dividends on investments	39,975,086	31,670,764
Net cash used in investing activities	(115,969,554)	(122,831,449)
Net decrease in cash and cash equivalents	(178,704,832)	(92,320,894)
Cash and cash equivalents, beginning of year	413,345,065	505,665,959
Cash and cash equivalents, end of year	$ 234,640,233	413,345,065

(Continued)

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Statements of Cash Flows

Years ended December 31, 2005 and 2004

		2005	2004
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	31,153,824	108,065,402
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		146,922,302	130,378,851
Impairment losses		85,286,382	18,007,226
Changes in assets and liabilities:			
Receivables, net of allowance		545,904	4,890,328
Inventories		50,451	(1,135,077)
Prepaid expenses and other		(347,035)	807,550
Vouchers and other payables		8,069,434	988,729
Deferred rent		(1,102,460)	12,258,346
Due to other City agencies		10,988,361	(9,220,316)
Compensated absences		163,553	354,118
Other operating liabilities		(6,757,124)	(4,613,934)
Net cash provided by operating activities	$	274,973,592	260,781,223

Noncash activities:

The Airport System issued bonds in the amount of $407,190,000 and $150,000,000 in 2005 and 2004, respectively, in order to refund debt and fund capital projects. Proceeds of $415,715,139 and $91,762,531 for 2005 and 2004, 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 premium (discount) on bonds of $10,901,979 and ($263,400) occurred in 2005 and 2004, respectively.

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) 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, 2005. 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.

(Continued)

During the year ended December 31, 2005, the Airport System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.* This Statement addresses common deposit and investment risks and requires governmental entities to provide disclosures related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This information is designed to inform financial statement users about deposit and investment risks that could affect the Airport System's ability to provide services and meet its obligations as they become due.

(b) Cash and Cash Equivalents

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

(c) Investments

Investments, which the City maintains, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2005 and 2004. The Airport System's investments are maintained in segregated pools at the City and include U.S. Treasury securities, U.S. Agency securities, commercial paper, and repurchase agreements.

(d) Inventories

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

(e) Capital Assets

Capital assets are recorded at cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land 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 2005 and 2004 was $4,696,585 and $5,048,545, 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

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

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

(g) Assets Held for Disposition

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

(h) Compensated Absences Payable

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

(i) 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.

(j) Net Assets

2005

The Airport System's assets exceeded liabilities by $640,195,967 as of December 31, 2005, a $44,564,269 decrease in net assets from the prior year-end. Of the Airport System's 2005 net assets, 89.3% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represents $480,040,793 that are externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represent $91,659,964.

The remaining net assets include unrestricted net assets of $304,695,519 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($236,200,039) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital 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, 80.0% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represents $455,667,619 that are externally restricted for debt service. The net assets restricted for the Stapleton and sixth runway capital projects represent $91,858,182.

The remaining net assets include unrestricted net assets of $305,549,343 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($168,314,908) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(k) 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 and then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(l) 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.

(m) 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, 2005 and 2004, the Airport System had accrued a liability, included in current other liabilities, of $3,259,726 and $17,442,509, respectively.

For the years ended December 31, 2000 through 2005, 75% of Net Revenues (as defined by the bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory 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 totaled $40,000,000 for both 2005 and 2004. Liabilities for these amounts were accrued as of December 31, 2005 and 2004, respectively, and are reported in the statement of net assets as revenue credit payable.

(n) 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.

(o) Reclassifications

Certain 2004 balances have been reclassified to conform with the 2005 financial statements presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). Under the PDPA, all uninsured deposits are to be fully collateralized with at least 102% of the deposits exceeding the amount insured by federal insurance with specific approved securities identified in the PDPA. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name."

At December 31, 2005, the carrying amount of the Airport System's deposits was $103,304 and the bank balance was $0. Differences between the bank balance and carrying amount are due to timing of certain transactions. At December 31, 2005, the Airport System owned $37,000,000 of certificates of deposit issued by Colorado Business Bank, a certified eligible public depository.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities. St. Paul/Travelers Insurance (St. Paul) manages an owner-controlled insurance plan on behalf of the Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2005 was $245,136. All other deposits are not subject to custodial credit risk since they are deposited in certified eligible public depositories under the PDPA.

(b) Investments

The Airport System's investments are managed by the City and are subject to the Investment Policy of the City. It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. The City's Investment Policy applies to all investment activity of the City under the control of the Manager of Revenue (the Manager), including investments of certain monies related to all governmental and business-type activities, and trust and agency funds. Other monies that may from time to time be deposited with the Manager for investment shall also be administered in accordance with the Investment Policy.

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

At December 31, 2005, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2005
Cash equivalents	$ 43,507
Commercial paper	305,092
Repurchase agreements	142,035
U.S. Treasury securities	190,203
U.S. Agency securities	417,668
	$ 1,098,505

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2005, is as follows (amount expressed in thousands).

		December 31, 2005
Cash on hand	$	103
Cash and cash equivalents		7,587
Investments		387,010
Restricted cash equivalents		226,951
Restricted investments		476,854
	$	1,098,505

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for the investment under the control of the manager by limiting the maximum maturity of investments. Bond reserve proceeds that are invested in U.S. Treasury and U.S. Agency securities can have a maximum maturity of ten years. All other U.S. Treasury and U.S. Agency securities can have a maximum maturity of five years. The maximum maturity of commercial paper is 270 days.

At December 31, 2005, the Airport System's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

		Investments maturity in years				
Investment type		**Fair value**	**Less than 1**	**1-5**	**6-10**	**Greater than 10**
Discount Commercial Paper	$	305,092	305,092	—	—	—
U.S. Treasury securities		190,203	160,675	29,514	14	—
U.S. Agency securities		417,668	142	248,328	123,996	45,202
Total	$	912,963	465,909	277,842	124,010	45,202

The Airport System's portfolio of U.S. agency securities includes callable securities with scheduled interest changes. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2005, the Airport System owned callable securities with a fair value of $291,983,501. Of these, securities with scheduled increases to predetermined interest rates had a fair value of $121,590,130.

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

Credit Quality Risk: Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Airport System. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government. The City's Investment Policy requires that commercial paper and bankers' acceptances be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase.

As of December 31, 2005, the Airport System owned $305,092,000 in commercial paper that had a rating of at least P-1 as rated by Moodys or F-1 as rated by Fitch. One investment in commercial paper, Eurohypo AG, was purchased on November 2, 2005 and had a rating of A-1 from Standard and Poor's at the time of purchase. The Standard and Poor's rating was downgraded to A-2 on November 16, 2005. The investment had a value of $24,278,000 and matured on January 11, 2006, at which time the Airport System was paid in full.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name. None of the Airport System's investments owned at December 31, 2005, were subject to custodial credit risk.

In accordance with the City's Investment Policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. Government agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week and adjusted on an as needed basis. Collateral for all repurchase agreements are held by the City's custodian, J.P. Morgan. None of the Airport System's repurchase agreements owned at December 31, 2005 were subject to custodial risk.

Concentration of Credit Risk: The City's Investment Policy states that a maximum of 5% of the portfolio may be invested in commercial paper or certificates of deposit issued by any one provider. As of December 31, 2005, all investments in commercial paper and certificates of deposit are in compliance with this policy.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2005 and 2004, an allowance of $323,486 and $621,403, respectively, had been established. No amount is reserved for United Airlines (United) in 2005. See further discussion regarding United in note 20 of the financial statements.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2005 and 2004 were as follows (in thousands):

	2005				
	January 1, 2005	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2005
Depreciable:					
Buildings	$ 1,669,551	—	23,317	(92)	1,692,776
Improvements other than buildings	1,907,899	—	18,767	—	1,926,666
Machinery and equipment	681,753	8,122	29,626	(188,782)	530,719
	4,259,203	8,122	71,710	(188,874)	4,150,161
Less accumulated depreciation and amortization	(1,200,725)	(146,922)	—	103,719	(1,243,928)
	3,058,478	(138,800)	71,710	(85,155)	2,906,233
Nondepreciable:					
Construction in progress	136,214	98,979	(71,710)	—	163,483
Land, land rights, and air rights	295,437	—	—	(131)	295,306
Total capital assets	$ 3,490,129	(39,821)	—	(85,286)	3,365,022

	2004				
	January 1, 2004	Additions	Transfers of completed projects	Retirements and impairments	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)	(130,379)	—	16,985	(1,200,725)
	3,147,550	(123,509)	58,529	(24,092)	3,058,478
Nondepreciable:					
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	(11,364)	—	(24,279)	3,490,129

In 2004, the Airport System implemented GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB No. 42 describes the impairment of a capital asset as "a significant, unexpected decline in the service utility of a capital asset." The significant and unexpected decline is based on events or changes in circumstances that were not anticipated when the capital asset was placed in service.

For the years ended December 31, 2005 and 2004, the Airport System experienced impairments of capital assts of $85.3 million and $18.0 million, respectively. Capital assets which incurred significant impairment losses included the Automated Baggage System and the Concourse A, B, and C sortation systems.

Automated Baggage System (ABS)

In September 2005, United Airlines discontinued use of the ABS and reverted to the traditional tug and cart system.

No other airlines used the ABS; therefore, this asset was no longer being used by the Airport System. Based on the requirements of GASB No. 42, there had been a significant, unexpected change in demand of the ABS. In order to determine if the ABS was temporarily or permanently impaired, the Airport System hired a consultant to identify what portion, if any, of the ABS should remain to support a future baggage system. Based upon the consultant's findings, management concluded that a small portion (net book value of $3.2 million) of structural steel and electrical infrastructure would be used to support a new system; therefore, this portion was temporarily impaired and should remain on the books. The remaining net book value of the ABS of $43.0 million was impaired and written off in September 2005.

Sortation Systems

During 2005, the Airport System hired a consultant to determine if the idle sortation systems in Concourses A and C could be used for a future baggage handling system. Based upon the results of this study, management determined that the idle assets would not be used; thus, should be impaired for the remaining net book value.

In addition, United Airlines discontinued use of sections of the sortation system in Concourse B when it discontinued use of the ABS in September 2005. Based upon an investigation performed by management, the Airport System determined that the sections still in use totaled a net book value of $8.7 million. This amount was not impaired and will be depreciated using the original useful life of the sortation system as management's expectation is that the remaining section of the system will continue to be used. The remaining net book value was considered impaired.

As a result, the Airport System recognized impairment losses on the three sortation systems for approximately $33.5 million.

(6) Assets Held for Disposition

The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is continuing to dispose of the Stapleton property. Certain portions of Stapleton were acquired with proceeds from federal grants, which provide for the return of certain federal funds. In addition, certain portions of the property are also subject to deed restrictions, under which the property would revert to the

United States government. The City is able to seek releases from the grant assurances and deed restrictions from the Secretary of Transportation as dispositions occur, provided that: 1) the property is sold at fair market value, and 2) the proceeds are used to develop, improve, and construct Denver International. The City intends to continue to seek such releases and, in accordance with certain use and lease agreements, use any net proceeds from sales of Stapleton to retire or defease subordinate debt.

In 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 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 $22,724,103 and $24,500,229 at December 31, 2005 and 2004, respectively. The current accrued environmental liability for Stapleton was $8,033,010 and $5,438,736 at December 31, 2005 and 2004, respectively.

(7) 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 2005 and 2004 totaled $39,213,224 and $38,744,543 respectively, and are included in operating expenses. The outstanding liability to the City and its related agencies in connection with these services totaled $18,082,646 and $7,084,285 at December 31, 2005 and 2004, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2005 and 2004 were as follows (in thousands):

	2005				
	January 1, 2005	Additions	Refunded debt	Retirements	December 31, 2005
Airport System revenue bonds	$ 4,031,775	407,190	(409,115)	(101,370)	3,928,480
Economic defeasance	54,880	—	—	—	54,880
Less deferred loss on bonds	(244,015)	(44,425)	—	13,135	(275,305)
Less unamortized premiums (discounts)	(12,880)	12,766	12,081	(2,390)	9,577
Total bond debt	$ 3,829,760	375,531	(397,034)	(90,625)	3,717,632
Less current portion					(97,805)
Noncurrent portion					$ 3,619,827

	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

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest is payable semi-annually. The variable rate bonds are issued in weekly mode. Auction rate bonds carry interest rates that are periodically reset in either 7 or 35-day periods. 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, 2005 are as follows:

Bond	Maturity	Interest rate	Amount outstanding
Airport system revenue bonds:			
Series 1991A:			
Term bonds	November 15, 2008	14.00%	$ 26,500,000
Series 1991D:			
Capital Appreciation Bonds	Annually November 15, 2006	7.85-7.95%	13,255,000
Term bonds	November 15, 2013	7.75%	102,600,000
Series 1992F,G*	November 15, 2025	3.55%	49,300,000
Series 1995C:			
Term Bonds	November 15, 2012	6.50%	10,625,000
Series 1996A:			
Term Bonds	November 15, 2016 and 2025	5.50-5.75%	146,110,000
Series 1996B:			
Serial Bonds	Annually November 15, 2006 to 2012	5.75-6.25%	61,590,000
Term Bonds	November 15, 2015	5.75%	34,165,000

Bond	Maturity	Interest rate		Amount outstanding
Series 1996C:				
Serial Bonds	Annually November 15, 2005 to 2011	5.125–6.00%	$	63,795,000
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%		248,130,000
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%		301,775,000
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%		61,860,000
Series 2002A1 A3*	November 15, 2032	1.875%		281,000,000
Series 2002C*	November 15, 2025	2.05%		45,800,000
Series 2002D*	November 15, 2005	2.42%		
Series 2002E:				
Serial Bonds	November 15, 2023	4.00–5.50%		196,080,000
Series 2003A:				
Term Bonds	November 15, 2026 and 2031	5.00%		161,965,000

(Continued)

Bond	Maturity	Interest rate	Amount outstanding
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%	74,500,000
Series 2004B*	November 15, 2024	2.04%	74,500,000
Series 2005A	November 15, 2025	4.00-5.00%	227,740,000
Series 2005B1-B2*	November 15, 2017	3.32%	91,750,000
Series 2005C1-C2	November 15, 2025	3.59%	87,700,000
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			3,983,360,000
Less current portion			(97,805,000)
Net unamortized discount			9,576,996
Deferred loss on refundings			(275,304,950)
Total bonds payable, noncurrent			$ 3,619,827,046

Most of the Airport System bonds are subject to certain mandatory redemption requirements commencing subsequent to 2005.

*The variable rates are as of December 31, 2005

Economic Defeasance

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 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 principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

Bond Issuances

On August 25, 2005, the Airport issued $227,740,000 of Airport System Revenue Bond Series 2005A in a fixed rate mode for the purpose of currently refunding $230,760,000 of the Airport 1995A bonds.

On November 10, 2005, the Airport issued $91,750,000 and $87,700,000 in an auction rate mode and a variable rate mode, for the purpose of currently refunding $90,510,000 and $87,845,000 of the 1995B and 1995C bonds, respectively.

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

Deferred Refunding

The proceeds of the 2005A, B1-B2 and C1-C2 bonds were used together with other Airport monies, to currently refund all of the outstanding series 1995A, 1995B, and all but $10,625,000 of the 1995C Airport System Revenue Bonds. The Series 2005A is based on an assumed interest rate of 4.5%. The series 2005B1-B2 and 2005C1-C2 is based on an assumed interest rate of 3.4%. The refunding portion of the series 2005A, B1-B2, and C1-C2 bonds is structured to provide the Airport maximum interest savings through 2010 for purposes of the Stipulated Order by matching the principal amortization of the refunding bonds with that of the refunded bonds. The interest savings of $70,425,785 and debt savings of $63,056,480 (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 $1,176,945 with these transactions. The current refunding resulted in a defeasance of debt between the reacquisition price of $426,093,727 and the net carrying amount less the unamortized portion of $381,669,202 which resulted in a deferred loss on refunding amount of $44,424,525. The deferred loss on refunding amount is being amortized over the remaining life of the defeased debt, which is shorter than the life of the refunding debt.

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 reacquisition price of $89,955,000 and the net carrying amount less the unamortized portion of $85,220,209, which resulted in a deferred loss on refunding amount of $4,734,702. The deferred loss on refunding is being amortized over the remaining life of the old debt.

Defeased Bonds

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2005 and 2004, respectively, $32,180,000 and $32,180,000 of bonds outstanding are considered defeased.

(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2005 are as follows:

	Principal	Interest
Year:		
2006	$ 97,805,000	186,023,448
2007	107,085,000	181,312,518
2008	103,030,000	174,926,289
2009	103,795,000	168,942,088
2010	112,205,000	163,782,808
2011 – 2015	763,955,000	714,210,363
2016 – 2020	1,002,390,000	506,672,222
2021 – 2025	1,361,790,000	261,206,154
2026 – 2030	161,900,000	52,906,750
2031 – 2033	114,525,000	11,738,250
Total	$ 3,928,480,000	2,421,720,890

The interest requirement for variable debt was determined using the average coupon rate in effect at December 31, 2005. The variable interest rate fluctuates in accordance with the market.

Debt service requirements for the economic defeasance of the Airport System to maturity as of December 31, 2005, are as follows:

	Principal	Interest
Year:		
2006	$ —	3,601,900
2007	—	3,601,900
2008	—	3,601,900
2009	—	3,601,900
2010	—	3,601,900
2011 – 2015	14,800,000	15,715,500
2016 – 2020	—	12,274,500
2021 – 2025	40,080,000	10,800,825
Total	$ 54,880,000	56,800,325

(b) 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, 2005. 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, 2005 is as follows:

	Principal	Interest
Year:		
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	3,905,086	195,232
2011 – 2012	2,636,412	57,726
	$ 56,763,324	4,219,680

Changes in notes payable for the years ended December 31, 2005 and 2004 were as follows:

	Balance January 1, 2005	Additions	Retirements	Balance December 31, 2005
Notes payable	$ 76,212,912	—	(19,449,588)	56,763,324
Less current portion				(20,117,026)
Noncurrent portion				$ 36,646,298

	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

(10) Demand Bonds

Included in long-term debt are $49,300,000, $200,000,000, $100,000,000, $200,000,000, $281,000,000, $45,800,000, $74,500,000 and $74,500,000, $91,750,000 and $87,700,000 of Airport System Revenue Bonds Series 1992F, G, 2000B, 2000C, 2001C1-C4, 2002A1-A3, 2002C, 2004A, 2004B, 2005B1-B2 and 2005C1-C2, 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, and 2002C revenue bonds in the amounts as follows:

Bonds	Par amount outstanding	Letter of credit amount	Annual commitment fee	Letter of credit expiration date
Series 1992F	$ 26,900,000	31,059,400	0.370%	September 24, 2009
Series 1992G	22,400,000	25,829,467	0.370%	September 24, 2009
Series 2002C	45,800,000	51,232,000	0.370%	October 8, 2009

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 were issued covering principal and interest for the life of the Series 2000B and 2000C bonds. 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, 2005 and 2004, no amounts have been drawn under any of the letter of credit agreements.

(11) Bond Ordinance Provisions

Additional Bonds

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

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, except for the Series 2001 C1-C4 Bonds, (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 2001 C1-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.

(12) Swap Agreements

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

Summary of Interest Rate Swap Transactions

Counterparty	Trade date	Effective date	Notional amount (in millions)	Bond/Swap termination date	Associated debt series	Payable swap rate	Variable receivable swap rate	Fair values December 31, 2005
1998 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	1/23/98	10/5/00	$ 100	11/15/25	2000B	4.7600%	Bond rate	$ (14,743,893)
Lehman Bros. Special Financing Inc.	1/23/98	10/5/00	100	11/15/25	2000B	4.7600	Bond rate	(14,743,893)
Societe Generale, New York, Branch	1/23/98	10/5/00	100	11/15/25	2000C	4.7190	Bond rate	(14,281,161)
1999 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	7/23/99	10/5/01	100	11/1/22	2001C1-4	5.6179	BMA	(17,993,978)
Merrill Lynch Capital Services, Inc.	7/23/99	10/5/01	50	11/1/22	2001C1-4	5.5529	BMA	(9,007,718)
RFPC, LTD.	7/23/99	10/5/01	50	11/1/22	2001C1-4	5.6229	BMA	(8,654,456)
2002 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	4/12/02	4/16/02	100	11/01/22	2001C1-4	BMA	76.33% LIBOR	(1,314,306)
RFPC, LTD.	4/12/02	4/16/02	100	11/01/22	2001C1-4	BMA	76.00% LIBOR	(1,336,568)
								$ (82,075,973)
2005 Swap Agreements								
Royal Bank of Canada	4/14/05	11/15/06	60	11/15/25	(1)	3.6600%	70% LIBOR	(1,175,915)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	60	11/15/25	(1)	3.6900	70% LIBOR	(1,357,240)
Jackson Financial Products, LLC	4/14/05	11/15/06	120	11/15/25	(1)	3.6600	70% LIBOR	(2,351,830)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	60	11/15/25	(1)	3.6600	70% LIBOR	(1,175,915)
								$ (6,060,900)

(1) The associated debt series for the 2005 swap agreement are the proposed issuance of Airport System Revenue Refunding Bonds for the 1996 Series A and 1996 Series D bonds.

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds.

The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2005. 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, 2005. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated, in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2005, 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 positive outlook) and A by Fitch (with a positive 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, 2005 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-
Royal Bank of Canada	AA-	Aa2	AA
JP Morgan Chase Bank, N.A.	AA-	Aa2	AA-
Jackson Financial Product, LLC (Merrill Lynch & Co., Inc.)	A+	Aa3	AA-
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Morgan Stanley)	A+	Aa3	AA-

As of December 31, 2005, there was no risk of loss as 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 which 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 than that used to determine the variable payments received by the Airport System under the swap agreement, there may be an increase or decrease in the synthetic interest rate intended under the swap agreement. The nature of this risk for each of the Airport System's series of swaps is discussed more specifically in the descriptions of these swap agreements below.

Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements (the 1998 Swap Agreements) 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 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the 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, 2005.

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 2001 C1-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 2001 C1-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 2001 C1-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, rather than BMA, to offset the actual rate paid on the Series 2001 C1-C4 bonds.

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.

The 2005 Swap Agreements – In April 2005, the Airport System entered into interest rate Swap Agreements (the 2005 Swap Agreements) with four financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1996A Bonds and Series 1996D Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2006. The 2005 Swap Agreements have notional amounts of $60 million, $60 million, $120 million and $60 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) payable by the respective financial institutions.

The Airport System is exposed to market-access risk under the 2005 Swap Agreements. Market-access risk is the risk that the Airport System will not be able to enter the credit markets or that costs associated with entering the credit market will increase. If the 2005 Swap Agreements become effective and proposed refunding bonds are not issued, the Airport System would make net swap payments as required under the Swap Agreement. The Airport System would make fixed payments to the counterparties and receive variable payments of 70% of LIBOR. If the proposed variable rate bonds are issued, actual savings ultimately recognized by the transaction will be affected by the terms of the proposed variable rate refunding bonds and the net effect of the variable rate payments received under the swap and the payments on the bonds.

If the proposed variable rate refunding bonds are issued, and the 2005 Swap Agreements become effective, the Airport System will be exposed to basis risk under the 2005 Swap Agreements, due to the differences between the variable interest rate to be paid on the associated debt and 70% of LIBOR to be received under the 2005 Swap Agreements.

If the 2005 Swap Agreements become effective, the net effect, when considered together with the proposed variable rate refunding bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate of the variable rate refunding bonds and 70% of LIBOR on $300 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements is 3.67%. The 2005 Swap Agreements have an effective date of November 15, 2006. Payments under these Agreements have not commenced.

Swap Payments and Associated Debt

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2005, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2006	$ —	17,320,000	7,907,513	25,227,513
2007	—	17,320,000	7,907,513	25,227,513
2008	—	17,320,000	7,907,513	25,227,513
2009	—	17,320,000	7,907,513	25,227,513
2010	—	17,320,000	7,907,513	25,227,513
2011-2015	—	86,600,000	39,537,565	126,137,565
2016-2020	211,620,000	81,008,165	36,726,456	329,354,621
2021-2025	288,380,000	25,737,524	9,481,261	323,598,785
Total	$ 500,000,000	279,945,689	125,282,847	905,228,536

(13) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2005 and 2004, Special Facility Revenue Bonds outstanding totaled $332,320,000 and $336,760,000, 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 seven lease payments of $8,986,000 in escrow while it appeals the ruling.

(14) 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, 2005 are as follows.

		Amount
Year:		
2006	$	1,071,495
Total minimum lease payments		1,071,495
Less amount representing interest		(9,610)
Present value of lease payments	$	1,061,885

The related net book value of equipment under the capital lease obligation as of December 31, 2005 is as follows:

Equipment	$	6,009,746
Less accumulated depreciation		(3,240,972)
Net book value	$	2,768,774

Changes in capital lease for the years ended December 31, 2005 and 2004 were as follows:

		Balance January 1, 2005	Additions	Retirements		Balance December 31, 2005
Capital lease	$	3,114,679	—	(2,052,794)		1,061,885
Less current						(1,061,885)
Noncurrent portion					$	—

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

(15) 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 18.433.4 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and 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, 2005, the date of the last actuarial valuation, the plan was underfunded; however, there is no net pension obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the plan. The 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):		
Employer	7.61%	0.73%
Plan members	2.23%	0.22%
Annual pension cost	$48,734	$4,723
Total contributions made	$48,509	$4,655
Actuarial valuation date	1-1-05	1-1-05
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	29 years	29 years
Asset valuation method	5-year smoothed mkt.	5-year smoothed 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	2003	$ 47,436	96.2	—
	2004	51,480	86.6	—
	2005	48,734	99.7	—
DERP Health Benefits	2003	$ 4,710	97.0	—
	2004	4,072	96.5	—
	2005	4,723	96.7	—

(16) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

(17) Commitments and Contingencies

(a) Commitments

At December 31, 2005, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	39,618,858
Construction projects to be funded by bonded debt		128,426,687
Projects related to remediation – Stapleton		8,659,739
Total commitments	$	176,705,284

(b) Noise Litigation

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

As of December 31, 2005, the Airport System accrued $1.75 million in the accompanying financial statements for noise violations.

(c) Claims and Litigation

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

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2005 and 2004 was $53,393,400 and $48,268,600, respectively.

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

2006	$	38,493,200
2007		37,681,600
2008		36,544,300
2009		35,927,000
2010		35,228,300
Thereafter		101,826,400
Total minimum future rentals	$	285,700,800

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 $25 (in 1990 dollars), respectively. Current costs per enplaned passenger did not exceed these limits for either 2005 or 2004. 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.

(18) Insurance

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

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

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

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

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

(19) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airline's landing and facility rental fees (airline operating revenue). For the years ended December 31, 2005 and 2004, United Airlines represented approximately 59% and 61%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 12% and 10% 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.

(20) United Airlines

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 51 of the 89 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, accounted for 56.4% and 58.9% of enplaned passengers at the Airport in 2005 and 2004.

On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the bankruptcy code. The Chapter 11 filing permitted United to continue operations while developing a plan of reorganization to address existing debt, capital, and cost structures. United Airlines continued to fly at the Airport during 2005 and in the first three months of 2006 continued to account for 56% of enplaned passengers at Denver International.

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

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 United's 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.

United emerged from bankruptcy in February 2006.

(21) Subsequent Events

Southwest Airlines has added Denver to its route system. It has leased five ticket counters, two jet gates and associated office and operations space. Service started on January 3, 2006, with 13 flights per day flying to Phoenix, Las Vegas, and Chicago.

On April 6, 2006, the Airport announced that CMCB Development Company of Denver is the successful bidder on a 17-acre retail development along Pena Boulevard. The development called "Pena Project" is located north of Pena Boulevard just southeast of the Conoco station and is the first phase in what could be a 500-acre retail development along the major highway in and out of Denver International Airport. The City is currently negotiating a development agreement with CMCB Development Company of Denver.

Also, the Airport System has announced plans to add a third lane to Pena Boulevard which will provide a continuous lane from where 78th Avenue (rental car road) connects with Pena Boulevard westward to Tower Road. Work on the lane addition is scheduled to start mid-June 2006 and should take approximately four months to complete. In addition, construction has begun on a fourth module of the parking garage on the west side of Jeppesen Terminal. Lastly, the City and United have agreed to a 2006 Amendatory Lease Agreement (the Agreement). According to the Agreement, United Airlines will release six Concourse A gates it currently leases over the next 9 to 12 months. Frontier Airlines, which now leases 16 gates on Concourse A, will lease all newly available Concourse A gates.

Supplementary Information

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, 2005

Gross revenue:		
Facility rentals	$	245,994,702
Concession income		32,565,648
Parking income		97,918,928
Car rental income		37,175,320
Landing fees		94,694,946
Aviation fuel tax		16,995,501
Other sales and charges		11,340,736
Interest income		30,308,043
Miscellaneous income		859,325
Gross revenues as defined in the ordinance		567,853,149
Operation and maintenance expenses:		
Personnel services		92,979,459
Contractual services		121,313,128
Maintenance, supplies and materials		15,940,354
Miscellaneous expense		1,500,000
Operation and maintenance expenses as defined in the ordinance		231,732,941
Net revenue		336,120,208
Other available funds		55,172,700
Net revenue plus other available funds as defined in the ordinance	$	391,292,908
Debt service requirements as defined in the ordinance (1)	$	241,622,288
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)		162%

(1) Net of irrevocably committed Passenger Facility Charges of $65,169,731 applied under Supplemental Bond Ordinance.

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, 2005

(1) Bond Account

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

(a) Interest Account

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

Bond series	Interest payment date	Balance interest due	Required interest account balance at December 31, 2005
Series 1991A	05/15/06	$ 1,855,000	309,167
Series 1991D	05/15/06	3,975,750	662,625
Series 1992F-G	01/01/06	142,673	142,673
Series 1995C	05/15/06	345,313	57,552
Series 1996A	05/15/06	4,057,931	676,322
Series 1996B	05/15/06	2,799,122	466,520
Series 1996C	05/15/06	2,496,059	416,010
Series 1996D	05/15/06	3,926,725	654,454
Series 1997E	05/15/06	11,168,913	1,861,485
Series 1998A	05/15/06	5,166,625	861,104
Series 1998B	05/15/06	2,584,875	430,813
Series 2000A	05/15/06	8,147,419	1,357,903
Series 2000B	01/01/06	581,918	581,918
Series 2000C	01/01/06	289,397	289,397
Series 2001A	05/15/06	8,281,234	1,380,206
Series 2001B	05/15/06	456,563	76,094

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, 2005

Interest Account (continued)

Bond series	Interest payment date	Balance interest due	Required interest account balance at December 31, 2005
Series 2001D	05/15/06	$ 1,625,988	270,998
Series 2002A1-A3	01/01/06	813,847	813,847
Series 2002C	01/01/06	132,544	132,544
Series 2002E	05/15/06	4,970,188	828,365
Series 2003A	05/15/06	4,049,125	674,854
Series 2003B	05/15/06	3,279,525	546,588
Series 2004A	01/01/06	214,070	214,070
Series 2004B	01/01/06	214,805	214,805
Series 2005A	05/15/06	5,690,975	948,496
Series 2005B1-B2	01/01/06	221,755	221,755
Series 2005C1-C2	01/01/06	256,819	256,819
			$ 15,347,384

(b) Principal Account

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

Bond series	Principal payment date	Balance principal due	Required principal account balance at December 31, 2005
Series 1991A	11/15/06	$ 7,705,000	$ 642,083
Series 1991D	11/15/06	13,255,000	1,104,583
Series 1992 F, G	12/31/06	1,300,000	108,333
Series 1996B	11/15/06	7,280,000	606,666
Series 1996C	11/15/06	5,325,000	443,750
Series 2000A	11/15/06	11,890,000	990,833
Series 2001A	11/15/06	19,155,000	1,596,250
Series 2001D	11/15/06	2,395,000	199,583
Series 2002A1-A3	11/15/06	7,025,000	585,417
Series 2002C	11/15/06	1,200,000	100,000
Series 2002E	11/15/06	13,225,000	1,102,083
Series 2004A	11/15/06	1,200,000	100,000
Series 2004B	11/15/06	1,200,000	100,000
Series 2005B1-B2	11/15/06	2,950,000	245,833
Series 2005C1-C2	11/15/06	2,700,000	225,000
Total principal account requirement			$ 8,150,414

(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 2005.

(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, 2005, the redemption account had a balance of $35.9 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

Aggregate required Bond Account balance	$	23,497,798
Bond Account balance at December 31, 2005		23,497,798
Underfunded	$	—

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to 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, 2005 is $330,751,460. The minimum Bond Reserve Account requirement is $330,733,926.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The City is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2005.

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, 2005

Computation of minimum operation and maintenance reserve:		
2004 Operation and maintenance expenses	$	220,253,552
Minimum operations and maintenance reserve requirement for 2005		36,708,925
Operation and maintenance reserve account balance at December 31, 2005 (1)		55,063,388
Overfunded	$	18,354,463

(1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to three times the prior year's monthly average. The City is in the process of increasing the reserve.

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Summary of Insurance Coverage

December 31, 2005

Policy number	Company	Item covered	Expiration date		Annual premium	Coverage
PEC 000656201	Indian Harbor Insurance Co.	Pollution and remediation legal liability	12/23/06	$	85,082	50,000,000
XSR 310244	Clarendon American	Excess auto	01/01/06		107,896	1,000,000
FL 865	FM Global	Property/boiler and machinery	01/01/06		2,478,342	1,100,000,000
L 9900371	Lloyds of London	Excess liability	01/01/06		381,429	450,000,000
AAPN 00981771	ACE Property and Casualty	Primary liability	01/01/06		572,398	50,000,000

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM

Annual Financial Information

December 31, 2005

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

		2001	2002	2003	2004	2005
Operating revenues	$	450,695	443,921	457,093	477,665	494,491
Operating expenses, before depreciation and amortization		223,408	238,484	211,913	221,214	231,129
Operating income before depreciation and amortization		227,287	205,437	245,180	256,451	263,362
Depreciation and amortization		151,796	125,692	144,758	130,379	146,922
Impairment loss		—	—	—	18,007	85,286
Operating income		75,491	79,745	100,422	108,065	31,154
Nonoperating revenues (expenses)		(124,391)	(119,845)	(135,272)	(138,580)	(107,265)
Capital contributions		13,735	91,152	40,542	62,205	31,547
Change in net assets	$	(35,165)	51,052	5,692	31,690	(44,564)

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major National Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2000	18,684,319	1.5%	386,526	14.5%	322,151	12.2%	19,392,996	1.9%
2001	17,248,634	(7.7)	463,677	20.0	333,798	3.6	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	18,296,498	6.4	2,623,675	88.0	223,908	29.6	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6

(b) Enplaned Passengers by Airline

Airline	2004	Percent of total	2005	Percent of total
United	8,802,367	41.6%	7,774,627	35.8%
United Express/TED	3,676,499	17.4	4,465,911	20.6
Total United	12,478,866	59.0%	12,240,538	56.4%
American	795,882	3.8%	882,828	4.1%
America West	413,795	1.9	429,538	2.0
Continental	505,784	2.4	534,696	2.5
Delta	879,754	4.2	788,580	3.6
Frontier	3,520,991	16.6	4,217,059	19.4
Northwest	604,827	2.9	624,114	2.9
USAir	383,298	1.8	391,917	1.8
Other	1,560,884	7.4	1,592,705	7.3
Totals	21,144,081	100.0%	21,701,975	100.0%

(c) Originating and Connecting Enplaned Passengers for the Year ended December 31, 2005

Airline	Originating	Connecting	Total
United	3,349,934	4,424,693	7,774,627
United Express/TED	1,480,902	2,985,009	4,465,911
Other	7,152,986	2,308,451	9,461,437
Totals	11,983,822	9,718,153	21,701,975
Percent of total	55%	45%	

(3) Aircraft Operations (a)

Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2001	352,033	139,538	14,614	1,551	507,736	(3.9)%
2002	338,049	157,777	12,416	987	509,229	0.3%
2003	323,610	174,092	11,228	1,345	510,275	0.2%
2004	330,674	224,960	9,936	951	566,521	11.0%
2005	384,552	172,352	9,780	926	567,610	0.2%

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

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

Year	Amount
2001	$ 61,988
2002	69,742
2003	71,945
2004	82,161
2005	84,000

(5) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2001	106,841,965	260,170,245	367,012,210	(25.3)%
2002	44,842,352	283,235,306	328,077,658	(10.6)
2003	55,088,719	271,753,872	326,842,591	(0.4)
2004	40,032,635	281,171,813	321,204,448	(1.7)
2005	34,452,615	278,209,724	312,662,339	(2.7)

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

		2001	2002	2003	2004	2005
Gross revenue	$	526,631	499,435	527,567	543,044	567,853
Operation and maintenance expenses		211,272	216,791	201,573	220,254	231,733
Net revenue		315,359	282,644	325,994	322,790	336,120
Other available funds		54,558	46,751	50,807	54,849	55,173
Total amount available for debt service requirements	$	369,917	329,395	376,801	377,639	391,293
Debt service requirements	$	248,375	225,286	230,547	243,495	241,622
Debt service coverage		149%	146%	163%	155%	162%

See accompanying independent auditors' report.