City and County of Denver, Colorado
Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

(With Independent Accountants' Report Thereon)

City and County of Denver, Colorado
Municipal Airport System

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INTRODUCTION (UNAUDITED)

December 31, 2007 and 2006

Introduction

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

Description of Denver International

Situated approximately 24 miles northeast of downtown Denver, Denver International is the primary air carrier airport serving the Denver region. According to Airport Council International, in 2007, Denver International was the fifth busiest airport in the United States and the eleventh busiest in the world, serving 49.8 million passengers. The Denver International site comprises approximately 33,800 acres (53 square miles) of land, an area larger than the island of Manhattan. The passenger terminal complex is reached via Pẽna Boulevard, a 12-mile dedicated access road from Interstate 70. Denver International has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline using the airport along with the ability to accommodate the new generation of massive airliners, including the Airbus A-380.

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

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The airside concourses provide 95 full service jet gates for large jet aircraft and up to 55 parking positions for regional/commuter airline aircraft.

Air Traffic

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Airline service within the United States is provided nonstop between Denver and more than 100 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the capabilities of Denver International to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2007, 49.8 million passengers traveled through Denver International, of which approximately 56.8% originated or terminated their air journeys in Denver and 43.2% connected between flights. The Denver Metropolitan Area, with a population of more than 2.7 million, is the primary region served by Denver International. The Denver Metropolitan Area is comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, currently 30 airlines provide scheduled passenger service at Denver International: 12 major/national airlines, 13 regional/commuter airlines, and 5 foreign-flag airlines.

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

Table 1

Scheduled Passenger Airlines Serving Denver

March 2008

Major/national	Regional/commuter
AirTran Airways	Big Sky Airlines
Alaska Airlines	Comair/Delta Connection
America West Airlines/US Airways	Continental Express
American Airlines	GoJet/UAX
Continental Airlines	Great Lakes Aviation
Delta Air Lines	Horizon Air
Frontier Airlines	Horizon/Frontier Jet Express
JetBlue Airways	Mesa Airlines/America West Express
Midwest Express Airlines	Mesa Airlines/UAX
Northwest Airlines	Pinnacle Airlines/NW
Southwest Airlines	Skywest (UAX)/Delta
United Airlines	Shuttle America/UAX
	Transtate Airlines
	(Foreign-flag)
	Aero Mexico
	British Airways
	Lufthansa German Airlines
	Mexicana de Aviacion

Source: Airport management records, March 2008.

Airlines' Rates, Fees, and Charges

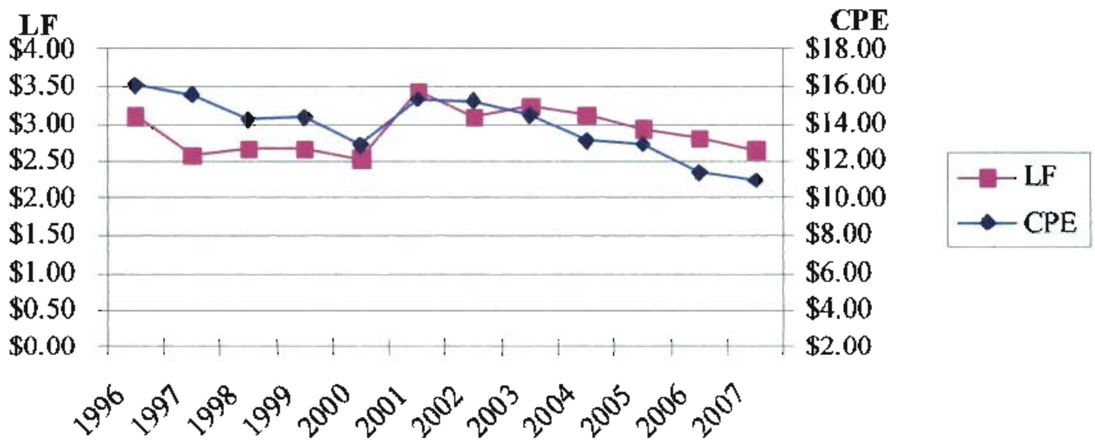
The Airport System has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport System recovers its costs of operating the airfield. Airline space rentals are compensatory wherein any unrecovered costs serve to reduce the airline revenue credit described below. Concessionaires and nonairline tenants operate under agreements with the Airport System that provide for the payment of a minimum annual guarantee, which was set by the Airport System to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues, whichever is higher. Under the airline use and lease agreements, 2007 net revenue as defined, has been shared between the Airport System and airlines, with the airlines receiving 50% of the net (up to a $40 million cap per year). The 50% that the Airport System received was deposited in the capital improvement account and can be used by the Airport System for any lawful airport purpose. The net revenue available for sharing since Denver International opened is reflected in Table 2 below.

Table 2
Net Revenue Available for Sharing
(In thousands)

Year	Available for sharing	Airport share
1996	$ 34,771	$ 6,954
1997	26,555	5,311
1998	58,551	18,551
1999	55,058	15,058
2000	65,534	25,534
2001	43,811	10,953
2002	35,698	8,924
2003	59,026	19,026
2004	70,387	30,387
2005	79,062	39,062
2006	97,421	57,421
2007	88,437	48,437

Source: Airport Management

Through 2000, the airline rates, fees, and charges to passengers at Denver International showed a steady decline. As a result of the September 11, 2001 terrorist attacks (September 11 Events) and the resulting decline in flight activity and enplaned passengers, Airport costs for 2001 and 2002 showed increases as depicted in the graph below. Overall costs for 2003, 2004, 2005, 2006 and 2007 showed a decline due to positive factors such as increased passenger traffic, flat debt service payments, and containing operating and maintenance expense within budget.



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

CPE = Cost per enplaned passenger

Cash Management

The Airport System's cash is under the control of the City's Manager of Revenue who invests the funds pursuant to the City's investment policy. As of December 31, 2007 and 2006, cash and investments totaled approximately $1,481.3 million and $1,127.4 million, respectively. Current investment vehicles include U.S. government securities, high-grade commercial paper, and repurchase agreements. In 2007 and 2006, the City charged a fee of $498,218 and $449,028, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up 5.4% in 2007 compared with a national average increase of 6.4% as reported by the Airport Council International (ACI), an airline industry trade association. This trend continued in January, February and March of 2008, again setting passenger traffic records. Year-to-date through March 2008, passenger traffic was up 5.2% over year-to-date March 2007.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 6.8% in 2007 compared to 2006, largely as the result of increases in passenger traffic.

Increased Security Measures

Physical security was increased in August 2006, following the liquids scare emanating from the United Kingdom and the resulting elevation of national terror alert level to "orange" which continues. This results in increased passenger screening at security checkpoints and the screening of deliveries to concessionaires in the sterile area. This has added costs for security guards.

United Airlines (United)

United, one of the world's largest airlines, is the principal air carrier operating at Denver International. United Airlines operates a major connecting hub at Denver International under a use and lease agreement with the City that expires in 2025. United, together with its TED low fare unit and its United Express commuter affiliates, accounted for approximately 53.3% and 49.9% of passenger enplanements at Denver International in 2007 and the first three months of 2008, respectively.

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

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

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

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

Accounting and Internal Control

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

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

Acknowledgments

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

Respectfully Submitted,

Kim Day Manager of Aviation	Stan Koniz Deputy Manager of Aviation and Chief Financial Officer

Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the City and County of Denver's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2007 and 2006, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22, the Airport System corrected previously reported capital asset and aviation fuel tax amounts by retroactively restating prior years' financial statements.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section and Supplementary Information Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

June 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2007 and 2006

Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position of and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2007 and 2006. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

Operating revenues at the Airport were $530.2 million for the year ended December 31, 2007, an increase of $21.8 million (4.3%), as compared to the year ended December 31, 2006. The increase in revenue was primarily related to the increase in passenger traffic, which led to an increase in concession, parking, fuel tax and car rental revenues. Passenger traffic increased 5.4% for the year ended December 31, 2007.

Operating expenses, exclusive of depreciation, were $290.8 million for the year ended December 31, 2007, an increase of $28.3 million (10.8%) as compared to the year ended December 31, 2006. The increase was attributable to an increase in personnel costs, snow removal, other city agency costs associated with snow removal, janitorial services and repair and maintenance expenses.

Overview of the Financial Statements

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

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

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – the current year, the prior year and the year preceding the prior year (i.e. 2007, 2006 and 2005).

Additionally, as discussed in note 22, the Airport has restated its 2006 financial statements to correct certain errors impacting prior years' financial statements. In the MD&A, because 2005 financial statement information is presented for comparative purposes, as discussed above, the applicable 2005 financial information has also been restated because it is the earliest year presented in the MD&A.

Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2007, 2006, and 2005 (in thousands):

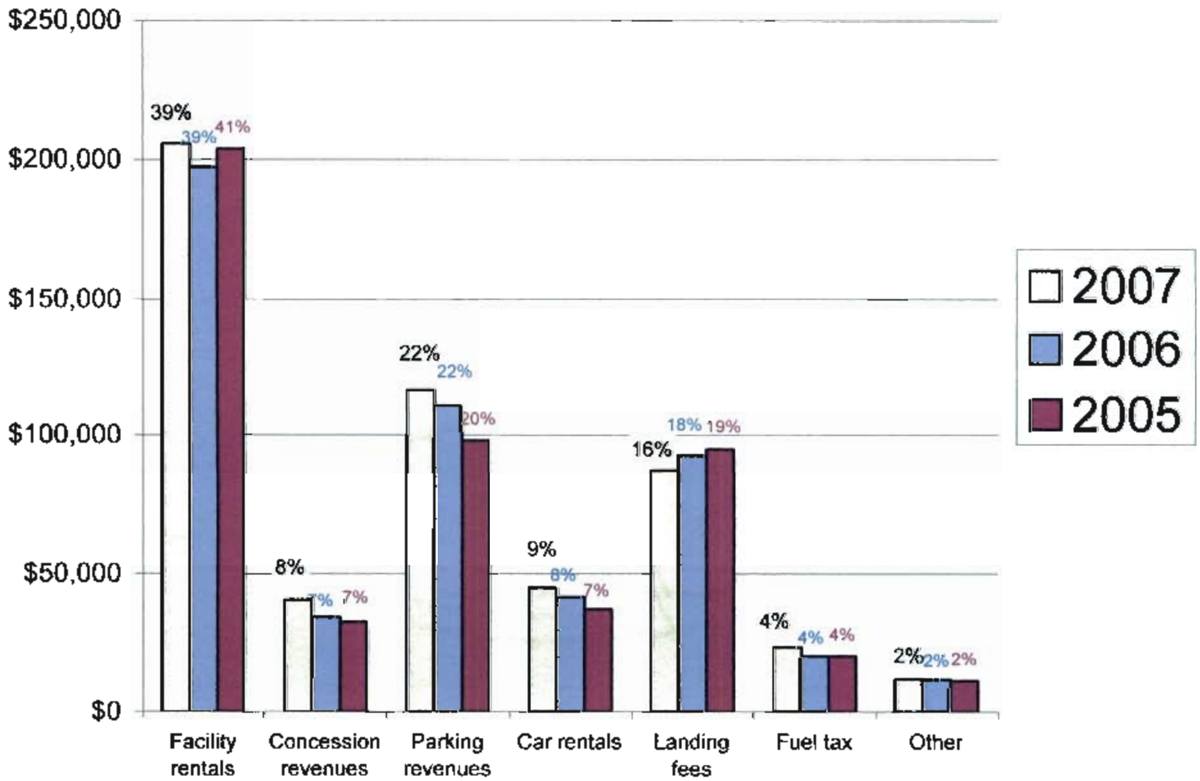
	2007	2006 (as restated)	2005 (as restated)
Operating revenues	$ 530,151	$ 508,307	$ 497,177
Operating expenses before depreciation, amortization and impairment losses	(290,773)	(262,514)	(239,405)
Operating income before depreciation, amortization and impairment losses	239,378	245,793	257,772
Depreciation and amortization	(159,309)	(151,507)	(150,823)
Impairment losses	—	—	(85,286)
Operating income (loss)	80,069	94,286	21,663
Nonoperating revenues	179,764	150,223	120,063
Nonoperating expenses	(228,891)	(217,994)	(227,328)
Capital contributions	2,426	29,188	31,547
Increase (decrease) in net assets	33,368	55,703	(54,055)
Net assets, beginning of year	840,622	784,919	838,974
Net assets, end of year	$ 873,990	$ 840,622	$ 784,919

Operating Revenues
(In thousands)

	2007	2006 (as restated)	2005 (as restated)
Operating revenues:			
Facility rentals	$ 205,639	$ 197,353	$ 203,800
Concession revenues	40,599	34,305	32,566
Parking revenues	116,326	110,535	97,919
Car rental revenues	44,998	41,641	37,175
Landing fees	87,282	92,390	94,695
Aviation fuel tax	23,385	20,211	20,245
Other sales and charges	11,922	11,872	11,341
Total operating revenues	$ 530,151	$ 508,307	$ 497,741

Operating Revenues

% of Total Operating Revenues



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

The Airport System's activities increased in four areas as described below and decreased in cargo for the year ended December 31, 2007 as compared to 2006 (in thousands):

	2007	2006	Percentage change
Enplanements	24,941	23,665	5.4%
Passengers	49,863	47,327	5.4%
Aircraft operations (1)	619	610	1.4%
Cargo (in pounds)	589,402	621,655	(5.2)%
Landed weight (in tons)	32,834	31,848	3.1%

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

The Airport System's activities increased in four areas as described below and decreased in cargo for the year ended December 31, 2006 as compared to 2005 (in thousands):

	2006	2005	Percentage change
Enplanements	23,665	21,702	9.0%
Passengers	47,327	43,388	9.1%
Aircraft operations (1)	610	568	7.4%
Cargo (in pounds)	621,655	683,237	(9.0)%
Landed weight (in tons)	31,848	29,636	7.5%

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

2007

Operating revenues increased by 4.3% from $508.3 million in 2006 to $530.2 million in 2007, primarily due to increases in parking, concession revenues, car rentals and fuel tax. The parking revenues increase of $5.8 million or 5.2%, is attributable to an increase in originating and deplaning (O&D) passenger traffic. Concession revenues between 2007 and 2006 increased $6.3 million, or 18.3%. The concession revenues increase was attributable to food and beverage service and retail concession revenues growth due to an increase in passenger traffic and increase in the spend rate per passenger from $9.72 to $9.77. Car rental revenues increased by $3.4 million or 8.1%, to $45.0 million due to an increase in O&D passenger traffic. Passenger traffic increased 5.4% for the year ended December 31, 2007.

Aviation fuel tax revenue increased in 2007 by $3.2 million, or 15.7% due to the increase in usage and prices.

Facility Rentals increased by $8.3 million. The increase was attributed to an increase in the charges per square foot for space rented. An example is the preferential and non-preferential use fees increase from $85.28 to $85.90 per square foot for preferential and $102.336 to $103.08 per square foot for non-preferential.

Landing Fees decreased by $5.1 million, or 5.5%, which is attributable to the reduction in landing fee rates per 1,000 pounds landed weight from $2.80 for signatory (an airline that has entered into a lease/use agreement with the Airport System) and $3.36 for non-signatory (an airline that has entered into a Non-Signatory Airline Operating Agreement with the Airport System) airlines in 2006 to $2.65 for signatory and $3.18 for non-signatory airlines in 2007. The rate reduction stems from a reduction in the cost recovery requirements of the airfield cost center.

2006

Operating revenues increased by 2.1%, from $497.7 million in 2005 to $508.3 million in 2006, primarily due to increases in parking, concession revenues, and car rentals. The parking revenue increase of $12.6 million, or 12.9%, is attributable to an increase in O&D passenger traffic and an increase in parking rates. Concession revenues between 2006 and 2005 increased $1.7 million, or 5.3%. The concession revenue increase was attributable to food and beverage service and retail concession revenue growth due to an increase in passenger traffic and an increase in the spend rate per passenger. Car rental revenues increased by $4.5 million, or 12.0%, to $41.6 million due to an increase in O&D passenger traffic and increased usage charges.

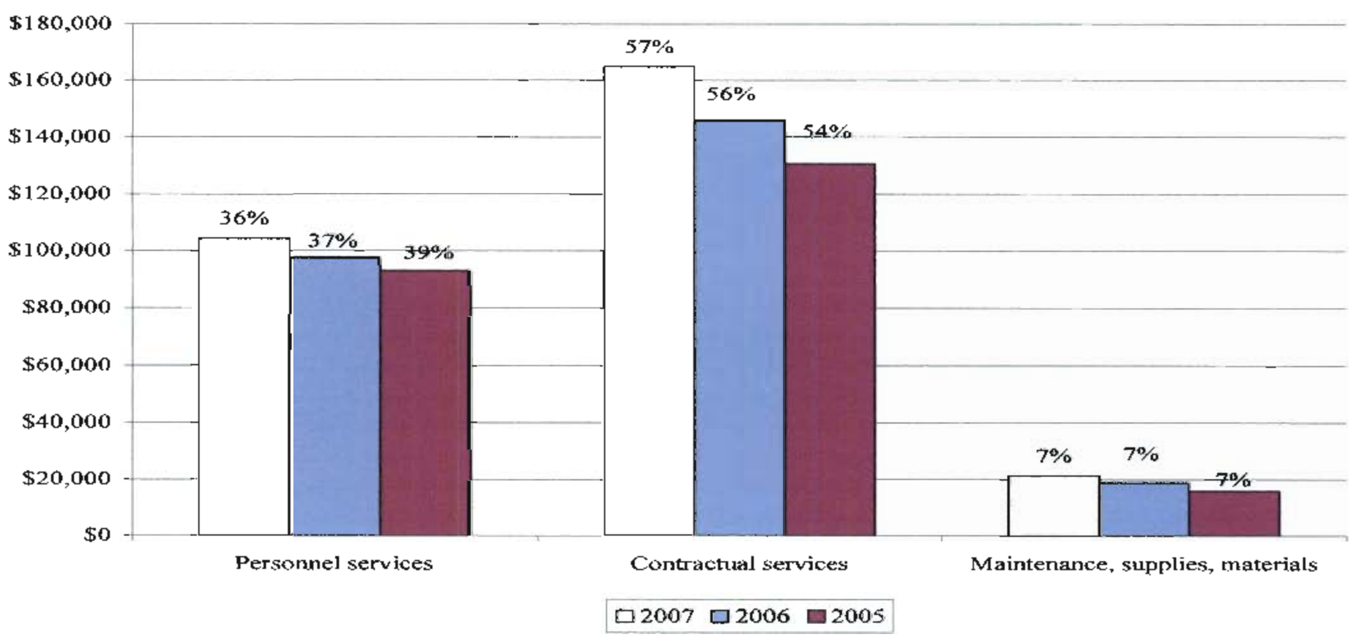
Facility Rentals and Landing Fees decreased in 2006 compared to 2005 by $6.4 million (3.2%) and $2.3 million (2.4%), respectively. Charges to airlines are based on the costs of providing the facilities and services. In 2006 these costs decreased because of a reduction in the debt service allocated to airline cost centers, thereby reducing the airline revenues.

Operating Expenses Before Depreciation, Amortization and Impairment Losses

(In thousands)

	2007	2006 (as restated)	2005 (as restated)
Operating expenses before depreciation, amortization and impairment losses			
Personnel services	$ 104,321	$ 97,592	$ 92,980
Contractual services	165,044	146,019	130,469
Maintenance, supplies, and materials	21,408	18,903	15,956
Total operating expenses before depreciation, amortization, and impairment losses	$ 290,773	$ 262,514	$ 239,405

% Total Operating Expenses Before Depreciation, Amortization and Impairment Losses



2007/2006

Operating expenses before depreciation, amortization and impairment losses increased by 10.8%, from $262.5 million in 2006 to $290.8 million in 2007. Personnel services increased by $6.7 million, or 6.9%, to $104.3 million in 2007 compared to $97.6 million in 2006. The increase in personnel costs permanent salaries of $6.7 million or 6.8% was due to an increase in personnel cost, permanent salaries and overtime costs, particularly relating to snow removal.

Contractual services increased in 2007 compared to 2006 by $19.0 million due principally to an increase in contractual snow removal, guard services, janitorial services and repair and maintenance costs.

Maintenance, supplies and materials increased $2.5 million, or 13.3%, to $21.4 million from $18.9 million in 2006 due to increases in road construction and janitorial supplies. An increase in gasoline, diesel and natural gas costs due to the increase in fuel costs also contributed to the increase in 2007.

2006/2005

Operating expenses before depreciation, amortization and impairment losses increased by 9.7%, from $239.4 million in 2005 to $262.5 million in 2006. The increase in contractual services in 2006 compared to 2005 of $15.6 million was due to an increase in snow removal costs due to blizzards that occurred in December 2006, as well as an increase in janitorial services, guard services and repair and maintenance expense.

Contractual services also saw an increase in the repair and maintenance expense for the Automated Guideway Transportation System (AGTS) train due to an increase in the contracted maintenance rates.

Personnel services increased by $4.6 million, or 5.0%, to $97.6 million in 2006 compared to $93.0 million in 2005. The increase in personnel costs was due in part to an increase in permanent salaries of 2.25% granted in 2006. Also, snow overtime costs relating to the December 2006 blizzards and a performance based bonus given to all personnel in December of 2006, contributed to the increase. Maintenance, supplies, and materials increased $2.9 million, or 18.5%, to $18.9 million from $16.0 million in 2005 due to an increase in runway lighting costs and plumbing supplies costs. An increase in commercial chemical solvents used during the December 2006 blizzards and costs for heating plant repair parts and jet bridges also contributed to the increase in 2006.

Nonoperating Revenues and Expense

2007/2006

Total nonoperating expenses, net of nonoperating revenues, decreased by $18.6 million to $49.1 million in 2007. The decrease was due to an increase in investment income of $26.1 million, or 46.5%, which was due to an increase in yields, additional notes payable being invested during the year and the unrealized gain on investments of $18.7 million. In addition, PFC revenues increased $3.7 million, or 3.9% due to an increase in passenger traffic. Stapleton costs decreased $5.3 million related to the reimbursement of insurance costs to complete the remediation of certain environmental conditions at Stapleton. The reduction in total nonoperating expenses, net of nonoperating revenues, was partially offset by an increase in interest expense of $12.7 million associated with the Series 2007 bonds.

In 2007 and 2006, capital grants totaled $1.9 million and $29.2 million, respectively. The decrease was due to the completion of the Explosive Detection System (EDS) in 2005, which was federally funded, and funding ceased in 2006. No grants relating to this project were received in 2007. In 2007, there was a capital contribution related to two donated airplanes.

2006/2005

Total nonoperating expenses, net of nonoperating revenues, decreased by $39.5 million to $67.8 million in 2006. This decrease was due to an increase in investment income of $20.3 million, or 56.7%, which was due to an increase in yields and additional investment of cash received related to notes payable. In addition, PFC revenues increased $9.5 million, or 11.3%, due to an increase in passenger traffic. Lastly, there was a decrease in expense due to the reduction of environmental costs associated with remediation of Stapleton, offset by an increase of $2.2 million of interest expense due to an increase in notes payable.

In 2006 and 2005, capital grants totaled $29.2 million and $31.5 million, respectively. The decrease in 2006 capital grants was due to the completion of the Explosive Detection System (EDS) in 2005, which was federally funded. All PFCs were reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport. All PFCs were reallocated to the payment of debt service related to the automated baggage system and the original cost of the Airport.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of December 31, 2007, 2006, and 2005 (in thousands):

	2007	2006 (as restated)	2005 (as restated)
Assets:			
Current assets, unrestricted	$ 320,616	$ 253,717	$ 225,572
Restricted assets, current	571,245	404,650	487,169
Noncurrent investments	121,443	187,081	197,877
Capital assets, net	3,472,238	3,470,020	3,506,495
Bond issue costs, net	59,633	61,331	76,112
Investments restricted	541,593	352,704	245,207
Assets held for disposition	14,095	18,807	22,724
Total assets	5,100,863	4,748,310	4,761,156
Liabilities:			
Current liabilities, unrestricted	121,258	119,152	124,503
Current liabilities payable from restricted assets	200,385	221,113	189,904
Bonds payable, noncurrent	3,850,321	3,500,817	3,619,827
Notes payable, noncurrent	49,532	61,488	36,646
Compensated absences payable, noncurrent	5,377	5,118	5,357
Total liabilities	4,226,873	3,907,688	3,976,237
Net assets (deficit):			
Invested in capital assets, net of related debt	(131,740)	(79,505)	(94,726)
Restricted	676,271	584,464	488,337
Unrestricted	329,459	335,663	391,308
Total net assets	$ 873,990	$ 840,622	$ 784,919

2007/2006

Total assets increased by $352.6 million in 2007 as compared to 2006. This was primarily due to the increase in cash, cash equivalents and investments of $354 million in 2007 associated with the Series 2007 bonds and the increase in unrealized gain on investments of $18.7 million. There was also an increase in accounts receivable, capital assets, and inventories, which were offset by a decrease in grants receivable, accrued interest receivable and prepaid expenses.

Total liabilities increased $319.2 million in 2007 compared to 2006. An increase of $336.7 million was associated with the Series 2007 bonds, net of refunded debt (Note 8). There was also an increase of $16.6 million in deferred revenue related to advance rental receipts received in 2007, and an increase in restricted other liabilities of $2.8 million. The offset was related to a decrease of notes payable, vouchers payable and unrestricted other liabilities.

Of the Airport System's 2007 total net assets, 77.4% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted for debt service represent $657.5 million and $18.8 million for capital projects, respectively.

At December 31, 2007, the remaining net assets include unrestricted net assets of $329.5 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($131.7) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2006/2005

Total assets decreased by $12.8 million in 2006 as compared to 2005. This was principally due to the decrease in capital assets of $36.5 million. The decline in capital assets was due to normal annual depreciation of approximately $151.5 million and retirements of $9.2 million. The decrease in capital assets was offset by purchases of machinery, equipment and additions to construction in progress of approximately $124.2 million for improvements.

Cash, cash equivalents and investments increased by $28.9 million in 2006 as compared to 2005 resulting in part from operating activities, passenger facility charges and note proceeds. This was offset by payments of debt of $123.1 million and purchases of capital assets. See the statement of cash flows for more information regarding the change in cash and investments.

Grants receivable increased by $10.4 million. Grants receivable of $9.5 million was outstanding at the end of 2006 relating to the bomb detection system project and final reimbursements due from TSA.

Lastly, deferred bond issue costs declined by $14.8 million due to the removal of costs related to the 1996 bonds that were refunded totaling $17.4 million, the addition of costs related to the 2006 bonds that were issued totaling $6.4 million and the annual amortization of the costs totaling $3.8 million.

Total liabilities decreased by $68.5 million in 2006, compared to 2005, primarily due to the decrease in bonds (which was attributable to principal payments paid during 2006) and deferred rent, offset by an increase in notes payable.

Of the Airport System's 2006 total net assets, 69.5% are restricted for future debt service and capital projects. The bond reserve account and bond accounts that are externally restricted for debt service represent $572.0 million and $12.5 million for capital projects, respectively.

At December 31, 2006, the remaining net assets include unrestricted net assets of $335.7 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($79.5) million represents the Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

Long-Term Debt

As of December 31, 2007 and 2006, the Airport System had approximately $4.2 billion and $3.9 billion, respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately $340.8 million in 2007. Since 1996, the Airport System has called or refunded over $4.1 billion in higher interest rate debt. This has resulted in cumulative present value debt service savings of approximately $719.0 million.

The Airport System's senior lien debt is currently rated by Standard & Poors, Moody's, and Fitch at A+, A1 and A+, respectively, with stable outlooks as of December 2007.

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2007 and 2006 was 168% and 176%, respectively, of total debt service.

On December 21, 2007, the Airport entered into interest rate swap agreements (the "2007A Swap Agreements") with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of one-month London Interbank Offered Rate (LIBOR) to a percentage of ten-year LIBOR. The 2007A Swap Agreements have notional amounts of $150 million and $50 million, relate to the 2001C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the Series 2001C1-C4 bonds ("the 1999 Swap Agreement and Associated Debt" and "the 2002 Swap Agreements and Associated Debt"). The 2007A Swap Agreements have an effective date of May 1, 2010 and payments under these agreements have not commenced.

In November 2007, the 2006A Swap Agreements became effective ("the 2006A Swap Agreements"). The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds is that the Airport will pay a fixed rate plus or minus the difference between the variable rates on the bonds and 70% of LIBOR on $356.5 million of obligations.

On November 14, 2007, the Airport issued $208,025,000 and $148,500,000 of Airport System Revenue Bonds Series 2007F1-F4 and 2007G1-G2 bonds in auction rate mode and variable rate mode, respectively, for the purpose of current refunding a portion of the 1997E bonds.

On October 4, 2007, the Airport issued $31,950,000 and $47,400,000 of Airport System Revenue Bonds Series 2007D2 and 2007E in a fixed rate mode for the purpose of funding new money for capital improvement projects.

On October 3, 2007, the Airport substituted the Letter of Credits for the 1992F, 1992G and 2002C Airport System Revenue bonds.

On August 29, 2007, the Airport issued $188,350,000, $24,250,000, and $34,635,000 of Airport System Revenue Bonds Series 2007A, 2007B, and 2007C in a fixed mode for the purpose of refunding Commercial Paper Notes, advance refunding the 2003B bonds and funding new money for capital improvement projects.

On August 29, 2007, the Airport issued $147,815,000 of Airport System Revenue Bonds Series 2007D in a fixed mode for the purpose of funding new money for capital improvement projects.

In April of 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with an outstanding principal of $30 million and was refunded on August 29, 2007, with the 2007A and 2007 B Series.

The Airport System entered into a $23.0 million and $2.0 million, for a total of $25 million, Master Installment Purchase Agreement with Koch Financial Corporation on October 26, 2006, to finance various capital equipment purchases, for ten-year and five-year terms, respectively. The Airport System also entered into a $9.0 million Master Installment Purchase Agreement with GE Capital Public Finance, Inc., on October 26, 2006, to finance four train cars, for a ten-year term.

On August 17, 2006, the Airport issued $279,585,000 and $170,005,000 of Airport System Revenue Bonds, Series 2006A and 2006B, respectively, in a fixed rate mode for the purpose of currently refunding $461,860,000 of the 1996A, 1996B, 1996C and 1996D bonds.

On August 9, 2006, the Airport System amended the 2005A Swap Agreements, described below. The notional amounts of the 2005 Swap Agreements were reduced to $56.0 million, $56.0 million, $112.0 million and $56.0 million, respectively, and the aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements was reduced to 3.66%.

On August 9, 2006 the Airport System also entered into interest rate Swap Agreements ("the 2006B Swap Agreements") with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the Series 1996A and 1996D Bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of $56.0 million, $56.0 million, $112.0 million and $56 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the Bond Market Association Index payable by the Airport System under each Agreement and a fixed rate payable by the respective financial institutions. The aggregate weighted average fixed rate payable by the financial institutions under the 2006B Swap Agreements is 4.09%. The 2006B Swap Agreements became effective November 15, 2006. Payments under these Agreements commenced on December 1, 2006. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A bonds, is that the Airport System will effectively pay a variable rate based on BMA plus or minus the difference between the fixed rate on the Series 2006A bonds and the fixed rate received under the 2006B Agreements on $280.0 million of obligations.

The Airport System entered into a $20.0 million Master Installment Purchase Agreement with GE Capital Public Finance, Inc. on August 1, 2006 to finance capital equipment purchases based on a five-year useful life.

In November 2006, the 2005 Swap Agreements became effective ("the 2005 Swap Agreements"). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the BMA index and 70.0% of 1-month LIBOR minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on $280.0 million of obligations.

On June 1, 2006, the Airport System entered into interest rate swap agreements (the "2006A Swap Agreements"), constituting Subordinate Hedge Facility Obligations, with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the refunding of the Series 1997E Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. The 2006A Swap Agreements have notional amounts of $181 million, $121 million and $60 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of LIBOR for one month deposits of U.S. dollars payable for the respective financial institutions. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap Agreements is 4.01%.

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

Capital Assets

As of December 31, 2007 and 2006, the Airport System had capital assets of approximately $3.5 billion. These amounts are net of accumulated depreciation of approximately $1.6 billion and $1.4 billion, respectively.

Automated Baggage System: United discontinued use of the automated baggage system and reverted to the traditional tug and cart system on September 6, 2005. At December 31, 2004, the book value of the baggage system equipment was $49.6 million. The rates and charges associated with the system continued to be charged to United as the exclusive user of Concourse B. However, the Airport System began discussions with United and all airlines to explore ways to mitigate automated baggage system costs over time, consistent with the cost reduction goals and sources of funds outlined in the Stipulated Order. These discussions culminated with the 2005-2 Amendatory Agreement whereby the Airport System will reduce United's Rates and Charges up to $11.0 million per year, over three years, in exchange for certain concessions. Airport System management commissioned a study to determine what, if any, of the existing automated baggage system would be usable in a new system. Based upon this study, management concluded that the bulk of the automated baggage system was impaired and, as a result, management wrote off approximately $43.0 million of the baggage system during 2005, leaving a remaining book value at December 31, 2007 of $3.4 million.

2006 Amendment: In the 2006 Amendment to United's Use and Lease Agreement, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10 million per year, using available Capital Fund moneys and other legally available Airport funds to defease associated debt. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new and enhanced passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, cost $41.3 million. The facility opened April 24, 2007.

Under the 2006 Amendment, United agreed to gradually relinquish its six leased gates on Concourse A.

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

Based upon this study, management believed that the sortation systems on concourses A and C were impaired and removed the assets from the books, which resulted in a loss of $11.9 million in 2005. United continues to use a portion of the concourse B sortation system, which remains on the Airport System's books with a net book value of approximately $8.7 million. The Airport System removed the unused portion of approximately $47.0 million from its books, resulting in a loss of $21.6 million in 2005 leaving a remaining book value at December 31, 2007 of $7.9 million.

PFC: In 1992, the PFC program authorized the imposition of a fee of $3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of $4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2007, a total of $931.6 million has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $818.5 million has been used to pay debt service on the Airport's general airport revenue bonds, and $8.4 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of $3.3 billion authorized maximum amount of PFC revenues.

Construction Commitments: As of December 31, 2007, the Airport System had outstanding contractual construction and professional services commitments of approximately $135.5 million and had made over $111.7 million in contractual payments for the year then ended.

The Airport's current 2008-2013 Capital Program includes approximately $987.2 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if there is sufficient need of such projects and they are financially viable. The 2008-2013 Capital Programs are expected to be financed with a combination of Airport Revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

In June of 2007, the City received several proposals from qualified participants in response to its Request for Proposal for the Hotel at Jeppesen Terminal (the "Hotel RFP"). The Hotel RFP sought proposals for the ownership, management, financing and/or construction of a first class hotel property (the "Airport Hotel") to be located immediately adjacent and attached to the terminal complex at the Airport, on land owned by the Airport. In December of 2007, the Airport selected Starwood Hotels and Resorts to construct and operate a Westin brand hotel. The various agreements relating to this project are currently being negotiated. The project is expected to be funded through the issuance by the Airport of revenue bonds payable from net revenues of the hotel, and not from Net Revenues. However, final financing arrangements have not yet been determined.

In April 6, 2006, the Airport announced that CMCB Development Company of Denver was the successful bidder on a 17-acre retail development along Pena Boulevard. The development called "The Landings" is located north of Pena Boulevard just southeast of the Conoco station and is the first phase in what could be a 500-acre commercial development along the major highway in and out of Denver International Airport. The Airport entered into a ground lease agreement with CMCB for this project in May of 2007. Groundbreaking for the project is expected to occur in the second quarter of 2008, with the first phase of the development expected to be completed by the end of 2008.

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

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

Economic Factors

Passenger traffic was up 5.4% in 2007 compared with a national average increase of 6.4% as reported by the Airport Council International (ACI), an airport industry group. Much of this passenger growth is attributed to the increased service of low-cost carriers in the Denver market.

Southwest Airlines (Southwest) began service at the Airport in January of 2006, with an initial daily schedule of 13 departing flights, utilizing two gates on Concourse C. Effective March 1, 2006, Southwest leased a third gate and increased its schedule to 20 daily departing flights. On August 1, 2006, Southwest leased an additional gate and on May 1, 2007, Southwest leased an additional gate bringing its total number of usage to five gates. Southwest currently operates 56 average daily flights, and is scheduled to increase service to 77 average daily flights to 23 nonstop destinations in May 2008.

The dominant air carrier at Denver International is United. On December 9, 2002, United filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The Chapter 11 filing permitted United to continue operations while developing a plan of reorganization to address existing debt, capital, and cost structures. In February 2006, United emerged from bankruptcy. United, together with its TED low-fare unit and its United Express commuter affiliates, accounted for approximately 53.3% and 49.9% of passenger enplanements at the Airport in 2007 and for the first three months of 2008, respectively.

On April 10, 2008, Frontier Airlines Holdings Inc., Frontier Airlines inc., and Lynx Aviation inc.("Frontier) filed for bankruptcy protection under Chapter 11 of the U. S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. Frontier Airlines accounted for approximately 22.7 percent of passenger enplanements in 2007.

As previously discussed, operating revenues were up 4.3% in 2007 compared to 2006. Operating income before depreciation and amortization of $239.4 million represented a decrease of $6.4 million. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was over $88.4 million, its second highest level ever. The airlines will receive the maximum allocation of $40.0 million, with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

Request for Information

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

City and County of Denver, Colorado
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

Assets		**2007**		**2006 (as restated)**
Current assets:				
Cash and cash equivalents	$	133,419,158	$	39,548,675
Investments		135,544,003		176,051,494
Accounts receivable (net of allowance for doubtful accounts $677,336 and $340,941, respectively)		39,629,252		25,265,417
Accrued interest receivable		5,248,229		7,105,769
Other long-term receivables		10,987		38,774
Inventories		6,657,720		5,536,967
Prepaid expenses and other		107,231		170,131
Total current unrestricted assets		320,616,580		253,717,227
Restricted assets:				
Cash and cash equivalents		331,500,233		271,288,130
Investments		217,788,550		100,741,748
Accrued interest receivable		1,076,117		1,899,940
Prepaid expenses and other		3,108,013		5,472,506
Grants receivable		6,067,495		12,492,788
Passenger facility charges receivable		11,704,403		12,754,737
Total current restricted assets		571,244,811		404,649,849
Total current assets		891,861,391		658,367,076
Noncurrent assets:				
Investments		121,442,838		187,080,957
Capital assets:				
Buildings		1,972,605,864		1,913,160,010
Improvements other than buildings		2,014,223,973		1,996,859,845
Machinery and equipment		603,385,447		584,536,597
		4,590,215,284		4,494,556,452
Less accumulated depreciation and amortization		(1,583,993,200)		(1,440,595,120)
		3,006,222,084		3,053,961,332
Construction in progress		170,710,424		120,753,187
Land, land rights and air rights		295,305,625		295,305,625
Total capital assets		3,472,238,133		3,470,020,144
Bond issue costs, net of accumulated amortization		59,632,651		61,330,980
Total noncurrent unrestricted assets		3,653,313,622		3,718,432,081
Investments – restricted		541,592,871		352,703,957
Assets held for disposition		14,094,275		18,806,825
Total assets		5,100,862,159		4,748,309,939

City and County of Denver, Colorado
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

Liabilities	**2007**	**2006 (as restated)**
Current liabilities:		
Vouchers payable	32,441,146	31,172,356
Due to other City agencies	18,240,600	17,186,337
Compensated absences payable	1,914,165	1,577,340
Other liabilities	4,840,609	22,003,622
Revenue credit payable	40,000,000	40,000,000
Deferred rent	23,821,526	7,212,505
Total current unrestricted liabilities	121,258,046	119,152,160
Current liabilities payable from restricted assets:		
Vouchers payable	24,754,561	35,717,072
Retainages payable	24,436,436	17,689,100
Accrued interest and matured coupons	21,517,067	22,227,738
Notes payable	12,138,729	27,497,017
Other liabilities	13,707,765	10,896,786
Revenue bonds	103,830,000	107,085,000
Total current liabilities payable from restricted assets	200,384,558	221,112,713
Total current liabilities	321,642,604	340,264,873
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	4,095,020,000	3,762,700,000
(Less) plus:		
Deferred losses on bond refundings	(303,121,171)	(301,053,878)
Net unamortized premiums	58,421,767	39,170,459
Total bonds payable, noncurrent	3,850,320,596	3,500,816,581
Notes payable	49,532,333	61,488,469
Compensated absences payable	5,376,998	5,118,304
Total noncurrent liabilities	3,905,229,927	3,567,423,354
Total liabilities	4,226,872,531	3,907,688,227
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(131,739,834)	(79,504,718)
Restricted for:		
Capital projects	18,772,470	12,492,788
Debt service	657,498,288	571,971,161
Unrestricted	329,458,704	335,662,481
Total net assets	$ 873,989,628	$ 840,621,712

See accompanying notes to financial statements.

City and County of Denver, Colorado

Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended December 31, 2007 and 2006

	2007	2006 (as restated)
Operating revenues:		
Facility rentals	$ 205,638,720	$ 197,353,089
Concession revenues	40,598,943	34,304,468
Parking revenues	116,326,036	110,534,937
Car rental revenues	44,998,289	41,641,365
Landing fees	87,281,898	92,389,849
Aviation fuel tax	23,385,390	20,211,169
Other sales and charges	11,921,704	11,871,715
Total operating revenues	530,150,980	508,306,592
Operating expenses:		
Personnel services	104,321,034	97,592,363
Contractual services	165,043,912	146,018,796
Maintenance, supplies, and materials	21,407,781	18,903,028
Total operating expenses before depreciation and amortization	290,772,727	262,514,187
Operating income before depreciation and amortization	239,378,253	245,792,405
Depreciation and amortization	159,309,391	151,506,373
Operating income	80,068,862	94,286,032
Nonoperating revenues (expenses):		
Passenger facility charges	97,191,338	93,509,920
Investment income	82,249,178	56,146,884
Interest expense	(220,064,282)	(207,385,378)
Grants	323,628	565,853
Other expense	(8,826,664)	(10,609,244)
Total nonoperating revenues (expenses), net	(49,126,802)	(67,771,965)
Income before capital contributions	30,942,060	26,514,067
Capital contributions:		
Capital grants	1,894,186	29,188,329
Capital contributions	531,670	—
Change in net assets	33,367,916	55,702,396
Net assets, beginning of year, as previously reported	840,621,712	640,195,967
Adjustment for correction of capital asset carrying amount and recognition of fuel tax revenue	—	144,723,349
Net assets, beginning of year, as restated	840,621,712	784,919,316
Net assets, end of year	$ 873,989,628	$ 840,621,712

See accompanying notes to financial statements.

City and County of Denver, Colorado

Municipal Airport System

STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	2007	2006 (as restated)
Cash flows from operating activities:		
Receipts from customers	$ 524,010,795	$ 499,604,612
Payments to suppliers	(172,191,044)	(152,054,926)
Interfund activity payments to other funds	(13,417,874)	(12,181,634)
Payments to employees	(103,725,515)	(96,338,970)
Net cash provided by operating activities	234,676,362	239,029,082
Cash flows from noncapital financing activities:		
Operating grants received	382,988	313,814
Net cash provided by noncapital financing activities	382,988	313,814
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	480,149,783	—
Proceeds from note payable	—	54,000,000
Principal paid on notes payable	(27,314,424)	(21,777,838)
Principal paid on revenue bonds	(144,835,000)	(101,305,000)
Interest paid on revenue bonds	(196,002,985)	(190,453,776)
Principal paid on capital lease	—	(1,061,885)
Bond issuance costs paid	(2,498,129)	(2,074,724)
Interest paid on notes payable	(3,412,816)	(2,487,809)
Capital grant receipts	8,260,119	19,078,411
Passenger Facility Charges	98,241,672	92,971,899
Purchases of capital assets	(133,131,809)	(75,578,837)
Payments of accrued expenses for capital assets	(39,669,472)	(22,497,901)
Payments to escrow for current refunding of debt	(12,307,402)	(8,331,179)
Proceeds from sale of capital assets	503,120	487,822
Net cash provided by (used in) capital and related financing activities	27,982,657	(259,030,817)
Cash flows from investing activities:		
Purchases of investments	(7,397,238,812)	(6,492,915,029)
Proceeds from sales and maturities of investments	7,216,180,995	6,542,146,541
Proceeds from sales of assets held for disposition	4,712,550	3,917,278
Payments to maintain assets held for disposal	(29,186,551)	(8,933,727)
Insurance recoveries for Stapleton environmental remediation	30,248,899	—
Interest and dividends on investments and cash equivalents	66,323,498	51,669,430
Net cash provided by (used in) investing activities	(108,959,421)	95,884,493
Net increase in cash and cash equivalents	154,082,586	76,196,572
Cash and cash equivalents, beginning of year	310,836,805	234,640,233
Cash and cash equivalents, end of year	$ 464,919,391	$ 310,836,805

(Continued)

City and County of Denver, Colorado
Municipal AirportSystem

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2007 and 2006

	2007	2006 (as restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 80,068,862	$ 94,286,032
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	159,309,391	151,506,373
Miscellaneous income	6,749,853	1,924,205
Changes in assets and liabilities:		
Receivables, net of allowance	(12,336,048)	(7,500,022)
Inventories	(1,120,753)	(82,649)
Prepaid expenses and other	580,037	517,166
Vouchers and other payables	1,268,790	3,855,982
Deferred rent	16,609,021	(16,576,128)
Due to other City agencies	1,054,263	(896,309)
Compensated absences	595,519	173,570
Other operating liabilities	(18,102,573)	11,820,862
Net cash provided by operating activities	$ 234,676,362	$ 239,029,082

Noncash activities:

The Airport System issued bonds in the amount of $830,925,000 and $449,590,000 in 2007 and 2006, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $389,846,767 and $465,989,377 for 2007 and 2006, respectively, were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of $17,101,088 and $20,731,149 were realized on the issuance of bonds in 2007 and 2006, respectively.

	2007	2006
Unrealized gain on investments	$ 18,732,290	$ 1,945,222
Capital assets added through incurrence of vouchers and retainages payable	36,720,227	39,669,472
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	17,919,645	16,760,908

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2007. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

During the year ended December 31, 2006, the Airport System adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation, (an amendment of GASB Statement No. 34)*. This statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The impact of this standard on the Airport System was immaterial.

(b) Cash and Cash Equivalents

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

(c) Investments

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2007 and 2006. The Airport System's investments are maintained in segregated pools at the City and include U.S. Treasury securities, U.S. Agency securities, commercial paper, and repurchase agreements.

(d) Inventories

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

(e) Capital Assets

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2007 and 2006 was $1,581,504 and $4,547,332, respectively.

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

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

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

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

(g) Assets Held for Disposition

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

(h) Compensated Absences Payable

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

(i) Deferred Rent

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

(j) Net Assets

2007

The Airport System's assets exceeded liabilities by $873,989,628 as of December 31, 2007, a $33,367,916 increase in net assets from the prior year-end. Of the Airport System's 2007 net assets, 77.4% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $657,498,288 which is externally restricted for debt service and $18,772,470 which is restricted for capital projects.

The remaining net assets include unrestricted net assets of $329,458,704 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($131,739,834) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2006

The Airport System's assets exceeded liabilities by $840,621,712 as of December 31, 2006, a $55,702,396 increase in net assets from the prior year-end. Of the Airport System's 2006 net assets, 69.5% were restricted for future debt service and capital construction. The bond reserve account and bond accounts represented $571,971,161 that was externally restricted for debt service. The net assets restricted for capital projects represented $12,492,788.

The remaining net assets included unrestricted net assets of $335,662,481 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset amounts, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($79,504,718) represented the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(k) Restricted and Unrestricted Resources

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

(l) Operating Revenues and Expenses

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

(m) Governmental Grants

The Airport System periodically receives grant revenues from federal agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred by the Airport System. Revenues from capital grants are reported as capital contributions on the statements of revenue, expenses and changes in net assets and revenues from operating grants are reported as nonoperating revenues.

(n) Rates and Charges

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2007 and 2006, the Airport System had accrued a liability, included in current other liabilities, of $1,489,409 and $14,799,763, respectively.

For the years ended December 31, 2000 through 2005, 75% of Net Revenues (as defined by the bond ordinance) remaining at the end of each year were to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50%, capped at $40,000,000 for all years. The Net Revenues credited to the airlines totaled $40,000,000 for both 2007 and 2006. Liabilities for these amounts were accrued as of December 31, 2007 and 2006, respectively, and are reported in the statement of net assets as revenue credit payable.

(o) 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.

(p) Reclassifications

Certain 2006 balances have been reclassified to conform with the 2007 financial statements presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's investment policy requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the PDPA. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2007, the amount of the Airport System's deposits was $12,369,432.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities. St. Paul/Travelers Insurance (St. Paul) manages an owner-controlled insurance plan on behalf of the Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2007 was $185,521. All other deposits are not subject to custodial credit risk since they are deposited in certified eligible public depositories under the PDPA.

(b) Investments

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

City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the Manager for investment shall also be administered in accordance with the Investment Policy. The City does not currently invest with external investment pools.

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

At December 31, 2007 and 2006, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2007	December 31, 2006
Cash	$ 12,473	$ —
Money Market Funds	40,454	55,796
Certificate of Deposit	—	11,355
Commercial paper	425,980	246,001
Repurchase agreements	—	125,706
State & Local Government Securities	15,291	—
U.S. Treasury securities	90,768	87,446
U.S. Agency securities	896,322	601,111
	$ 1,481,288	$ 1,127,415

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2007 and 2006, is as follows (amount expressed in thousands).

	December 31, 2007	December 31, 2006
Cash on hand	$ 104	$ —
Cash and cash equivalents	133,419	39,549
Investments	256,987	363,132
Restricted cash equivalents	331,396	271,288
Restricted investments	759,382	453,446
	$ 1,481,288	$ 1,127,415

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for the investment under the control of the manager by limiting the maximum maturity of investments. Bond reserve proceeds that are invested in U.S. Treasury and U.S. Agency securities can have a maximum maturity of ten years. All other U.S. Treasury and U.S. Agency securities can have a maximum maturity of five years. Repurchase agreements are open repurchase agreements and not exposed to interest rate risk.

At December 31, 2007, the Airport System's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

		Investments maturity in years			
Investment type	**Fair value**	**Less than 1**	**1-5**	**6-10**	**Greater than 10****
Discount Commercial Paper	$ 425,980	$ 425,980	$ —	$ —	$ —
U.S. Treasury securities	90,768	24,146	41,104	25,518	—
U.S. Agency securities	896,322	414,385	205,940	230,043	45,954
Total	$ 1,413,070	$ 864,511	$ 247,044	$ 255,561	$ 45,954

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

The Airport System's portfolio of U.S. agency securities includes callable securities with scheduled interest changes. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2007, the Airport System owned callable securities with a fair value of $260,253,674. Of these, securities with scheduled increases to predetermined interest rates had a fair value of $17,443,172.

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

As of December 31, 2007, the Airport System owned $425,980,064 in commercial paper that had minimum ratings of A-1, P-1 and F-1, by recognized rating agencies.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name. None of the Airport System's investments owned at December 31, 2007, were subject to custodial credit risk.

Concentration of Credit Risk: The City's Investment Policy states that a maximum of 5% of the portfolio may be invested in commercial paper or certificates of deposit issued by any one provider. As of December 31, 2007, all investments in commercial paper and certificates of deposit are in compliance with this policy.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2007 and 2006, an allowance of $677,336 and $340,941, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2007 and 2006 were as follows (in thousands):

	2007				
	January 1, 2007 (as restated)	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2007
Depreciable:					
Buildings	$ 1,913,160	$ —	$ 73,723	$ (14,277)	$ 1,972,606
Improvements other than buildings	1,996,859	33	20,093	(2,761)	2,014,224
Machinery and equipment	584,537	22,266	7,731	(11,149)	603,385
	4,494,556	22,299	101,547	(28,187)	4,590,215
Less accumulated depreciation and amortization	(1,440,595)	(159,309)	—	15,911	(1,583,993)
	3,053,961	(137,010)	101,547	(12,276)	3,006,222
Nondepreciable:					
Construction in progress	120,753	151,504	(101,547)	—	170,710
Land, land rights, and air rights	295,306	—	—	—	295,306
Total capital assets	$ 3,470,020	$ 14,494	$ —	$ (12,276)	$ 3,472,238

	2006				
	January 1, 2006 (as restated)	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2006 (as restated)
Depreciable:					
Buildings	$ 1,891,224	$ ---	$ 26,318	$ (4,382)	$ 1,913,160
Improvements other than buildings	1,927,138	—	74,217	(4,496)	1,996,859
Machinery and equipment	543,665	4,808	37,863	(1,799)	584,537
	4,362,027	4,808	138,398	(10,677)	4,494,556
Less accumulated depreciation and amortization	(1,290,973)	(151,507)	—	1,885	(1,440,595)
	3,071,054	(146,699)	138,398	(8,792)	3,053,961
Nondepreciable:					
Construction in progress	140,135	119,397	(138,398)	(381)	120,753
Land, land rights, and air rights	295,306	—	—	—	295,306
Total capital assets	$ 3,506,495	$ (27,302)	$ —	$ (9,173)	$ 3,470,020

In 2007 the Airport System recorded certain assets financed with Special Facility Bonds, and associated depreciation, and restated the 2005 financial statements to reflect the addition of $198.4 million of buildings, $0.5 million of improvements, $12.9 million of equipment and $49.2 million of depreciation. The Airport System also restated repair and maintenance costs that were in the construction in progress account to operating expenses in 2005 and 2006 (see note 22).

(6) Assets Held for Disposition

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

The carrying value of Stapleton was $14,094,275 and $18,806,825 at December 31, 2007 and 2006, respectively. The current and anticipated costs accrued for environmental liability for Stapleton was $7,154,592 and $3,474,011 at December 31, 2007 and 2006, respectively. The Airport has accrued $2,000,000 of insurance recoveries.

(7) Due to Other City Agencies

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2007 and 2006 totaled $13,417,874 and $12,181,634, respectively, and have been included in operating expenses.

In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other city personnel which are reflected as personnel services expenses. The total services paid for City service and personnel are $40,349,033 and $38,883,126 at December 31, 2007 and 2006, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $18,240,600 and $17,186,337 at December 31, 2007 and 2006, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2007 and 2006 were as follows (in thousands):

	2007				
	January 1, 2007	Additions	Refunded debt	Retirements	December 31, 2007
Airport System revenue bonds	$ 3,737,642	$ 860,925	$ (488,740)	$ (107,085)	$ 4,002,742
Economic defeasance	54,880	—	—	—	54,880
Baggage defeasance	77,263	71,715	—	(7,750)	141,228
Less deferred loss on bonds	(301,054)	(22,223)	—	20,156	(303,121)
Plus unamortized premiums	39,170	17,102	8,429	(6,279)	58,422
Total bond debt	$ 3,607,901	$ 927,519	$ (480,311)	$ (100,958)	3,954,151
Less current portion					(103,830)
Noncurrent portion					$ 3,850,321

	2006				
	January 1, 2006	Additions	Refunded debt	Retirements	December 31, 2006
Airport System revenue bonds	$ 3,928,480	$ 449,590	$ (539,123)	$ (101,305)	$ 3,737,642
Economic defeasance	54,880	—	—	—	54,880
Baggage defeasance	—	77,263	—	—	77,263
Less deferred loss on bonds	(275,305)	(43,778)	—	18,029	(301,054)
Plus unamortized premiums	9,577	20,731	13,946	(5,084)	39,170
Total bond debt	$ 3,717,632	$ 503,806	$ (525,177)	$ (88,360)	3,607,901
Less current portion					(107,085)
Noncurrent portion					$ 3,500,816

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest is payable semi-annually. The variable rate bonds are issued in weekly mode. Auction rate bonds carry interest rates that are periodically reset for either 7 or 35-day periods. As such, the actual interest rate on the bonds will vary weekly, based on market conditions in the short-term tax-exempt bond market. The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2007 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding
Airport system revenue bonds			
Series 1991A			
Term Bonds	November 15, 2008	14.00%	$ 10,015,000
Series 1991D			
Term bonds	November 15, 2013	7.75%	83,448,140
Series 1992F,G*	November 15, 2025	3.50%	46,700,000
Series 1995C			
Term bonds	November 15, 2012	6.50%	10,625,000
Series 1997E			
Serial bonds	Annually November 15, 2011 and 2013	6.00%	34,461,718
Series 1998A			
Term bonds	November 15, 2025	5.00%	175,990,000
Series 1998B			
Term bonds	November 15, 2025	5.00%	103,395,000
Series 2000A			
Serial bonds	Annually November 15, 2008 to 2019	4.80-6.00%	215,005,000
Term bonds	November 15, 2023	5.625%	31,495,000
Series 2000B*	November 15, 2025	3.64%	200,000,000
Series 2000C*	November 15, 2025	3.53%	100,000,000
Series 2001A			
Serial bonds	Annually November 15, 2011 to 2017	5.00-5.625%	210,791,700
Series 2001B			
Serial bonds	Annually November 15, 2013 to 2016	4.70-5.50%	16,675,000
Series 2001D			
Serial bonds	Annually November 15, 2008 to 2024	5.00-5.50%	56,560,000
Series 2002A1 A3*	November 15, 2032	5.10%	267,625,000
Series 2002C*	November 15, 2024	3.50%	39,800,000
Series 2002E			
Serial bonds	Annually November 15, 2008 to 2023	4.00-5.50%	163,955,000

City and County of Denver, Colorado
Municipal Airport System

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Bond	Maturity	Interest Rate	Amount Outstanding
Series 2003A			
Term bonds	November 15, 2026 and 2031	5.00%	161,965,000
Series 2003B			
Term bonds	November 15, 2033	5.00-5.75%	75,460,000
Series 2004A*	November 15, 2024	3.575%	72,000,000
Series 2004B*	November 15, 2024	3.575%	72,000,000
Series 2005A Serial bonds	Annually November 15, 2011 to 2025	4.00-5.00%	224,510,000
Series 2005B1-B2*	November 15, 2017	4.90%	85,275,000
Series 2005C1-C2*	November 15, 2025	3.56%	82,200,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000
Series 2006B Serial bonds	Annually November 15, 2008 to 2015	5.00%	152,280,000
Series 2007A Serial bonds	Annually November 15, 2023, 2024, 2026 and 2027	5.00%	188,350,000
Series 2007B Term bonds	November 15, 2030	5.00%	24,250,000
Series 2007C Term bonds	Annually November 15, 2016, 2017 and 2023	5.00%	34,635,000
Series 2007D Serial bonds	Annually November 15, 2016 to 2023	5.25-5.50%	147,815,000
Series 2007D2 Serial bonds	Annually November 15, 2014 to 2015	5.00%	31,950,000
Series 2007E Term bonds	November 15, 2032	5.00%	47,400,000
Series 2007F1-4*	November 15, 2025	4.025%	208,025,000
Series 2007G1-2*	November 15, 2025	3.41%	148,500,000
Airport System subordinate revenue bonds			
Series 2001C1-C4*	November 15, 2022	4.79%	200,000,000
Economic defeasance LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000
ABS baggage defeasance	November 15, 2008 to 2025	5.00-7.75%	141,228,442
Total revenue bonds			4,198,850,000
Less current portion			(103,830,000)
Net unamortized premiums			58,421,767
Deferred loss on refundings			(303,121,171)
Total bonds payable noncurrent			$3,850,320,596

* Variable rates are as of December 31, 2007

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

Economic Defeasances

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

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

Bond Issuances

On November 14, 2007, The Airport issued $208,025,000 and $148,500,000 of Airport System Revenue Bonds Series 2007F1-F4 and 2007G1-G2 bonds in auction rate mode and variable rate mode, respectively, for the purpose of current refunding a portion of the 1997E bonds.

On October 4, 2007, the Airport issued $31,950,000 and $47,400,000 of Airport System Revenue Bonds Series 2007D2 and 2007E in a fixed mode for purpose of borrowing new moneys for capital improvement projects.

On October 3, 2007, the Airport substituted Letter of Credits for the 1992F, 1992G and 2002C Airport System Revenue Bonds.

On August 29, 2007, the Airport issued $188,350,000, $24,250,000, and $34,635,000 of the Airport System Revenue Bonds Series 2007A, 2007B, and 2007C in a fixed rate mode for purposes of refunding Commercial Paper Notes, advance refunding the 2003B Bonds and funding new money for capital improvements.

On August 29, 2007, the Airport issued $147,815,000 of the Airport System Revenue Bonds Series 2007D in a fixed rate mode for the purpose of funding new money for capital improvements.

In April 2007, the Airport drew on the Airport System Subordinate Commercial Paper 2006A notes with an outstanding principal of $30 million and was refunded on August 29, 2007, with the 2007A and 2007B Series Bonds.

On August 17, 2006, the Airport issued $279,585,000 and $170,005,000 of Airport System Revenue Bond Series 2006A and 2006B, respectively, in a fixed rate mode for the purpose of currently refunding $461,860,000 of the 1996A, 1996B, 1996C and 1996D bonds.

Deferred Refunding

The proceeds of the 2007C, 2007F1-F4 and 2007G1-G2 bonds were used together with other Airport monies, to advance refund a portion of the 2003B and currently refund a portion of the 1997E bonds. The 2007C, 2007F1-F4 and 2007G1-G2 bonds are structured to provide the Airport with approximately level annual debt service savings. Debt service savings for the refunding is estimated to be $47,333,002. The economic gain resulting from the transaction is estimated to be $29,847,653. The current refunding resulted in a defeasance of debt between the reacquisition price of $392,900,294 and the net carrying amount of the old debt of $370,677,222, and the recognition of a deferred loss on refunding in the amount of $22,223,072. The deferred loss on refunding is being amortized over the remaining life of the old debt.

The proceeds of the 2006A-B bonds were used, together with other Airport monies, to currently refund all of the outstanding Series 1996A, 1996D and all but $12,605,000 of the 1996B and 1996C Airport System Revenue Bonds. Series 2006A-B bonds are structured to provide the Airport with maximum interest savings through 2010 which will be applied to meet a portion of the airline rates and cost reduction goals in the United Stipulated Order. Interest savings for refunding is $39,808,609 and debt service savings is $53,303,609 (including principal). The economic gain resulting from the transaction was $32,671,373. The Airport realized a cash flow savings of $985,173 with this transaction in 2006. The current refunding resulted in a defeasance of debt between the reacquisition price of $474,320,556 and the net carrying amount of the old debt of $430,542,581, and the recognition of a deferred loss on refunding in the amount of $43,777,975. The deferred loss on refunding is being amortized over the remaining life of the old debt.

Defeased Bonds

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2007 and 2006, respectively, $65,720,000 and $32,180,000 of bonds outstanding are considered defeased.

(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2007 are as follows:

	Principal	Interest
Year:		
2008	$ 100,351,973	$ 194,495,332
2009	101,024,611	188,272,781
2010	106,494,263	182,879,454
2011	129,839,389	177,052,159
2012	137,186,839	169,824,658
2013 – 2017	866,914,483	728,892,386
2018 – 2022	1,180,805,000	491,263,570
2023 – 2027	1,000,430,000	203,380,320
2028 – 2032	340,145,000	62,622,250
2033	39,550,000	1,977,500
Total	$ 4,002,741,558	$ 2,400,660,410

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2007, are as follows:

	Principal	Interest
Year:		
2008	$ -	$ 3,601,900
2009	—	3,601,900
2010	—	3,601,900
2011	—	3,601,900
2012	—	3,601,900
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	$ 49,596,525

Debt service requirements for the economic defeasance ABS Baggage system of the Airport System to maturity as of December 31, 2007, are as follows:

	Principal	Interest
Year:		
2008	$ 3,478,027	$ 7,906,202
2009	3,670,389	7,713,840
2010	6,610,737	7,511,970
2011	7,650,611	7,086,762
2012	8,148,161	6,594,013
2013 – 2017	50,855,517	24,669,593
2018 – 2022	43,065,000	11,058,864
2023 – 2025	17,750,000	1,453,000
Total	$ 141,228,442	$ 73,994,244

(b) *Notes Payable*

The Airport System entered into a $60 million Master Installment Purchase Agreement with Siemens Financial Services on November 5, 2003 to fund the reimbursable portion of the construction of the in-line EDS baggage screening system. Payments are due annually in advance beginning December 31, 2006. The interest rate is 3.4% and is based on a 30/360 calculation. The Airport System entered into two Master Installment Purchase Agreements on March 15, 2004, one with Siemens Financial Services for $20 million and one with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.6448% based on a 30/360 calculation for 2004. Payments are due semiannually to Siemens Financial Services and quarterly to GE Capital Public Finance. The Airport System entered into three Master Installment Purchase Agreements on October 26, 2006, and one on August 1, 2006. These include two agreements with Koch Financial Corporation for $23.0 million and $2.0 million, for a total of $25.0 million, and two agreements with GE Capital Public Finance for $9.0 million and $20.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16% and 4.67% based on a 30/360 calculation for 2007. Under the Master Installment Purchase Agreements, the financing companies have a security interest in equipment purchased with the proceeds until the loans are repaid.

The payment schedule relating to note requirements as of December 31, 2007 is as follows:

		Principal		Interest
Year:				
2008	$	12,138,729	$	2,403,466
2009		11,469,404		1,911,463
2010		11,554,821		1,438,698
2011		9,184,916		949,032
2012		3,479,419		674,130
2013-2016		13,843,773		1,196,639
	$	61,671,062	$	8,573,428

Changes in notes payable for the years ended December 31, 2007 and 2006 were as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Notes payable	$ 88,985,486	$ —	$ (27,314,424)	$ 61,671,062
Less current portion				(12,138,729)
Noncurrent portion				$ 49,532,333

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Notes payable	$ 56,763,324	$ 54,000,000	$ (21,777,838)	$ 88,985,486
Less current portion				(27,497,017)
Noncurrent portion				$ 61,488,469

(10) Demand Bonds

Included in long-term debt are $46,700,000 for Series 1992F,G; $200,000,000 for Series 2000B; $100,000,000 for Series 2000C; $39,800,000 for Series 2002C; $72,000,000 for Series 2004A; $72,000,000 for Series 2004B; $82,200,000 for Series 2005C1-C2; and $148,500,000 for Series 2007G1-G2 of Airport System Revenue Bonds Series, respectively, which bear interest at flexible or weekly rates and are subject to mandatory redemption upon conversion of the interest rate to a different rate type or rate period. If the bonds are in a weekly (or monthly) mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. Each series has an irrevocable letter of credit or standby bond purchase agreement which the remarketing agent for the bonds can draw upon to purchase the bonds. If the bonds purchased by the remarketing agent could not be resold within a designated period of time, each irrevocable letter of credit and standby bond purchase agreement contains provisions for a take out agreement which would convert the obligation to an installment loan with the provider of that agreement. If the take out agreement were to be exercised, the Airport System would be required to pay interest amounts on the loan that are expected to be higher than the interest amount on the bonds.

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

Bonds	Par amount outstanding	Letter of credit amount	Annual commitment fee	Letter of credit expiration date
Series 1992F	$ 25,500,000	$ 25,894,027	0.163%	October 2, 2014
Series 1992G	21,200,000	21,527,584	0.163%	October 2, 2014
Series 2002C	39,800,000	40,414,991	0.163%	October 2, 2014

As of December 31, 2007 and 2006, no amounts have been drawn under any of the existing agreements. As discussed in note 23, the Airport refunded the 2004A-B bonds on April 14, 2008.

(11) Bond Ordinance Provisions

Additional Bonds

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

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, except for the Series 2001C1-C4 Bonds, (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, the Series 2001C1-C4 Bonds are collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

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

(12) Swap Agreements

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

Summary of Interest Rate Swap Transactions

Counterparty	Trade date	Effective date	Notional amount (in millions)	Bond/Swap termination date	Associated debt series	Payable swap rate	Variable receivable swap rate	Fair values December 31, 2007
1998 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	1/22/98	10/4/00	$ 100	11/15/25	2000B	4.7600%	Bond rate	$ (15,237,571)
Lehman Bros. Special Financing Inc.	1/22/98	10/4/00	100	11/15/25	2000B	4.7600	Bond rate	(15,237,571)
Societe Generale, New York, Branch	1/22/98	10/4/00	100	11/15/25	2000C	4.7190	Bond rate	(14,803,081)
1999 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	7/22/99	10/4/01	100	11/1/22	2001C1-4	5.6179	BMA	(22,774,266)
Merrill Lynch Capital Services, Inc.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.5529	BMA	(11,164,755)
RFPC, LTD.	7/22/99	10/4/01	50	11/1/22	2001C1-4	5.6229	BMA	(11,411,519)
2002 Swap Agreements:								
Goldman Sachs Capital Markets, L.P.	4/11/02	4/15/02	100	11/01/22	2001C1-4	BMA	76.33% LIBOR	1,472,601
RFPC, LTD.	4/11/02	4/15/02	100	11/01/22	2001C1-4	BMA	76.00% LIBOR	1,330,533
2005 Swap Agreements								
Royal Bank of Canada	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6560	70% LIBOR	(3,780,286)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6874	70% LIBOR	(4,028,387)
Jackson Financial Products, LLC	4/14/05	11/15/06	111.834	11/15/25	2006A	3.6560	70% LIBOR	(7,687,515)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	55.917	11/15/25	2006A	3.6560	70% LIBOR	(3,780,286)
2006B Swap Agreements								
Royal Bank of Canada	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
JP Morgan Chase Bank, N.A.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
Jackson Financial Products, LLC	8/9/06	11/15/06	111.834	11/15/25	2006A	BMA	4.0855%	5,689,656
Piper Jaffray Financial Products, Inc.	8/9/06	11/15/06	55.917	11/15/25	2006A	BMA	4.0855%	2,844,828
2006A Swap Agreements								
Bear Stearns Capital Markets Inc	6/1/06	11/15/07	180.850	11/15/25	2007F-G	4.0085	70% LIBOR	(13,902,074)
Lehman Bros. Special Financing Inc	6/1/06	11/15/07	120.567	11/15/25	2007F-G	4.0085	70% LIBOR	(9,268,049)
GKB Financial Services Corp. II	6/1/06	11/15/07	60.283	11/15/25	2007F-G	4.0085	70% LIBOR	(4,634,024)
2007A Swap Agreements								
Bear Stearns Financial Products Inc.	12/21/07	05/01/10	150	11/01/22	2001C1-4	76.165% 1M LIBOR	65.55%10Y LIBOR	105,819
Royal Bank of Canada	12/21/07	05/01/10	50	11/01/22	2001C1-4	76.165% 1M LIBOR	65.55% 10Y LIBOR	35,273

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2007. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2007. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2007, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a stable outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below).

The ratings of the counterparties, or their credit support providers, as of December 31, 2007 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider S&P	Moody's	Fitch
Bear Stearns Capital Markets Inc. (Bear Stearns Companies)	A	A2	A+
Bear Stearns Financial Products Inc.	AAA	Aaa	AAA
GKB Financial Services Corporation II Inc. (Societe Generale, New York Branch)	AA	Aa1	AA
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	AA-	Aa3	AA-
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A+	A1	A+
JP Morgan Chase Bank, N.A.	AA	Aaa	AA-
Lehman Brothers Special Financing Inc. (Lehman Brothers Holdings Inc.)	A+	A1	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A+	A1	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Inc.)	AA-	Aa3	AA-
RFPC, LTD. (Ambac Assurance Corp.)	AAA	Aaa	AA
Royal Bank of Canada	AA-	Aaa	AA
Societe Generale, New York Branch	AA	Aa1	AA

As of December 31, 2007, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amounts of the derivatives' fair value.

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

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

Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements ("the 1998 Swap Agreements") with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of $100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, a counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Bond Markets Association Index (BMA) and LIBOR such that the daily average BMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days. The effect of a counterparty applying the alternative rate would be to increase the basis risk for the swap. There would be a greater likelihood of differences between the variable rate paid by the Airport System on the associated debt and variable payments received from the counterparty under the swap. There was no such taxability event nor a downgrade of the short-term ratings for the year ended December 31, 2007.

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

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

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

The 2002 Swap Agreements and Associated Debt – On April 11, 2002, the Airport System entered into interest rate Swap Agreements ("the 2002 Swap Agreements") with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the Bond Market Association Index (BMA) to a percentage of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR). The 2002 Swap Agreements have a notional amount of $200 million, relate to the 2001 C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between BMA payable by the Airport System and a percentage of LIBOR payable by the respective financial institutions. The net effect of the 2002 Swap Agreements, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.165% of LIBOR, rather than BMA, to offset the actual rate paid on the Series 2001 C1-C4 bonds.

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

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

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

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

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements ("the 2006A Swap Agreements") with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. The 2006A Swap Agreements have notional amounts of approximately $181.0 million, $121.0 million and $60.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on $356.5 million of obligations.

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

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

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

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

The 2007A Swap Agreements - On December 21, 2007, the City entered into interest rate swap agreements ("the 2007A Swap Agreements") with two financial institutions to effectively change the amounts it receives under the 2002 Swap Agreements from a percentage of the London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars ("one-month LIBOR") to a percentage of LIBOR for ten-year deposits of U.S. dollars ("ten-year LIBOR"). The 2007A Swap Agreements have a notional amounts of $150.0 million and $50.0 million, relate to the 2001C1-C4 bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the Series 2001C1-C4 bonds (see "the 1999 Swap Agreements and Associated Debt" and "the 2002 Swap Agreements and Associated Debt").

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

Swap Payments and Associated Debt

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2007, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2008	$ 800,000	$ 47,683,093	$ 9,855,042	$ 58,338,135
2009	900,000	47,652,535	9,849,509	58,402,044
2010	900,000	47,618,770	10,360,768	58,879,538
2011	900,000	47,585,005	10,728,469	59,213,474
2012	1,000,000	47,550,988	10,719,747	59,270,735
2013-2017	158,845,000	229,539,537	52,336,736	440,721,273
2018-2022	595,740,000	158,564,080	34,986,783	789,290,863
2023-2025	377,025,000	30,613,389	3,951,814	411,590,203
Total	$ 1,136,110,000	$ 656,807,397	$ 142,788,868	$ 1,935,706,265

This schedule includes the 2006A fixed rate bonds in addition to the variable rate bonds associated with swaps in effect at December 31, 2007.

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2007.

(13) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2007 and 2006, Special Facility Revenue Bonds outstanding totaled $315,700,000 and $327,610,000, respectively.

As discussed in note 22, the assets acquired with Special Facility debt and associated accumulated depreciation have been recognized in these financial statements.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2007 and 2006 are as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Compensated absences payable	$ 6,695,644	$ 798,233	$ (202,714)	$ 7,291,163
Less current				(1,914,165)
Noncurrent portion				$ 5,376,998

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Compensated absences payable	$ 6,522,074	$ 1,002,609	$ (829,039)	$ 6,695,644
Less current				(1,577,340)
Noncurrent portion				$ 5,118,304

(15) Pension Plan

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

Plan Description

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

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2007, the date of the last actuarial valuation, the plan was under-funded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Pension Plans' Funding Policy and Annual Pension Cost

For DERP, the City contributes 8.50% of covered payroll and employees make a pre-tax contribution of 2.50% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2007, 2006 and 2005 were approximately $38,862,000, $36,036,000 and $35,036,000, respectively, which equaled the required contributions each year. DIA's share of the City's contributions for the years ended December 31, 2007, 2006 and 2005 were approximately $5,311,000, $4,629,000 and $4,405,000, respectively.

(16) Deferred Compensation Plan

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

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

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

(17) Commitments and Contingencies

(a) Commitments

At December 31, 2007, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	44,614,178
Construction projects to be funded by bonded debt		88,320,586
Projects related to remediation – Stapleton		2,550,982
Total commitments	$	135,485,746

(b) Noise Litigation

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

As of December 31, 2007 and 2006, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties.

(c) Claims and Litigation

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

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2007 and 2006 was $69,411,719 and $61,479,426, respectively.

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

2008	$	45,382,807
2009		44,554,010
2010		43,641,188
2011		41,588,051
2012		39,703,682
2013-2017		46,357,611
Total minimum future rentals	$	261,227,349

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds $20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2007 or 2006. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal grants

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

(18) Insurance

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

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

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

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

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

(19) Significant Concentration of Credit Risk

The Airport System derives a substantial portion of its operating revenues from airline's landing and facility rental fees (airline operating revenue). For the years ended December 31, 2007 and 2006, United Airlines represented approximately 56% and 59%, respectively, of the Airport System's airline operating revenue. Frontier Airlines represented 15% and 13% of the Airport System's airline operating revenue. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

(20) United Airlines

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 43 of the 95 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, accounted for 53.3% and 56.5% of enplaned passengers at the Airport in 2007 and 2006, respectively.

In the 2005-2 Amendment to the United Use and Lease Agreement, the Airport System agreed to a reduction in United's rates and charges associated with the automated baggage system of $4.9 million in 2006, $8.5 million in 2007 and $11.0 million in 2008 through 2025, the last year of the term of the United Use and Lease Agreement in exchange for United's agreement to grow the Denver hub. This agreed reduction will be achieved by defeasing outstanding debt with Airport System equity and available $1.50 PFCs.

In the 2006 Amendment, the Airport System agreed to further mitigate United's baggage system charges by defeasing certain outstanding Airport System Revenue Bonds and reducing amortization charges allocated to the automated baggage system in stated amounts not to exceed $10.0 million per year, using available Capital Fund moneys and other legally available Airport funds. The Airport System also agreed to improve the existing commuter facilities on the east end of Concourse B in order to accommodate larger regional jet aircraft and provide new enhanced passenger amenities. These improvements, referred to herein as the Concourse B Commuter Facility Project, to cost approximately $41.5 million. The Concourse B Commuter Facility Project was completed April 23, 2007.

Under the 2006 Amendment, United gradually relinquished its six leased gates on Concourse A. Frontier or other airlines leased, or used on a non-preferential basis, the gates relinquished by United. The Airport assisted United in refinancing its Special Facility bond obligations in the amount of $270,000,000.

United emerged from bankruptcy in February 2006.

(21) Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 50

In 2007, the City and DERP (see note 15) implemented the provisions of GASB Statement No. 50 (GASB 50), *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, which amended the financial note disclosures and required supplementary information presented by pension plans and participating employers in their audited financial statements. Implementation of GASB 50 had no effect on net assets held in trust for benefits of DERP as of January 1, 2007 or 2006, or on the net increase in net assets held in trust for benefits of DERP for the years ended December 31, 2007 and 2006.

(22) Restatement of 2006 Financial Statements

The Airport determined in 2007 that certain facilities acquired and constructed at the Airport using special facility revenue bonds (see note 13) were owned by the Airport but had never been recorded in its financial statements. Such facilities were acquired and constructed principally during or before 1995, the year the Airport opened. Additionally, in 2007 the Airport determined that certain costs that had been capitalized to construction in progress in years prior to 2007 should have been expensed. Also, in 2007 the Airport determined that the State of Colorado, Division of Aeronautics, had underpaid the Airport aviation fuel sales tax from August 2003 through November 2007. The Airport has restated its 2006 financial statements to correct these three errors. The effect of the restatement on the 2006 financial statements is as follows:

Statement of Net Assets

	As previously reported	Adjustment	As restated
Accounts receivable, net of allowance for doubtful accounts	$ 14,519,315	$ 10,746,102	$ 25,265,417
Capital assets			
Buildings	1,714,711,598	198,448,412	1,913,160,010
Improvements other than buildings	1,995,739,581	1,120,264	1,996,859,845
Machinery and equipment	557,147,936	27,388,661	584,536,597
Accumulated depreciation and amortization	(1,385,549,501)	(55,045,619)	(1,440,595,120)
Construction in progress	165,558,343	(44,805,156)	120,753,187
Net assets (deficit)			
Invested in capital assets, net of related debt	(212,178,928)	132,674,210	(79,504,718)
Restricted for:			
Capital projects	—	12,492,788	12,492,788
Debt service	543,978,207	27,992,954	571,971,161
Unrestricted	370,969,769	(35,307,288)	335,662,481

Statement of Revenues, Expenses, and Changes in Net Assets

	As previously reported	Adjustment	As restated
Aviation fuel tax	$ 12,714,401	$ 7,496,768	$ 20,211,169
Contractual services	139,652,041	6,366,755	146,018,796
Depreciation and amortization	143,505,675	8,000,698	151,506,373
Increase in net assets	62,573,081	(6,870,685)	55,702,396

Statement of Cash Flows

	As previously reported	Adjustment	As restated
Payments to suppliers	$(145,688,172)	$ (6,366,754)	$(152,054,926)
Purchases of capital assets	(81,945,591)	6,366,754	(75,578,837)
Operating income	101,156,717	(6,870,685)	94,286,032
Depreciation and amortization	143,505,675	8,000,698	151,506,373
Receivables, net of allowance	(3,255)	(7,496,767)	(7,500,022)

(23) Subsequent Events

The Airports System purchased World Port, a cargo property, on March 5, 2008 for $4 million using internal funds (capital fund monies) for the acquisition.

Subsequent to December 31, 2007, six of the counterparties to the Airport's swap agreements had their credit ratings downgraded. Bear Stearns Capital Markets Inc.'s ratings were downgraded from A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively, to A-/Baa1/BBB. Subsequent to the downgrades, Bear Stearns Capital Markets Inc. was acquired on May 30, 2008 by JP Morgan Chase & Co. (rated AA/Aaa/AA-). Lehman Brothers Special Financing Inc. was downgraded by Standard & Poor's from A+ to A and by Fitch Ratings from AA- to A+. Merrill Lynch Capital Services, Inc. was downgraded from A+/Aa3/AA- to A/A1/A+. Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services Inc) was downgraded by Standard & Poor's from AA- to A+. Societe Generale, New York Branch's ratings were downgraded from AA/Aa1/AA to AA-/Aa2/AA-. RFPC, LTD (Ambac Assurance Corp.) was downgraded from AAA/Aaa/AAA to AA/Aaa/AA.

The Airport has restructured a significant amount of its outstanding auction rate securities in order to eliminate its exposure to the volatility in interest rates in the auction rate market precipitated in large part by the downgrades in the ratings of bond issuers. Interest rates on the Airport's auction rate debt subsequent to December 31, 2007 have ranged from approximately 3.75% to 8.50%.

The Airport drew $100 million on March 28, 2008 and April 1, 2008 Commercial Paper to currently refund the Series 2001C1-C2 Auction Rate Securities ("ARS"). On April 14, 2008 the Airport issued $221,215,000, $111,000,000, $181,965,000 and $94,660,000 2008A1-A4 bonds in a fixed rate and term rate mode for purposes of current refunding, $100,000,000 of the Series 2001C3-C4, $267,625,000 of the Series 2002A1-A3, $85,250,000 of the 2005B1-B2 Airport Revenue bonds that are variable rate bonds currently in an auction rate mode and to current refund $144,000,000 of the 2004A-B bonds variable rate bonds. The series 2001C1-C4 Airport Revenue Bonds which were Auction Rate Securities and associated with the 1999, 2002 and 2007A swap agreements were refunded on March 28, 2008, April 1, 2008 and April 14, 2008, with Commercial Paper and a portion of the Series 2008A2-A4 variable rate bonds which will bear interest initially in a term mode.

On April 10, 2008 Frontier Airlines filed for bankruptcy protection under Chapter 11 of the U. S. Bankruptcy Code. A Chapter 11 filing permits Frontier to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures.

On April 15, 2008 Delta Air Lines announced it had reached an agreement with Northwest Airlines to take over Northwest and create the world's biggest carrier.

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, 2007

Gross revenue:	
Facility rentals	$ 245,664,014
Concession income	40,598,943
Parking income	116,326,036
Car rental income	44,998,289
Landing fees	87,281,898
Aviation fuel tax	23,385,390
Other sales and charges	11,921,704
Interest income	44,167,275
Miscellaneous income	1,762,483
Gross revenues as defined in the ordinance	616,106,032
Operation and maintenance expenses:	
Personnel services	104,321,034
Contractual services	155,888,465
Maintenance, supplies and materials	21,036,105
Miscellaneous expense	1,500,000
Operation and maintenance expenses as defined in the ordinance	282,745,604
Net revenue	333,360,428
Other available funds	53,250,840
Net revenue plus other available funds as defined in the ordinance	$ 386,611,268
Debt service requirements as defined in the ordinance (1)	$ 229,923,271
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)	168%

(1) Net of irrevocably committed Passenger Facility Charges of $63,088,824 applied under Supplemental Bond Ordinance.

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 (UNAUDITED)

Year ended December 31, 2007

(1) Bond Account

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

(a) Interest Account

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

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 (UNAUDITED)

Year ended December 31, 2007

Bond series	Interest payment date	Balance interest due	Required interest account balance at December 31, 2007
Series 1991A	05/15/08	$ 701,050	$ 116,842
Series 1991D	05/15/08	3,233,616	538,936
Series 1992F-G	01/01/08	129,660	129,660
Series 1995C	05/15/08	345,313	57,552
Series 1997E	05/15/08	1,033,851	172,309
Series 1998A	05/15/08	4,399,750	733,292
Series 1998B	05/15/08	2,584,875	430,813
Series 2000A	05/15/08	7,220,275	1,203,379
Series 2000B	01/01/08	564,658	564,658
Series 2000C	01/01/08	279,480	279,480
Series 2001A	05/15/08	5,796,519	966,087
Series 2001B	05/15/08	456,563	76,094
Series 2001D	05/15/08	1,493,488	248,915
Series 2002A1-A3	01/01/08	1,335,039	1,335,039
Series 2002C	01/01/08	110,503	110,503
Series 2002E	05/15/08	4,233,188	705,531
Series 2003A	05/15/08	4,049,125	674,854
Series 2003B	05/15/08	1,886,500	314,417
Series 2004A	01/01/08	206,492	206,492
Series 2004B	01/01/08	202,390	202,390
Series 2005A	05/15/08	5,610,500	935,083
Series 2005B1-B2	01/01/08	344,244	344,244
Series 2005C1-C2	01/01/08	231,906	231,906
Series 2006A	05/15/08	6,920,350	1,153,392
Series 2006B	05/15/08	3,807,000	634,500
Series 2007A	05/15/08	4,708,750	784,792
Series 2007B	05/15/08	606,250	101,042
Series 2007C	05/15/08	865,875	144,313
Series 2007D	05/15/08	3,924,319	654,053
Series 2007D2	05/15/08	798,750	133,125
Series 2007E	05/15/08	1,185,000	197,500
Series 2007F1-F4	01/01/08	1,012,622	1,012,622
Series 2007G1-G2	01/01/08	405,551	405,551
			$ 15,799,366

(Continued)

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

Year ended December 31, 2007

(b) Principal Account

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

Bond series	Principal payment date	Balance principal due	Required principal account balance at December 31, 2007
Series 1991A	11/15/08	$ 10,015,000	$ 834,583
Series 1991D	11/15/08	14,237,388	1,186,449
Series 1992 F, G	11/15/08	1,300,000	108,333
Series 2000A	11/15/08	13,230,000	1,102,500
Series 2001A	11/15/08	3,879,585	323,299
Series 2001D	11/15/08	3,050,000	254,167
Series 2002A1-A3	11/15/08	12,700,000	1,058,333
Series 2002C	11/15/08	1,400,000	116,667
Series 2002E	11/15/08	11,515,000	959,583
Series 2004A	11/15/08	1,300,000	108,333
Series 2004B	11/15/08	1,300,000	108,333
Series 2005B1-B2	11/15/08	3,900,000	325,000
Series 2005C1-C2	11/15/08	3,000,000	250,000
Series 2006B	11/15/08	18,725,000	1,560,417
Series 2007F1-F4	11/15/08	500,000	41,667
Series 2007G1-G2	11/15/08	300,000	25,000
Total principal account requirement			$ 8,362,664

(c) Sinking Account

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

(Continued)

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

Year ended December 31, 2007

(d) Redemption Account

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

As of December 31, 2007, the redemption account had a balance of $17.1 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

Aggregate required Bond Account balance	$	24,162,030
Bond Account balance at December 31, 2007		24,684,261
Overfunded	$	522,231

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2007 is $345,857,951. The minimum Bond Reserve Account requirement is $345,857,951.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2008.

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 (UNAUDITED)

Year ended December 31, 2007

Computation of minimum operation and maintenance reserve:

2006 Operation and maintenance expenses	$	262,514,186
Minimum operations and maintenance reserve requirement for 2006	$	43,752,364
Operation and maintenance reserve account balance at December 31, 2007 (1)		59,733,489
Overfunded	$	15,981,125

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

City and County of Denver, Colorado
Municipal Airport System

SUMMARY OF INSURANCE COVERAGE (UNAUDITED)

December 31, 2007

Policy number	Company	Item covered	Expiration date		Annual premium		Coverage
ESP2000-274	Quanta Speciality Lines	Pollution and remediation legal liability	12/23/08	$	236,803	(1)	$10,000,000
XSR 310244	Clarendon American	Excess auto	01/01/08		87,323		1,000,000
FL 254	FM Global	Property/boiler and machinery	01/01/08		2,941,347		1,000,000,000
L9900439	Lloyds of London	Excess liability	01/01/08		1,299,534		500,000,000
AAPN 00981771003	ACE Property and Casualty	Primary liability					
	ACE American/AXA Art						
Multi-participation	Ins./Lloyds Underwriters	Fine Arts	01/01/08		187,208	(2)	250,000,000
	ACE American/AXA Art						

(1) This is a three year prepaid amount. The policy term is 12/23/07 to 9/1/10.
(2) This is a multi-participation policy with coverage shared by DIA.

City and County of Denver, Colorado
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

December 31, 2007

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

	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007
Operating revenues	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151
Operating expenses, before depreciation and amortization	211,913	221,214	239,405	262,514	290,773
Operating income before depreciation and amortization	245,473	256,722	257,772	245,793	239,378
Depreciation and amortization	148,763	135,338	150,823	151,507	159,309
Impairment loss		18,007	85,286	—	—
Operating income (loss)	96,710	103,377	21,663	94,286	80,069
Nonoperating revenues (expenses)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)
Capital contributions	40,542	62,205	31,547	29,188	2,426
Change in net assets	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major National Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.6	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	7.6	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0
2007	20,774,889	5.6	3,945,388	4.1	220,676	10.8	24,940,953	5.4

(b) *Enplaned Passengers by Airline*

Airline	2006	% of Total	2007	% of Total
United	8,364,574	35.4%	8,323,729	33.4%
United Express/TED	4,982,742	21.1%	4,972,886	19.9%
Total United	13,347,316	56.5%	13,296,615	53.3%
American	973,233	4.1%	933,045	3.8%
America West	339,203	1.4%	—	0.0%
Continental	553,301	2.3%	559,442	2.2%
Delta	663,890	2.8%	699,623	2.8%
Frontier	4,904,231	20.7%	5,668,493	22.7%
Northwest	488,406	2.1%	535,215	2.1%
Southwest	789,637	3.3%	1,322,152	5.3%
USAir	315,254	1.3%	586,865	2.4%
Other	1,290,841	5.5%	1,339,503	5.4%
Totals	23,665,312	100.0%	24,940,953	100.0%

(c) *Originating and Connecting Enplaned Passengers for the Year ended December 31, 2007*

Airline	Originating	Connecting	Total
United	3,729,230	4,594,499	8,323,729
United Express/TED	1,808,177	3,164,709	4,972,886
Other	8,705,404	2,938,934	11,644,338
Totals	14,242,811	10,698,142	24,940,953
Percent of total	57%	43%	100%

(3) Aircraft Operations (a)

Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2003	323,610	174,092	11,228	1,345	510,275	0.2%
2004	330,674	224,960	9,936	951	566,521	11.0%
2005	384,552	172,352	9,780	874	567,558	0.2%
2006	428,794	167,975	11,415	1,333	609,517	7.4%
2007	451,228	162,319	5,620	147	619,314	1.6%

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

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

Year	Amount
2003	$71,945
2004	82,161
2005	84,000
2006	93,510
2007	97,191

(5) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2003	55,088,719	271,753,872	326,842,591	(0.4)
2004	40,032,635	281,171,813	321,204,448	(1.7)
2005	34,463,315	278,199,783	312,663,098	(2.7)
2006	22,127,087	258,407,346	280,534,433	(10.3)
2007	5,359,863	257,363,998	262,723,861	(6.3)

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

	2003	2004	2005	2006 (as restated)	2007
Gross revenue	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106
Operation and maintenance expenses	201,573	220,254	238,142	256,191	282,746
Net revenue	325,994	322,790	332,960	335,919	333,360
Other available funds	50,807	54,849	55,173	50,791	53,251
Total amount available for debt service requirements	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611
Debt service requirements	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923
Debt service coverage	163%	155%	162%	176%	168%