City and County of Denver

Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2012 and 2011

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INTRODUCTION (UNAUDITED)

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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 Denver International Airport (Denver International or the Airport) and 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 further comprises seven deputy managers. This report was prepared by the Airport System's Finance Section in collaboration with other Airport System personnel to provide a better understanding of the Airport System than 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 Airports Council International, in 2012 Denver International was the fifth-busiest airport in the United States and the thirteen-busiest in the world, serving 53.2 million passengers. Denver International 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 Peña 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 and the ability to accommodate the new generation of massive airliners, such as the Airbus A-380.

The Airport's passenger complex has a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and passenger screening and is flanked by roads and curbs for public and private vehicles. Automobile parking is available in two public garages 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 90 full-service jet gates for large jet aircraft and up to 64 parking positions for regional/commuter airline aircraft.

Air Traffic

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Denver has airline service to more than 160 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by Denver International's ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2012, 53.2 million passengers traveled through Denver International, of which approximately 55.3% originated or terminated their air journeys in Denver, and 44.7% made flight connects. The Denver Metropolitan Area, with a population of more than 2.9 million, is the primary region served by Denver International. The Denver Metropolitan Area comprise Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, in January 2013, 23 airlines provided scheduled passenger service at Denver International: 10 major/national airlines, 7 regional/commuter airlines, and 6 foreign-flag airlines.

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

Table 1

Scheduled Passenger Airlines Serving Denver

January 2013

Major/national	Regional/commuter
AirTran Airways (2)	Compass Airlines
Alaska Airlines	ExpressJet (operating United Express)
American Airlines	GoJet Airline (operating United Express)
Delta Air Lines	Pinnacle (operating as Delta Connection)
Frontier Airlines	Republic Holdings (Frontier, Frontier Express and United Express)
JetBlue Airways	Shuttle America (operating United Express)
Southwest Airlines (2)	Sky West Airlines (operating as United Express and Delta connection)
Spirit Airlines (4)	
United Airlines (3)	
US Airways	

Foreign-flag
Aero-Mexico
Air Canada
British Airways
Icelandair (3)
Lufthansa German Airlines
Volaris Airlines (1)

Source: Airport management records, January 2013

(1) Volaris Airlines, began nonstop flights on the weekend to Mexico City, Mexico.

(2) Southwest entered into a definitive merger agreement with AirTran Holdings Inc., Southwest merger was complete on March 1, 2012.

(3) Icelandair commenced nonstop service from the Airport to Reykjavik, Iceland, in May 2012.

(4) Spirit Airlines became signatory in September of 2012.

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, 2012 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 $83.0 million 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 for the years ended December 31, 2003 through 2012 is reflected in Table 2 below. In 2011 and 2012, the net revenues share increased due principally to the growth in public parking and State Aviation Fuel Tax revenues.

Table 2
Net Revenue Available for Sharing
(In thousands)

Year	Total	Airport share
2003	$ 59,736	$ 19,736
2004	66,321	26,322
2005	79,399	39,399
2006	97,721	57,721
2007	89,152	49,152
2008	73,508	36,402
2009	49,681	24,481
2010	87,188	47,188
2011	126,686	86,686
2012 *	123,026	83,026

* Estimate amount
Source: Airport Management

From 2003 through 2008, the airline rates, fees, and charges steadily declined. In 2009 and 2010, the landing fee significantly increased due to the combination of operating expense increases for airfield chemicals and snow removal costs, a lower offset of State Aviation Fuel Tax revenue to the airfield, and lower landed weight. In 2011, the landing fee was slightly lower due to lower operating expenses and an increase in the offset of oil and gas revenues. In 2012, the landing fee increased primarily due to an increase in airfield operating expenses offset by lower landed weight.

The overall cost per enplanement (CPE) was flat in 2012 as overall airline cost centers expenses and enplaned passengers were relatively flat.

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

CPE = Cost per enplaned passenger

Source: Airport Management Records

Cash Management

The Airport System's cash is under the control of the City's Chief Financial Officer who invests the funds pursuant to the City's investment policy. As of December 31, 2012 and 2011, cash and investments totaled approximately $1,663.4 million and $1,403.9 million, respectively. Current investment vehicles include U.S. Government securities, high-grade Commercial Paper, and local government investment pools. In 2012 and 2011, the City charged a fee of $463,638 and $434,036, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up .6% in 2012 compared with a national average increase of 0.8% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was flat through March 2013 compared to year-to-date March 2012.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 3.2% in 2012 compared to 2011, largely as the result of increase in origination and destination passengers (O&D) traffic of 1.7%.

United Group (United and Continental)

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 currently leases 36 of the Airport's 90 full-service jet gates and all 16 gates at Concourse B's regional jet facility.

At Denver International, the United Group accounted for approximately 40.5% and 42.2% of passenger enplanements in 2012 and the first three months of 2013, respectively.

In an agreement between United Airlines and the Airport System dated October 6, 2009 United agreed to provide the Airport System with five gates on Concourse B and in exchange, the Airport agreed to compensate United for these gates in the amount of $2.5 million per gate, for a total of $12.5 million, which amount was paid in 2009. United was relieved of all lease payments obligations for the leasehold (gates, holdrooms, support areas, equipment rental, etc.) for a period of six years beginning January 1, 2010. The Airport System will lease the gates to other carriers. Effective January 1, 2016, the leasehold will automatically revert to United Airlines. In connection with an amendment of the United Use and Lease Agreement in December 2009, US Airways which belongs to the Star Alliance airline network, (to which United belongs), relocated its operations from Concourse C, to the other five full service jet gates on Concourse B.

Southwest Airlines

Southwest Airlines (Southwest) has the second largest market share at the Airport for 2012 and for the first three months of 2013. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airline's sixth busiest station in its system. Southwest currently leases 19 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 23.7% and 24.9% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

In May of 2011, Southwest acquired AirTran Holdings, Inc. and integrated AirTran Airways into the Southwest brand on March 1, 2012, and is operating under a single FAA operating certificate.

Frontier Group (Frontier and Republic Holdings)

Frontier has the third largest market share at Denver International for 2012 and for the first three months of 2013. Denver International is one of Frontier's three hubs and, in 2012, the busiest airport in the Frontier system. Frontier currently leases 14 of the 30 full-service gates on Concourse A, constituting approximately 15.2% of the current 92 full-service gates at the Airport. The Frontier Group accounted for 21.9% and 18.2% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

Frontier Airlines is a wholly-owned subsidiary of Republic Holdings. On March 2011, Republic Holdings discontinued the operations of Lynx service and transitioned its Q400 turboprop service to its Frontier Express brand.

Frontier filed for bankruptcy protection in April 2008, received approval of a plan of reorganization in September 2009, and emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, which purchased Midwest Airlines in July 2009.

As part of its bankruptcy proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its Denver International use and lease agreement, as well as certain ground service and cargo leases, as part of its reorganization proceedings. To cure their debt owed to the Airport prior to filing for bankruptcy, Frontier issued and delivered a $3.0 million promissory note, payable in three equal installments, plus interest thereon at 3% per annum. The use and lease agreement was amended to reduce Frontier's gate commitment to eliminate some administrative space leased, such as those for ticket counters and office space.

The Airport currently holds a $2.0 million letter of credit provided by Frontier as security for its obligations under the terms of its use and lease agreement.

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.

City and County of Denver
Municipal Airport System

INTRODUCTION (UNAUDITED)

December 31, 2012 and 2011

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 Airport System's accounting staff. We thank all members of the Airport System who contributed to the preparation of the report.

Respectfully Submitted,

Kim Day
Manager of Aviation

Patrick Heck
Deputy Manager of Aviation

Independent Auditor's Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), which are comprised of statements of net position as of December 31, 2012 and 2011, and statements of revenues, expenses, and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Audit Committee
City and County of Denver

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, 2012 and 2011, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2012 and 2011, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Audit Committee
City and County of Denver

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information listed in the table of contents under “Introductory Section” and “Other Information Section” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Denver, Colorado
May 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2012 and 2011

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, 2012 and 2011. 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 $624.7 million for the year ended December 31, 2012, an increase of $21.9 million (3.6%), as compared to the year ended December 31, 2011. The increase in revenue was primarily related to the increased rates for airline facilities and landing fees, and an increase in origination and destination (O&D) passenger traffic of 1.7% which contributed to the increase in concession, parking, and car rental revenues.

Operating expenses, exclusive of depreciation and amortization, were $388.2 million for the year ended December 31, 2012, a decrease of $4.7 million (1.2%) as compared to the year ended December 31, 2011. The decrease was attributable to a decrease in electric, gas and chemicals 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 position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to financial statements. The statements of net position present information on the Airport System's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position 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 position present information showing how the Airport System's net position changed during the fiscal year. All changes in net position 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.

This report also includes other postemployment benefits required supplementary information and other information presented for the purposes of additional analysis.

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. 2012, 2011 and 2010).

Summary of Revenues, Expenses, and Changes in Net Position

The following is a summary of the revenues, expenses, and changes in net position for the years ended December 31, 2012, 2011, and 2010 (in thousands):

	2012	2011	2010
Operating revenues	$ 624,673	$ 602,769	$ 601,402
Operating expenses before depreciation and amortization	(388,171)	(392,862)	(409,865)
Operating income before depreciation and amortization	236,502	209,907	191,537
Depreciation and amortization	(178,567)	(179,070)	(181,496)
Operating income	57,935	30,837	10,041
Nonoperating revenues	153,047	136,100	150,747
Nonoperating expenses	(196,716)	(211,588)	(238,542)
Capital grants and contributions	22,996	34,702	30,200
Increase(decrease) in net position	37,262	(9,949)	(47,554)
Net position, beginning of year	545,074	555,023	602,577
Net position, end of year	$ 582,336	$ 545,074	$ 555,023

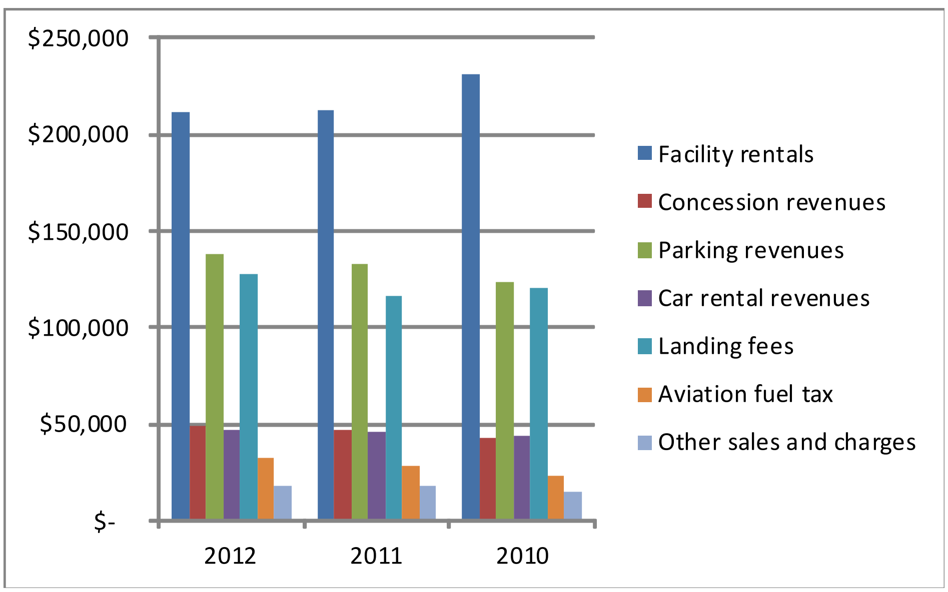
The following is a summary of operating revenues for the years ended December 31, 2012, 2011, and 2010:

Operating Revenues
(In thousands)

	2012	2011	2010
Operating revenues:			
Facility rentals	$ 211,411	$ 212,408	$ 231,603
Concession revenues	49,592	47,499	43,398
Parking revenues	137,912	132,728	123,673
Car rental revenues	47,222	46,353	44,181
Landing fees	127,347	116,506	120,054
Aviation fuel tax	32,783	28,892	23,680
Other sales and charges	18,406	18,383	14,813
Total operating revenues	$ 624,673	$ 602,769	$ 601,402

Percentage of Total Operating Revenues

($ in thousands)



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

The Airport System's activities increased in some areas and decreased in others as described below for the year ended December 31, 2012 as compared to 2011 (in thousands):

	2012	2011	Percentage change
Enplanements	26,597	26,456	0.5 %
Passengers	53,156	52,849	0.6 %
Aircraft operations (1)	618	635	(2.7) %
Cargo (in pounds)	521,793	547,152	(4.6) %
Landed weight (in tons)	31,885	32,499	(1.9) %

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

The Airport System's activities increased in some areas and decreased in others for the year ended December 31, 2011 as compared to 2010 (in thousands):

	2011	2010	Percentage change
Enplanements	26,456	26,025	1.7 %
Passengers	52,849	51,985	1.7 %
Aircraft operations (1)	635	635	- %
Cargo (in pounds)	547,152	555,186	(1.4) %
Landed weight (in tons)	32,499	33,275	(2.3) %

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

2012/2011

Operating revenues increased by $21.9 million, or 3.6%, from $602.8 million in 2011 to $624.7 million in 2012, primarily due to an increase in landing fees, aviation fuel tax, and nonairline revenue; concession, parking and car rental.

Landing fees increased by $10.8 million, or 9.3%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $3.35 for signatory and $4.24 for non-signatory airlines in 2011 to $3.91 for signatory and $4.69 for non-signatory airlines in 2012.

Facility rentals decreased by $1.0 million, or .5%, due to a decrease in airline baggage spine system fee and airline space rent and offset by an increase in airline ramp rent, AGTS system and backup baggage system.

Concession revenues between 2012 and 2011 increased by $2.1 million, or 4.4%, primarily due to the increase in food and beverage sales due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $10.20 in 2011 to $10.58 in 2012.

Parking revenue increased by $5.2 million, or 3.9%, which is attributable to the increase in originating and destination (O&D) traffic.

Car rental revenues increased $.9 million or 1.9%, to $47.2 million due to an increase in O&D passenger traffic. Total passenger traffic increased .6% for the year ended December 31, 2012; O&D passenger traffic increased 1.7%.

Aviation fuel tax increased in 2012 by $3.9 million, or 13.5%, due to increases in fuel prices.

2011/2010

Operating revenues increased by $1.4 million, or .2%, from $601.4 million in 2010 to $602.8 million in 2011, primarily due to increase in aviation fuel tax, other sales and charges, and nonairline revenue; concession, parking and car rental.

Landing fees decreased by $3.5 million, or 3.0%, which is attributable to the decrease in landing fee rates per 1,000 pounds landed weight from $3.62 for signatory and $4.34 for non-signatory airlines in 2010 to $3.35 for signatory and $4.24 for non-signatory airlines in 2011.

Facility rentals decreased by $19.2 million, or 8.3%, which is attributable to $15.7 million year-end settlement credit that is credited back to the airlines and a decrease in airline non preferential use fee and airline space rent which are offset by an increase in airline space rent, baggage maintenance and baggage sortation.

Concession revenues between 2011 and 2010 increased by $4.1 million, or 9.4%, primarily due to the increase in advertising and food and beverage sales due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $9.84 in 2010 to $10.20 in 2011.

Parking revenue increased by $9.1 million, or 7.3%, which is attributable to the increase in O&D traffic.

Car rental revenues increased $2.2 million or 4.9%, to $46.4 million due to an increase in O&D passenger traffic. Total passenger traffic increased 1.7% for the year ended December 31, 2011; O&D passenger traffic increased 3.8%.

Aviation fuel tax increased in 2011 by $5.2 million, or 22.0%, due to increases in fuel prices and flight operations.

Other sales and charges increased by $3.6 million, or 24.1%, due to an increase in natural resources and ground transportation lane fees, which was offset by a decrease in interest and miscellaneous revenues.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2012, 2011, and 2010:

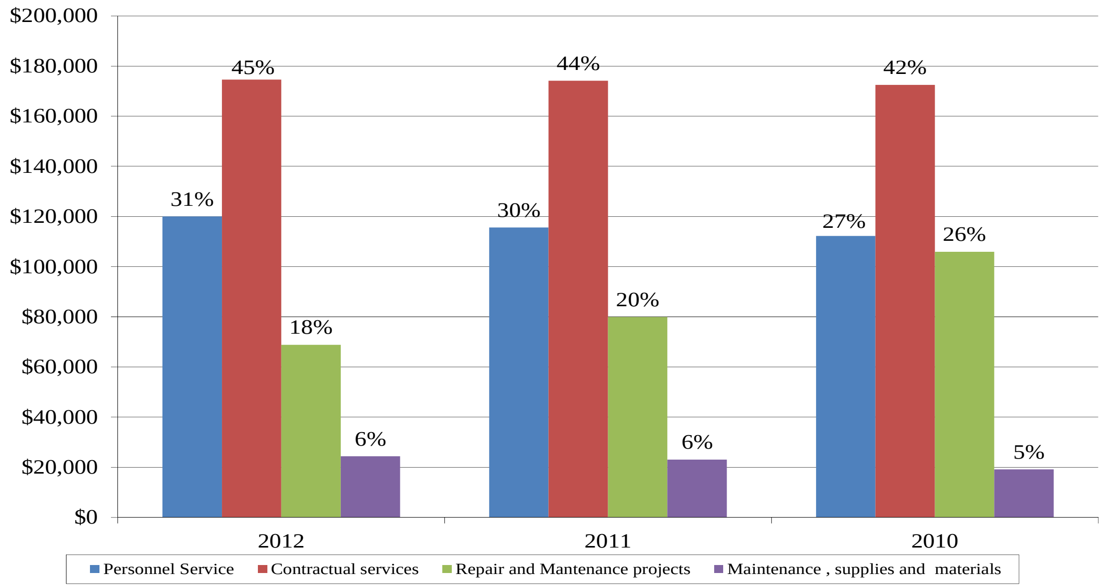
Operating Expenses Before Depreciation and Amortization

(In thousands)

	2012	2011	2010
Operating expenses before depreciation and amortization			
Personnel services	$ 120,334	$ 115,648	$ 112,230
Contractual services	175,420	174,203	172,492
Repair and maintenance projects	68,047	79,952	105,943
Maintenance, supplies, and materials	24,370	23,059	19,200
Total operating expenses before depreciation and amortization	$ 388,171	$ 392,862	$ 409,865

Percentage Total Operating Expenses before Depreciation and Amortization

($ in thousands)



2012/2011

Operating expenses before depreciation and amortization decreased by $4.7 million, or 1.2%, from $392.9 million in 2011 to $388.2 million in 2012.

Personnel services increased by $4.7 million, or 4.1%, in 2012 which was due to an increase in other city agency overtime, salaries and retirement costs.

Contractual services increased in 2012 compared to 2011 by $1.2 million, or .7%, due primarily to an increase in professional services contracts, and snow removal, offset by a decrease in electricity, gas and repair and maintenance of technical equipment.

Repair and Maintenance Projects decreased by $11.9 million, or 14.9%, primarily due to construction costs that are associated with the South Terminal Project, currently in the design and construction stage, being recorded as construction-in-progress and are no longer expensed. Additionally, $67 million has been expensed, such as apron, ramp and repairs, sewer repairs, stair repairs, HVAC system and IT projects for on call and management services.

Maintenance, supplies and materials increased $1.3 million, or 5.7%, to $24.4 million from $23.1 million in 2011 due to increases in runway lighting, air conditioning repair parts, computer hardware, and communications and utilities.

2011/2010

Operating expenses before depreciation and amortization increased by $17.0 million, or (4.1%), from $409.9 million in 2010 to $392.9 million in 2011.

Personnel services increased by $3.4 million, or 3.0%, in 2011 which was due to an increase in other city agency overtime, salaries and retirement costs.

Contractual services increased in 2011 compared to 2010 by $1.7 million, or 1.0%, due primarily to an increase in professional services, construction services and repair and maintenance of the baggage system, offset by a decrease in snow removal, insurance, and repair and maintenance of nonstructural improvements.

Repair and maintenance of projects decreased $26 million, or 24.5%, primarily due to the construction costs associated with the South Terminal Project, currently in the design stage, being recorded in construction-in-progress and are no longer being expensed. Additionally, $25.1 million for the fourth quarter were being expensed for such items as runway ramp repairs, roadway surface repairs, relocation and remodeling expenses, and terminal parking stair replacement that had been funded through the capital improvement program.

Maintenance, supplies and materials increased $3.9 million, or 20.1%, to $23.1 million from $19.2 million in 2010 due to increases in emergency electrical lighting equipment, runway lighting, software, fuel, and commercial chemicals and solvents because of increases in price and usage, which is offset by a decrease in computer equipment and hardware.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2012/2011

Total nonoperating expenses, net of nonoperating revenues, decreased by $31.8 million to $43.7 million in 2012. The decrease was due to a decrease in interest expense, and an increase in investment income and PFCs, offset by an increase in other expenses of $4.5 million.

In 2012 and 2011, capital grants totaled $23.0 million and $34.7 million, respectively. The decrease was due to the decrease in reimbursements in 2012 for FAA grants.

2011/2010

Total nonoperating expenses, net of nonoperating revenues, decreased by $12.3 million to $75.5 million in 2011. The decrease was due to a decrease in interest expense, other expenses, and an increase in PFCs, offset by a decrease in investment income of $15.3 million.

In 2011 and 2010, capital grants totaled $34.7 million and $25.7 million, respectively. The increase was due to the increase in reimbursements in 2011 for FAA grants.

Summary of Net Position

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2012, 2011, and 2010 (in thousands):

	2012	2011	2010
Assets:			
Current assets, unrestricted	$ 293,663	$ 282,157	$ 301,899
Restricted assets, current	315,377	197,713	260,573
Noncurrent investments	294,947	362,037	263,705
Long-term receivables	10,694	11,049	4,885
Prepaid expense and other	11,986	-	-
Capital assets, net	3,088,895	3,087,363	3,198,235
Bond issue costs, net	29,587	42,923	45,594
Interest rate swaps	62,822	58,481	31,715
Investments – restricted	845,033	634,640	686,209
Assets held for disposition	3,158	9,327	9,620
Total assets	4,956,162	4,685,690	4,802,435
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	42,900	33,852	1,814
Liabilities:			
Current liabilities, unrestricted	125,810	142,347	110,395
Current liabilities payable from restricted assets	293,116	227,211	242,392
Bonds payable, noncurrent	3,665,726	3,480,639	3,649,442
Interest rate swaps, noncurrent	300,457	304,316	207,548
Notes payable, noncurrent	25,322	13,940	20,640
Compensated absences payable, noncurrent	6,295	6,015	6,020
Total liabilities	4,416,726	4,174,468	4,236,437
Deferred inflows of resources			
Accumulated increase in fair value of hedging derivatives	-	-	12,789
Net position (deficit)			
Net investment in capital assets	(544,739)	(649,695)	(575,270)
Restricted	653,318	623,745	666,022
Unrestricted	473,757	571,024	464,271
Total net position	$ 582,336	$ 545,074	$ 555,023

2012/2011

Total assets increased by $270.5 million in 2012, compared to 2011. This was primarily due to increases in current restricted cash and investments, (net) of $110.3 million, an increase in accounts receivable, an increase in construction-in-progress of $116.5 million, and an increase in noncurrent restricted investments of $210.4 offset by a decrease in noncurrent investments of $67.1 million and an increase in accumulated depreciation and amortization of $173.6 million.

Total deferred outflows of resources increased by $9 million due to changes in the fair value of the hedging derivatives of effective swaps.

Total liabilities increased by $242.3 million in 2012, compared to 2011. The increase was primarily attributed to the issuance of new debt that when offset by the savings from refunding of debt, and an increase in vouchers payable, which is offset by a decrease in other liabilities related to 2010 and 2011 revenue credit taken as of December 31, 2011, and interest rate swaps associated with GASB 53.

Of the Airport System's 2012 total net position, 112% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $630.6 million for debt service and $22.7 million for capital projects, respectively.

At December 31, 2012, the remaining net position included unrestricted net position of $473.8 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($544.7) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2011/2010

Total assets decreased by $116.7 million in 2011, compared to 2010. This was primarily due to a decrease in capital assets, (net) of $110.9 million, a decrease in accounts receivable of $18.8 million, and a decrease in restricted cash and cash equivalents and investments of $116.6 million which was spent on construction projects such as the South Terminal Redevelopment Program and on repairs of runways ramps, offset by an increase in investments of $119.1 million associated with the net operating income and an increase in long-term receivables, and interest rate swaps associated with GASB 53.

Total deferred outflows of resources increased by $32 million due to changes in the fair value of the hedging derivatives of effective swaps.

Total liabilities decreased by $62.0 million in 2011, compared to 2010. The decrease was primarily attributed to the payment of principal on revenue bonds of $127.5 million, and a decrease in notes payable, which is offset by an increase in other liabilities related to 2010 year-end credit not taken as of December 31, 2011 and the 2011 year-end credit, and interest rate swaps associated with GASB 53.

Deferred inflows of resources decreased by $12.8 due to changes in the fair value of the hedging derivatives.

Of the Airport System's 2011 total net position, 114% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $605.2 million for debt service and $18.5 million for capital projects, respectively.

At December 31, 2011, the remaining net position, include unrestricted net position of $359.0 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 position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($437.7) million represents the Airport's net investment in capital assets. 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, 2012 and 2011, the Airport System had approximately $3.9 and $3.8 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 $314.2 million in 2012.

The Airport System's senior lien debt is currently rated by Standard & Poor's, Moody's, and Fitch at A+, A1 and A+, respectively, with Standard and Poor's and Fitch giving the Airport a stable outlook and Moody's rating the Airport with a negative outlook.

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, 2012 and 2011 was 180% and 197%, respectively, of total debt service.

On October 17, 2012, the Airport System issued $315,780,000, $510,140,000 and $30,285,000 of Airport System Revenue Bonds, Series 2012A, B and C, respectively, in a fixed rate mode to finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the remaining 1998A Bonds in the amount of $104,050,000, current refund of all of the remaining 1998B Bonds of $103,395,000, current refund a portion of the 2002E Bonds in an amount of $63,570,000, current refund a portion of the 2003A Bonds in the amount of $134,475,000, advance refund a portion of the 2003A Bonds in the amount of $27,490,000, advance refund all of the 2003B Bonds in the amount of $75,460,000, and refund all of the outstanding Subordinate Commercial Paper Note Series A in the amount of $56,000,000.

On October 1, 2012, the Airport System terminated the Existing Letter of Credit for the Series 2009C Bonds and entered into an agreement with U.S. Bank pursuant to which U.S. Bank will agree to hold the 2009C Bonds which, subject to certain conditions, will bear interest at the LIBOR index rate, through April 30, 2017.

On July 20, 2012, the Airport System defeased certain bonds as a part of the City's obligations under the Lease Amendment with United Airlines approved on June 2012 and to complete the baggage system defeasance.

On May 30, 2012, the Airport System drew $56,000,000 of Commercial Paper. The proceeds will be used to reimburse approximately $19,500,000 of prior capital expenditures and $36,500,000 will be used to fund capital projects.

On January 10, 2012, the Airport System entered in to a $20.5 million Master Lease Installment Purchase agreement with Sovereign Leasing, LLC to finance capital equipment purchases, primarily replacement equipment.

On October 5, 2011, the Airport issued $198,370,000 and $15,310,000 of Airport System Revenue Bonds**,** Series 2011B and 2011C, respectively, in a fixed rate mode to current refund all of the remaining 2001A bonds in an amount of $171,125,000, all of the 2001B bonds in the amount of $16,675,000 and all of the remaining 2001D bonds in the amount of $43,410,000.

On August 31, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C2-C3 Bonds and entered into an agreement with Royal Bank of Canada and RBCCM pursuant to which Royal Bank of Canada and RBCCM will agree to hold the 2008C2-C3 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 29, 2014.

On August 8, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C1 Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008C1 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 8, 2016.

On July 29, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008B Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008B Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through July 29, 2016.

On April 14, 2011, the Airport System issued $349,730,000 of the Airport System Revenue Bonds, Series 2011A, in a fixed-rate mode to currently refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds in the amounts of $122,060,000 and $72,350,000, respectively, and all of the remaining Series 2000A Bonds in the amount of $160,135,000.

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, 2012 and 2011, the Airport System had capital assets of approximately $3.1 billion and $3.1 billion, respectively. These amounts are net of accumulated depreciation of approximately $2.4 billion and $2.3 billion, respectively.

On January 10, 2012, the Airport System entered into a $20.5 million Master Lease Installment Purchase agreement with Sovereign Leasing LLC to finance capital equipment purchases, primarily replacement equipment, based on a 10 to 15 year life.

The South Terminal Redevelopment Program consists of a variety of projects which are in part under construction. The south terminal is made up of three independent, yet physically integrated projects, which include the design and construction of:

Westin Hotel and Conference Center: Hotel with 519 rooms, conference center space for meetings, banquets, conventions and trade shows, full service restaurant, full gym and indoor pool.

Public Transit Center: Aviation commuter rail station with trains connecting the Airport with Denver's Union Station as part of the Regional Transportation District's east rail line under construction by Denver Transit Partners.

Public Plaza: A connection of the hotel and transit center to the Jeppesen Terminal that also provides a venue for programs and events where passengers and visitors can find entertainment, relaxation, art and restaurants.

Excavation work for the project is nearly complete and foundations have been set to allow vertical construction to begin. The Public Transit Center is planned to be open to revenue passengers in 2016 with the hotel open in late 2015.

The Airport's current capital program represents the expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities from 2013-2018. The 2013-2018 Capital Programs have an estimated total cost of approximately $1.06 billion and are expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper, and Airport System monies.

Construction Commitments: As of December 31, 2012, the Airport System had outstanding contractual construction and professional services commitments of approximately $123.1 million and had made over $628.5 million in contractual payments for the year then ended.

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

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 (FAA) approved the Airport's application for an increase in the rate of PFC from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2012, a total of $1.4 billion has been remitted to the Airport, (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $1.3 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $8.2 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of $3.3 billion authorized maximum amount of PFC revenues.

Economic Factors

Passenger traffic was up 0.6% in 2012 compared with a national average change of 0.8% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International is United Airlines, which together with its affiliates accounted for approximately 40.5% and 42.2% of passenger enplanements at the Airport in 2012 and for three months of 2013, respectively.

The UAL Corporation, Inc. (the parent company of United) and Continental merged effective October 1, 2010, under a plan in which United and Continental became wholly-owned subsidiaries of UAL, which then changed its name to United Continental Holdings, Inc. United Continental Holdings, Inc. has integrated the two airlines under the United brand, to operate under a single FAA operating certificate, effective November 30, 2011.

Southwest Airlines (Southwest) has the second-largest market share at the Airport for 2012 and for the first three months of 2013. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airlines sixth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 23.7% and 24.9% of passenger enplanements at the Airport in 2012 and the first three months of 2013, respectively.

In May of 2011, Southwest acquired AirTran Holdings, Inc. and integrated AirTran Airways into the Southwest brand on March 1, 2012 and is operating under a single FAA operating certificate.

Frontier has the third largest market share at the Airport for 2012 and 2013. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 21.9% of passenger enplanements in 2012 and 18.2% for the first three months of 2013.

As previously discussed, operating revenues were up 3.6% in 2012 compared to 2011. Operating income before depreciation and amortization of $236.5 million represented an increase of $26.6 million compared to 2011. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, was $123 million. The airlines will receive $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 Laura Trujillo, Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Peña Boulevard, Denver, CO 80249-6340. Copies are available on-line at www.flydenver.com.

City and County of Denver
Municipal Airport System

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 95,311,462	$ 95,944,708
Investments	139,739,059	133,155,686
Accounts receivable (net of allowance for doubtful accounts $217,322 and $237,689)	37,770,507	32,214,108
Due from other City agencies	1,642,309	14,235
Accrued interest receivable	5,889,690	6,625,556
Other receivables	761,976	1,763,561
Inventories	10,523,594	10,705,333
Prepaid expenses and other	2,024,914	1,734,177
Total current unrestricted assets	293,663,511	282,157,364
Restricted assets:		
Cash and cash equivalents	151,056,037	33,554,703
Investments	137,311,950	144,538,127
Accrued interest receivable	2,572,119	1,461,167
Prepaid expenses and other	2,837,201	2,061,962
Grants receivable	9,963,844	5,857,461
Passenger facility charges receivable	11,635,716	10,239,667
Total current restricted assets	315,376,867	197,713,087
Total current assets	609,040,378	479,870,451
Noncurrent assets:		
Investments	294,946,838	362,037,142
Long-term receivables, net of current portion	10,694,554	11,049,162
Prepaid expense and other	11,986,497	-
Capital assets:		
Buildings	2,007,840,022	2,000,131,930
Improvements other than buildings	2,275,358,468	2,258,895,410
Machinery and equipment	769,391,221	734,921,597
	5,052,589,711	4,993,948,937
Less accumulated depreciation and amortization	(2,435,888,059)	(2,262,245,368)
	2,616,701,652	2,731,703,569
Construction-in-progress	176,889,592	60,355,766
Land, land rights and air rights	295,303,475	295,303,475
Total capital assets	3,088,894,719	3,087,362,810
Bond issue costs, net of accumulated amortization	29,586,939	42,922,700
Interest rate swaps	62,821,862	58,481,233
Investments - restricted	845,032,887	634,640,342
Assets held for disposition	3,157,690	9,326,437
Total noncurrent assets	4,347,121,986	4,205,819,826
Total assets	4,956,162,364	4,685,690,277
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	42,899,753	33,851,633

City and County of Denver
Municipal Airport System

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	2012	2011
Liabilities		
Current liabilities:		
Unrestricted		
Vouchers payable	$ 33,256,393	$ 31,192,632
Due to other City agencies	5,174,973	6,065,644
Compensated absences payable	2,704,267	2,610,352
Other liabilities	32,235,241	40,781,756
Revenue credit payable	40,000,000	40,000,000
Deferred rent	12,438,881	21,696,494
Total current unrestricted liabilities	125,809,755	142,346,878
Restricted:		
Vouchers payable	65,093,650	18,420,636
Retainages payable	18,612,137	16,875,018
Accrued interest and matured coupons	23,295,649	22,832,632
Notes payable	7,243,415	6,700,032
Other liabilities	19,930,992	21,322,630
Revenue bonds	158,940,000	141,060,000
Total current restricted liabilities	293,115,843	227,210,948
Total current liabilities	418,925,598	369,557,826
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,738,480,000	3,637,635,000
(Less) plus:		
Deferred losses on bond refundings	(240,355,371)	(227,005,888)
Net unamortized premiums	167,602,117	70,010,140
Total bonds payable, noncurrent	3,665,726,746	3,480,639,252
Interest rate swaps	300,456,510	304,315,851
Notes payable	25,322,372	13,940,213
Compensated absences payable	6,295,227	6,014,921
Total noncurrent liabilities	3,997,800,855	3,804,910,237
Total liabilities	4,416,726,453	4,174,468,063
Net Position		
Net investment in capital assets (deficit)	(544,739,341)	(649,695,316)
Restricted for:		
Capital projects	22,668,820	18,562,436
Debt service	630,648,968	605,182,758
Unrestricted	473,757,217	571,023,969
Total net position	$ 582,335,664	$ 545,073,847

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenues:		
Facility rentals	$ 211,411,304	$ 212,407,814
Concession	49,592,429	47,499,304
Parking	137,912,053	132,728,104
Car rental	47,221,960	46,352,620
Landing fees	127,346,400	116,505,913
Aviation fuel tax	32,782,884	28,892,133
Other sales and charges	18,406,121	18,383,413
Total operating revenues	624,673,151	602,769,301
Operating expenses:		
Personnel services	120,333,936	115,647,989
Contractual services	175,420,405	174,203,413
Repair and maintenance projects	68,046,919	79,951,470
Maintenance, supplies and materials	24,369,787	23,058,681
Total operating expenses, before depreciation and amortization	388,171,047	392,861,553
Operating income before depreciation and amortization	236,502,104	209,907,748
Depreciation and amortization	178,567,245	179,069,943
Operating income	57,934,859	30,837,805
Nonoperating revenues (expenses):		
Passenger facility charges	105,472,260	103,209,991
Investment income	46,899,203	32,489,698
Interest expense	(190,255,614)	(209,599,454)
Grants	674,984	400,500
Other expense	(6,460,030)	(1,989,394)
Total nonoperating expenses, net	(43,669,197)	(75,488,659)
Change in net position before capital grants and contributions	14,265,662	(44,650,854)
Capital grants	22,996,155	34,701,591
Change in net position	37,261,817	(9,949,263)
Net position, beginning of year	545,073,847	555,023,110
Net position, end of year	$ 582,335,664	$ 545,073,847

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	$ 606,076,457	$ 626,056,437
Payments to suppliers	(266,509,420)	(259,535,060)
Interfund activity payments to other funds	(17,291,229)	(16,335,504)
Payments to employees	(119,465,824)	(115,369,822)
Net cash provided by operating activities	202,809,984	234,816,051
Cash flows from noncapital financing activities:		
Operating grants received	484,500	400,500
Net cash provided by noncapital financing activities	484,500	400,500
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	458,557,716	2,485,087
Proceeds from issuance of notes payable	20,500,000	-
Principal paid on notes payable	(8,574,458)	(10,789,052)
Principal paid on revenue bonds	(147,765,000)	(174,505,000)
Interest paid on revenue bonds	(146,031,441)	(149,836,846)
Bond issuance costs paid	(5,819,582)	(5,335,284)
Interest paid on notes payable	(1,074,453)	(1,004,993)
Capital grants receipts	19,080,255	35,769,414
Passenger Facility Charges	104,076,211	103,241,681
Purchases of capital assets	(95,081,496)	(30,318,980)
Payments of accrued capital asset costs	(31,315,919)	(34,650,433)
Payments to escrow for current refunding of debt	(119,692,744)	(15,316,126)
Proceeds from sale of capital assets	317,814	133,448
Net cash provided by (used in) capital and related financing activities	47,176,903	(280,127,084)
Cash flows from investing activities:		
Purchases of investments	(3,159,289,282)	(3,596,982,311)
Proceeds from sales and maturities of investments	3,025,998,687	3,551,334,280
Proceeds from sales of assets held for disposition	6,168,747	293,731
Interest rate swap settlements	(36,827,893)	(37,934,874)
Payments to maintain assets held for disposal	(63,708)	(17,001,083)
Insurance recoveries for Stapleton environmental remediation	2,112,638	25,798,064
Interest and dividends on investments and cash equivalents	28,297,512	35,033,317
Net cash used in investing activities	(133,603,299)	(39,458,876)
Net increase (decrease) in cash and cash equivalents	116,868,088	(84,369,409)
Cash and cash equivalents, beginning of year	129,499,411	213,868,820
Cash and cash equivalents, end of year	$ 246,367,499	$ 129,499,411
Cash and cash equivalents statements of net position classifications:		
Current assets - unrestricted	$ 95,311,462	$ 95,944,708
Current assets - restricted	151,056,037	33,554,703
	$ 246,367,499	$ 129,499,411

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2012 and 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 57,934,859	$ 30,837,805
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	178,567,245	179,069,943
Miscellaneous income	2,094,303	566,050
Changes in assets and liabilities:		
Receivables, net of allowance	(2,886,869)	(8,968,719)
Inventories	181,739	27,375
Prepaid expenses and other	(13,170,299)	100,342
Vouchers and other payables	2,063,761	1,663,054
Deferred rent	(9,257,613)	(1,398,613)
Due to other City agencies	(2,518,745)	(1,155,072)
Compensated absences	374,221	246,128
Other operating liabilities	(10,572,618)	33,827,758
Net cash provided by operating activities	$ 202,809,984	$ 234,816,051

Noncash activities:

The Airport System issued bonds in the amount of $856,205,000 and $563,410,000 in 2012 and 2011, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $555,071,369 and $586,439,192 for 2012 and 2011, respectively, were deposited immediately in 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 $105,764,998 and $28,129,083 were realized on the issuance of bonds in 2012 and 2011, respectively.

	2012	2011
Unrealized gain on investments	$ 987,515	$ 22,073,428
Unrealized gain (loss) on derivatives	17,248,090	(25,174,076)
Capital assets added through incurrence of vouchers and retainages payable	82,718,988	31,315,919
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	15,764,475	16,626,877

See accompanying notes to financial statements.

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(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, the changes in its financial position or, where applicable, its cash flows 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).

During the year ended December 31, 2012, the Airport System adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is intended to address the accounting and financial reporting disclosure requirements surrounding service concession agreements.

During the year ended December 31, 2012, the Airport System adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement places all applicable pre-November 30, 1989 FASB and AICPA pronouncements within the authoritative GASB literature.

During the year ended December 31, 2012, the Airport System also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement changes the organization of the statement of net position, formerly the statement of net assets. Under this new standard, the statement of net position includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities and will report net position instead of net assets.

The adoption of the GASB 60, 62, and 63 had no material impact on the financial statements.

(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, 2012 and 2011. The Airport System's investments are maintained in pools at the City and include U.S. Treasury securities, U.S. Agency securities, and Commercial Paper.

(d) Inventories

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

(e) Capital Assets

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Repairs and maintenance are charged to operations as incurred, unless they have the effect of improving and extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of Denver International are included in construction-in-progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2012 and 2011 was $1,879,927 and $6,422,557, 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, losses on bond refundings, and 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 of assets held for disposition.

(h) Compensated Absences Payable

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

(i) Special Incentive Program (SIP)

In 2009, the City approved a Special Incentive Program (SIP) for the purpose of reducing payroll expenses by encouraging employees eligible to retire to separate from employment. Under SIP, each employee who separated from employment will receive $500 per month for thirty months beginning in January 2010. The Airport System had a total of 36 employees who elected to accept the plan. The Airport System had $0 liability as of December 31, 2012, with the program ending on June 30, 2012. The amounts related to SIP of $122,721 are included in the statement of net position in compensated absences as of December 31, 2011.

(j) Deferred Rent

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

(k) Net Position

2012

The Airport System assets exceeded liabilities by $582,335,664 as of December 31, 2012, a $37,261,817 increase in net position from the prior year-end. Of the Airport System's 2012 net position, 112.2% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $630,648,968 and are externally restricted for debt service. The net position restricted for capital projects represents $22,668,820.

The remaining net position includes unrestricted net position of $473,757,217 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 position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($544,739,341) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2011

The Airport System assets exceeded liabilities by $545,073,847 as of December 31, 2011, a $9,949,263 decrease in net position from the prior year-end. Of the Airport System's 2011 net position, 114.4% is restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $605,182,758 and are externally restricted for debt service. The net position restricted for capital projects represents $18,562,436.

The remaining net position includes unrestricted net position of $571,023,969 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 position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($649,695,316) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(l) Restricted and Unrestricted Resources

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

(m) Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net position 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 PFCs interest expense, interest income, grants from the federal government and Stapleton demolition and remediation expenses.

(n) Governmental Grants

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

(o) Rates and Charges

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2012 and 2011, the Airport System had accrued a liability to the airlines, included in current other liabilities, of $25,586,239 and $15,731,054, respectively.

50% of Net Revenues (as defined by the bond ordinance) with an annual cap of $40,000,000 remaining at the end of the year are to be credited in the following year to the passenger airlines signatory use and lease agreement. The Net Revenues credited to the airlines totaled $40,000,000 for both 2012 and 2011. Liabilities for these amounts were accrued as of December 31, 2012 and 2011 and are reported in the statement of net position as revenue credit payable.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

(q) Reclassifications

Certain 2011 balances have been reclassified to conform to the 2012 financial statement presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Deposits

The Airport System's deposits are commingled with the City's and are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's investment policy requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the Act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2012, the amount of the Airport System's deposits was $24,524,372 (includes $15,489,271 of certificates of deposit). In addition, the Airport System had $3,328,535 in uncashed payroll and vendor warrants at December 31, 2012. At December 31, 2011, the amount of the Airport System's deposits was $42,337,651 (includes $28,395,835 of certificates of deposit). In addition, the Airport System had $1,399,954 in uncashed payroll and vendor warrants at December 31, 2011.

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.

(b) Investments

The Airport System's investments are managed by the City and are subject to the Investment Policy of the City. The objectives of the City's Investment Policy, in order of priority are to maintain principal, to ensure the availability of funds to meet obligations promptly, and to maximize yield on the investment portfolio. The City's Investment Policy applies to all investment activity of the City under the control of the Chief Financial Officer (CFO), including investments of certain monies related to business-type activities, and trust and agency funds. The City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the CFO for investment shall also be administered in accordance with the Investment Policy.

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

At December 31, 2012 and 2011, respectively, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2012	December 31, 2011
Cash equivalents (including cash on hand)	$ 8,796	$ 12,624
Certificate of deposit	15,489	28,396
Local government investment pools	38,733	43,837
Municipal securities	-	531
Commercial Paper	212,188	122,599
State & local government securities	3,316	5,773
U.S. Treasury securities	293,059	210,870
U.S. Agency securities	1,091,818	979,241
	$ 1,663,399	$ 1,403,871

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2012 and 2011, is as follows (amount expressed in thousands).

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 95,312	$ 95,945
Investments	434,686	495,193
Restricted cash equivalents	151,056	33,555
Restricted investments	982,345	779,178
	$ 1,663,399	$ 1,403,871

Interest Rate Risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the CFO by limiting their maximum maturity of investments. Commercial Paper can have a maximum maturity of 366 days. U.S. Treasury and Agency securities can have a maximum maturity of ten years.

At December 31, 2012, 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	$ 212,188	$ 212,188	$ -	$ -	$ -
U.S. Treasury and State and Local Government Securities	296,375	13,999	230,209	52,167	-
U.S. Agency securities	1,091,818	168,496	636,388	230,429	56,505
Total	$ 1,600,381	$ 394,683	$ 866,597	$ 282,596	$ 56,505

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

As of December 31, 2012, the Airport System's portfolio included callable U.S. Agency securities with a fair value of $64,066,893. If a callable U.S. Agency security 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.

Credit Quality Risk: Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are assigned credit quality ratings AAA. Of the City's investments at December 31, 2012, Commercial Paper, state and local government securities, U.S. Agency securities and local government investment pools were subject to credit quality risk. The City's investment policy requires that Commercial Paper be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase. State and local government securities include securities issued by government sponsored enterprises (GSEs). These securities are debt securities that are not explicitly guaranteed by the federal government. The senior debt of these GSEs is rated AAA/Aaa, while the subordinated debt is currently rated at AA-/Aa-. The investment policy also requires the local government investment pools to have over $1 billion in assets or have the highest current rating from one or more nationally recognized rating agencies.

As of December 31, 2012, the Airport's investments were in compliance with the City's investment policy.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure, the Airport System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name.

None of the Airport System's investments owned at December 31, 2012, were subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single type of investment, or in a single issuer. The City's Investment Policy (the Policy) states that a maximum of 5% of the portfolio, based on market value, may be invested in Commercial Paper, municipal securities, or certificates of deposit issued by any one provider. The Policy limits investments in money market funds to 25% per provider, and 25% of total investments. The Policy also limits total investments to 15% of certificates of deposits, 50% of municipal securities, 50% of Commercial Paper, and 80% of federal agency securities.

As of December 31, 2012, all the Airport System's investments were in compliance with this policy.

(4) Accounts Receivables

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2012 and 2011, an allowance of $217,322 and $237,689, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2012 and 2011 were as follows (in thousands):

	2012				
	January 1, 2012	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2012
Depreciable:					
Buildings	$ 2,000,132	$ 97	$ 8,791	$ (1,180)	$ 2,007,840
Improvements other than buildings	2,258,895	-	16,464	-	2,275,359
Machinery and equipment	734,922	19,561	19,420	(4,512)	769,391
	4,993,949	19,658	44,675	(5,692)	5,052,590
Less accumulated depreciation and amortization	(2,262,245)	(178,567)	-	4,924	(2,435,888)
	2,731,704	(158,909)	44,675	(768)	2,616,702
Nondepreciable:					
Construction-in-progress	60,356	161,764	(44,675)	(555)	176,890
Land, land rights, and air rights	295,303	-	-	-	295,303
Total capital assets	$ 3,087,363	$ 2,855	$ -	$ (1,323)	$ 3,088,895

	2011				
	January 1, 2011	Additions	Transfers of completed projects	Retirements and impairments	December 31, 2011
Depreciable:					
Buildings	$ 1,999,547	$ -	$ 585	$ -	$ 2,000,132
Improvements other than buildings	2,247,619	-	11,276	-	2,258,895
Machinery and equipment	720,544	5,008	9,812	(442)	734,922
	4,967,710	5,008	21,673	(442)	4,993,949
Less accumulated depreciation and amortization	(2,083,584)	(179,070)	-	409	(2,262,245)
	2,884,126	(174,062)	21,673	(33)	2,731,704
Nondepreciable:					
Construction-in-progress	18,806	63,958	(21,673)	(735)	60,356
Land, land rights, and air rights	295,303	-	-	-	295,303
Total capital assets	$ 3,198,235	$ (110,104)	$ -	$ (768)	$ 3,087,363

(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 $3,157,690 and $9,326,437 at December 31, 2012 and 2011, respectively. The current and anticipated costs accrued in other liabilities for the environmental liability for Stapleton was $15,871,684 and $15,237,219 at December 31, 2012 and 2011, respectively. The Airport has accrued $11,200,048 and $9,886,711 of insurance recoveries in accounts receivable at December 31, 2012 and 2011, respectively. The Airport has received payments for insurance recovery totaling $2,112,638 in 2012 and $25,798,064 in 2011.

(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 2012 and 2011 totaled $17,291,229 and $16,335,504, 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 $48,538,871 and $46,271,093 at December 31, 2012 and 2011, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $5,174,973 and $6,065,644 at December 31, 2012 and 2011, respectively.

The outstanding receivable from the City and its related agencies totaled $1,642,309 and $14,235 at December 31, 2012 and 2011, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2012 and 2011 were as follows (in thousands):

2012

	January 1, 2012	Additions	Refunded debt	Retirements	December 31, 2012	Amounts due within one year
Airport System revenue bonds	$ 3,676,832	$ 912,205	$ (645,715)	$ (131,412)	$ 3,811,910	$ 132,714
Economic defeasance	54,880	-	-	-	54,880	14,800
Baggage defeasance	46,983	-	-	(16,353)	30,630	11,426
Less deferred loss on bonds	(227,006)	(35,921)	-	22,571	(240,356)	-
Plus unamortized net premiums	70,010	105,765	6,170	(14,342)	167,603	-
Total bond debt	$ 3,621,699	$ 982,049	$ (639,545)	$ (139,536)	3,824,667	$ 158,940
Less current portion					(158,940)	
Noncurrent portion					$ 3,665,727	

2011

	January 1, 2011	Additions	Refunded debt	Retirements	December 31, 2011	Amounts due within one year
Airport System revenue bonds	$ 3,832,586	$ 563,410	$ (591,710)	$ (127,454)	$ 3,676,832	$ 132,912
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	88,079	5,955	-	(47,051)	46,983	8,148
Less deferred loss on bonds	(253,473)	4,622	-	21,845	(227,006)	-
Plus unamortized premiums	60,975	18,597	-	(9,562)	70,010	-
Total bond debt	$ 3,783,047	$ 592,584	$ (591,710)	$ (162,222)	3,621,699	$ 141,060
Less current portion					(141,060)	
Noncurrent portion					$ 3,480,639	

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest on fixed rate bonds is payable semi-annually. The variable rate bonds are issued in weekly mode (except for the Series 2007G1-G2 bonds which are currently in a daily mode). Auction rate bonds carry interest rates that are periodically reset for seven day periods. As such, the actual interest rate on the bonds will vary based on market conditions in the short-term tax-exempt bond market.

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2012 and 2011 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding 2012	Amount Outstanding 2011
Airport system revenue bonds				
Series 1991D Term bonds	November 15, 2013	7.75%	$ 5,950,000	$ 25,198,577
Series 1992F, G*	November 15, 2025	0.240%	38,800,000	40,600,000
Series 1995C Term bonds	November 15, 2012	6.50%	-	3,770,000
Series 1997E Serial bonds	November 15, 2013	6.00%	7,414,483	16,902,745
Series 1998A Term bonds	November 15, 2025	5.00%	-	128,695,000
Series 1998B Term bonds	November 15, 2025	5.00%	-	103,395,000
Series 2002C*	November 15, 2024	0.240%	32,200,000	33,900,000
Series 2002E Serial bonds	Annually November 15, 2012 to 2023	4.75-5.50%	-	117,140,000
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 2005A Serial bonds	Annually November 15, 2012 to 2025	4.00-5.00%	216,375,000	218,485,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	268,360,000	279,585,000
Series 2006B Serial bonds	Annually November 15, 2011 to 2015	5.00%	42,195,000	65,690,000
Series 2007A Serial & Term bonds	Annually November 15, 2023, 2024, 2026, 2027 and 2030	5.00%	188,350,000	188,350,000
Series 2007B Term bonds	November 15, 2032	5.00%	24,250,000	24,250,000
Series 2007C Term bonds	Annually November 15, 2016, 2017 and 2023	5.00%	34,635,000	34,635,000
Series 2007D Serial bonds	Annually November 15, 2016 to 2023	5.25-5.50%	147,815,000	147,815,000
Series 2007D2 Serial bonds	Annually November 15, 2014 to 2015	5.00%	29,200,000	29,200,000
Series 2007E Term bonds	November 15, 2032	5.00%	47,400,000	47,400,000
Series 2007F1-F4**	November 15, 2025	.430-440%	205,425,000	206,025,000
Series 2007G1-G2*	November 15, 2025	0.200%	146,600,000	147,000,000
Series 2008A1 Serial bonds	Annually November 15, 2011 to 2017	5.00-5.50%	115,140,000	138,765,000
Series 2008B*	November 15, 2025	1.21%	74,500,000	75,100,000
Series 2008C1-C3*	November 15, 2025	.897%-1.271%	292,600,000	292,600,000
Series 2009A	November 15, 2012 to 2036	5.00-5.25%	167,565,000	170,190,000
Series 2009B	November 15, 2039	6.414%	65,290,000	65,290,000
Series 2009C*	November 15, 2022	0.105%	104,655,000	104,655,000
Series 2010A	November 15, 2032	4.00-5.00%	171,360,000	171,360,000
Series 2011A	November 15, 2023	3.00-5.250%	335,150,000	349,730,000

Bond	Maturity	Interest Rate	Amount Outstanding 2012	2011
Series 2011B	November 15, 2024	2.50-5.00%	179,165,000	198,370,000
Series 2011C	November 15, 2016	3.00-5.00%	15,310,000	15,310,000
Series 2012A	Annually November 15, 2013 to 2043	3.00-5.00%	315,780,000	-
Series 2012B	Annually November 15, 2013 to 2043	3.00-5.00%	510,140,000	-
Series 2012C	November 15, 2026	3.592%	30,285,000	-
Economic Defeasance				
LOI 1998/1999	November 15, 2013, 2024 and 2025	6.125-7.75%	54,880,000	54,880,000
ABS baggage defeasance	November 15, 2013 to 2021	5.00-7.75%	30,630,517	46,983,678
Total revenue bonds			3,897,420,000	3,778,695,000
Less current portion			(158,940,000)	(141,060,000)
Net unamortized premiums			167,602,117	70,010,140
Deferred loss on refundings			(240,355,371)	(227,005,888)
Total bonds payable noncurrent			$3,665,726,746	$3,480,639,252

* Variable rates are as of December 31, 2012

** Auction rates are as of December 31, 2012

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

Economic Defeasances

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

On December 27, 2006, the Airport entered into an economic defeasance of $90,000,000 funded by PFC and net revenues. These funds were set aside in a special escrow account (ABS Baggage System defeasance) held by the City. The proceeds are being used to defease a portion of the Airport System Revenue bonds related to the ABS baggage system. On December 12, 2007, and December 31, 2011, the Airport added an additional $85,000,000 and $5,955,000 respectively, to the ABS Baggage System defeasance escrow.

As of December 31, 2012, the remaining balance of $30,630,517 of long-term fixed rate bonds are similarly defeased for bond ordinance purposes, but not considered a legal defeasance. The special escrows for these bonds have been funded between December 27, 2006 and December 31, 2011 from PFC and net revenues.

Bond Issuances

On October 17, 2012, the Airport System issued $315,780,000, $510,140,000 and $30,285,000 of Airport System Revenue Bonds, Series 2012A, B and C, respectively, in a fixed rate mode to finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the remaining 1998A Bonds in the amount of $104,050,000, current refund of all of the remaining 1998B Bonds of $103,395,000, current refund a portion of the 2002E Bonds in an amount of $63,570,000, current refund a portion of the 2003A Bonds in the amount of $134,475,000, advance refund a portion of the 2003A Bonds in the amount of $27,490,000, advance refund all of the 2003B Bonds in the amount of $75,460,000, and refund all of the outstanding Subordinate Commercial Paper Notes Series A in the amount of $56,000,000 drawn down earlier in 2012.

On October 1, 2012, the Airport System terminated the Existing Letter of Credit for the Series 2009C Bonds and entered into an agreement with U.S. Bank pursuant to which U.S. Bank will agree to hold the 2009C Bonds which, subject to certain conditions, will bear interest at the LIBOR index rate, through April 30, 2017.

On July 20, 2012, the Airport System defeased certain bonds as a part of the City's obligations, under the Lease Amendment with United Airlines approved on June 2012, and to complete the baggage system defeasance begun in 2006.

On May 30, 2012, the Airport System drew $56,000,000 of Commercial Paper. The proceeds were used to reimburse approximately $19,500,000 of prior capital expenditures and $36,500,000 were used to fund capital projects. See disclosure above regarding refunding of this Commercial Paper in October 2012.

	2012				
	January 1, 2012	Additions	Refunded debt	Retirements	December 31, 2012
Commercial Paper	$ -	$56,000,000	$(56,000,000)	$ -	$ -
Total	$ -	$56,000,000	$(56,000,000)	$ -	$ -

On October 5, 2011, the Airport issued $198,370,000 and $15,310,000 of Airport System Revenue Bonds**,** Series 2011B and 2011C, respectively, in a fixed rate mode to current refund all of the remaining 2001A bonds in an amount of $171,125,000, all of the 2001B Bonds in the amount of $16,675,000, and all of the remaining 2001D Bonds in the amount of $43,410,000.

On August 31, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C2-C3 Bonds and entered into an agreement with Royal Bank of Canada and RBCCM pursuant to which Royal Bank of Canada and RBCCM will agree to hold the 2008C2-C3 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 29, 2014.

On August 8, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008C1 Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008C1 Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through August 8, 2016.

On July 29, 2011, the Airport System terminated the Existing Letter of Credit for the Series 2008B Bonds and entered into an agreement with Wells Fargo pursuant to which Wells Fargo will agree to hold the 2008B Bonds, which, subject to certain conditions, will bear interest at the LIBOR index rate, through July 29, 2016.

On April 14, 2011, the Airport System issued $349,730,000 of the Airport System Revenue Bonds Series 2011A, in a fixed rate mode to current refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds in the amounts of $122,060,000 and $72,350,000, respectively, and all of the remaining portion of the Series 2000A Bonds in the amount of $160,135,000.

Deferred Refunding

The proceeds of the 2012A-C Bonds were used together with other Airport monies to pay for and finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the 1998A Bonds, 1998B Bonds, a portion of the 2002E Bonds and 2003A Bonds. Advance refund a portion of the 2003A and B Bonds and refund all of the Subordinate Commercial Paper Note Series A. The current refunding and advance refunding resulted in a defeasance of debt. The difference between the reacquisition price of $524,083,393 and the net carrying amount of the old debt of $488,142,029 resulted in the recognition of a deferred loss on refunding in the amount of $35,941,364. The deferred loss on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be $66,416,535.

The proceeds of the 2011A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A3 and Subseries 2008A4 Bonds, and all of the remaining Series 2000A Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt. The difference between the reacquisition price of $355,863,243 and the net carrying amount of the old debt of $357,294,392 resulted in the recognition of a deferred gain on refunding in the amount of $1,431,149. The deferred gain on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the portion of the transaction which refunded a portion of the Series 2000A Bonds is estimated to be $4,932,812.

The proceeds of the 2011B and C Bonds were used together with other Airport monies to current refund all of the remaining Series 2001A Bonds, refund all of the Series 2001B Bonds and a refund all of the remaining Series 2001D Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt. The difference between the reacquisition price of $230,575,950 and the net carrying amount of the old debt of $233,767,113 resulted in the recognition of a deferred gain on refunding in the amount of $3,191,163. The deferred gain on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be $24,799,291.

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, 2012 and 2011, respectively, $187,890,000 and $65,720,000 of bonds outstanding are considered defeased.

(9) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2012 are as follows:

	Principal	Interest
Year:		
2013	$ 132,714,483	$ 150,746,775
2014	133,485,000	144,915,931
2015	141,060,000	139,324,266
2016	156,780,000	132,875,521
2017	156,420,000	125,421,816
2018-2022	921,375,000	524,072,238
2023-2027	1,318,725,000	312,803,421
2028-2032	480,015,000	176,210,753
2033-2037	205,925,000	69,304,123
2038-2042	143,830,000	21,879,420
2043	21,580,000	864,700
Total	$ 3,811,909,483	$ 1,798,418,964

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2012, are as follows:

	Principal	Interest
Year:		
2013	$ 14,800,000	$ 3,601,900
2014	-	2,454,900
2015	-	2,454,900
2016	-	2,454,900
2017	-	2,454,900
2018-2022	-	12,274,500
2023-2025	40,080,000	5,891,025
Total	$ 54,880,000	$ 31,587,025

Debt service requirements for the economic defeasance ABS Baggage System of the Airport System to maturity as of December 31, 2012, are as follows:

Year:	Principal	Interest
2013	$ 11,425,517	$ 1,765,281
2014	10,000	1,079,950
2015	10,000	1,079,550
2016	10,000	1,079,150
2017	-	1,078,750
2018-2021	19,175,000	2,431,674
	$ 30,630,517	$ 8,514,355

(b) Notes Payable

The Airport System entered into a Master Installment Purchase Agreement on March 15, 2004, with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.6448% based on a 30/360 calculation for 2004. Payments are due quarterly to GE Capital Public Finance Inc. The Airport System entered into Master Installment Purchase Agreements on October 26, 2006. These include an agreement with Koch Financial Corporation for $23.0 million and an agreement with GE Capital Public Finance for $9.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, and 4.16% based on a 30/360 calculation for 2007. The Airport System entered into a $15.3 million Master Installment Purchase Agreement with Chase Equipment Leasing Inc. on August 5, 2008, to finance capital equipment purchases, at a rate of 3.329% based on 30/360 calculation for 2008. The Airport System entered into a $20.5 million Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.9595% based on a 30/360 calculation for 2012.

The payment schedule relating to note requirements as of December 31, 2012 is as follows:

Year:	Principal	Interest
2013	$ 7,243,415	$ 805,413
2014	5,497,465	611,791
2015	5,675,798	433,457
2016	3,398,612	268,098
2017	2,066,875	195,530
2018-2021	8,683,622	365,998
Total	$ 32,565,787	$ 2,680,287

Changes in notes payable for the years ended December 31, 2012 and 2011 were as follows:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Amounts due within one year
Notes payable	$ 20,640,245	$ 20,500,000	$ (8,574,458)	$ 32,565,787	$ 7,243,415
Less current portion				(7,243,415)	
Noncurrent portion				$ 25,322,372	

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Amounts due within one year
Notes payable	$ 31,429,297	$ -	$ (10,789,052)	$ 20,640,245	$ 6,700,032
Less current portion				(6,700,032)	
Noncurrent portion				$ 13,940,213	

(10) Demand Bonds

Included in long-term debt are $38,800,000 for Series 1992F, G; $32,200,000 of Series 2002C, $74,500,000 of Series 2008B, $92,600,000 of Series 2008C1, $200,000,000 of Series 2008C2-C3, $104,655,000 of Series 2009C and $146,600,000 for Series 2007G1-G2 of Airport System Revenue Bonds Series, respectively, which bear interest at flexible, daily, 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 daily, weekly or monthly mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. On October 1, 2012, the Airport entered into a credit facility and reimbursement agreement with U.S. Bank National Association, who purchased the Series 2009C bonds at a floating rate indexed to one-month LIBOR. On July 29, 2011 and August 8, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Wells Fargo, who purchased the Series 2008B and 2008C1 Bonds, respectively, at a floating rate indexed to one-month LIBOR. On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate index to one-month LIBOR. Series 1992F, 1992G, 2002C, and 2007G1-G2 each have irrevocable letters of credit or standby bond purchase agreements which the remarketing agent for the bonds can draw upon to purchase the bonds. If the bonds purchased by the remarketing agent could not be resold within a designated period of time, each irrevocable letter of credit and standby bond purchase agreement contains provisions for a take-out agreement which would convert the obligation to an installment loan with the provider of that agreement. If the take out agreement were to be exercised, the Airport System would be required to pay interest amounts on the loan that are expected to be higher than the interest amount on the bonds.

Irrevocable letters of credit and standby bond purchase agreements (SBPA) were issued as collateral for the Series 1992F, 1992G, 2002C, and 2007G revenue bonds in the amounts as follows:

Bonds	Par amount outstanding	Letter of credit or SBPA amount*	Annual commitment fee	Letter of credit or SBPA expiration date
Series 1992F	$ 21,200,000	$ 22,441,491	0.163%	October 2, 2014
Series 1992G	17,600,000	18,684,318	0.163%	October 2, 2014
Series 2002C	32,200,000	32,697,557	0.163%	October 2, 2014
Series 2007G1-G2	146,600,000	148,286,904	0.280%	November 13, 2014

* As of December 31, 2012 and 2011 no amounts have been drawn under any of the existing agreements

(11) Bond Ordinance Provisions

Additional Bonds

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

Airport System Revenue Bonds

Under the terms of the Bond Ordinance, all bond series, (the Senior Bonds) are collateralized by a first lien on the Net Revenues of the Airport System. Under the terms of the Subordinate Bond Ordinance, outstanding Commercial Paper is collateralized by Net Revenues of the Airport System subordinate to the Senior Bonds.

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

Summary of Interest Rate Swap Transactions

(12) Swap Agreements

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements all pay fixed–receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System's swap agreements are considered investment derivatives in accordance with the provisions of GASB 53. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments. The fair value balances and notional amounts of the swaps outstanding at December 31, 2012 and 2011 and the changes in the fair value of such swaps for the years then ended, are as follows:

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2012
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	$ 1,708,223	$ (31,343,181)
							Investment Income	(2,160,816)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	1,704,598	(30,969,737)
							Investment Income	(2,129,048)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	2,990,762	(34,008,787)
							Investment Income	(2,420,645)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	1,493,057	(16,751,420)
							Investment Income	(1,183,599)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(1,418,471)	(1,034,441)
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(37,929)	(11,912,269)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	Investment Income	(50,282)	(12,065,203)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(75,859)	(23,824,538)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	(37,929)	(11,912,269)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	178.150	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(1,085,647)	(38,603,601)
GKB Financial Services Corp.	11/15/2007	59.383	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(361,882)	(12,867,867)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2012
							Classification	Amount	
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(868,125)	12,564,372
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(868,125)	12,564,372
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(1,736,253)	25,128,746
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(868,125)	12,564,372
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	118.767	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(772,591)	(25,732,960)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	0.1%	Investment Income	(354,392)	(32,406,129)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	1,151,480	(17,024,108)
							Investment Income	(868,372)	
Total									$(237,634,648)

(1) Previously associated with the 2001C1- C4 Bonds. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Value 12/31/2011
							Classification	Amount	
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	$ 5,975,384	$ (31,795,774)
							Deferred Inflow	5,128,847	
							Investment Income	(2,287,201)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	5,956,267	(31,394,187)
							Deferred Inflow	5,896,639	
							Investment Income	(2,253,172)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	9,420,944	(33,438,670)
							Deferred Inflow	1,178,163	
							Investment Income	(2,565,755)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	4,697,696	(16,441,962)
							Deferred Inflow	585,162	
							Investment Income	(1,254,536)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	233,744	(2,452,912)
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	5,033,759	(11,950,198)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	3.6874%	70% LIBOR	Investment Income	5,031,056	(12,115,485)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	10,067,519	(23,900,397)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	3.6560%	70% LIBOR	Investment Income	5,033,759	(11,950,198)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	178.750	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	12,806,899	(39,689,248)
GKB Financial Services Corp.	11/15/2007	59.583	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	4,268,966	(13,229,749)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2011
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(5,353,347)	11,696,247
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(5,353,347)	11,696,247
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(10,706,693)	23,392,493
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025	2006A	SIFMA	4.0855%	Investment Income	(5,353,347)	11,696,247
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	119.117	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	8,540,790	(26,455,551)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	11,256,400	(32,760,521)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	5,987,527	(16,741,000)
							Investment income	(1,971,418)	
Total									$(245,834,618)

(1) Previously associated with the 2001C1- C4 Bonds. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2012 and 2011. 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, 2012. 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.

(a) 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, 2012, 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 negative 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, 2012 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider S&P	Moody's	Fitch
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A-	A3	A
JP Morgan Chase Bank, N.A.	A+	Aa3	A+
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	A2	A+
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A-	Baa2	A
Royal Bank of Canada	AA-	Aa3	AA
Societe Generale, New York Branch	A	A2	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A-	Baa2	A
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A	A2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A-	Baa1	A

The ratings of the counterparties, or their credit support providers, as of December 31, 2011 are as follows:

Counterparty (credit support provider)	Ratings of the counterparty or its credit support provider S&P	Moody's	Fitch
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A-	A1	A
JP Morgan Chase Bank, N.A.	A+	Aa1	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa3	A+
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A-	Baa1	A
Royal Bank of Canada	AA-	Aa1	AA
Societe Generale, New York Branch	A+	A1	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A-	Baa1	A
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A+	A1	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A-	A2	A

As of December 31, 2012, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

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

Interest Rate Risk – The Airport System is exposed to interest rate risk in that as the variable rates of the swap agreements decrease, the Airport System's net payments on the swap agreements increase.

Basis Risk – Each of the Airport System's swap agreements is 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.

(b) Description of the Swap Agreements and Associated Debt

The 1998 Swap Agreements and Associated Debt – On January 1, 1998, the Airport System entered into interest rate swap agreements ("the 1998 Swap Agreements") in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of certain senior bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2000. Each 1998 Swap Agreement has a notional amount of $100 million and provides for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Swap Agreement and the prevailing variable rate on certain of the Airport System's variable rate bonds payable by the respective financial institutions. Upon the occurrence of certain events, counterparty to a 1998 Swap Agreement may elect to apply an alternative variable rate, 70% of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) plus 0.10%, instead of the variable rate payable on the associated debt. Events that could trigger the right of the counterparty to apply the alternative rate include, among other things, a downgrade of the short-term ratings of the associated debt to below A-1+ by S&P, VMIG-1 by Moody's or F-1+ by Fitch or the long-term ratings of the bonds are downgraded to below one of the highest two rating categories of any two of S&P, Moody's or Fitch, or an event of taxability. An event of taxability includes, among other things, a change in tax law that causes the relationship between the Securities Industry and Financial Markets Association Index (SIFMA) and LIBOR such that the daily average SIFMA Index as a percentage of daily average LIBOR exceeds 80% for a period of 90 consecutive days or 75% for a period of 120 consecutive days.

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The Series 2000B and Series 2000C Bonds were refunded in 2008, by the Series 2008C1-C3 Bonds. The Series 2008C2-C3 Bonds are currently associated debt with the 1998 swaps. On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate indexed to one-month LIBOR. As a result of this transaction, the swap counterparties elected to apply the alternative variable rate provision under the swaps (70% of one-month LIBOR plus 0.10%).

The aggregate weighted average fixed rate payable by the Airport System under the 1998 Swap Agreements is 4.7395%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

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

On October 4, 2001, the Airport System issued the Series 2001C1-C4 to refund a portion of the Series 1991A Bonds and Series 1991D Bonds. The Series 2001C1-C4 Bonds were refunded by Commercial Paper and Series 2008A1-A4 Bonds in April 2008. Because the Series 2008A1-A4 were initially issued in a fixed rate mode, the 1999 Swap Agreements were subsequently associated with the Commercial Paper, Series 2008B Bonds and a portion of the Series 2002C Bonds. The Commercial Paper was refunded by the Series 2009C Bonds. The 1999 Swap Agreements are associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 1999 Swap Agreements, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA, on $150 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.5962%. The 1999 Swap Agreements became effective on October 4, 2001, and payments under these Swap Agreements commenced on November 1, 2001.

On January 12, 2010, the Airport System terminated a $50 million (not included in the $150 million discussed above) 1999 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for that swap. The Airport System simultaneously entered into the 2009A replacement swap with Loop Financial Products I LLC (credit support provided by Deutsche Bank). (See "the 2009A Swap Agreements" discussed below).

The 2002 Swap Agreements and Associated Debt – On April 11, 2002, the Airport System entered into interest rate Swap Agreements ("the 2002 Swap Agreements") with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the SIFMA Index to a percentage of the London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR). On January 12, 2010, the Airport System terminated the 2002 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for the swap. The 2002 Swap agreement with RFPC, Ltd. was not replaced. The 2002 Swap Agreement has a notional amount of $100 million, related to the 1999 Swap Agreements and provide for certain payments to or from the financial institution equal to the difference between SIFMA payable by the Airport System and a percentage of LIBOR payable by the financial institution. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.33% of LIBOR, rather than SIFMA, to offset the actual rate paid on the associated bonds. (See "the 1999 Swap Agreements and Associated Debt").

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.33% of LIBOR received under the 2002 Swap Agreements. The 2002 Swap Agreement became effective on April 15, 2002 and payments under this Swap Agreement 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 LIBOR for one-month deposits of U.S. dollars (LIBOR) payable by the respective financial institutions.

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

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

The 2006A Swap Agreements – On June 1, 2006, the City entered into interest rate swap agreements ("the 2006A Swap Agreements") with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. One of these agreements, with Lehman Brother Special Financing was terminated on December 18, 2008 and replaced with a 2008A Swap Agreement with Royal Bank of Canada described below. The remaining 2006A Swap Agreements have notional amounts of approximately $178.2 million and $59.4 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2007F1-F4 and Series 2007G1-G2 Bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2007F1-F4 and Series 2007G1-G2 Bonds and 70% of LIBOR on $241.0 million of obligations.

The Airport System is exposed to basis risk under the 2006A Swap Agreements, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR received under the 2006A Swap Agreements. The aggregate weighted average fixed rate payable by the Airport System under the 2006A Swap

Agreements is 4.0085%. The 2006A Swap Agreements became effective on November 15, 2007 and payments under these Swap Agreements commenced on December 1, 2007.

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

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

The 2008A Swap Agreement – On December 18, 2008, the Airport System entered into an interest rate swap agreement ("the 2008A Swap Agreement") with Royal Bank of Canada and simultaneously terminated a 2006A Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to $120.233 million notional amount associated with 2007-G Bonds. The swap provides for certain payment to or from Royal Bank of Canada equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for one-month deposits of U.S. dollars plus 0.10% payable to Royal Bank of Canada. The Airport System received $21,100,000 from Royal Bank of Canada to assist in paying the settlement amount of $21,353,831 due to Lehman Brothers Special Financing. As a result of receiving the loan of $21,100,000 from Royal Bank of Canada, this loan, including interest at an implied rate of 6.519%, will be paid through the fixed rate to be paid by the City to Royal Bank of Canada.

The net effect of the 2008A Swap 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 plus 0.10% on $120.233 million of obligations.

The Airport System is exposed to basis risk under the 2008A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of LIBOR plus 0.10% received under the 2008A Swap Agreement. The fixed rate payable by the Airport System under the 2008A Swap Agreement is 4.0085%. The 2008A Swap Agreement became effective on December 18, 2008 and payment under this Agreement commenced on January 1, 2009.

The 2008B Swap Agreement – On January 8, 2009, the Airport System entered into an interest rate swap agreement ("the 2008B Swap Agreement") with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to $100 million notional associated with the 2008C1 Bonds outstanding in the amount of $92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for three-month deposits of U.S. dollars payable by Loop Financial Products I LLC. The Airport System received $22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $22,213,550 due to Lehman Brothers Special Financing. As a result of receiving $22,100,000 from Loop Financial Product I LLC, the fixed rate to be paid by the Airport System to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 Bonds, is that the Airport System will effectively pay a fixed rate on $100 million, plus or minus the difference between the actual rate on $92.6 million of the Series 2008C1 Bonds and 70% of three-month LIBOR on $100 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of three-month LIBOR received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.

The 2009A Swap Agreement – On January 12, 2010, the Airport System entered into an interest rate swap agreement ("the 2009A Swap Agreement") with Loop Financial Products I LLC and simultaneously terminated the 1999 Swap Agreement with RFPC, Ltd. The purpose of the transaction was to replace RFPC, Ltd, due to deterioration of the ratings of Ambac (the credit support provider on the swap), as counterparty to $50 million notional. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Agreement and the SIFMA index payable by Loop Financial Products I LLC. The Airport System received $10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $10,570,000 due to RFPC, Ltd. As a result of receiving $10,570,000 from Loop Financial Products I LLC, the fixed rate to be paid by the Airport System to Loop Financial Products I LLC will take into account such payments and will be above the market rate.

The 2009A Swap Agreement is currently associated with the Series 2009C, Series 2008B and a portion of the Series 2002C Bonds. The net effect of the 2009A Swap Agreement, when considered together with the associated bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the associated bonds and the SIFMA Index, on $50 million of obligations. The 2009A Swap Agreement became effective on January 12, 2010, and payments under this Swap Agreement commenced on February 1, 2010. The Airport System is exposed to basis risk under the 2009A Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and the SIFMA Index received under the 2009A Swap Agreement. The fixed rate payable by the Airport System under the 2009A Swap Agreement is 5.6229%.

(c) Swap Payments and Associated Debt

Interest Rate Swap Profile (all rates as of December 31, 2012):

Swaps	1999, 2002, 2009A	2005, 2006B	2006A, 2008A	1998
Associated Debt	2002C, 2008B, 2009C	2006A 2007D	2007F-G, 2002C	2008C2-C3
Payment to Counterparty:	5.7329%	3.7923%	4.0085%	4.7395%
Payment from Counterparty:	0.2903%	4.2325%	0.1470%	0.2470%
Net Swap Payment:	5.4426%	(0.4402%)	3.8615%	4.4925%
Associated Bond Interest Rate:	1.0262%	4.9504%	0.3360%	0.9000%
Net Swap & Bond Payment:	6.4688%	4.5102%	4.1975%	5.3925%

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2012, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999, and 2009A Swap Agreements), assuming current interest rates remain the same, for their terms, were as follows:

	Principal	Interest	Interest rate swaps net	Total
Year:				
2013	$ 4,700,000	$ 3,852,440	$ 19,900,507	$ 28,452,947
2014	4,800,000	3,795,570	19,900,507	28,496,077
2015	6,925,000	3,737,490	19,900,507	30,562,997
2016	7,500,000	3,672,177	19,900,507	31,072,684
2017	7,800,000	3,603,507	19,900,507	31,304,014
2018-2022	274,285,000	13,103,167	69,656,958	357,045,125
2023-2025	93,990,000	2,128,450	8,220,526	104,338,976
Total	$ 400,000,000	$ 33,892,801	$177,380,019	$ 611,272,820

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2012.

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, 2012 and 2011, Special Facility Revenue Bonds outstanding totaled $276,615,000 and $291,865,000, respectively.

(13) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2012 and 2011 are as follows:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Amounts due within one year
Compensated absences payable	$ 8,625,273	$ 6,894,620	$ (6,520,399)	$ 8,999,494	$ 2,704,267
Less current				(2,704,267)	
Noncurrent portion				$ 6,295,227	

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Amounts due within one year
Compensated absences payable	$ 8,379,145	$ 5,690,605	$ (5,444,477)	$ 8,625,273	$ 2,610,352
Less current				(2,610,352)	
Noncurrent portion				$ 6,014,921	

(14) Pension Plan

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

(a) 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. 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 DERP, and vests the authority for the benefit and contribution provisions with the City Council. DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2012, the date of the last actuarial valuation, the plan was underfunded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

(b) Pension Plans' Funding Policy and Annual Pension Cost

For DERP, the City contributes 9.50% of covered payroll and employees make a pre-tax contribution of 5.50% 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, 2012, 2011 and 2010 were approximately $47,176,000, $43,047,000 and $38,427,000, respectively, which equaled the required contributions each year. Denver International's share of the City's contributions for the years ended December 31, 2012, 2011 and 2010 were approximately $6,859,004, $6,268,376 and $5,509,853, respectively.

(c) Postemployment Healthcare Benefits

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992 postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2009, the monthly health insurance premium supplement was $12.50 per year of service for retired participants under the age of 65, and $6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

(15) Other Postemployment Benefit Plan – Implicit Rate Subsidy

Employees of the Airport System (as City employees), along with a portion of the employees of Denver Health and Hospital Authority (DHHA) (those employed prior to 2001, who have elected to remain members of the Plan), employees of DERP, and a majority of the other employees of the City (certain fire and police personnel are excluded), are participants in the City's health care plan. For active employees participating in the City's health care plan, the employers pay a certain percentage of monthly premiums and the employees pay the remainder of the premium. Vested retired employees participating in the City's health care plan pay 100% of the premium and are eligible for an insurance premium reduction payment from DERP. In establishing premiums, the active and retired employees from the three employers (the City, DERP and DHHA) are grouped together without age-adjustment or differentiation between employers. The premiums are the same for both active and retired employees creating an implicit rate subsidy for the retirees.

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the City's retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with 5 years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purpose of calculating the implicit rate subsidy, it was estimated there were 1,687 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on pay-as-you-go financing.

A Schedule of Funding Progress and Schedule of Employer Contributions are presented as Required Supplementary Information following the notes to the financial statements. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Both the Schedule of Funding Progress and the Schedule of Employer Contributions present information related to the cost-sharing plan as a whole, of which the City, including the Airport System, is one participant, and should provide information helpful for understanding the scale of the information presented relative to the Airport System.

Projections and benefits for financial reporting purposes are based on the substantive plan as understood by the plan and the members and included in the types of benefits provided at the time of each valuation and the historic pattern of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective calculations.

For the December 31, 2010 actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 4.0% investment rate of return, and health care cost trend grading from 9.0% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.

Contributions made by the Airport System toward the implicit rate subsidy were $123,693, $864,100 and $743,100 for the years ended December 31, 2012, 2011 and 2010, respectively, based on a pay-as-you-go financing.

(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, 2012, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	49,149,781
Construction projects to be funded by bonded debt		42,111,001
Construction project to be funded by bonded debt - South Terminal		30,355,569
Projects related to remediation – Stapleton		1,496,296
Total commitments	$	123,112,647

The South Terminal Redevelopment Program consists of a variety of projects which are in part under construction.

(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, 2012, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty due for 2012.

(c) Regional Transportation District (RTD)

The City and Regional Transportation District (RTD) entered into an intergovernmental agreement for Denver International Airport (DIA) dated March 16, 2010 (the Intergovernmental Agreement). The Airport and RTD have different interpretations of the IGA's division of performance and payment responsibility in the area immediately south of the DIA Rail Station. Negotiations to settle the remaining issues were unsuccessful. The City's best estimate of the range of possible liability of the City not accounted for in the Airport System's original capital program for the South Terminal is between $12 million and $20 million.

(d) 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 2012 and 2011 was $77,144,567 and $75,202,183, respectively.

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

2013	$	59,239,647
2014		25,140,833
2015		19,910,576
2016		18,319,474
2017		14,508,042
2018-2022		33,482,092
2023		590,100
Total minimum future rentals	$	171,190,764

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 2012 or 2011. 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 Airport System 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 airlines' landing and facility rental fees (airline operating revenue). For each of the years ended December 31, 2012 and 2011, United Airlines group, including Continental Airlines, represented approximately 48.1% and 54.5% of the Airport System's airline operating revenue, respectively. Southwest Airlines represented 15.1% and 14.1% in 2012 and 2011, respectively. Frontier Airlines group represented 13.4% and 14.4% in 2012 and 2011 of the Airport System's airline operating revenue, respectively. 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 is United Airlines, one of the world's largest airlines. The Airport currently is the second largest connecting hub in United's route system, both in terms of passengers and flight operations. Pursuant to the United Use and Lease Agreement, United currently leases 35 of the 92 full-service gates at the Airport. In addition, United together with its United Express commuter affiliates, including Continental, accounted for 40.5% and 42.2% of enplaned passengers at the Airport in 2012 and through March of 2013, respectively.

(21) Subsequent Events

Denver International Airport earned several high rankings among U.S. airports in some of the industry's most prestigious awards. Denver International was voted the third best airport in North America, fifth on the list of the "World's Best Domestic Airports" and second for the "Best Regional Airports in North America" in the 2013 Skytrax World Airport News.

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

December 31, 2012 and 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentaged of Covered Payroll (b-a)/(c)
12/31/2010	$ -	$ 113,048,000	$ 113,048,000	0.0%	$ 409,058,000	27.6%
12/31/2011	-	115,813,000	115,813,000	0.0%	425,186,000	27.2%
12/31/2012	-	88,704,000	88,704,000	0.0%	446,182,000	19.9%

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(UNAUDITED)

December 31, 2012 and 2011

Implicit Rate Subsidy

Year Beginning January 1	Annual Actuarially Required Contribution	Percentage Contributed
2010	$ 8,026,000	70%
2011	$ 8,280,000	78%
2012	$ 6,261,000	86%

City and County of Denver
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2012

Gross Revenue		
Facility rentals	$	245,847,539
Concession income		49,592,429
Parking income		137,912,053
Car rental income		47,221,960
Landing fees		127,346,400
Aviation fuel tax		32,782,884
Other sales and charges		18,406,121
Interest income		17,974,663
Designated Passenger Facility Charge Revenues		34,271,254
Miscellaneous income		1,924,205
Operation and Gross revenues as defined in the ordinance		713,279,508
Personnel services		119,658,952
Contractual services		175,420,405
Maintenance, supplies, and materials		23,315,015
Operation and maintenance expenses as defined in the ordinance		318,394,372
Other available funds		394,885,136
Net revenue		51,685,419
Net revenue plus other available funds as defined in the ordinance	$	446,570,555
Debt service requirement as defined in the ordinance (1)	$	247,562,500
Coverage ratio (net revenue plus other available funds as a percentage of debt service)		180%
Debt service requirements for the senior debt (1)	$	209,519,583
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements for senior debt)		213%

Net of irrevocably committed PFCs of $68,542,509 applied under the Supplemental Bond Ordinance

(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

City and County of Denver
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2012

installments thereafter would be sufficient to pay the next maturing installment of interest on such series of bonds.

Bond series	Interest payment date	Balance interest due	Required Interest Acct. balance at 12/31/2012
Series 1991D	05/15/13	$ 230,563	$ 38,427
Series 1992F-G	01/01/13	8,036	8,036
Series 1997E	05/15/13	222,434	37,072
Series 2002C	01/01/13	6,669	6,669
Series 2005A	05/15/13	5,407,825	901,304
Series 2006A	05/15/13	6,639,725	1,106,621
Series 2006B	05/15/13	1,054,875	175,813
Series 2007A	05/15/13	4,708,750	784,792
Series 2007B	05/15/13	606,250	101,042
Series 2007C	05/15/13	865,875	144,313
Series 2007D	05/15/13	3,924,319	654,053
Series 2007D2	05/15/13	730,000	121,667
Series 2007E	05/15/13	1,185,000	197,500
Series 2007F1-F4	01/01/13	154,703	154,703
Series 2007G1-G2	01/01/13	19,589	19,589
Series 2008A	05/15/13	2,990,625	498,438
Series 2008B	01/01/13	75,046	75,046
Series 2008C1	01/01/13	93,282	93,282
Series 2008C2-C3	01/01/13	149,694	149,694
Series 2009A	05/15/13	4,358,475	726,413
Series 2009B	05/15/13	2,093,850	348,975
Series 2009C	01/01/13	94,626	94,626
Series 2010A	05/15/13	4,240,922	706,820
Series 2011A	05/15/13	8,532,775	1,422,129
Series 2011B	05/15/13	4,067,400	677,900
Series 2011C	05/15/13	301,125	50,188
Series 2012A	05/15/13	7,286,981	1,214,497
Series 2012B	05/15/13	12,099,950	2,016,658
Series 2012C	05/15/13	543,919	90,653
			$ 12,616,920

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, 2012

(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 12/31/2012
Series 1991D	11/15/13	$ 5,950,000	$ 495,833
Series 1992 F, G	11/15/13	1,900,000	158,333
Series 1997E	11/15/13	7,414,483	617,874
Series 2002C	11/15/13	1,900,000	158,333
Series 2005A	11/15/13	70,000	5,833
Series 2006B	11/15/13	19,680,000	1,640,000
Series 2007F1-F4	11/15/13	600,000	50,000
Series 2007G1-G2	11/15/13	400,000	33,333
Series 2008A	11/15/13	28,140,000	2,345,000
Series 2008B	11/15/13	4,700,000	391,667
Series 2011A	11/15/13	17,810,000	1,484,167
Series 2011B	11/15/13	33,095,000	2,757,917
Series 2012A	11/15/13	290,000	24,167
Series 2012B	11/15/13	7,815,000	651,250
Series 2012C	11/15/13	1,350,000	112,500
			$ 10,926,207

(c) Sinking Account

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

City and County of Denver
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2012

(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, 2012, the redemption account had a balance of $22.4 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 (b) above is as follows:

Aggregate required bond account balance	$	23,543,127
Bond account balance at December 31, 2012		23,543,127
Underfunded	$	-

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to 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, 2012 is $406,960,624. The minimum Bond Reserve Account requirement is $406,960,624.

(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, 2012.

Computation of minimum operation and maintenance reserve:

2011 Operation and Maintenance expenses	$	312,277,998
Minimum operations and maintenance reserve requirement for 2011	$	52,046,333
Operation and maintenance reserve account balance at December 31, 2012		75,720,150
Overfunded	$	23,673,817

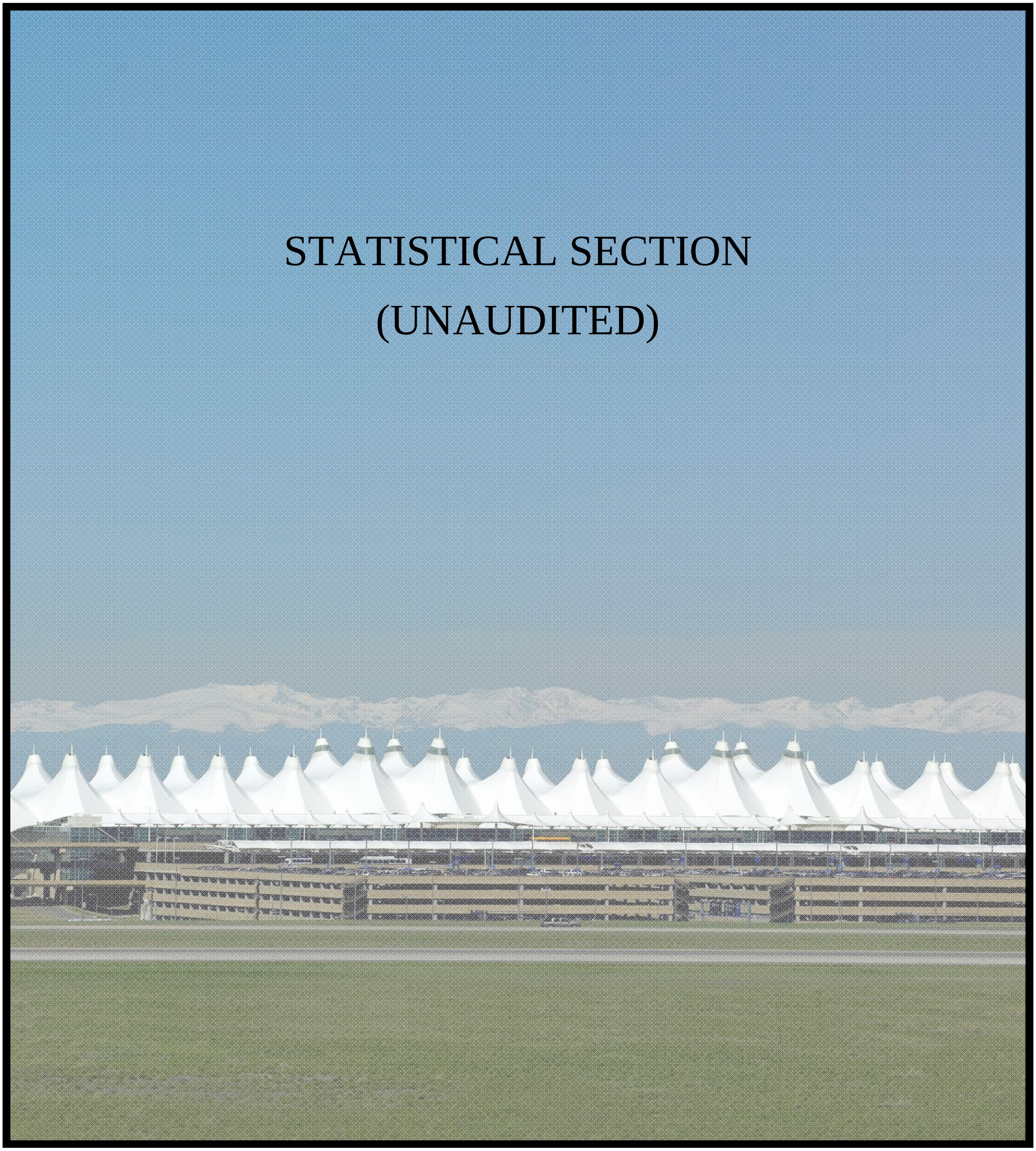
(1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

STATISTICAL SECTION
(UNAUDITED)



City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION
(UNAUDITED)

LAST TEN FISCAL YEARS

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

	2003	2004	2005	2006	2007	2008	2009 *	2010	2011	2012
Operating revenues	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151	$ 540,760	$ 564,490	$ 601,402	$ 602,769	$ 624,673
Operating expenses, before depreciation and amortization	211,913	221,214	239,405	262,514	290,773	373,829	379,517	409,865	392,862	388,171
Operating income before depreciation and amortization	245,473	256,722	257,772	245,793	239,378	166,931	184,973	191,537	209,907	236,502
Depreciation and amortization	148,763	135,338	150,823	151,507	159,309	168,026	177,583	181,496	179,070	178,567
Impairment loss	-	18,007	85,286	-	-	-	-	-	-	-
Operating income (loss)	96,710	103,377	21,663	94,286	80,069	(1,095)	7,390	10,041	30,837	57,935
Nonoperating revenues (expenses)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)	(44,987)	(59,749)	(87,795)	(75,488)	(43,669)
Capital contributions, grants and transfers	40,542	62,205	31,547	29,188	2,426	14,393	38,621	30,200	34,702	22,996
Change in net position	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368	$ (31,689)	$ (13,738)	$ (47,554)	$ (9,949)	$ 37,262

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION
(UNAUDITED)

LAST TEN FISCAL YEARS

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major International Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2003	17,192,825	1.80%	1,395,391	108.40%	172,719	-35.80%	18,760,935	5.20%
2004	18,296,498	6.40%	2,623,675	88.00%	223,908	292.60%	21,144,081	12.70%
2005	18,278,079	-0.10%	3,221,623	22.80%	202,273	-9.70%	21,701,975	2.60%
2006	19,674,467	7.60%	3,791,642	17.70%	199,203	-1.50%	23,665,312	9.00%
2007	20,774,889	5.60%	3,945,388	4.10%	220,676	10.80%	24,940,953	5.40%
2008	21,514,216	3.60%	3,945,641	0.00%	190,386	-13.70%	25,650,243	2.80%
2009	20,646,529	-4.00%	4,239,139	7.40%	242,365	27.30%	25,128,033	-2.00%
2010	21,032,064	1.90%	4,666,047	10.10%	326,811	34.80%	26,024,922	3.60%
2011	21,709,430	3.20%	4,439,841	-4.80%	306,494	-6.20%	26,455,765	1.70%
2012	21,984,133	1.30%	4,323,837	-2.60%	289,021	-5.70%	26,596,991	0.50%

(b) Enplaned Passengers by Airline

Airline	2011	% of Total	2012	% of Total
United	7,263,486	27.40%	6,720,604	25.27%
United Express	4,042,388	15.28%	4,039,472	15.19%
Total United	11,305,874	42.74%	10,760,076	40.46%
American	732,195	2.77%	754,863	2.84%
Delta	1,231,122	4.65%	1,215,718	4.57%
Frontier	5,858,631	22.15%	5,825,717	21.90%
Southwest	5,756,081	21.76%	6,301,166	23.69%
USAir	640,248	2.42%	718,488	2.70%
Other	931,614	3.52%	1,020,963	3.84%
Totals	26,455,765	100.00%	26,596,991	100.00%

(c) Originating and Connecting Enplaned Passengers for the Year Ended December 31, 2012

Airline	Originating	Connecting	Total
United	10,760,076	12,718,779	23,478,855
Other	18,610,458	11,066,965	29,677,423
Totals	29,370,534	23,785,744	53,156,278
Percent of total	55%	45%	100%

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION (UNAUDITED)

LAST TEN FISCAL YEARS

(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%
2008	460,311	160,746	4,610	177	625,844	1.1.%
2009	456,675	151,659	3,513	130	611,977	-2.2%
2010	468,962	162,646	3,721	116	635,445	3.8%
2011	452,223	178,742	3,628	87	634,680	-0.1%
2012	443,389	170,809	3,900	159	618,257	-2.6%

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

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

Year	Amount	Year	Amount
2003	71,945	2008	96,786
2004	82,161	2009	96,865
2005	84,000	2010	102,595
2006	93,150	2011	103,210
2007	97,191	2012	105,472

(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	-13.7%
2004	40,032,635	281,171,813	321,204,448	-1.7%
2005	34,463,315	278,199,783	312,663,098	-2.7%
2006	22,127,087	258,407,346	280,534,433	-10.3%
2007	5,359,863	257,363,998	262,723,861	-6.3%
2008	11,783,176	236,339,165	248,122,341	-5.5%
2009	12,918,962	208,524,571	221,443,533	-10.8%
2010	19,663,000	222,047,310	241,710,310	9.2%
2011	18,612,677	223,878,051	242,490,728	0.3%
2012	17,373,529	210,360,700	227,734,229	-6.1%

City and County of Denver
Municipal Airport System

ANNUAL FINANCIAL INFORMATION
(UNAUDITED)

LAST TEN FISCAL YEARS

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross revenue	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106	$ 635,607	$ 631,592	$ 668,885	$ 702,157	$ 713,279
Operation and maintenance expenses	201,573	220,254	238,142	256,191	282,746	305,382	309,270	302,881	312,278	318,394
Net revenue	325,994	322,790	332,960	335,919	333,360	330,225	322,322	366,004	389,879	394,885
Other available funds	50,807	54,849	55,173	50,791	53,251	53,575	49,288	57,449	57,528	51,685
Total amount available for debt service requirements	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611	$ 383,800	$ 371,610	$ 423,453	$ 447,407	$ 446,570
Debt service requirements	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923	$ 240,028	$ 237,905	$ 235,244	$ 235,356	$ 247,563
Debt service coverage	163%	155%	161%	176%	168%	160%	156%	180%	190%	180%

City and County of Denver
Municipal Airport System

SUMMARY OF INSURANCE COVERAGE
(UNAUDITED)

December 31, 2012

Policy number	Company	Item covered	Expiration date	Annual premium	Coverage
PLL668823452	Chartis	Pollution	9/1/2013	$ 73,112	$ 10,000,000
PL08644870003	Chartis	Airport Liability Primary	9/1/2013	$ 418,542	$ 300,000,000
EX12000780	Global Aerospace, Inc.	Airport Liability -Excess	9/1/2013	$ 79,600	$ 200,000,000
20412933	Lexington	Property/Boiler & Machinery	9/1/2013	$ 1,805,355	$ 1,500,000,000