City and County of Denver, Colorado
Municipal Airport System
Annual Financial Report
December 31, 2002 and 2001

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INTRODUCTION

The Municipal Airport System is organized as a department of the City and County of Denver, Colorado (the City). The Municipal Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). The Municipal Airport System is headed by the Manager of Aviation who reports directly to the Mayor. The senior management team is further comprised of four deputy managers. Together they strive to fulfill the Airport's mission of "enhancing the economic prosperity and quality of life in Denver and the region by providing the world's finest airport connecting people and products to planes". This report was prepared by the Airport's Finance Section in collaboration with other Airport personnel to afford a deeper understanding of Denver International Airport than the annual financial statements typically provide.

Description of the Airport

Situated approximately 24 miles northeast of downtown Denver, the Airport is the primary air carrier airport serving the Denver region. According to Airport Council International, in 2002 the Airport was the fifth busiest airport in the United States and the tenth busiest in the world, serving nearly 36 million passengers. The Airport site comprises approximately 33,800 acres (53 square miles) of land, an area larger than Manhattan Island. The passenger Terminal Complex is reached via Pĕna Boulevard, a 12-mile dedicated access road from Interstate 70. The Airport has five runways—three oriented north-south and two oriented east-west, all 12,000 feet long and 150 feet wide—and a related system of taxiways and aircraft aprons. A sixth runway is under construction and is scheduled to open in the fall of 2003. This new runway is 16,000 feet long and 200 feet wide, allowing for nonstop, jumbo jet service to the Orient.

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 via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The airside concourses (Concourses A, B, and C) provide 89 full service jet gates for large jet aircraft and up to 55 parking positions for regional/commuter airline aircraft.

Air Traffic

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Airline service within the United States is provided nonstop between Denver and more than 100 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the capabilities of the Airport to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2002, nearly 36 million passengers traveled through the Airport, of which approximately 54% originated their air journeys in Denver and 46% connected between flights. The Denver Metropolitan Area, with a population of more than 2.4 million, is the primary region served by the Airport. The Denver Metropolitan Area comprises Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. As shown in Table 1, currently 24 airlines provide scheduled passenger service at the Airport: 14 major/national airlines, 6 regional/commuter airlines, and 4 foreign-flag airlines. In addition, several passenger charter and all-cargo airlines, including Airborne Express, DHL Worldwide Express, Emery Worldwide, FedEx, and United Parcel Service provide service at the Airport.

Table 1
SCHEDULED PASSENGER AIRLINES SERVING DENVER
April 2003

Major/national	*Regional/commuter*
AirTran Airways (1)	Air Wisconsin (United Express)
Alaska Airlines	Big Sky Airlines
America West Airlines	Great Lakes Aviation
American Airlines	Mesa Airlines (Frontier Jet Express)
American Trans Air (ATA)	SkyWest Airlines (United Express)
Continental Airlines	Air Midwest/Mesa
Delta Air Lines	
Frontier Airlines	***Foreign-flag***
Horizon Air	Air Canada (2)
JetBlue Airways	British Airways
Midwest Express Airlines	Mexicana de Aviacion
Northwest Airlines	Lufthansa German Airlines
Spirit Airlines	
United Airlines (2)	
US Airways (2)	

(1) AirTran Airways is scheduled to commence operations at the Airport in May 2003.
(2) US Airways filed for bankruptcy protection in August 2002 and emerged from bankruptcy on March 31, 2003. United filed for bankruptcy protection in December 2002, and Air Canada filed for bankruptcy protection on April 2003.

Source: Airport management records April 2003.

Airlines' Rates, Fees and Charges

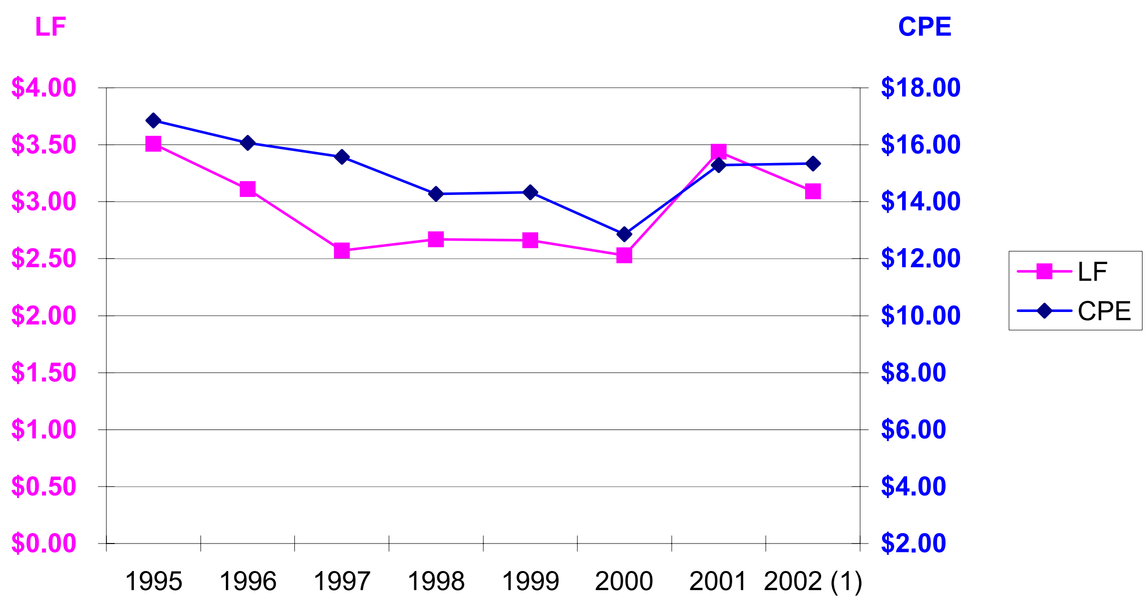
The Airport has a hybrid rate structure. Rate charges to the airlines are residual in nature, i.e., the Airport recovers its costs of providing space and services. Non-airline cost centers are compensatory. This means that to the extent non-airline revenues exceed the cost of providing the space and services, the Airport earns a profit. Under the airline use and lease agreements, net revenue is shared between the Airport and airlines, with the airlines receiving 75% of the net. The 25% that the Airport receives is deposited in the Airport's capital improvement account and can be used by the Airport for any lawful Airport purpose. The net revenue available for sharing since the Airport opened is reflected in Table 2 below.

Table 2
NET REVENUE AVAILABLE FOR SHARING

Year	Total Net Revenue (000's)	Airport Share (000's)
1995	$ 20,533	$ 3,694
1996	37,291	6,954
1997	33,159	5,311
1998	68,924	18,551
1999	69,250	15,058
2000	76,133	25,534
2001	43,811	10,953
2002	35,698	8,924

(Source: Airport Management)

Through 2000, the airline cost of operating at DIA has shown 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, costs for 2002 and 2001 showed increases as depicted in the graph below.



(1) Preliminary estimate
LF = Cost per 1000 lbs. landed weight
CPE = Cost per enplaned passenger

Cash Management

The Airport's cash is under the control of the City and County of Denver Treasurer who invests the funds pursuant to the City's investment policy. At December 31, 2002 and 2001, cash and investments totaled approximately $895.7 million and $894.2 million, respectively. Current investment vehicles include U.S. government securities, high-grade commercial paper, and repurchase agreements. In 2002 and 2001, the City received a fee of $373,010 and $441,000 from the Airport for performing the cash management function.

Events and Other Factors Affecting the Airport

The Airport, like all major airports in the United States, has been adversely affected by the September 11 events and their impact on the air transportation industry, as well as the ongoing economic slowdown.

The Airport has incurred increased operating costs since 2001, due in large part to compliance with enhanced federal and management-mandated security. Aviation activity and enplaned passenger traffic have declined as most major airlines have reduced service levels to control costs in response to decreased passenger demand and financial losses.

Activity-based revenues at the Airport (e.g. landing fees, Passenger Facility Charges (PFCs), concession, car rental and parking revenues) increased 1.5% in 2002 compared to 2001, largely as the result of increases in parking revenues and in the PFC rate from $3.00 to $4.50, per enplaned revenue passenger, effective April 1, 2001.

Enplaned passengers at the Airport declined 6.9% in 2001, the largest decline ever and the first decrease since 1995. Enplaned passengers continued to decline 1.2% in 2002. For the first four months of 2003, enplaned passengers increased 4.4%, compared to the same period in 2002, following a decline of 10.8 % in 2002 compared to the same period in 2001.

In response to these revenue impacts, the Airport implemented a variety of cost saving measures, including an immediate freeze in discretionary spending and hiring for non-critical positions. A thorough review of the 2002 operating and maintenance budget was undertaken, and a cut of $23 million, or about 10%, was implemented. These actions helped mitigate increases in 2001 and 2002 rates and charges to the airlines. The original 2003 Operations and Maintenance (O&M) budget was cut 6% to $223.0 million and an additional 3.5% reduction was identified. In an effort to conserve cash and debt capacity, capital spending plans for 2001-2002 were reviewed and re-prioritized. As a result, the budget was curtailed by deferring or canceling over $150 million in projects. The 2003-2008 Capital Program was again revised in March of 2003 to re-prioritize and re-categorize various capital projects.

In the midst of these reductions, the Airport continues to exhibit strength. Six new airlines have begun or announced new service to the Airport since September 2001 and new non-stop international service has been announced. Expansion plans are proceeding for the addition of ticket counters for new entrants and existing tenants.

Increased Security Measures

The Aviation and Transportation Security Act (the “Aviation Security Act”) was enacted by Congress in November 2001. The new federal agency formed, Transportation Security Administration (TSA), has taken over responsibility from the airlines for passenger screening. TSA required security awareness programs for airport employees baggage and, after December 31, 2002, screening of all checked baggage by explosive detection systems, and operation of a system to screen, inspect or, otherwise, to ensure the security of all cargo. The Airport, like most of the airports, was not supplied with a sufficient number of explosive detection systems by TSA by the December 31, 2002 deadline. As a result, interim measures to screen all checked baggage are in place.

United

On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permits United to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. The Bankruptcy Court has approved a series of motions which orders United to pay sales and use taxes, transportation taxes, fees, PFCs and other similar governmental and airport charges to the Airport, both pre-petition and post-petition. United's pre-petition receivable stands at approximately $13.4 million, which has been reserved for in the accompanying financial statements net of United's $3.0 million performance bond. The City and United are in good faith negotiations regarding the reaffirmation of United's leasehold at the Airport. Although negotiations are proceeding, the terms being discussed are confidential. Furthermore, the timing and nature of the final settlement and subsequent bankruptcy court approval cannot be determined as of the date of this report.

Strategic Business Plan

Under the leadership of executive management, the Airport has finalized its strategic plan covering a broad range of focus areas. These include competition, growth, customer service, safety and security, financial success and community partnerships. Each focus area is supported by five-year goals together with specific implementation plans.

Development of the strategic plan began in the summer of 2001 and was nearing completion when the terrorist attacks occurred. The effort was suspended temporarily and was reinstituted in January 2002 with appropriate adjustments to the goals and base line measures. The plan was finalized and published in January of 2003. Copies of the plan are available on-line at www.flydenver.com.

Accounting and Internal Control

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

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

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Independent Auditors' Report

The Honorable Wellington E. Webb, Mayor
Members of the City Council
City and County of Denver
Denver, Colorado:

We have audited the accompanying financial statements of the City and County of Denver, Colorado Municipal Airport System Enterprise Fund (Airport System) as of and for the years ended December 31, 2002 and 2001, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note A, the financial statements present only the City and County of Denver, Colorado Municipal Airport System Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City and County of Denver, Colorado, as of December 31, 2002 and 2001, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2002 and 2001, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note B, during 2002 the Airport System implemented a new financial reporting model required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*, applied effectively as of January 1, 2001.

The Management's Discussion and Analysis on pages 8 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport System's basic financial statements. The Introduction, the Schedule of Assets, Liabilities, and Net Assets as of December 31, 2002, the Schedule of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2002, the Schedule of Compliance with Rate Maintenance Covenant as defined in the 1984 Airport System General Bond Ordinance for the year ended December 31, 2002; 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 for the year ended December 31, 2002; the Summary of Insurance Coverage as of December 31, 2002; and information included in the Statistical Section under the heading "Annual Financial Information" contained in Schedules I through VI are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Assets, Liabilities, and Net Assets as of December 31, 2002 and the Schedule of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2002, contained in the Supplementary Information section, 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 information included in the Introduction, the Schedule of Compliance with Rate Maintenance Covenant as defined in the 1984 Airport System General Bond Ordinance for the year ended December 31, 2002; 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 for the year ended December 31, 2002; the Summary of Insurance Coverage as of December 31, 2002; and information included in the Statistical Section under the heading "Annual Financial Information" contained in Schedules I through VI has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

June 12, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of and activity of the Municipal Airport System (the Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Municipal Airport System as of and for the years ended December 31, 2002 and 2001. The Municipal 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 financial results for the year ended December 31, 2002 were impacted by the September 11 events and the economic slowdown described below. The operating revenues at the Airport decreased by 1.5% during 2002 which was directly related to the number of passengers. Operating expenses increased 6.7% from 2001 to 2002. The significant increase in operating expense was related to additional security related expenditures, noise penalty payments to Adams County and the recognition of an allowance of bad debt related to United's pre-petition receivable. Although the terrorist attacks and economic slowdown had an impact, the Airport was able to realize positive results of operations and increase net assets because of a reduction in depreciation expense and the receipt of over $88.7 million in grants and capital grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

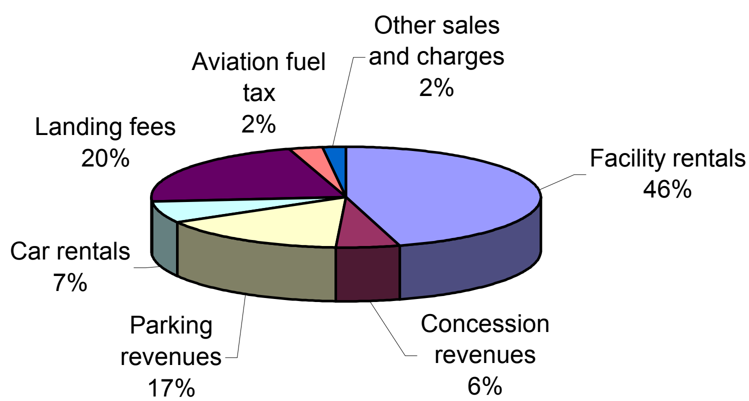
The Airport System's financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, a statement of cash flows, and notes to those financial statements. The statement of net assets presents information on the Airport System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Airport System is improving or deteriorating. The statement of revenues, expenses and changes in net assets presents information showing how the Airport System's net assets changed during the most recent 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 only result in cash flows in future fiscal periods. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OPERATING REVENUES

Operating revenues totaled $443.9 million for the year ended December 31, 2002, a 1.5% decrease from 2001.

	2002 Revenues (000's)	2001 Revenues (000's)
Operating revenues:		
Facility rentals	$204,867	$204,584
Concession revenues	23,977	24,164
Parking revenues	77,619	71,308
Car rentals	31,551	30,873
Landing fees	86,865	97,090
Aviation fuel tax	10,644	12,940
Other sales and charges	8,398	9,736
Total Operating Revenues	$443,921	$450,695

Operating Revenues 2002



Operating revenues decreased by 1.5% from $450.7 million in 2001 to $443.9 million in 2002 primarily due to landing fee revenues. Landing fee revenues decreased by $10.2 million or 10.5%, because of management's decision to temporarily reduce rates to aid the airlines.

Concession revenues between 2002 and 2001, remained constant at $24.0 million. Gains in food, beverage and retail concessions were offset by declines in service concessions (primarily advertising) and flight kitchens. Car rental revenues increased by 2.2% to $31.6 million. Parking revenues increased by $6.3 million or 8.9% due a full year impact of the public parking general rate increase and a 20% increase in the monthly charge for employee parking effective June 1, 2002.

The Airport's activities decreased in three areas and increased slightly in Aircraft Operations and Landed Weight, for years ended December 31, 2002 and 2001, as follows:

	2002	2001	Change
Enplanements	17,829,564	18,046,109	(1.2%)
Total Passengers	35,652,084	36,092,806	(1.2%)
Aircraft Operations	509,229	507,736	.3%
Cargo (in lbs)	731,855,253	791,046,929	(7.5%)
Landed Weight (in thousands)	28,036,724	27,809,534	.8%

These decreases took place in a year where the Airport, like all major airports, has been adversely affected by the unprecedented terrorist attacks of September 11, 2001, and the ongoing economic slowdown. The effects of the terrorist attacks and the economic slowdown continued throughout the year ended December 31, 2002.

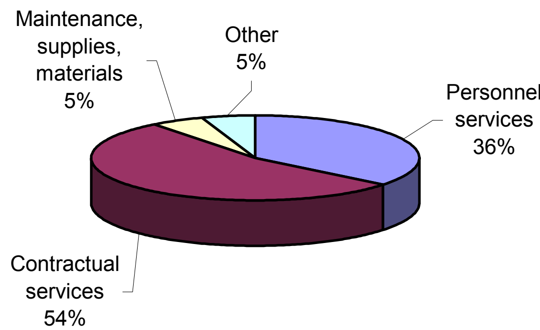
Enplaned passengers at the Airport declined 6.9% in 2001 compared to 2000, the first annual decline since the Airport opened in 1995 and attributable in large part to the September 11 terrorist attacks. Enplaned passengers continued to decline 1.2% in 2002 compared to 2001. For the first four months of 2003, enplaned passengers increased 4.4% compared to the same period in 2002, following a decline of 10.8% in enplaned passengers in the first four months of 2002, compared to the same period in 2001.

OPERATING EXPENSES

Operating expenses totaled approximately $238.5 million in for the year ended December 31, 2002, a 6.7% increase from 2001.

	2002 Expenses (000's)	2001 Expenses (000's)
Operating expenses:		
Personnel services	$ 86,490	$ 79,747
Contractual services	129,732	121,706
Maintenance, supplies and materials	12,654	21,955
Other expenses	9,608	0
Total Operating Expenses	$238,484	$223,408

Operating Expenses 2002



Operating expenses increased by 6.7% from $223.4 million in 2001 to $238.5 million in 2002. Reductions from budget cuts were offset by additional security costs, Adams County noise penalty payments and recognition of $9.6 million of net bad debt expense associated primarily with the United bankruptcy.

Personnel services increased by $6.7 million or 8.5% to $86.5 million in 2002. Although the Airport reduced its workforce complement 5% for full-time equivalent positions, permanent salaries increased by approximately $2.1 million due to a combination of merit and general wage increases. In addition, there was an increase in health benefit costs. The most significant increase in personnel expense was overtime salaries of other personnel which increased by $4.0 million due to the enhanced security measures as a result of September 11, 2001.

After the September 11events, the Airport's divisions were asked to reduce their costs, which reduced the 2002 budget by 10.8% for each department. These reductions are reflected in the contractual services accounts such as architectural services, shuttle buses, management and consulting services, janitorial, R & M services, travel for staff and advertising for jobs and projects that were reduced.

Contractual services increased by approximately $8.0 million (6.6%) in 2002. Without taking into account the increase in the recognition of the Adams County noise penalty settlement, which was $34.2 million in 2002, $12 million of which was accrued in 2001, budget reductions in a broad range of accounts would have produced an overall $2.8 million decrease in this category. Notable component decreases were engineering services ($1.2 million), management consulting services ($3.5 million), and janitorial services ($1.7 million). These reductions were offset by increases in guard services ($3.2 million, or 53.5%), reflecting a full year of security increases since the September 11 Events, a $1.6 million (124%) increase in insurance premiums since the September 11 Events and a $1.5 million increase in the AGTS maintenance contract.

Through budget controls, maintenance, supplies and materials decreased $9.3 million or 42.4%, reflected in reductions in runway lighting, repair expenditures, jet bridges, chemicals and solvents and auto parts.

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The change in net assets is an indicator of whether the overall fiscal condition of the Airport has improved or deteriorated during the year 2002. The change in net assets for year ended December 31, 2002 is an increase of $51.1 million, compared to a decrease of $35.2 million in 2001. Income from operations increased $4.3 million or 5.6% primarily due to the decrease in operating revenues of $6.8 million and a decrease in depreciation and amortization of $26.1 million (reflecting the completion of the two year amortization of $56.4 million on Concourse A), offset by the increase in operating expenses of $15.1 million primarily due to the United bad debt expense, incremental security costs, and the Adams County noise penalty settlement as described in previous section.

Total non operating expenses, net, decreased by $4.5 million to $119.8 million. The decrease was due primarily to an increase in PFCs of $14.5 million or 30%, reflecting a full year collection of the additional $1.50 PFC that commenced April 1, 2001. Investment income decreased by $15.4 million or 26.9% primarily due to a decline in average investment yields. Interest expense also decreased by $14.2 million or 6.4% as the result of both lower interest rates realized from debt refunding and a decline in variable interest rates paid on several series of outstanding senior and subordinate bonds.

In 2002, there was an increase of $1.5 million or 48% in grants received from the federal government. In 2002, the Airport adopted *GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis,* for State and Local Governments. Under this pronouncement, federal grants and PFC revenues used for capital projects are now recognized as capital grants and capital PFCs, rather than nonoperating income. In 2002 and 2001, capital grants totaled $84.1 million and $0, respectively, while capital PFCs totaled $7.0 million and $13.7 million, respectively. The increase in capital grants and capital PFCs is due to the design and construction of the sixth runway.

The following is a summary of the Revenues, Expenses and Changes in Net Assets for 2002 and 2001:

	2002 (000's)	2001 (000's)
Operating Revenues	$ 443,921	$ 450,695
Operating Expenses	(238,484)	(223,408)
Operating Income before depreciation and amortization	205,437	227,287
Depreciation and amortization	(125,692)	(151,796)
Operating Income	79,745	75,491
Nonoperating Revenues	109,138	108,530
Nonoperating Expenses	(228,983)	(232,921)
Capital Contributions	91,152	13,735
Increase (Decrease) in Net Assets	$ 51,052	$ (35,165)

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SUMMARY OF NET ASSETS

Net Assets may serve over time as a useful indicator of the Airport's financial position. The Airport's net assets exceeded liabilities by $647.4 million as of December 31, 2002, a $51.1 million increase in net assets.

Sixty-five percent of the Airport's 2002 net assets, are restricted for future debt service and capital construction. $379.6 million represents the bond reserve account and bond accounts that are externally restricted for debt service. $38.8 million represents Stapleton and sixth runway capital projects.

The remaining net assets include unrestricted net assets of $328.9 million which may be used to meet any of the Airport's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($100.0) million represents the Airport's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

The following is a summary of the net assets as of December 31, 2002 and 2001:

		December 31, 2002 (000's)		December 31, 2001 (000's)
ASSETS:				
Current assets	$	339,057	$	468,626
Restricted assets		614,313		464,228
Long-term receivables		1,866		3,086
Capital assets		3,565,450		3,496,356
Bond issue costs, net		81,458		79,826
Assets held for disposition		46,969		49,381
Total assets		4,649,113		4,561,503
LIABILITIES:				
Current liabilities		162,482		152,004
Current liabilities payable from restricted assets		101,354		107,085
Current deferred rent		23,068		19,208
Long-term debt		3,714,831		3,686,881
Total liabilities		4,001,735		3,965,178
NET ASSETS:				
Invested in capital assets, net of related debt		(100,011)		(77,842)
Restricted		418,413		418,857
Unrestricted		328,975		255,310
TOTAL NET ASSETS	$	647,378	$	596,325

CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

As of December 31, 2002, the Airport had approximately $4.1 billion in outstanding bonded debt, both senior and subordinate, paying fixed and variable rates. The total annual debt service (principal and interest) was approximately $285 million in 2002. Over the past two years, the Airport has called in and refunded over $1 billion in high interest debt originally issued in the early 1990s. This has resulted in a cumulative present value debt service savings of approximately $506 million.

The Airport's senior lien debt is currently rated respectively by Standard & Poor, Moody's, and Fitch at A, A2 and A, respectively, all with a negative outlook. The Fitch rating was reduced from an A+ to A on April 30, 2003, based upon the continuing status of United Airlines.

The Airport's governing bond ordinances require that the Airport's net revenues plus other available funds, as defined in the Bond Ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the year ended December 31, 2002 was 146% of total debt service.

As of December 31, 2002, the Airport had outstanding contractual commitments of approximately $95 million and had made over $180 million in contractual payments for the year then ended. For 2001, the Airport had significant construction commitments of approximately $130 million at December 31, and had made over $114 million in contractual payments.

The Airport has developed a capital program that represents current expectations of future capital needs. Following the September 11 events, and in an effort to conserve cash and debt capacity, capital spending plans for 2001 and 2002 were reviewed and reprioritized resulting in over $150 million of capital projects scheduled for 2001 and 2002 having been deferred or cancelled. The Airport's current 2003-2008 Capital Program includes approximately $352.6 million of planned projects as well as approximately $1.122 billion of "Demand Responsive Projects" which will be undertaken based upon the demand for and the financial viability of such projects. The 2003-2008 Capital Program was revised in March 2003 to reprioritize and recategorize various capital planned projects in light of the current economic environment.

The funds required for the 2003-2008 Capital Progams are expected to be financed with a combination of Airport Revenue bonds, Commercial Paper, federal grants, PFCs and Airport System moneys.

The Passenger Facility Charge (PFC) program in 1992 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 FAA approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2002, a total of $506 million has been remitted to the Airport (including interest earned on late payments), $77 million has been expended on approved projects and $424 million has been used for debt service on the Airport Revenue bonds and $5 million is unexpended. The Airport's authorization to impose the PFC expires on the earlier of January 1, 2030, or upon the collection of the $3.4 billion authorized amount of PFC revenues.

ECONOMIC FACTORS

The Airport, like all major airports in the United States, has been affected by the September 11 events and their impact on the air transportation industry, as well as by the ongoing economic slowdown, which commenced prior to the September 11 events, and by current hostilities in Iraq and elsewhere in the Middle East. The Airport has incurred a 7% increase in operating costs since 2001, due in large part to compliance with enhanced federal and management-mandated security and other operating requirements stemming primarily from the September 11 events. Aviation activity and enplaned passenger traffic have declined as most major airlines have reduced service levels to control costs in response to decreased passenger demand and financial losses. Several airlines, including four airlines operating at the Airport (United, US Airways, Vanguard and Air Canada) have filed for bankruptcy protection, although only Vanguard has ceased operations, and on March 31, 2003, US Airways emerged from bankruptcy protection.

Reductions in operating levels at the Airport may continue for a period of time and to a degree that is uncertain. The future level of aviation activity and enplaned passenger traffic at the Airport will depend on several factors including, among others, the financial condition of individual airlines and viability of continued service, as well as local, regional, national and international economic and political conditions, international conflicts such as that presently occurring in Iraq and elsewhere in the Middle East, future terrorist acts, world health concerns such as the current SARS outbreak, airline service and route networks, availability and price of aviation fuel, airline economics (including labor relations), airline bankruptcies, competition, airfares, airline industry consolidation, capacity of the national air traffic control system and capacity provided at the Airport, among others.

The dominant air carrier at the Airport is United, 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 (based on information provided by individual airports) and flight operations (according to data published by Official Airline Guides, Inc.). Pursuant to the United Use and Lease Agreement, United currently leases 51 of the 90 full service jet gates at the Airport. In addition, United, together with its United Express commuter affiliates, accounted for more than 60% of passenger enplanements at the Airport in 2001, 2002 and the first four months of 2003.

On December 9, 2002, UAL and 27 of its subsidiaries, including United, filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permits United, UAL and each of the other constituent debtors to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. The bankruptcy court has approved a series of motions which orders United to pay sales and use taxes, transportation taxes, fees, PFCs and other similar governmental and airport charges to the Airport, both pre-petition and post-petition.

No assurances can be given with regard to whether United will assume or reject the United Use and Lease Agreement as part of its reorganization proceedings or whether United's efforts to reorganize will be successful, or with regard to United's future level of activity at the Airport, if any. In the event United reduces or discontinues its operations at the Airport, for whatever reason, United's current level of activity at the Airport may not necessarily be replaced by other carriers.

The City and United are in good faith negotiations regarding the reaffirmation of United's leases at the Airport. Although negotiations are proceeding, the terms being discussed are confidential. Furthermore, the timing of the final settlement and subsequent bankruptcy court approval cannot be determined as of the date of this report.

On April 28, 2003, the Denver City Council passed a resolution urging the Mayor to enter into lease extension negotiations with food, beverage and retail concessionaires operating at the Airport. These negotiations are in process. Entering in to these extensions will not adversely affect the Airport's current financial condition.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Airport'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 the Finance Office, 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
As of December 31, 2002 and 2001

	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 159,792,024	$ 313,079,832
Investments	141,415,908	124,791,215
Accounts receivable (net of allowance for doubtful accounts $12,056,032 and $13,357,668)	20,893,241	13,814,339
Accrued interest receivable	4,274,461	4,603,005
Current portion of long-term receivables	1,902,140	1,886,174
Inventories	4,844,773	3,968,319
Prepaid expenses and other	5,934,113	6,483,419
Total current assets	339,056,660	468,626,303
Restricted assets:		
Cash and cash equivalents	244,937,593	184,203,320
Investments	349,525,287	272,146,203
Accrued interest receivable	560,077	714,188
Grants receivable	13,539,127	200,500
Passenger facility charges receivable	5,750,633	6,963,930
Total restricted assets	614,312,717	464,228,141
Long-term receivables, net of current portion	1,866,255	3,086,191
Capital assets:		
Buildings	1,550,511,425	1,543,365,729
Improvements other than buildings	1,636,751,071	1,627,558,515
Machinery and equipment	610,929,986	602,895,336
	3,798,192,482	3,773,819,580
Less accumulated depreciation	(950,018,936)	(831,762,200)
	2,848,173,546	2,942,057,380
Construction in progress	426,155,684	263,177,777
Land, land rights and air rights	291,120,908	291,120,471
Total capital assets	3,565,450,138	3,496,355,628
Bond issue costs, net of accumulated amortization	81,458,412	79,826,186
Assets held for disposition	46,968,837	49,380,940
Total assets	$ 4,649,113,019	$ 4,561,503,389

(continued)

City and County of Denver, Colorado
Municipal Airport System
Statements of Net Assets, continued
As of December 31, 2002 and 2001

LIABILITIES AND NET ASSETS	2002	2001
Current liabilities:		
Vouchers payable	$ 19,604,031	$ 21,135,349
Due to other City agencies	7,516,133	18,835,527
Compensated absences payable	5,533,560	5,172,194
Current portion of long-term debt	90,180,000	77,785,000
Other liabilities	39,648,534	29,075,552
Total current liabilities	162,482,258	152,003,622
Current liabilities payable from restricted assets:		
Vouchers payable	25,439,202	22,002,497
Retainages payable	20,549,994	13,986,601
Accrued interest and matured coupons	27,394,157	24,989,216
Other liabilities	27,970,875	46,107,356
Total current liabilities payable from restricted assets	101,354,228	107,085,670
Current deferred rent	23,068,310	19,208,028
Long-term debt:		
Revenue bonds, net of current portion	3,988,475,000	3,960,382,440
Less: deferred loss on bond refunding	(261,403,720)	(225,535,685)
Less: unamortized discounts	(12,240,600)	(47,966,240)
Total long-term debt	3,714,830,680	3,686,880,515
Total liabilities	4,001,735,476	3,965,177,835
Net Assets:		
Invested in capital assets, net of debt	(100,011,183)	(77,842,411)
Restricted for:		
Capital projects	38,793,605	47,510,234
Debt service	379,620,037	371,347,162
Unrestricted	328,975,084	255,310,569
Total net assets	647,377,543	596,325,554
Total liabilities and net assets	$ 4,649,113,019	$ 4,561,503,389

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

City and County of Denver, Colorado
Municipal Airport System
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2002 and 2001

	2002	2001
Operating revenues:		
Facility rentals	$ 204,867,227	$ 204,583,840
Concession revenues	23,977,188	24,163,704
Parking revenues	77,618,573	71,307,956
Car rentals	31,550,625	30,873,590
Landing fees	86,865,339	97,090,281
Aviation fuel tax	10,644,390	12,939,952
Other sales and charges	8,398,096	9,736,022
Total operating revenues	443,921,438	450,695,345
Operating expenses:		
Personnel services	86,490,453	79,747,110
Contractual services	129,731,846	121,706,060
Maintenance, supplies and materials	12,653,647	21,954,769
Other expenses	9,608,460	0
Total operating expenses	238,484,406	223,407,939
Operating income before depreciation and amortization	205,437,032	227,287,406
Depreciation and amortization	125,692,387	151,796,591
Operating income	79,744,645	75,490,815
Non operating revenues (expenses):		
Passenger facility charges	62,729,779	48,252,087
Investment income	41,840,321	57,198,374
Interest expenses	(208,266,810)	(222,438,008)
Grants	4,568,384	3,079,969
Other expenses	(20,716,422)	(10,483,550)
Total non operating expenses, net	(119,844,748)	(124,391,128)
Change in net assets before capital contributions	(40,100,103)	(48,900,313)
Capital contributions		
Capital grants	84,139,571	0
Capital passenger facility charges	7,012,521	13,735,459
Change in net assets	51,051,989	(35,164,854)
Net assets, beginning of year	596,325,554	631,490,408
Net assets, end of year	$ 647,377,543	$ 596,325,554

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

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows
For the Years Ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 449,245,265	$ 432,544,304
Payments to suppliers	(173,740,298)	(138,057,932)
Payments to employees	(86,023,795)	(79,452,004)
Net cash provided by operating activities	189,481,172	215,034,368
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous nonoperating payments	(10,157,642)	(14,624,077)
Operating grants received	3,951,544	3,079,969
Net cash used by non capital financing activities	(6,206,098)	(11,544,108)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from debt	101,911,432	22,717,763
Principal paid on capital debt	(76,985,000)	(66,277,000)
Interest paid on capital debt	(196,940,065)	(260,414,598)
Bond issue costs	(10,140,645)	(11,904,016)
Passenger facility charges	70,955,596	63,292,465
Capital grant receipts	71,417,785	0
Purchases of capital assets	(168,212,099)	(52,832,458)
Payments to escrow for current refunding of debt	(13,653,141)	(59,660,484)
Proceeds from sale of capital assets	2,279,802	14,888,907
Property proceeds from sale of assets held for disposition	2,412,103	7,923,173
Net cash used by capital and related financing activities	(216,954,232)	(342,266,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,337,028,655)	(7,985,585,733)
Proceeds from sales and maturities of investments	6,243,024,879	8,282,432,802
Interest and dividends on investments	35,129,399	46,051,955
Net cash provided (used) by investing activities	(58,874,377)	342,899,024
Net increase (decrease) in cash and cash equivalents	(92,553,535)	204,123,036
Cash and cash equivalents – beginning of the year	497,283,152	293,160,116
Cash and cash equivalents – end of the year	$ 404,729,617	$ 497,283,152

Non Cash Activities

The Airport System issued bonds to refund debt in 2002 and 2001. The proceeds of $600,394,950 and $727,500,317 for 2002 and 2001 respectively, were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bond principal amounts.

(continued)

City and County of Denver, Colorado
Municipal Airport System
Statements of Cash Flows continued
For the Years Ended December 31, 2002 and 2001

	2002	2001
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 79,744,645	$ 75,490,815
Adjustments to reconcile operating income to net cash Provided by operating activities:		
Depreciation and amortization	125,692,387	151,796,591
Change in assets and liabilities:		
Receivables, net of allowance	(5,874,932)	(6,292,901)
Inventories	(876,454)	4,054,993
Prepaid expenses and other	549,306	401,742
Accounts and other payables	(1,531,318)	281,373
Deferred rent	3,860,282	15,605,272
Due to other City agencies	(11,319,394)	4,116,478
Accrued expenses	(763,350)	(30,419,995)
Net cash provided by operating activities	$189,481,172	$215,034,368

The accompanying notes are an integral part of the financial statements

A. Organization and Reporting Entity

Nature of Operations

Pursuant to Article XX of the State of Colorado Constitution and the City and County of Denver, Colorado (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 (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, five runways, roadways, and ancillary facilities on a 53 square mile site. Stapleton was closed to all air traffic on February 27, 1995. See Note G for further discussion.

Reporting Entity

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

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

B. Summary of Significant Accounting Policies

Basis of Accounting

The Airport System is an enterprise fund of the City, and as such is an integral part of the City. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements (including National Council on Governmental Accounting Statements and Interpretations currently in effect). 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.

New Financial Reporting Model

Effective January 1, 2002, and retroactively applied to the period beginning January 1, 2001 for comparative purposes, the Airport System implemented GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments;* Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus;* and Statement No. 38 *Certain Financial Statement Note Disclosures.* The primary impact of adopting these standards was they required the Airport System to add management's discussion and analysis as required supplementary information; use the direct method of recording cash flows; eliminate the use of a depreciation add back on assets acquired with federal funds; combine amounts previously reported as contributed capital into net assets and to classify net assets as invested in capital assets, net of related debt, restricted and unrestricted.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2002 and 2001.

Inventories

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

Capital Assets

Capital Assets are recorded at cost and consist of buildings, roadways, airfield improvements, machinery and equipment and land, land rights and air rights at Denver International. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. 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

Included in depreciation and amortization expense in 2001 is $28,400,000 of amortization related to certain Concourse A leases which ended in 2001.

<u>Bond Issue Costs, Deferred Losses on Bond Refundings, and Unamortized Discounts</u>

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

<u>Assets Held for Disposition</u>

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

<u>Compensated Absences Payable</u>

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

<u>Deferred Rent</u>

Deferred rent is recorded when rental payments are received by the Airport System prior to a legal claim to them.

<u>Net Assets</u>

Sixty-five percent of the Airport's 2002 net assets, is restricted for future debt service and capital construction. $379,620,037 represents the bond reserve account and bond accounts that are externally restricted for debt service. $38,793,605 represents Stapleton and sixth runway capital projects.

The remaining net assets include unrestricted net assets of $328,975,084 which may be used to meet any of the Airport's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed for in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($100,011,183) represents the Airport's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

Operating Revenues and Expenses

The statement of revenues, expenses and changes in net assets distinguish operating revenues and expenses from non operating 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. Operating expenses include the cost of providing sales and services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses or capital contributions. Such items include grants from the federal government and Stapleton demolition and remediation expenses.

Rates and Charges

The Airport System establishes annually, as adjusted semi-annually, airline rentals, landing fees, and other charges sufficient to recover the costs of operations, maintenance, and debt service related to the airfield and space utilized by the airlines. Any differences between airline revenues collected and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2002, the Airport System had accrued a liability of $11,731,017 and as of December 31, 2001, accrued a receivable of $11,300,931 for such amounts due to/from the airlines.

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. The estimated Net Revenues credited to the airlines for the years ended December 31, 2002 and 2001, were $26,773,271 and $32,858,334, respectively. Liabilities for these amounts were accrued as of December 31,2002 and 2001 respectively.

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.

C. Cash, Cash Equivalents, and Investments

At December 31, 2002 and 2001, respectively, the carrying amount of the Airport System's deposits were $1,926,480 and $(10,456,371), and the bank balance was $0 and $468,000. Of the bank balance at December 31, 2001, $468,000 was insured and collateralized with securities held by banks in their trust departments in the City's name in accordance with the State's Public Deposit Protection Act.

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

The City's investments are categorized into these three categories of credit risk:

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

At December 31, 2002 and 2001, all of the Airport System's investments were in category 1, except for commercial paper which is category 3. The Airport System's investments are maintained in segregated pools and consist of the following:

	2002 Fair Value	2001 Fair Value
U. S. Treasury Securities	$256,177,129	$118,489,960
U. S. Agency Securities	281,073,684	293,561,783
Commercial Paper	133,495,690	122,361,198
Repurchase Agreements	222,997,829	370,264,000
	893,744,332	904,676,941
Deposits	1,926,480	(10,456,371)
Total	$895,670,812	$894,220,570

Investment income earned on the Airport System's pooled cash and investments is allocated to the participating Airport System funds based upon the average investment balances of each fund. Investment income for 2002 and 2001 is comprised of interest income and an unrealized gain on investments of $5,045,513 and $15,732,461, respectively.

The Airport System may enter into securities lending transactions with broker-dealers and other entities (borrowers) who must provide collateral that will be returned for the same securities in the future. The Airport System must maintain custody of the collateral securities. The collateral securities cannot be pledged or sold by the Airport unless the borrower defaults. The Airport system requires borrowers, at the time of the initial transaction, to provide collateral securities with a market value of 102 percent of the market value of the securities lent. Additional collateral must be provided by the next business day if the value of the collateral falls to less than 100 percent of the market value of the securities lent. No more than 20 percent of the Airport's investment portfolio may be used in securities lending transactions. The Airport System does not have credit risk exposure on securities lending transactions because borrowers provide more in collateral than they receive in underlying securities, and all transactions are settled on a delivery versus payment basis. The Airport System earns a fee on each securities lending transaction, which is negotiated with the borrower at the inception of each transaction. As of December 31, 2002 and 2001, there were $0 and $96,556,000 of outstanding securities lending transactions, respectively.

Cash, cash equivalents, and investments included in restricted assets are restricted for the following purposes:

	2002	2001
Operations and maintenance reserve	$ 37,988,588	$ 32,064,041
Bond interest and retirement	420,763,166	419,822,895
Acquisition, construction and replacement	135,603,822	4,369,087
Deposits	107,304	33,500
	$594,462,880	$456,349,523

D. Accounts Receivables

Western Pacific Airlines, Vanguard Airlines, United Airlines, US Airways and Kitty Hawk have all filed for bankruptcy protection. As a result of these filings, the Airport System fully reserved its accounts receivable from these airlines with an allowance for doubtful accounts of $12,056,032 and $13,357,668, at December 31, 2002 and 2001, respectively.

E. Capital Assets

Changes in capital assets for the year ended December 31, 2002 and 2001 were as follows: (000's)

2002

	Balance January 1, 2002	Additions	Transfers of Completed Proj.	Retirements	Balance December 31, 2002
Buildings	$ 1,543,366	$ 426	$ 6,815	$ (96)	$ 1,550,511
Improvements other than buildings	1,627,559	241	8,956	(5)	1,636,751
Machinery and equipment	602,895	15,859	2,003	(9,827)	610,930
	3,773,820	16,526	17,774	(9,928)	3,798,192
Less accumulated depreciation	(831,762)	(125,319)	0	7,062	(950,019)
	2,942,058	(108,793)	17,774	(2,866)	2,848,173
Construction in progress	263,178	180,753	(17,774)	0	426,156
Land, land rights and air rights	291,120	1	0	0	291,121
Total capital assets	$ 3,496,356	$ 71,960	$ 0	$ (2,866)	$ 3,565,450

2001

	Balance January 1, 2001	Additions	Transfers of Completed Proj.	Retirements	Balance December 31, 2001
Buildings	$ 1,563,804	$ 2,041	$ 6,490	$ (28,969)	$ 1,543,366
Improvements other than buildings	1,627,317	2,142	323	(2,224)	1,627,559
Machinery and equipment	601,093	7,225	5,253	(10,676)	602,895
	3,792,214	11,408	12,066	(41,869)	3,773,820
Less accumulated depreciation	(724,767)	(118,815)	0	11,820	(831,762)
	3,067,447	(107,407)	12,066	(30,049)	2,942,058
Construction in progress	160,784	114,460	(12,066)	0	263,178
Land, land rights and air rights	291,052	68	0	0	291,120
Total capital assets	$ 3,519,283	$ 7,121	$ 0	$ (30,049)	$ 3,496,356

F. Long-Term Receivables

Long-term receivables consist of the following:

	2002	2001
Due from Continental Airlines, Inc.	$3,086,191	$4,238,992
Due from Concessionaires	682,204	733,373
Total	3,768,395	4,972,365
Less: current portion	(1,902,140)	(1,886,174)
Long-term receivables	$1,866,255	$3,086,191

The amounts due from Continental Airlines, Inc. consist of costs incurred related to improvements to Concourse C at Stapleton. Of the amount due for improvements at Stapleton, $1,934,513 is due in monthly installments of $71,340, including interest at 10.3% through July 2005. The remaining $1,151,678 is due in equal installments over a ten-year period, which commenced February 28, 1995.

G. Assets Held for Disposition

Stapleton consists of approximately 2,200 acres of land and various buildings and roadways. The City ceased aviation operations at Stapleton upon the opening of Denver International on February 28, 1995, and is proceeding to dispose of the Stapleton property. Certain portions of Stapleton were acquired with proceeds from federal grants, which provide for the return of certain federal funds. In addition, certain portions of the property are also subject to deed restrictions, under which the property would revert to the United States government. The City is able to seek releases from the grant assurances and deed restrictions from the Secretary of Transportation as dispositions occur, provided that 1) the property is sold at fair market value, and 2) the proceeds are used to develop, improve, and construct Denver International. The City intends to seek such releases and, in accordance with certain use and lease agreements, use any net proceeds from sales of Stapleton to retire or defease subordinate debt.

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

In March 2000, the Airport System entered into a comprehensive environmental remediation contract and purchased cost cap insurance for environmental issues up to $100 million. Under certain circumstances, the City may perform remediation that is beyond the level otherwise required by the Stapleton Airline Agreement, and the City is permitted to pay up to a maximum of $20 million for additional remediation from the City’s share of Airport Net Revenues in the capital account.

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

As a result of the long-term nature of the development plan, the timing and ultimate amount of net proceeds from the disposition of Stapleton's existing plant and improvements is not presently determinable. The carrying value of Stapleton is $46,968,837 and $49,380,940 at December 31, 2002 and 2001, respectively. The net realizable value of future proceeds is expected to be greater than the current carrying value.

H. Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, budgeting, police and fire, and engineering. Billings from the City during 2002 and 2001 totaled $37,678,176 and $33,246,082 respectively, and are included in operating expenses. The outstanding liability to the City and its related agencies in connection with these services totaled $7,516,133 and $18,835,527 at December 31, 2002 and 2001, respectively.

I. Long-Term Debt

The Airport System has issued bonds collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest is payable semi-annually. The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2002 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds			
Series 1990A			
Capital Appreciation Bonds	Annually November 15, 2003 to 2005	8.50-8.55%	$ 40,360,000
Series 1991A			
Capital Appreciation Bonds	Annually November 15, 2003	8.75-8.80%	7,015,000
Term Bonds	November 15, 2005 and 2008	14.00%	26,500,000
Series 1991D			
Capital Appreciation Bonds	Annually November 15, 2003 to 2006	7.80-7.95%	53,020,000
Term Bonds	November 15, 2013, 2021 and 2025	7.00-7.75%	102,600,000

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds			
Series 1992F,G	November 15, 2025	Weekly	$ 52,400,000
Series 1994A			
Serial Bonds	Annually November 15, 2003 to 2006	6.35-7.50%	12,800,000
Term Bonds	November 15, 2017 and 2023	7.50-8.00%	82,555,000
Series 1995A	Annually November 15, 2017 to 2025	5.60-5.70%	230,760,000
Series 1995B			
Serial Bonds	Annually November 15, 2003 to 2011	5.00-5.75%	29,815,000
Term Bonds	Annually November 15, 2012 to 2017	5.75%	64,915,000
Series 1995C			
Serial Bonds	Annually November 15, 2003 to 2009	4.70-5.50%	19,005,000
Term Bonds	Annually November 15, 2010 to 2012	6.50%	10,625,000
Term Bonds	Annually November 15, 2013 to 2016	5.50%	17,425,000
Term Bonds	Annually November 15, 2017 to 2025	5.60%	56,190,000
Series 1996A			
Term Bonds	Annually November 15, 2016 to 2017	5.75%	31,925,000
Term Bonds	Annually November 15, 2018 to 2025	5.50%	114,185,000
Series 1996B			
Serial Bonds	Annually November 15, 2003 to 2012	4.00-6.25%	81,045,000
Term Bonds	Annually November 15, 2012 to 2013	5.75%	34,165,000
Series 1996C			
Serial Bonds	Annually November 15, 2003 to 2011	5.00-6.00%	78,065,000

Bond	Maturity	Interest Rate	Amount Outstanding
Airport System Revenue Bonds			
Term Bonds	Annually November 15, 2012 to 2013	5.50%	$ 26,015,000
Series 1996D			
Term Bonds	Annually November 15, 2017 to 2025	5.50%	142,790,000
Series 1997E			
Serial Bonds	Annually November 15, 2011 to 2015	5.13-6.00%	105,020,000
Term Bonds	November 15, 2017, 2023 and 2025	5.47-5.60%	310,685,000
Series 1998A			
Term Bonds	Annually November 15, 2021 to 2025	5.00%	206,665,000
Series 1998B			
Term Bonds	Annually November 15, 2025	5.00%	103,395,000
Series 2000A			
Serial Bonds	Annually November 15, 2003 to 2019	4.50-6.00%	280,275,000
Term Bonds	Annually November 15, 2020 to 2023	5.77%	31,495,000
Series 2000B	November 15, 2025	Weekly	200,000,000
Series 2000C	November 15, 2025	Weekly	100,000,000
Series 2001A			
Serial Bonds	Annually November 15, 2003 to 2017	4.00-5.625%	358,590,000
Series 2001B			
Serial Bonds	Annually November 15, 2013 to 2016	4.70-5.50%	16,675,000
Series 2001D			
Serial Bonds	Annually November 15, 2003 to 2024	4.50-5.50%	68,345,000
Series 2002A1-A3	November 15, 2032	Flexible	300,000,000
Series 2002C	November 15, 2025	Weekly	49,000,000
Series 2002D	November 15, 2005	Weekly	29,000,000
Series 2002E			
Serial Bonds	November 15, 2023	4.00-5.50%	203,565,000

Bond	**Maturity**	**Interest Rate**	**Amount Outstanding**	
Airport System Subordinate Revenue Bonds				
Series 1997A	December 1, 2010	Flexible	$	44,345,000
Series 1997B	December 1, 2020	Weekly		25,000,000
Series 2000A Commercial Paper	November 15, 2025	Flexible		77,545,000
Series 2001C1-C4	November 15, 2022	Flexible		200,000,000
Economic Defeasance LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%		54,880,000

Total revenue bonds	$	4,078,655,000
Less: current portion		(90,180,000)
Long-term revenue bonds	$	3,988,475,000

All of the Airport System bonds are subject to certain mandatory redemption requirements commencing subsequent to 2002.

Changes in long-term debt for the years ended December 31, 2002 and 2001 were as follows: (000's)

2002

	Balance January 1, 2002	Additions	Refunded Debt	Retirements	Balance December 31, 2002
Senior and subordinate bonds	$ 3,983,287	$ 693,765	$ 576,292	$ 76,985	$ 4,023,775
Escrow	54,880	0	0	0	54,880
Total debt	$ 4,038,167	$ 693,765	$ 576,292	$ 76,985	$ 4,078,655
Less: current portion					(90,180)
Long-term debt					$ 3,988,475

2001

	Balance January 1, 2001	Additions	Refunded Debt	Retirements	Balance December 31, 2001
Senior and subordinate bonds	$ 4,065,829	$ 682,850	$ 699,115	$ 66,277	$ 3,983,287
Escrow	54,880	0	0	0	54,880
Total debt	$ 4,120,709	$ 682,850	$ 699,115	$ 66,277	$ 4,038,167
Less: current portion					(77,785)
Long-term debt					$ 3,960,382

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 floating rate on certain of the Airport System’s variable rate bonds payable by the respective financial institutions. 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, thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The 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.

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 Bond Market Association Index payable by the respective financial institutions.

On October 4, 2001, the Airport System issued the Series 2001C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The net effect of the 1999 Swap Agreements, when considered together with the floating rate Series 2001C1-C4 Subordinate Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2001C1-C4 Subordinate Bonds and the Bond Market Association Index, on $200 million of obligations. The average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.6029%. The 1999 Swap Agreements became effective on October 4, 2001 and payments under these Agreements commenced on November 1, 2001.

On 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, 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 a percentage of LIBOR, rather than BMA, to offset the actual rate paid on the Series 2001C1-C4 bonds. The average percentage of LIBOR received by the Airport System under the 2002 Swap Agreements is 76.165%. The 2002 Swap Agreements became effective on April 15, 2002 and payments under these Agreements will commence on May 1, 2002.

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 into a special account 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 or in substance under accounting principals generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

In September 2002, the Airport System issued $300,000,000 of Airport System Revenue Bonds Series 2002A-A3. The Series 2002A-A3 was issued in a variable rate auction mode for the purpose of currently refunding $140,535,000, $99,620,000 and $47,055,000 of the Airport System Revenue Bonds 1992B, 1992C and 2000A Airport System Subordinate Commercial Paper Notes.

In October 2002, the Airport System issued $281,565,000 of Airport System Revenue Bonds Series 2002C, 2002D and 2002E. The Series 2002C and Series 2002D were issued in a variable rate mode for the purpose of currently refunding $49,000,000 of the Airport System Revenue Bonds 1992D and $29,000,000 of the Airport System Subordinate taxable Commercial Paper 2000B. The 2002E was issued in a fixed rate mode and net funding for the purpose of currently refunding $64,630,000 and $146,395,000 of the Airport System Revenue Bonds 1992B and 1992C, respectively.

The 2002E Airport System Revenue Bonds were issued at an economic gain (difference in the present value of the old debt and new debt service payments) of $42,441,223. The 2002A Airport System Revenue Bonds were issued with an expected economic gain based upon an assumption of future interest rates on the 2002A Bonds versus the fixed and variable interest rates on the bonds and commercial paper refunded by the 2002A Bonds. The amount of this gain will vary depending upon the actual level of future interest rates on the 2002A Bonds, but assuming these rates average 5%, a present value economic gain of $22,299,766 would be expected. The refundings of 2002A-A3, 2002C, 2002D and 2002E Bonds, resulted in a deferred loss which is the difference between the reacquisition price and the net carrying amount of the old debt of $44,185,267. This difference is reported as a deduction from long-term debt and is charged to operations through the year 2022, using the effective interest rate method.

J. Demand Bonds

Included in long-term debt are $52,400,000, $44,345,000, $25,000,000, $200,000,000, $100,000,000 and $200,000,000 of Airport System Revenue Bonds Series 1992F, 1992G, 1997A, 1997B, 2000B, 2000C and 2001C1-C4, respectively, and $77,545,000 Commercial Paper Series 2000A Notes 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, 1997A, 1997B revenue bonds, and Series 2000A in the amounts as follows:

Bonds	Par amount Outstanding	Letter of Credit amount	Annual commitment fee[1]	Letter of Credit expiration date
Series 1992F	28,600,000	31,059,400	0.370%	September 24, 2009
Series 1992G	23,800,000	25,829,467	0.370%	September 24, 2009
Series 1997A	44,345,000	48,557,775	0.350%	May 9, 2003
Series 1997B	25,000,000	25,408,333	0.350%	May 9, 2003
Series 2000A Commercial Paper	77,545,000	145,000,000	0.350%	May 14, 2003

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

Irrevocable Letters of Credit 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, 2003 and the Airport System is required to pay a quarterly commitment fee equal to 0.110% per annum on the total amount of the Letters of Credit. The municipal bond insurance policies covering principal and interest for the life of the Series 2000B and 2000C bonds were issued. The Airport System paid an initial premium for these insurance policies on the closing date of the 2000B and 2000C revenue bonds covering premiums due through August 24, 2002. Beginning on August 24, 2002, the Airport System is required to pay an annual insurance premium equal to 0.070% of the outstanding par amount of the 2000B and 2000C revenue bonds.

As of December 31, 2002 and 2001, no amounts have been drawn under any of the letter of credit agreements.

K. Bond Ordinance Provisions

Additional Bonds

The Airport System may issue additional parity bonds, subject to certain coverage and other provisions, for the purpose of acquiring, improving or equipping facilities related to the Airport System. The Airport System may not issue subordinate bonds in excess of $600,000,000 outstanding total aggregate principal.

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, the Series 1990A, 1991A, 1991D, 1992F, 1992G, 1994A, 1995A, 1995B, 1995C, 1996A, 1996B, 1996C, 1996D, 1997E, 1998A 1998B, 2000A, 2000B, 2000C, 2001A, 2001B, 2001D, 2002A-A3, 2002C, 2002D and 2002E (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 1997A, 1997B, 2001C1-C4 Bonds and 2000A Notes 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. The Airport is in compliance with the bond covenants.

L. Debt Service Requirements

Debt service requirements of the Airport System to maturity as of December 31, 2002 are as follows:

Year	Principal	Interest
2003	$ 90,180,000	$ 214,390,356
2004	102,250,000	210,380,197
2005	109,070,000	206,413,912
2006	99,645,000	202,023,153
2007	104,865,000	196,796,417
2008-2012	629,430,000	880,142,887
2013-2017	833,355,000	678,278,556
2018-2022	1,109,885,000	421,594,836
2023-2027	935,095,000	97,018,486
2028-2032	10,000,000	1,500,000
Total	$4,023,775,000	$3,108,538,800

Debt service requirements, for the economic defeasance noted above, of the Airport System to maturity as of December 31, 2002 are as follows:

Year	Principal	Interest
2003	$ -	$ 3,601,900
2004	-	3,601,900
2005	-	3,601,900
2006	-	3,601,900
2007	-	3,601,900
2008-2012	-	18,009,500
2013-2017	14,800,000	13,421,500
2018-2022	-	12,274,500
2023-2025	40,080,000	5,891,025
Total	$54,880,000	$67,606,025

M. Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2002 and 2001, Special Facility Revenue Bonds outstanding totaled $385,790,000 and $389,535,000, respectively. In April 2003, United Airlines failed to make its facilities rent payment of $8,986,000 to the paying agent which in turn has 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.

N. Capital Lease

In 1997, the Airport System entered into a capital lease agreement for certain AGTS train cars. The Airport System paid the total capital lease liability of $6,384,149 on January 29, 2002.

O. 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 Denver Employees Retirement Plan (DERP) is a single-employer, defined benefit plan established by the City to provide pension benefits for its employees. The DERP is administered by the DERP Board of Trustees in accordance with sections 18.401 through 18.422 of the City's Revised Municipal Code. These Code sections establish the plan, provide complete information on the DERP, and vest the authority for the benefit and contribution provision with the City Council. The DERP Board of Trustees acts as the trustee of the plan's assets.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report is available by contacting:

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plan's Funding Policy and Annual Pension Cost

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

	DERP	DERP HEALTH BENEFITS
Contribution rates (as a percentage of covered payroll):		
City	8.8%	1.2%
Plan members	-	-
Annual pension cost	$49,067	$3,661
Total contributions made	$47,245	$3,556
Actuarial valuation date	1-01-02	1-01-02
Actuarial cost method	Entry age	Entry age
Amortization method	Level % of payroll-closed	Level % of payroll-closed
Remaining amortization period	20 years	20 years
Asset valuation method	5 year smooth mkt.	5 year smooth mkt.
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	4.1-8.7%	4.1-8.7%
*Includes inflation at	4.0%	4.0%
Cost of living adjustments	None	None
Health insurance benefit inflation	-	-%

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

	Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
DERP	2000	40,439	100.0	$ -
	2001	43,725	100.0	-
	2002	49,067	96.3	-
DERP Health Benefits	2000	5,683	100.0	-
	2001	6,009	100.0	-
	2002	3,661	97.1	-

P. 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.

Q. Commitments and Contingencies

Commitments

At December 31, 2002 and 2001, the Airport System has the following contractual commitments for construction and professional services:

	2002	2001
Construction Projects	$ 53,986,102	$ 65,949,269
Projects Related to Operations—Denver International	28,719,771	46,657,880
Projects Related to Operations—Stapleton	12,285,345	17,436,968
Total Commitments	$ 94,991,218	$130,044,117

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 Denver International. In January 1998, the Board of County Commissioners of Adams County and the Cities of Aurora, Brighton, Commerce City and Thornton filed a complaint against the City in Jefferson County District Court alleging that the City violated the terms of the Intergovernmental Agreement seeking, among other things, an unspecified amount of damages under the Intergovernmental Agreement for violations of that agreement that occurred in 1995, 1996 and 1997. The District Court rendered summary judgment in favor of the City regarding all claims for relief with respect to violations of the Intergovernmental Agreement that allegedly occurred in 1996 and 1997. Judgment against the City in the amount of $4 million, for eight noise level violations of the Intergovernmental Agreement that occurred in 1995, was entered by the District Court, and the District Court subsequently awarded the plaintiffs prejudgment interest in the amount of $1.31 million. The City unsuccessfully appealed the judgment both to the Colorado Court of Appeals and the Colorado Supreme Court, and in March 2002 the City paid and satisfied the judgment plus interest thereon, in the total amount of $6.3 million, from the Airport's Capital Fund.

In March 2001, the Board of County Commissioners of Adams County and the Cities of Aurora, Brighton, Commerce City and Thornton filed an additional complaint against the City in Jefferson County District Court alleging that the City violated the terms of the Intergovernmental Agreement and seeking, among other things, damages under the Intergovernmental Agreement in the amount of $500,000 for each Class II category noise violation under the Intergovernmental Agreement that occurred between February 28, 1996 and February 27, 1998. The City and plaintiffs have settled this case. The City agreed to pay $26.5 million plus interest thereon for the noise violations covering the period February 28, 1996 through February 27, 2001. As part of the settlement, the plaintiffs agreed to waive any claims for alleged noise violations covering the period February 28, 2001 through February 27, 2002. In November 2002 the City paid and satisfied the judgment plus interest thereon, in the total amount of $34.2 million from the Airport's Capital Fund.

No complaints have been filed against the City alleging violations of the Intergovernmental Agreement for events subsequent to February 27, 2002. However, no assurance can be given that such complaints will not be filed, or that, if such complaints are filed, the City would not suffer materially adverse judgments.

Claims and Litigation

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

Defeased Bonds

The Airport has defeased certain Airport System 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, 2002 and 2001, $761,719,949 and $387,545,000, respectively, of bonds outstanding are considered defeased.

Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2002 and 2001 was $32,800,000 and $33,600,000, respectively. Minimum future rentals due from concession tenants are as follows, for the years ending December 31:

2003	30,926,629
2004	26,746,599
2005	25,077,858
2006	23,482,280
2007	23,482,280
Thereafter	142,903,564
Total minimum future rentals	$ 272,619,210

Leases with airlines for terms of 10 and 30 years can be terminated by the airline if the airline's cost per enplaned passenger exceeds $25 and $20 (in 1990 dollars), respectively. Current costs per enplaned passenger do not exceed these limits for either 2002 or 2001. 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.

R. Insurance

The Airport System is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Airport System has historically retained these risks, except where it has been determined that commercial insurance is more cost beneficial or legally required.

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 Denver International. The insurance program covers only incidents incurred prior to September 1994.

Deductibles under this insurance program are: (1) workers' compensation liability of $250,000 per occurrence; and (2) general liability, builders' risk, and professional liability insurance of $25,000, $100,000 and $1,000,000 per occurrence, respectively. Other current liabilities payable from restricted assets includes $393,514 and $537,476, respectively, accrued for fully developed projected losses, including losses incurred but not reported, due to claims filed prior to December 31, 2002 and 2001.

S. Significant Concentration of Credit Risk

Denver International Airport derives a substantial portion of its operating revenues from airlines' landing and facility rental fees. For the years ended December 31, 2002 and 2001, United Airlines represented approximately 63% and 67% respectively of the Airport System's operating revenues. No other airlines represented over 10% of the Airport System's operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

T. Terrorist Attacks

The terrorist attacks of September 11, 2001 had a profound effect on the entire airline travel industry, including the Airport. In the months immediately following the attacks, Denver International Airport's activity-based revenue sources (e.g. landing fees, passenger facility charges, concessions and parking income) were down over 20%, driven by a steep decline in enplaned passengers. Activity based revenues increased 1.9% in 2002 compared to 2001, largely as the result of an increase in parking revenues and in the PFC rate from $3.00 to $4.50 per enplaned revenue passenger effective April 1, 2001. In 2003, these revenues show continued improvement.

In 2001, Denver International Airport realized a decline in enplaned passengers of 6.9%, its largest decline ever and the first decrease since 1995. Enplaned passengers continued to decline by 1.2% in 2002 compared to 2001. For the first four months of 2003, enplaned passengers increased 4.4 % compared to the same period in 2002.

U. United Airlines

The dominant air carrier at the Airport is United, 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 90 full service gates at the Airport. In addition, United together with its United Express commuter, account for over 60% of enplaned passengers at the Airport in 2002 and 2001. On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the bankruptcy code. The bankruptcy court has approved a series of motions which orders United to pay sales and use taxes, transportation taxes, fees, PFC's, and other similar governmental and airport charges to the Airport both pre-petition and post-petition. United Airlines continues to fly at the Airport and in the first four months of 2003 continued to account for over 60% of enplaned passengers at the Airport.

The City and United are in good faith negotiations regarding the reaffirmation of United's leases at the Airport. Although negotiations are proceeding, the terms being discussed are confidential. Furthermore, the timing and nature of the final settlement and subsequent bankruptcy court approval cannot be determined as of the date of this report.

V. Subsequent Event

In April 2003, the Airport System issued $286,965,000 of Airport System Revenue Bonds Series 2003A and Series 2003B. The Series 2003A and Series 2003B were issued in a fixed rate mode for the purpose of financing capital improvements at the Airport and currently refunding $44,345,000 of the Airport System Subordinate Revenue Bonds 1997A, $89,045,000 of the Airport System Subordinate Commercial Paper Notes Series 2000A and $25,000,000 of the Airport System Subordinate Revenue Bonds 1997B.

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, 2002

Gross Revenue:	
Facility rentals	$234,631,841
Concession income	23,977,188
Parking income	77,618,573
Car rental income	31,550,625
Landing fees	86,865,339
Aviation fuel tax	10,644,390
Other sales and charges	8,398,096
Interest income	24,821,661
Miscellaneous income	927,169
Gross Revenues as Defined in the Ordinance	499,434,882
Operation and Maintenance Expenses:	
Personnel services	83,196,889
Contractual services	106,604,678
Maintenance, supplies and materials	12,635,742
Bad Debt	9,608,460
Miscellaneous expense	4,745,332
Operation and Maintenance Expenses as Defined in the Ordinance	216,791,101
Net Revenue	282,643,781
Other Available Funds	46,750,610
Net Revenue Plus Other Available Funds as Defined in the Ordinance	$329,394,391
Debt Service Requirements as defined in the ordinance	$225,286,160
Coverage (Net Revenue Plus Other Available Funds as a Percentage of Debt Service Requirements)	146%

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Schedule of Required Deposits to the Bond Account,
Bond Reserve Account and the Operation and Maintenance
Reserve Account as Defined in the 1984
Airport System General Bond Ordinance
Year Ended December 31, 2002

I. BOND ACCOUNT

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

(a) Interest Account:

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

Bond Series	Interest Payment Date	Balance Interest Due	Required Interest Account Balance at December 31, 2002
Series 1991A	05/15/03	$1,855,000	$ 309,167
Series 1991D	05/15/03	3,975,750	662,625
Series 1992F-G	01/01/03	218,333	218,333
Series 1994A	05/15/03	3,570,013	595,002
Series 1995A-B	05/15/03	9,236,971	1,539,495
Series 1995C	05/15/03	2,894,529	482,421
Series 1996A	05/15/03	4,057,931	676,322
Series 1996B	05/15/03	3,375,578	562,596
Series 1996C	05/15/03	2,883,149	480,525
Series 1996D	05/15/03	3,926,725	654,454
Series 1997E	05/15/03	11,168,913	1,861,485
Series 1998A	05/15/03	5,166,625	861,104
Series 1998B	05/15/03	2,584,875	430,813
Series 2000A	05/15/03	9,015,484	1,502,581
Series 2000B	01/01/03	793,333	793,333
Series 2000C	01/01/03	393,250	393,250
Series 2001A	05/15/03	9,763,459	1,627,243
Series 2001B	05/15/03	456,563	76,094
Series 2001D	05/15/03	1,777,613	296,269
Series 2002A	05/15/03	7,500,000	1,250,000
Series 2002C	05/15/03	1,225,000	204,167
Series 2002D	05/15/03	725,000	120,833
Series 2002E	05/15/03	6,143,865	1,023,978
			$16,622,090

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Schedule of Required Deposits to the Bond Account,
Bond Reserve Account and the Operation and Maintenance
Reserve Account as Defined in the 1984
Airport System General Bond Ordinance
Year Ended December 31, 2002
continued

(b) Principal Account

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

Bond Series	Principal Payment Date	Principal Payment	Required Principal Account Balance at December 31, 2002
Series 1990A	11/15/03	$ 13,455,000	$ 1,121,250
Series 1991A	11/15/03	7,015,000	584,583
Series 1991D	11/15/03	13,255,000	1,104,583
Series 1992 F, G	12/31/03	900,000	75,000
Series 1994A	11/15/03	2,700,000	225,000
Series 1995B	11/15/03	2,015,000	167,917
Series 1995C	11/15/03	2,330,000	194,167
Series 1996B	11/15/03	6,130,000	510,833
Series 1996C	11/15/03	4,465,000	372,083
Series 2000A	11/15/03	10,155,000	846,250
Series 2001A	11/15/03	7,335,000	611,250
Series 2001D	11/15/03	2,015,900	167,917
Series 2002A	11/15/03	6,000,000	500,000
Series 2002C	11/15/03	1,000,000	83,333
Series 2002D	11/15/03	9,200,000	766,667
Series 2002E	11/15/03	2,210,000	184,167
Total Principal Account Requirement			$ 7,515,000

(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 2002.

Unaudited. See accompanying independent auditors' report.

(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, 2002, the City did not have any outstanding options to redeem any Bonds; therefore, there is no deposit required.

(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	$24,137,090
Bond Account balance at December 31, 2002	$24,137,090

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Schedule of Required Deposits to the Bond Account,
Bond Reserve Account and the Operation and Maintenance
Reserve Account as Defined in the 1984
Airport System General Bond Ordinance, continued
Year Ended December 31, 2002
continued

II. BOND RESERVE ACCOUNT

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account and Redemption accounts of the Bond Account, to apply Net Revenues to the Bond Reserve Account, an amount equal to the maximum annual interest payable on all outstanding Senior Bonds of the Airport System. The amount deposited to the Bond Reserve Account at December 31, 2002 is $313,889,433. The minimum Bond Reserve Account requirement is $313,852,909.

III. OPERATION AND MAINTENANCE RESERVE ACCOUNT

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, 2003.

Computation of Minimum Operation and Maintenance Reserve:

2001 Operation and Maintenance Expenses	$211,271,574
Minimum Operations and Maintenance Reserve requirement for 2002	$ 35,211,929
Operation and Maintenance Reserve Account balance at December 31, 2002	$ 37,988,588

Unaudited. See accompanying independent auditors' report.

Summary of Insurance Coverage as of December 31, 2002

Policy Number	Company	Item Covered	Expiration Date	Annual Premium	Coverage
51200	Federal Insurance Company	Airport Property (Primary)	01-01-03	$ 815,119	$ 50,000,000
PEC000656201	Indian Harbor Insurance Co.	Pollution and Remediation Legal Liability	12-23-04	180,365	50,000,000
CLP3001454	Allianz Insurance Company	Airport Property (Excess-3rd Layer)	01-01-03	200,000	200,000,000
DP956502(1)	London Underwriters	Property 1st Excess Layer	01-01-03	360,000	30,000,000
DP956602(1)	London Underwriters	Property 3rd Excess Layer	01-01-03	225,000	225,000,000
USS1516	Commonwealth Insurance Co.	Property 1st Excess Layer	01-01-03	240,000	20,000,000
FL579	FM Global	Property 2nd Excess Layer	01-01-03	811,000	500,000,000
RMP198800232	Continental Casualty	Airport Property (Excess-3rd Layer)	01-01-03	75,000	75,000,000
FBP2273926	Hartford Steam Boiler	Boiler and Machinery	01-01-03	107,087	50,000,000
PR110205	Old Republic Insurance	Primary Airport Owners and Operators General Liability	01-01-03	330,600	50,000,000
JDDNX09705106	Lloyds of London	Excess Airport Owners and Operators Liability	01-01-03	520,000	700,000,000
CLS0814402	Scottsdale Insurance Co.	General Liability--Stonehouse	01-01-03	4,000	1,000,000
810755G5425IND02	Travelers Indemnity	Automobile	01-01-03	199,120	1,000,000

Unaudited. See accompanying independent auditors' report.

Summary of Insurance Coverage as of December 31, 2002

Policy Number	Company	Item Covered	Expiration Date	Annual Premium	Coverage
2794673	American International Specialty Lines Insurance	Directors & Officers Liability- Denver Capital Leasing	01-01-03	$14,350	$5,000,000
660755G5462C0F02	Charter Oak Fire Ins. (Travelers Ins.)	General Liability- Denver Capital Leasing	01-01-03	59,741	6,000,000
810755G5462IND01	Travelers Indemnity Co.	Hired and Non-owned Auto Liability- Denver Capital Leasing	01-01-03	333	1,000,000
1320332	Lexington Insurance Co. (AIG)	General Liability—Stapleton Site	01-01-03	25,000	1,000,000

Unaudited. See accompanying independent auditors' report.

Insert Excel Spreadsheet #1

Insert Excel Spreadsheet #2

Insert Excel Spreadsheet #3

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
December 31, 2002

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve Account	Stapleton Account	Totals
Current assets:							
Cash and cash equivalents	$ 106,554,977	$ 39,502,430	$	$	$ 13,734,617	$	$ 159,792,024
Investments	110,652,149	30,763,759					141,415,908
Accounts receivable, net	14,878,090	6,015,151					20,893,241
Accrued interest receivable	428,654	524,518			3,321,289		4,274,461
Current portion of long-term receivables	1,700,837	201,303					1,902,140
Inventories	4,844,773						4,844,773
Prepaid expenses and other	149,444					5,784,669	5,934,113
	239,208,924	77,007,161			17,055,906	5,784,669	339,056,660
Restricted assets:							
Cash and cash equivalents	41,688,422	100,321	109,063,355	3,641,450	57,435,930	33,008,115	244,937,593
Investments	5,007,165		63,963,941	24,137,090	256,416,979	112	349,525,287
Accrued interest receivable	5,910		536,739			17,428	560,077
Grants Receivable		817,340	12,721,787				13,539,127
Passenger facility charges receivable	5,750,633						5,750,633
	52,452,130	917,661	186,285,822	27,778,540	313,852,909	33,025,655	614,312,717
Long-term receivables	1,866,255						1,866,255
Capital assets							
Buildings	1,550,511,425						1,550,511,425
Improvements other than buildings	1,636,751,071						1,636,751,071
Machinery and equipment	609,294,617	1,571,869				63,500	610,929,986
	3,796,557,113	1,571,869				63,500	3,798,192,482
Less accumulated depreciation	(950,018,936)						(950,018,936)
	2,846,538,177	1,571,869				63,500	2,848,173,546
Contstruction-in-progress	272,713	8,715,577	417,167,394				426,155,684
Land, land rights and air rights		291,062,569	58,339				291,120,908
	2,846,810,890	301,350,015	417,225,733			63,500	3,565,450,138
Bond issue costs, net of accumulated amortization			80,286,327	1,172,085			81,458,412
Assets held for dispostion - SIA	46,968,837						46,968,837
Total assets	$ 3,187,307,036	$ 379,274,837	$ 683,797,882	$ 28,950,625	$ 330,908,815	$ 38,873,824	$ 4,649,113,019

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO
MUNICIPAL AIRPORT SYSTEM
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS, CONTINUED
December 31, 2002

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve Account	Stapleton Account	Totals
Current liabilities:							
Vouchers payable	$ 17,212,335	$ 2,391,696	$	$	$	$	$ 19,604,031
Due to other City agencies	6,363,379	825	1,151,929				7,516,133
Compensated absences payable	5,533,560						5,533,560
Current portion of long-term debt			90,180,000				90,180,000
Other	39,648,534						39,648,534
	68,757,808	2,392,521	91,331,929				162,482,258
Current liabilities payable from restricted assets:							
Vouchers payable			21,496,217			3,942,985	25,439,202
Retainages payable	885,940	1,668,675	15,198,420			2,796,959	20,549,994
Accrued interest payable and matured coupons			27,394,157				27,394,157
Other current liabilities	4,917,390	130,593	4,930,418			17,992,474	27,970,875
	5,803,330	1,799,268	69,019,212			24,732,418	101,354,228
Current deferred rent, net	23,068,310						23,068,310
Long-term debt:							
Revenue bonds payable, net of current portion			3,988,475,000				3,988,475,000
Less deferred loss on bond refunding			(261,403,720)				(261,403,720)
Less unamortized discounts			(12,240,600)				(12,240,600)
			3,714,830,680				3,714,830,680
Total liablilities	97,629,448	4,191,789	3,875,181,821			24,732,418	4,001,735,476
Net assets							
Invested in capital assets, net of debt	2,846,810,890	301,350,015	(3,249,407,673)	1,172,085		63,500	(100,011,183)
Restricted for:							
Capital projects			24,715,699			14,077,906	38,793,605
Debt service	37,988,588			27,778,540	313,852,909		379,620,037
Unrestricted	204,878,110	73,733,033	33,308,035		17,055,906		328,975,084
Total net assets	3,089,677,588	375,083,048	(3,191,383,939)	28,950,625	330,908,815	14,141,406	647,377,543
Total liabilities and net assets	$ 3,187,307,036	$ 379,274,837	$ 683,797,882	$ 28,950,625	$ 330,908,815	$ 38,873,824	$ 4,649,113,019

See accompanying independent auditors' report.

CITY AND COUNTY OF DENVER, COLORADO

MUNICIPAL AIRPORT SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2002

	Airport Revenue Account	Capital Improvement Account	Project Account	Bond Account	Bond Reserve	Stapleton Account	Totals
Operating revenues:							
Facility rentals	$ 204,867,227	$	$	$	$	$	$ 204,867,227
Concession income	23,977,188						23,977,188
Parking income	77,618,573						77,618,573
Car Rental income	31,550,625						31,550,625
Landing fees	86,865,339						86,865,339
Aviation fuel tax	10,644,390						10,644,390
Other sales and charges	8,396,749	1,347					8,398,096
	443,920,091	1,347					443,921,438
Operating expenses:							
Personnel services	86,490,453						86,490,453
Contractual services	106,604,678	23,127,168					129,731,846
Maintenance, supplies & materials	12,635,743	17,904					12,653,647
Other expense	9,608,460						9,608,460
	215,339,334	23,145,072					238,484,406
Operating income (loss) before depreciation	228,580,757	(23,143,725)					205,437,032
Depreciation	125,692,387						125,692,387
Operating income (loss)	102,888,370	(23,143,725)					79,744,645
Nonoperating income (expenses):							
Passenger facility charges	62,729,779						62,729,779
Interest on investments	5,557,596	5,278,683	7,217,907	(5,362)	23,120,321	671,176	41,840,321
Interest expense	(2,678,699)		(205,588,111)				(208,266,810)
Grants	3,751,044	817,340					4,568,384
Miscellaneous income (expense)	(4,462,001)	27,493,783	(30,858,342)			(12,889,862)	(20,716,422)
Debt coverage transfer	46,750,610	(46,750,610)					0
	111,648,329	(13,160,804)	(229,228,546)	(5,362)	23,120,321	(12,218,686)	(119,844,748)
Income (loss) before operating transfers	214,536,699	(36,304,529)	(229,228,546)	(5,362)	23,120,321	(12,218,686)	(40,100,103)
Transfers in (out), net	(292,851,407)	10,984,031	280,057,528	1,921,091	(15,446,745)	15,335,502	0
Net income (loss)	(78,314,708)	(25,320,498)	50,828,982	1,915,729	7,673,576	3,116,816	(40,100,103)
Capital grants			84,139,571				84,139,571
Capital passenger facitlity			7,012,521				7,012,521
Changes in net assets	(78,314,708)	(25,320,498)	141,981,074	1,915,729	7,673,576	3,116,816	51,051,989
Net assets, beginning of year	3,167,992,296	400,403,546	(3,333,365,013)	27,034,896	323,235,239	11,024,590	596,325,554
Net assets, end of year	$ 3,089,677,588	$ 375,083,048	$ (3,191,383,939)	$ 28,950,625	$ 330,908,815	$ 14,141,406	$ 647,377,543

See accompaning independent auditors' report.

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

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

	1998	1999	2000	2001	2002
Operating revenues	$417,355	$442,894	$ 438,340	450,695	443,921
Operating expenses	163,635	195,292	191,389	223,408	238,484
Operating Income before Depreciation And Amortization	253,720	247,602	246,951	227,287	205,437
Depreciation and Amortization	120,939	120,393	150,631	151,796	125,692
Operating Income	132,781	127,209	96,320	75,491	79,745
NonOperating Revenues (Expenses)	(181,297)	(183,654)	(158,277)	(124,391)	(119,845)
Capital Contributions	0	0	0	13,735	91,152
Change in net assets	$(48,516)	$(56,445)	$(61,957)	($ 35,165)	$ 51,052

II. Passenger Data:

A. Enplaned passengers by major airline category:

Year	Major National Airlines	% Chg	Regional/ Commuter Airlines	% Chg	Charter/ Miscellaneous Airlines	% Chg	Totals	% Chg
1998	17,821,076	6.8	405,557	(43.8)	217,907	79.5	18,444,540	5.2
1999	18,406,437	3.3	337,691	(16.7)	287,081	31.7	19,031,209	3.2
2000	18,684,319	1.5	386,526	14.5	322,151	12.2	19,392,996	1.9
2001	17,353,447	(7.1)	328,909	(14.9)	363,753	12.9	18,046,109	(6.9)
2002	16,805,378	(3.2)	669,432	104	354,754	(2.5)	17,829,564	(1.2)

Unaudited. See accompanying independent auditors' report.

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information, continued

B. Enplaned passengers by airline:

Airline	2001	Percent of Total	2002	Percent of Total
United	10,575,093	58.6%	9,731,974	54.5%
United Express	1,489,549	8.2	1,430,504	8.1
	12,064,642	66.8%	11,162,478	62.6%
American	1,023,969	5.7	968,895	5.4
America West	285,693	1.6	290,308	1.6
Continental	509,491	2.8	524,913	2.9
Delta	852,072	4.7	831,380	4.7
Frontier	1,557,592	8.6	1,959,761	11.0
Northwest	488,875	2.7	524,870	3.0
TWA	220,104	1.2	190,208	1.1
USAir	368,869	2.1	344,569	1.9
Other	674,802	3.8	1,032,182	5.8
Totals	18,046,109	100.0%	17,829,564	100.0%

C. Originating and connecting enplaned passengers for the year ended December 31, 2002:

Airline	Originating	Connecting	Total
United	3,600,830	6,131,144	9,731,974
United Express	306,200	1,124,304	1,430,504
Other	5,737,248	929,838	6,667,086
Totals	9,644,278	8,185,286	17,829,564
Percent of Total	54.1%	45.9%	100%

Unaudited. See accompanying independent auditors' report.

III. Aircraft Operations:

A. Historical aircraft operations:

Year	Air Carrier	Commuter	Taxi/Gen Aviation	Military	Total	Percent Change
1998	341,879	128,271	22,394	770	493,314	8.9
1999	341,074	111,467	19,736	1,055	473,332	(4.1)
2000	362,824	119,799	16,846	982	500,451	5.7
2001	370,072	142,662	14,855	920	528,509	5.6
2002	352,033	139,538	14,614	1,551	507,736	(3.9)

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

1998	47,411
1999	48,430
2000	51,482
2001	61,988
2002	69,742

City and County of Denver, Colorado
Municipal Airport System
Annual Financial Information, continued

V. Enplaned Cargo Operations (in pounds):

Year	Air Mail	Freight and Express	Total	Percent Change
1998	161,321,654	302,352,384	463,674,038	3.2
1999	168,505,468	314,616,473	483,121,941	4.2
2000	171,803,661	319,537,612	491,341,273	1.7
2001	106,841,965	260,170,245	367,012,210	(25.3)
2002	95,573,027	283,235,306	378,808,333	3.2

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

	1998	1999	2000	2001	2002
Gross Revenue	$500,247	$522,098	$530,694	$526,631	$499,435
Operation & Maintenance Expenses	168,126	186,596	192,384	211,272	216,791
Net Revenue	332,121	335,502	338,310	315,359	282,644
Other Available Funds	60,724	67,247	55,620	54,558	46,751
Total amount available for Debt Service Requirements	$392,845	$402,749	$393,930	$369,917	$329,395
Debt Service Requirements	$255,638	$272,083	$255,837	$248,375	$225,286
Debt service coverage	154%	148%	154%	149%	146%

Unaudited. See accompanying independent auditors' report.