DENVER INTERNATIONAL AIRPORT

City and County of Denver

Municipal Airport System

ANNUAL FINANCIAL REPORT

December 31, 2011 and 2010

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INTRODUCTION
(UNAUDITED)

December 31, 2011 and 2010

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 (the Airport or Denver International) 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 Airport

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 2011 Denver International was the fifth-busiest airport in the United States and the eleventh-busiest in the world, serving 52.8 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 Pena 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 92 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 2011, 52.8 million passengers traveled through Denver International, of which approximately 50.1% originated or terminated their air journeys in Denver, and 49.9% 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 2012, 23 airlines provided scheduled passenger service at Denver International: 11 major/national airlines, 8 regional/commuter airlines, and 4 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 2012

Major/national	Regional/commuter
AirTran Airways (2)	American Eagle Airlines
Alaska Airlines	Comair (Delta Connection)
American Airlines (1)	ExpressJet (Continental Express)
Continental Airlines (3)	GoJet Airline (United Express)
Delta Air Lines	Great Lakes Aviation
Frontier Airlines	Mesaba Airlines (Delta Connection) (4)
Frontier/Republics	Shuttle America (United Express)
JetBlue Airways	SkyWest Airlines (United Express, Delta Connection)
Southwest Airlines (2)	
United Airlines (3)	
US Airways	

Foreign-flag
Aero-Mexico
Air Canada
British Airways
Lufthansa German Airlines

Source: Airport management records, January 2012

(1) American Airlines filed bankruptcy on November 29, 2011.

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

(3) Continental became a subsidiary of United Continental Holdings effective October 1, 2010. United and Continental are fully integrated under the United brand, and operate under a single FAA operating certificate as of November 30, 2011.

(4) Pinnacle, Mesaba Airlines filed for bankruptcy on April 1, 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, 2011 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 $55.1 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, 2002 through 2011 is reflected in Table 2 below. In 2011, the net revenue available for sharing increased due principally to the growth in public parking and State Aviation Fuel Tax revenues.

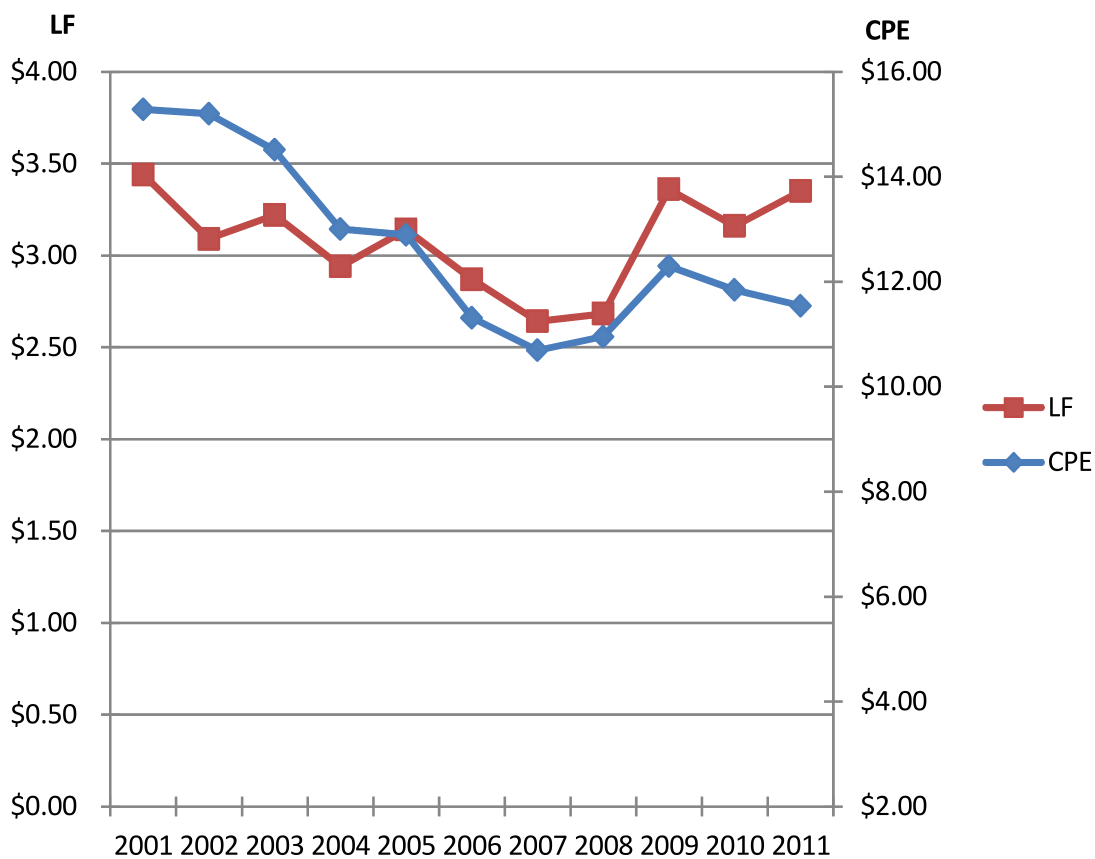
Table 2
Net Revenue Available for Sharing
(In thousands)

Year	Total	Airport share
2002	$ 38,771	$ 9,693
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	57,966	28,631
2010	88,314	48,314
2011	95,127	55,127

Source: Airport Management

From 2002 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.

The overall cost per enplanement (CPE) decreased in 2011 largely due to the increase in landing fees, revenue credit, and an increase in enplaned passengers.



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, 2011 and 2010, cash and investments totaled approximately $1,403.9 million and $1,420.7 million, respectively. Current investment vehicles include U.S. Government securities, high-grade commercial paper, and local government investment pools. In 2011 and 2010, the City charged a fee of $434,036 and $457,958, respectively, to the Airport System for performing the cash management function.

Events and Other Factors Affecting the Airport System

Passenger traffic was up 1.7% in 2011 compared with a national average increase of 0.5% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). Passenger traffic was up 0.2% through March 2012 compared to year-to-date March 2011.

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 5.1% in 2011 compared to 2010, largely as the result of an increase in passenger traffic.

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 Airport under a use-and-lease agreement with the City that expires in 2025. United currently leases 35 of the Airport's 92 full-service jet gates and all 16 gates at Concourse B's regional jet facility.

At Denver International Airport, the United Group (United and Continental), accounted for approximately 42.7% and 41.8% of passenger enplanements in 2011 and the first three months of 2012, 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 Federal Aviation Administration (FAA) operating certificate, as of November 30, 2011.

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 payment 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, Continental and US Airways, each of which belong to the Star Alliance airline network (to which United belongs), relocated their operations from Concourse A and Concourse C, respectively, to the other five full service jet gates on Concourse B.

Frontier Group (Frontier and Republic Holdings)

Frontier has the second largest market share at Denver International for 2011 and third largest market share for the first three months of 2012 which is one of Frontier's three hubs and, in 2011, DIA was the busiest airport in the Frontier system. Frontier currently leases 18 of the 30 full-service gates on Concourse A, constituting approximately 19.6% of the current 92 full-service gates at the Airport. The Frontier Group accounted for 22.1% and 21.4% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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 Airport 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 spaces 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.

Southwest Airlines (Southwest)

Southwest Airlines (Southwest) has the third-largest market share at the Airport for 2011 and the second largest market share for the first three months of 2012. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport, which is the airline's fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 21.8% and 23.3% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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.

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, 2011 and 2010

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	Patrick Heck
Manager of Aviation	Deputy Manager of Aviation

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Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver (the City), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the City and County of Denver's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2011 and 2010, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2011 and 2010, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other postemployment benefits' schedules of funding progress and employee contributions, as 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport System's basic financial statements. The accompanying introductory section and supplementary information, listed in the table of contents, 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

May 30, 2012

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, 2011 and 2010. The Airport System includes the Denver International Airport (the Airport or Denver International) 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 $602.8 million for the year ended December 31, 2011, an increase of $1.4 million (.2%), as compared to the year ended December 31, 2010. The increase in revenue was primarily related to an increase in passenger traffic of 1.7% which contributed to the increase in concession, parking, and car rental revenues. Revenues from other sales and charges and aviation fuel tax also increased, offset by decreases in facility rentals and landing fees.

Operating expenses, exclusive of depreciation and amortization, were $392.9 million for the year ended December 31, 2011, a decrease of $17.0 million (4.1%) as compared to the year ended December 31, 2010. The decrease was attributable to decreases in snow removal and architectural and engineering costs associated with the South terminal project, which are now being capitalized, offset by an increase in personnel costs, construction services, and professional services contracts.

Overview of the Financial Statements

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

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

This report also includes other postemployment benefits required supplementary information and supplementary 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. 2011, 2010, and 2009).

Summary of Revenues, Expenses, and Changes in Net Assets

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2011, 2010, and 2009 (in thousands):

	2011	2010	2009
Operating revenues	$ 602,769	$ 601,402	$ 564,490
Operating expenses before depreciation and amortization	(392,862)	(409,865)	(379,517)
Operating income before depreciation and amortization	209,907	191,537	184,973
Depreciation and amortization	(179,070)	(181,496)	(177,583)
Operating income	30,837	10,041	7,390
Nonoperating revenues	136,100	150,747	171,156
Nonoperating expenses	(211,588)	(238,542)	(230,905)
Capital grants/contributions	34,702	30,200	38,621
Decrease in net assets	(9,949)	(47,554)	(13,738)
Net assets, beginning of year	555,023	602,577	616,315
Net assets, end of year	$ 545,074	$ 555,023	$ 602,577

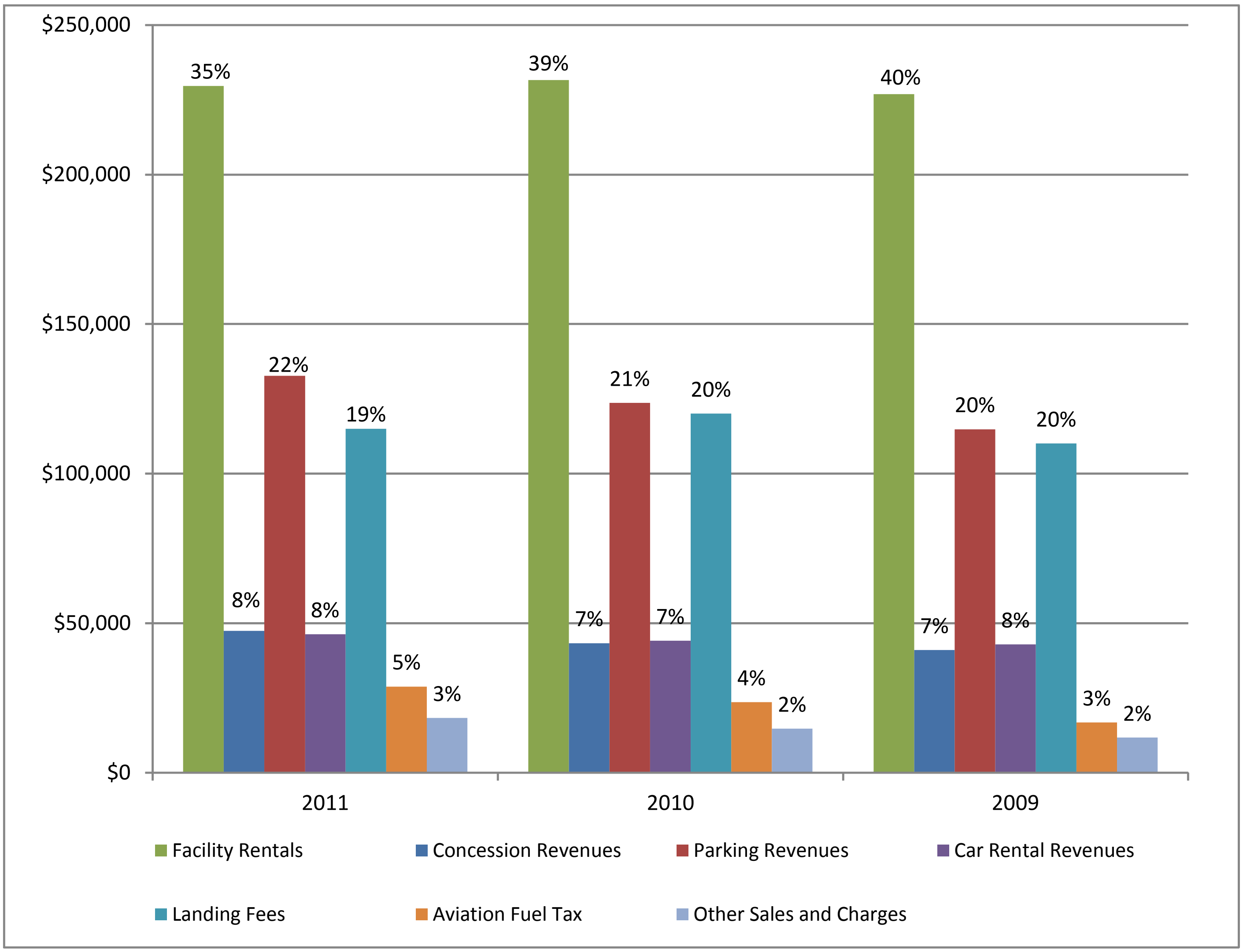
The following is a summary of operating revenues for the years ended December 31, 2011, 2010 and 2009:

Operating Revenues
(In thousands)

	2011	2010	2009
Operating revenues:			
Facility rentals	$ 212,408	$ 231,603	$ 226,839
Concession revenues	47,499	43,398	41,085
Parking revenues	132,728	123,673	114,862
Car rental revenues	46,353	44,181	42,989
Landing fees	116,506	120,054	110,084
Aviation fuel tax	28,892	23,680	16,849
Other sales and charges	18,383	14,813	11,782
Total operating revenues	$ 602,769	$ 601,402	$ 564,490

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, 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.

The Airport System's activities increased in all areas as described below for the year ended December 31, 2010 as compared to 2009 (in thousands):

	2010	2009	Percentage change
Enplanements	26,025	25,128	3.6 %
Passengers	51,985	50,167	3.6 %
Aircraft operations (1)	635	612	3.8 %
Cargo (in pounds)	555,186	494,763	12.2 %
Landed weight (in tons)	33,275	32,695	1.8 %

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

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 that is credited back to the airlines and a decrease in airline preferential and non-preferential use fee, 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 revenues increased by $9.1 million, or 7.3%, which is attributable to the increase in origin and destination (O&D) traffic.

Car rental revenues increased $2.2 million, or 4.9%, to $46.4 million due to an increase in origin and destination (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.

2010/2009

Operating revenues increased by $36.9 million, or 6.5%, from $564.5 million in 2009 to $601.4 million in 2010, primarily due to increase in facility rentals, landing, aviation fuel tax, other sales and charges, and non-airline revenue concession, parking and car rental.

Landing fees increased by $10.0 million, or 9.0%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight from $3.40 for signatory and $4.08 for non-signatory airlines in 2009 to $3.62 for signatory and $4.34 for non-signatory airlines in 2010.

Facility rentals increased by $4.8 million, or 2.1%, which is attributable to an increase in non-preferential use fees, baggage fees and offset by the increase in year-end revenue credit.

Concession revenues between 2010 and 2009 increased by $2.3 million, or 5.6%, primarily due to the increase in passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger from $9.62 in 2009 to $9.84 in 2010.

Parking revenues increased by $8.8 million, or 7.7%, which is attributable to the increase in origin and destination (O&D) traffic and an increase in parking rates in July of 2009 of $1.00 for the economy and shuttle parking lots.

Car rental revenues increased $1.2 million, or 2.8%, to $44.2 million due to an increase in O&D passenger traffic. Total passenger traffic increased 4.1% for the year ended December 31, 2010; O&D passenger traffic increased 2.9%.

Aviation fuel tax increased in 2010 by $6.8 million, or 40.5%, due to increased fuel prices and flight operations.

Other sales and charges increased by $3.0 million, or 25.7%, due to an increase in natural resources related to the purchase of oil and gas wells this year which was offset by a decrease in charges to tenants for utilities and trash, interest and miscellaneous revenue.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2011, 2010 and 2009:

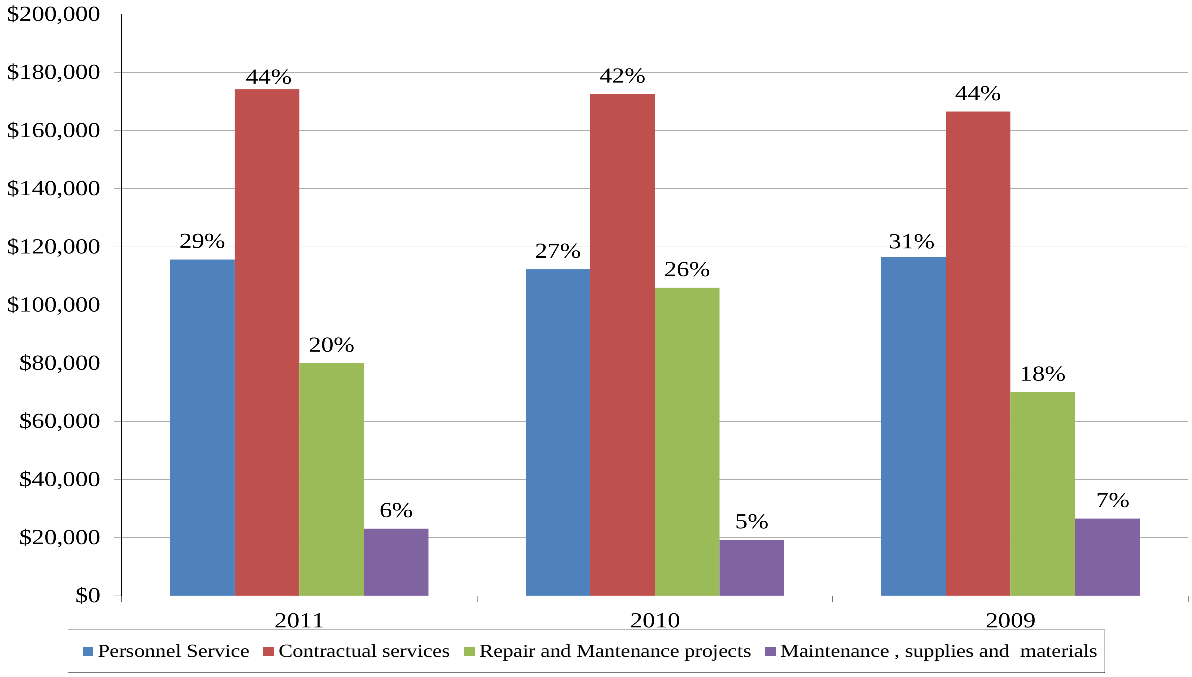
Operating Expenses Before Depreciation and Amortization

(In thousands)

	2011	2010	2009
Operating expenses before depreciation and amortization			
Personnel services	$ 115,648	$ 112,230	$ 116,540
Contractual services	174,203	172,492	166,469
Repair and maintenance projects	79,952	105,943	69,975
Maintenance, supplies, and materials	23,059	19,200	26,533
Total operating expenses before depreciation and amortization	$ 392,862	$ 409,865	$ 379,517

Percentage of Total Operating Expenses before Depreciation and Amortization

($ in thousands)



2011/2010

Operating expenses before depreciation and amortization decreased 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 projects decreased $26 million, or 24.5%, primarily due to construction costs associated with the South Terminal Project, currently in the design stage, being recorded in construction-in-progress and no longer being expensed. Additionally, $25.1 million for the fourth quarter were expensed for such items as runway ramp repairs, roadway surface repair, 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 prices and usage, which is offset by a decrease in computer equipment and hardware.

2010/2009

Operating expenses before depreciation and amortization increased by $30.4 million, or 8.0%, from $379.5 million in 2009 to $409.9 million in 2010.

Personnel services decreased by $4.3 million, or 3.7%, in 2010 which was due to a decrease in snow overtime and direct labor and benefits associated with furlough days taken by personnel during 2010 which was offset by an increase in other City personnel.

Contractual services increased in 2010 compared to 2009 by $6.0 million, or 3.6%, due primarily to an increase in banking service, electricity, trash removal, management services, repair and maintenance of the baggage system, the AGTS train system, nonstructural improvements and roads, offset by a decrease in snow removal, janitorial services, and repair and maintenance of building equipment.

Repair and maintenance projects increased by $36.0 million, or 51.4%, which is primarily due to the expenses for the Flight Information Display System (FIDS), baggage system removal, roadways and surface repairs (apron and ramp), central plant repairs, Concourse A expansion, the South Terminal Redevelopment Program, and parking structure stairway replacements..

Maintenance, supplies and materials decreased $7.3 million, or 27.6%, to $19.2 million from $26.5 million in 2009 due to decreases in runway lightings, emergency lighting, and commercial chemicals and solvents because of decreases in prices and usage, which is offset by an increase in natural gas and periodicals and bulletins.

Nonoperating Revenues and Expenses, Capital Grants, and Capital Contributions

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 decreases in interest expense and other expenses, and an increase in Passenger Facility Charges, 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 the FAA grants.

2010/2009

Total nonoperating expenses, net of nonoperating revenues, increased by $28.0 million to $87.8 million in 2010. The increase was due principally to a decrease in investment income of $26.5 million, net of a receipt of $11.1 million for the termination of the 2007A swaps. There was an increase of $5.7 million, or 5.9%, in PFCs and an increase in other expense due to the cleanup of Stapleton.

In 2010 and 2009, capital grants totaled $25.7 million and $37.0 million, respectively. The decrease was due to the decrease in reimbursements in 2010 for the FAA grants and the Airport receiving grant allocations through the recently enacted American Recovery and Reinvestment Act of 2009.

Summary of Net Assets

The following is a summary of assets, deferred outflows, liabilities, deferred inflows and net assets as of December 31, 2011, 2010, and 2009 (in thousands):

	2011	2010	2009
Assets:			
Current assets, unrestricted	$ 285,811	$ 301,899	$ 206,665
Restricted assets, current	194,059	260,573	167,143
Noncurrent investments	362,037	263,705	299,258
Long-term receivables	11,049	4,885	2,000
Capital assets, net	3,087,363	3,198,235	3,314,609
Bond issue costs, net	42,923	45,594	51,457
Interest rate swaps	58,481	31,715	33,961
Investments - restricted	634,640	686,209	900,246
Assets held for disposition	9,327	9,620	12,799
Total assets	4,685,690	4,802,435	4,988,138
Deferred outflows			
Accumulated decrease in fair value of hedging derivatives	33,852	1,814	-
Liabilities:			
Current liabilities, unrestricted	142,347	110,395	114,180
Current liabilities payable from restricted assets	227,211	242,392	222,924
Bonds payable, noncurrent	3,480,639	3,649,442	3,808,388
Interest rate swaps, noncurrent	304,316	207,548	166,418
Notes payable, noncurrent	13,940	20,640	33,207
Compensated absences payable, noncurrent	6,015	6,020	5,925
Total liabilities	4,174,468	4,236,437	4,351,042
Deferred inflows			
Accumulated increase in fair value of hedging derivatives	-	12,789	34,519
Net assets (deficit):			
Invested in capital assets, net of related debt	(437,712)	(388,461)	(291,115)
Restricted	623,745	666,022	658,095
Unrestricted	359,041	277,462	235,597
Total net assets	$ 545,074	$ 555,023	$ 602,577

2011/2010

Total assets decreased by $116.8 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, cash equivalents and investments of $116.6 million, which was spent principally on construction projects such as the South Terminal Redevelopment Program and on repairs of runways ramps. These decreases were offset by increases in unrestricted investments of $138.0 million, long-term receivables, and interest rate swaps.

Deferred outflows increased by $32 million due to changes in fair values 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. These decreases were offset by increases in other liabilities and interest rate swaps.

Deferred inflows decreased by $12.8 million due to changes in fair values of effective swaps.

Of the Airport System's 2011 total net assets, 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 assets include unrestricted net assets 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 asset 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 investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2010/2009

Total assets decreased by $185.7 million in 2010, compared to 2009. This was primarily due to a decrease in capital assets, net, of $116.4 million, a decrease in bond issues costs and a decrease in restricted cash, cash equivalents and investments of $129.2 million spent on construction projects such as the South Terminal Redevelopment Program and removal of the baggage system. These decreases were offset by an increase in grants receivable and unrestricted cash and cash equivalents and investments.

Deferred outflows increased by $1.8 million due to changes in fair values of effective swaps.

Total liabilities decreased by $114.6 million in 2010, compared to 2009. The decrease was primarily attributed to the payment of principal on the revenue bonds of $138.2 million, and decreases in notes payable and due to other agencies. These decreases are offset by increases in other liabilities and compensated absences.

Deferred inflows decreased by $21.7 million due to changes in fair values of effective swaps.

Of the Airport System's 2010 total net assets, 120% were restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $643.1 million for debt service and $23.0 million for capital projects, respectively.

At December 31, 2010, the remaining net assets include unrestricted net assets of $277.5 million, which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67.3 million of its unrestricted net asset amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt covenant coverage requirements. In addition, ($388.5) million represents the

Airport's investment in capital assets, net of related debt. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

Long-Term Debt

As of December 31, 2011 and 2010, the Airport System had approximately $3.8 and $4.0 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 $306.7 million in 2011.

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 ordinances, 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, 2011 and 2010 was 197% and 180%, respectively, of total debt service.

On October 5, 2011, the Airport System 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 Series 2000A Bonds in the amount of $160,135,000.

On March 9, 2010, the Airport System issued $171,360,000 of the Airport System Revenue Bonds Series 2010A in a fixed-rate mode to current refund all of the 2008A2 term-rate bonds (Subseries 2008A2 Bonds) and a portion of the 2008A3 and 2008A4 (Subseries 2008A3 and 2008A4) term rate bonds.

On February 5, 2010 and February 10, 2010, the Airport System terminated the 2007A Swap Agreements to monetize the economic value of those agreements. The Airport System received $11,092,000 from the counterparties for the settlement of the agreements.

On January 12, 2010, the Airport System terminated the 1999 and 2002 Swap Agreements with RFPC Ltd., due to deterioration in the credit ratings of AMBAC, the credit support provider for those swaps. The Airport System simultaneously entered into an interest rate swap agreement with Loop Financial Products I LLC to replace the 1999 swap agreement. The Airport System received $10,570,000 from Loop Financial Products I LLC to assist in paying the settlement amount of $11,460,000 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 Financials Products I LLC will take into account such payments and will be above the market rate. The 2002 swap agreement was not replaced.

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, 2011 and 2010, the Airport System had capital assets of approximately $3.1 billion and $3.2 billion, respectively. These amounts are net of accumulated depreciation of approximately $2.3 billion and $2.1 billion, respectively.

On September 15, 2010, the Airport System announced that the Airport will gain a third solar-energy installation with the development of a new 4.4 megawatt facility by Denver-based Oak Energy Partners. Project construction began in the fall of 2010, and the project was completed in early 2011.

On August 26, 2010, the Regional Transportation District (RTD) broke ground at the Airport for the FasTracks East Corridor-rail line that will link Downtown Denver to Denver International Airport. The East Corridor Line, which is estimated to be completed in 2016, is the project's only commuter-rail line, but FasTracks also will build light-rail lines for an expanded public transportation rail system in the region.

On July 29, 2010, the Airport unveiled the conceptual design of the South Terminal Redevelopment Program. In conjunction with the RTD FasTracks East Corridor Line, the South Terminal Redevelopment Program is expected to create 6,600 jobs and is scheduled to be finished in 2016. The South Terminal Redevelopment Program includes the construction of a station for the commuter-rail line that will connect the Airport to Downtown Denver and an open-air plaza. A new 500-room hotel and conference center connected to Jeppesen Terminal, is also part of the program.

On March 5, 2010, the Airport System bought 27 oil and natural gas wells on its property for $5.5 million. The Airport owns the mineral rights on all of its 34,000 acres, but had leased approximately 27,000 acres to Petro-Canada Resources (USA) Inc. (PCR) for oil and natural gas exploration. The Airport exercised its preferential right to buy the assets on Airport property and it is anticipated, at current prices, that the wells could produce additional annual revenue of approximately $3.5 million for the Airport.

On March 4, 2010, the Airport System entered into a loan agreement, with Airport Solar I LLC, for $4 million to be repaid together with interest at the rate of 5.5% over twenty years. The principal and interest shall be due and payable in annual installments of $334,717 beginning on January 1, 2011. The loan proceeds will be used to buy the completed commissioned 1.6 megawatt–direct current photo voltaic (solar) electrical generation plant.

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 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, 2011, a total of $1.3 billion has been remitted to the Airport (including interest earned on late payments), of which $105.0 million has been expended on approved projects, $1.2 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $6.8 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of January 1, 2030 or upon the collection of $3.3 billion authorized maximum amount of PFC revenues.

Construction Commitments: As of December 31, 2011, the Airport System had outstanding contractual construction and professional services commitments of approximately $51.1 million and had made over $414.0 million in contractual payments for the year then ended.

The Airport's current 2011-2016 Capital Program includes approximately $909.4 million of planned projects. The Airport has also identified a number of Demand Responsive Projects that will be undertaken only if such projects are needed and are financially viable. The 2011-2016 Capital Programs are expected to be financed with a combination of airport revenue bonds, commercial paper, installment purchase agreements, federal grants, and Airport System monies.

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

Economic Factors

Passenger traffic was up 1.7% in 2011 compared with a national average change of 0.5% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International Airport is United Airlines, which together with its affiliates accounted for approximately 42.7% and 41.8% of passenger enplanements at the Airport in 2011 and for three months of 2012, 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, as of November 30, 2011.

Frontier has the second largest market share at the Airport for 2011. The Airport serves as Frontier's largest hub. Frontier accounted for approximately 22.1% of passenger enplanements in 2011 and 21.4% for the first three months of 2012, respectively.

Frontier filed for bankruptcy protection in April 2008 and received approval of a reorganization plan in September 2009. The airline emerged from bankruptcy on October 1, 2009, as a subsidiary of Republic Holdings, which purchased Midwest Airlines in July 2009. On April 13, 2010, Republic Holdings announced that it had selected Frontier Airlines name for its consolidated branded airline.

As part of its bankruptcy reorganization proceedings and pursuant to the Frontier Stipulated Order, Frontier assumed its use and lease agreement with the Airport, as well as certain ground service and cargo leases. To cure its debt owed to the Airport before filing for bankruptcy, Frontier issued and delivered to the Airport a $3.0 million promissory note, payable in three equal installments plus interest thereon at 3% per annum commencing October 1, 2010. The use and lease agreement was amended to reduce the number of gates that Frontier uses, and to eliminate leased administrative spaces, such as ticket counters and office space. Prior to bankruptcy, Frontier leased 15 gates on Concourse A and used six additional full- service jet gates on Concourse A on a preferential basis. It also leased one common use international gate on Concourse A on a subordinated basis. Pursuant to the amended use and lease agreement, Frontier agreed to lease 18 gates on Concourse A and relinquished its preferential rights to other gates.

Southwest Airlines (Southwest) has the third-largest market share at the Airport for 2011 and the second largest market share for the first three months of 2012. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport, which is the airline's fifth busiest station in its system. Southwest currently leases 17 gates under a use and lease agreement. Southwest, together with AirTran, accounted for approximately 21.8% and 23.3% of passenger enplanements at the Airport in 2011 and the first three months of 2012, 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.

As previously discussed, operating revenues were up .2% in 2011 compared to 2010. Operating income before depreciation and amortization of $209.9 million represented an increase of $18.4 million compared to 2010. Revenues available for sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreements, subject to a $40 million cap for the airlines position, was $95 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, Accounting Controller, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available on-line at www.flydenver.com.

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Unrestricted:		
Cash and cash equivalents	$ 99,598,889	$ 137,851,867
Investments	133,155,686	93,476,444
Accounts receivable (net of allowance for doubtful accounts $237,689 and $1,009,113)	32,214,108	51,048,712
Due from other City agencies	14,235	-
Accrued interest receivable	6,625,556	5,642,097
Other receivables	1,763,561	1,313,051
Inventories	10,705,333	10,732,708
Prepaid expenses and other	1,734,177	1,834,519
Total current unrestricted assets	285,811,545	301,899,398
Restricted:		
Cash and cash equivalents	29,900,522	76,016,953
Investments	144,538,127	163,432,947
Accrued interest receivable	1,461,167	1,714,883
Prepaid expenses and other	2,061,962	2,211,970
Grants receivable	5,857,461	6,925,284
Passenger facility charges receivable	10,239,667	10,271,357
Total current restricted assets	194,058,906	260,573,394
Total current assets	479,870,451	562,472,792
Noncurrent assets:		
Investments	362,037,142	263,704,602
Long-term receivables, net of current portion	11,049,162	4,885,283
Capital assets:		
Buildings	2,000,131,930	1,999,547,458
Improvements other than buildings	2,258,895,410	2,247,619,169
Machinery and equipment	734,921,597	720,543,765
	4,993,948,937	4,967,710,392
Less accumulated depreciation and amortization	(2,262,245,368)	(2,083,584,224)
	2,731,703,569	2,884,126,168
Construction-in-progress	60,355,766	18,805,831
Land, land rights and air rights	295,303,475	295,303,475
Total capital assets	3,087,362,810	3,198,235,474
Bond issue costs, net of accumulated amortization	42,922,700	45,594,223
Interest rate swaps	58,481,233	31,714,500
Investments - restricted	634,640,342	686,208,559
Assets held for disposition	9,326,437	9,620,168
Total noncurrent assets	4,205,819,826	4,239,962,809
Total assets	4,685,690,277	4,802,435,601
Deferred Outflows		
Accumulated decrease in fair value of hedging derivatives	33,851,633	1,813,815

City and County of Denver
Municipal Airport System

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	2011	2010
Liabilities		
Current liabilities:		
Unrestricted:		
Vouchers payable	$ 31,192,632	$ 29,529,578
Due to other City agencies	6,065,644	7,206,481
Compensated absences payable	2,610,352	2,359,480
Other liabilities	40,781,756	8,204,483
Revenue credit payable	40,000,000	40,000,000
Deferred rent	21,696,494	23,095,107
Total current unrestricted liabilities	142,346,878	110,395,129
Restricted:		
Vouchers payable	18,420,636	24,165,133
Retainages payable	16,875,018	17,019,196
Accrued interest and matured coupons	22,832,632	25,342,787
Notes payable	6,700,032	10,789,052
Other liabilities	21,322,630	31,471,049
Revenue bonds	141,060,000	133,605,000
Total current restricted liabilities	227,210,948	242,392,217
Total current liabilities	369,557,826	352,787,346
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	3,637,635,000	3,841,940,000
(Less) plus:		
Deferred losses on bond refundings	(227,005,888)	(253,473,480)
Net unamortized premiums	70,010,140	60,975,306
Total bonds payable, noncurrent	3,480,639,252	3,649,441,826
Interest rate swaps	304,315,851	207,548,413
Notes payable	13,940,213	20,640,245
Compensated absences payable	6,014,921	6,019,665
Total noncurrent liabilities	3,804,910,237	3,883,650,149
Total liabilities	4,174,468,063	4,236,437,495
Deferred Inflows		
Accumulated increase in fair value of hedging derivatives	-	12,788,811
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(437,712,331)	(388,461,289)
Restricted for:		
Capital projects	18,562,436	22,959,179
Debt service	605,182,758	643,063,432
Unrestricted	359,040,984	277,461,788
Total net assets	$ 545,073,847	$ 555,023,110

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Facility rentals	$ 212,407,814	$ 231,603,031
Concession	47,499,304	43,397,645
Parking	132,728,104	123,672,753
Car rental	46,352,620	44,180,988
Landing fees	116,505,913	120,054,119
Aviation fuel tax	28,892,133	23,680,542
Other sales and charges	18,383,413	14,812,923
Total operating revenues	602,769,301	601,402,001
Operating expenses:		
Personnel services	115,647,989	112,229,670
Contractual services	174,203,413	172,492,471
Repair and maintenance projects	79,951,470	105,943,200
Maintenance, supplies and materials	23,058,681	19,199,594
Total operating expenses, before depreciation and amortization	392,861,553	409,864,935
Operating income before depreciation and amortization	209,907,748	191,537,066
Depreciation and amortization	179,069,943	181,496,012
Operating income	30,837,805	10,041,054
Nonoperating revenues (expenses)		
Passenger facility charges	103,209,991	102,594,509
Investment income	32,489,698	47,751,657
Interest expense	(209,599,454)	(225,053,652)
Grants	400,500	400,500
Other expense	(1,989,394)	(13,487,848)
Total nonoperating expenses, net	(75,488,659)	(87,794,834)
Loss before capital grants and contributions	(44,650,854)	(77,753,780)
Capital grants	34,701,591	25,689,789
Capital contributions	-	4,510,000
Change in net assets	(9,949,263)	(47,553,991)
Net assets, beginning of year	555,023,110	602,577,101
Net assets, end of year	$ 545,073,847	$ 555,023,110

See accompanying notes to financial statements.

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 626,056,437	$ 620,610,627
Payments to suppliers	(259,535,060)	(299,439,071)
Interfund activity payments to other funds	(16,335,504)	(17,511,948)
Payments to employees	(115,369,822)	(111,763,153)
Net cash provided by operating activities	234,816,051	191,896,455
Cash flows from noncapital financing activities		
Operating grants received	400,500	400,500
Proceeds from imputed debt on swap termination	-	10,570,000
Net cash provided by noncapital financing activities	400,500	10,970,500
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	2,485,087	1,638,822
Principal paid on notes payable	(10,789,052)	(16,361,259)
Principal paid on revenue bonds	(174,505,000)	(153,550,000)
Interest paid on revenue bonds	(149,836,846)	(164,093,290)
Bond issuance costs paid	(5,335,284)	(2,691,088)
Interest paid on notes payable	(1,004,993)	(1,651,876)
Capital grants receipts	35,769,414	23,632,392
Passenger Facility Charges	103,241,681	101,421,580
Purchases of capital assets	(30,318,980)	(36,210,196)
Payments of accrued expenses for capital assets	(34,650,433)	(36,251,283)
Payments to escrow for current refunding of debt	(15,316,126)	-
Payments to bond reserve fund	-	(899,631)
Proceeds from sale of capital assets	133,448	155,290
Net cash used in capital and related financing activities	(280,127,084)	(284,860,539)
Cash flows from investing activities:		
Purchases of investments	(3,640,956,453)	(4,736,385,532)
Proceeds from sales and maturities of investments	3,551,334,280	4,821,530,276
Proceeds from sales of assets held for disposition	293,731	3,178,985
Proceeds from swap termination	-	11,092,000
Swap termination payment	-	(10,570,000)
Interest rate swap settlements	(37,934,874)	(37,895,232)
Payments to maintain assets held for disposal	(17,001,083)	(8,416,297)
Insurance recoveries for Stapleton environmental remediation	25,798,064	10,855,091
Interest and dividends on investments and cash equivalents	79,007,459	73,650,159
Net cash provided by (used in) investing activities	(39,458,876)	127,039,450
Net increase (decrease) in cash and cash equivalents	(84,369,409)	45,045,866
Cash and cash equivalents, beginning of year	213,868,820	168,822,954
Cash and cash equivalents, end of year	$ 129,499,411	$ 213,868,820

City and County of Denver
Municipal Airport System

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 30,837,805	$ 10,041,054
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	179,069,943	181,496,012
Miscellaneous income	566,050	1,546,939
Changes in assets and liabilities:		
Receivables, net of allowance	(8,968,719)	357,306
Inventories	27,375	6,870
Prepaid expenses and other	100,342	4,808,302
Vouchers and other payables	1,663,054	(4,730,289)
Deferred rent	(1,398,613)	40,751
Due to other City agencies	(1,155,072)	(16,462,469)
Compensated absences	246,128	198,515
Other operating liabilities	33,827,758	14,593,464
Net cash provided by operating activities	$ 234,816,051	$ 191,896,455

Noncash activities:

The Airport System issued bonds in the amount of $563,410,000 and $171,360,000 in 2011 and 2010, respectively, in order to refund debt and fund capital projects. Net bond proceeds of $586,439,192 ($563,410,000 plus original issue premium of $28,129,083; less underwriters discount of $2,614,804; less cash proceeds to the Airport of $2,485,087) and $110,995,192 ($171,360,000 plus original issue premium of $14,592,502; less underwriters discount of $974,087; less cash proceeds to the Airport System of $1,638,822; less payment to purchase and retire certain 2008A-3 and 2008A-4 Bonds of $72,344,401) for 2011 and 2010, 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 $28,129,083 and $14,592,502, were realized on the issuance of bonds in 2011 and 2010, respectively.

	2011	2010
Unrealized gain on investments	$ 22,073,428	$ 15,818,566
Unrealized loss on derivatives	(25,174,076)	(8,740,982)
Capital assets added through incurrence of vouchers and retainages payable	30,383,877	34,650,433
Amortization of bond premiums, deferred losses on bond refundings, and bond costs	16,626,877	17,617,855

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 (the Airport or Denver International) and certain assets of Stapleton International Airport (Stapleton) and are referred to herein as the City and County of Denver Municipal Airport System (the Airport System). The Airport System is operated as the Department of Aviation, with a Manager of Aviation appointed by and reporting to the Mayor.

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

The Airport System has applied all applicable Governmental Accounting Standards Board (GASB) pronouncements, including National Council on Governmental Accounting Statements and Interpretations in effect at December 31, 2011. In implementing GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airport System elected not to adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(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, 2011 and 2010. 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 2011 and 2010 was $6,422,557 and $3,370,616, respectively.

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

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

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

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

(g) Assets Held for Disposition

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

(h) Compensated Absences Payable

The Airport System has recorded an accrued liability for accumulated benefits in accordance with the City's vacation and sick leave policies. Employees may accumulate earned but unused benefits up to a specified maximum. The vesting method is used by the Airport System to estimate its accrued sick leave compensated absences liability.

(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. As of December 31, 2011, the Airport System, recorded a current liability of $122,721 for the 2012 payments with the program ending on June 30, 2012. As of December 31, 2010, the Airport System recorded a current liability of $245,442 for the 2011 payments and a long-term liability of $120,036 for 2012 payments. The liability for 2012 was calculated using the present value of the payments. The discount rate of .23% used for the present value calculation was based on the projected yield of investments that will be used to fund the future payments. The amounts related to SIP are included in the statement of net assets in compensated absences as of December 31, 2011 and 2010.

(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 Assets

2011

The Airport System's assets exceeded liabilities by $545,073,847 as of December 31, 2011, a $9,949,263 decrease in net assets from the prior year-end. Of the Airport System's 2011 net assets, 114.4% are 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 assets restricted for capital projects represent $18,562,436.

The remaining net assets include unrestricted net assets of $359,040,984 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated $67,267,320 of its unrestricted net asset 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, ($437,712,331) represents the Airport System's investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

2010

The Airport System's assets exceeded liabilities by $555,023,110 as of December 31, 2010, a $47,553,991 decrease in net assets from the prior year-end. Of the Airport System's 2010 net assets, 120.0% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent $643,063,432 and are externally restricted for debt service. The net assets restricted for capital projects represent $22,959,179.

The remaining net assets include unrestricted net assets of $277,461,788 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 assets 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, ($388,461,289) represents the Airport System's 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 assets distinguish operating revenues and expenses from nonoperating activity and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denver International's principal ongoing operations. The principal operating revenues of the Airport System are charges to airline tenants for facility rentals, landing fees and parking. Operating expenses include the cost of providing services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. Such items include Passenger Facility Charges (PFCs), interest expense, interest income, 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 revenue, expenses, and changes in net assets 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, 2011 and 2010, the Airport System had accrued a liability to the airlines, included in current other liabilities, of $15,731,054 and $6,831,425, respectively.

50% of Net Revenues (as defined by the bond ordinance), with an annual cap of $40,000,000 remaining at the end of each year are to be credited in the following year to the passenger airlines signatory use and lease agreements. The Net Revenues credited to the airlines totaled $40,000,000 for both 2011 and 2010. Liabilities for these amounts were accrued as of December 31, 2011 and 2010 and are reported in the statement of net assets 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 2010 balances have been reclassified to conform to the 2011 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, 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. At December 31, 2010, the amount of the Airport System's deposits was $7,143,659. In addition, the Airport System had $5,084,492 in uncashed payroll and vendor warrants at December 31, 2010.

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. It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. The City's Investment Policy applies to all investment activity of the City under the control of the 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, 2011 and 2010, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

	December 31, 2011	December 31, 2010
Cash equivalents (including cash-on-hand)	$ 12,624	$ 2,257
Certificates of Deposit	28,396	—
Local government investment pools	43,837	45,805
Municipal securities	531	499
Commercial paper	122,599	233,985
State and local government securities	5,773	5,842
U.S. Treasury securities	210,870	244,971
U.S. agency securities	979,241	887,333
	$ 1,403,871	$ 1,420,692

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2011 and 2010, is as follows (amount expressed in thousands).

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$ 99,599	$ 137,852
Investments	495,193	357,181
Restricted cash equivalents	29,901	76,017
Restricted investments	779,178	849,642
	$ 1,403,871	$ 1,420,692

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 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, 2011, 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	$ 122,599	$ 122,599	$ —	$ —	$ —
U.S. Treasury securities	210,870	5,392	179,198	26,280	—
U.S. agency securities	979,241	164,462	562,350	197,030	55,399
Total	$ 1,312,710	$ 292,453	$ 741,548	$ 223,310	$ 55,399

** 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, 2011, the Airport System's portfolio included callable U.S. agency securities with a fair value of $37,319,486. 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 of AAA. Of the City's investments at December 31, 2011, commercial paper, municipal variable rate demand obligations (VRDO's), state and local government securities, U.S. agency securities and local government investment pools were subject to credit quality risk. The VRDO's were issued by the City. 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. The investment policy requires that the VRDO's have a minimum underlying issuer rating from at least one of the three rating agencies of A from Standard & Poor's and Fitch and A2 from Moody's. State and local government securities and U.S. agency 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 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, 2011, all of the City's investments subject to credit quality risk 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, 2011, 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% of total investments and investments in municipal securities to 15% of total investments.

As of December 31, 2011, 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, 2011 and 2010, an allowance of $237,689 and $1,009,113, respectively, had been established.

(5) Capital Assets

Changes in capital assets for the years ended December 31, 2011 and 2010 were as follows (in thousands):

	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

	2010				
	January 1, 2010	**Additions**	**Transfers of completed projects**	**Retirements and impairments**	**December 31, 2010**
Depreciable:					
Buildings	$ 1,988,352	$ 4,509	$ 10,100	$ (3,414)	$ 1,999,547
Improvements other than buildings	2,161,395	-	86,337	(113)	2,247,619
Machinery and equipment	689,952	11,185	20,551	(1,144)	720,544
	4,839,699	15,694	116,988	(4,671)	4,967,710
Less accumulated depreciation and amortization	(1,904,392)	(181,496)	-	2,304	(2,083,584)
	2,935,307	(165,802)	116,988	(2,367)	2,884,126
Nondepreciable:					
Construction-in-progress	83,996	56,232	(116,988)	(4,434)	18,806
Land, land rights, and air rights	295,306	-	-	(3)	295,303
Total capital assets	$ 3,314,609	$ (109,570)	$ -	$ (6,804)	$ 3,198,235

(6) Assets Held for Disposition

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

In 1999, as the land that comprised the former Stapleton International Airport (SIA) was being prepared for sale, the City purchased from American International Specialty Lines Insurance (AISLIC) a Pollution Legal Liability Policy (PLL) to cover unknown environmental conditions at SIA. AISLIC is a subsidiary of AIG Commercial Group, Inc. and has now become Chartis Specialty Insurance Company. Beginning in 2003, certain areas of SIA were found to have friable asbestos in the soil, and the City filed Notices of Loss with AISLIC as asbestos continued to be found in new sites. Originally, AISLIC accepted the claims. As the claims climbed into the tens of millions of dollars, however, AISLIC reconsidered and began denying claims on the basis that the City's remediation choices exceeded what was required by law. AISLIC now Chartis, has made over $100 million in payments for remediation covered by the PLL and the now-closed cost cap policies through February 2011. Several additional remediation projects were on hold in 2009 due to denial of coverage, but the parties have worked collectively throughout 2009 and 2010 to reach agreement, on a site by site basis; and the City has been able to proceed and complete several of the projects which had been on hold. In 2010, major remediation in Filing 19 and Filing 7 was completed and paid for by Chartis, and additional work was completed without dispute in 2011. As of close of 2011, Chartis has paid all formerly disputed remediation costs, and invoices were current within 90 days. Accordingly, litigation will not be necessary, and there no longer is any risk of loss in excess of the materiality limits.

The carrying value of Stapleton was $9,326,437 and $9,620,168 at December 31, 2011 and 2010, respectively. The current and anticipated costs accrued in other liabilities for the environmental liability for Stapleton was $15,237,219 and $26,636,123 at December 31, 2011 and 2010, respectively. The Airport has accrued $9,886,711 and $31,075,645 of insurance recoveries in accounts receivable at December 31, 2011 and 2010, respectively. The Airport has received payments for insurance recovery totaling $25,798,064 in 2011 and $10,855,091 in 2010.

(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 2011 and 2010 totaled $16,335,504 and $17,511,948, 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 $46,271,093 and $46,576,613 for the years ended December 31, 2011 and 2010, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled $6,065,644 and $7,206,481 at December 31, 2011 and 2010, respectively.

The outstanding receivable from the City and its related agencies totaled $14,235 and $0 at December 31, 2011 and 2010, respectively.

(8) Bonds Payable

Changes in long-term debt for the years ended December 31, 2011 and 2010 were as follows (in thousands):

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	

2010	January 1, 2010	Additions	Refunded debt	Retirements	December 31, 2010	Amounts due within one year
Airport System revenue bonds	$ 3,977,855	$ 171,360	$ (178,405)	$ (138,224)	$ 3,832,586	$ 125,954
Economic defeasance	54,880	-	-	-	54,880	-
Baggage defeasance	103,405	-	-	(15,326)	88,079	7,651
Less deferred loss on bonds	(274,565)	(881)	-	21,973	(253,473)	-
Plus unamortized premiums	59,208	11,547	-	(9,780)	60,975	-
Total bond debt	$ 3,920,783	$ 182,026	$ (178,405)	$ (141,357)	3,783,047	$ 133,605
Less current portion					(133,605)	
Noncurrent portion					$ 3,649,442	

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2011 and 2010 are as follows:

Bond	Maturity	Interest Rate	Amount Outstanding 2011	Amount Outstanding 2010
Airport system revenue bonds				
Series 1991D Term bonds	November 15, 2013	7.75%	$ 25,198,577	$ 39,969,228
Series 1992F, G*	November 15, 2025	0.230%	40,600,000	42,300,000
Series 1995C Term bonds	November 15, 2012	6.50%	3,770,000	7,305,000
Series 1997E Serial bonds	Annually November 15, 2011 and 2013	6.00%	16,902,745	34,461,718
Series 1998A Term bonds	November 15, 2025	5.00%	128,695,000	128,695,000
Series 1998B Term bonds	November 15, 2025	5.00%	103,395,000	103,395,000
Series 2000A				
Serial bonds	Annually November 15, 2011 to 2019	5.125-6.00%	-	141,600,000
Term bonds	November 15, 2023	5.625%	-	31,495,000
Series 2001A Serial bonds	Annually November 15, 2011 to 2017	5.00-5.625%	-	182,344,765
Series 2001B Serial bonds	Annually November 15, 2013 to 2016	4.75-5.50%	-	16,675,000
Series 2001D Serial bonds	Annually November 15, 2011 to 2024	5.00-5.50%	-	46,940,000
Series 2002C*	November 15, 2024	0.230%	33,900,000	35,500,000
Series 2002E Serial bonds	Annually November 15, 2011 to 2023	4.75-5.50%	117,140,000	129,140,000
Series 2003A Term bonds	November 15, 2026 and 2031	5.00%	161,965,000	161,965,000
Series 2003B Term bonds	November 15, 2033	5.00-5.75%	75,460,000	75,460,000
Series 2005A Serial bonds	Annually November 15, 2011 to 2025	4.00-5.00%	218,485,000	224,510,000
Series 2006A Serial bonds	Annually November 15, 2015 to 2025	4.00-5.00%	279,585,000	279,585,000
Series 2006B Serial bonds	Annually November 15, 2011 to 2015	5.00%	65,690,000	90,365,000
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	.89-.90%	206,025,000	206,525,000
Series 2007G1-G2*	November 15, 2025	0.110%	147,000,000	147,400,000

Bond	Maturity	Interest Rate	Amount Outstanding 2011	2010
Series 2008A1 Serial bonds	Annually November 15, 2011 to 2017	5.00-5.50%	138,765,000	161,100,000
Series 2008A2-A4 Term rate bonds	November 15, 2032	5.00-5.25%	-	194,410,000
Series 2008B*	November 15, 2025	1.27%	75,100,000	75,700,000
Series 2008C1-C3*	November 15, 2025	.956%-1.271%	292,600,000	292,600,000
Series 2009A	November 15, 2012 to 2036	5.00-5.25%	170,190,000	170,190,000
Series 2009B	November 15, 2039	6.414%	65,290,000	65,290,000
Series 2009C*	November 15, 2022	0.100%	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%	349,730,000	-
Series 2011B	November 15, 2024	2.5-5.00%	198,370,000	-
Series 2011C	November 15, 2016	3.00-5.00%	15,310,000	-
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, 2011 to 2021	5.00-7.75%	46,983,678	88,079,289
Total revenue bonds			3,778,695,000	3,975,545,000
Less current portion			(141,060,000)	(133,605,000)
Net unamortized premiums			70,010,140	60,975,306
Deferred loss on refundings			(227,005,888)	(253,473,480)
Total bonds payable noncurrent			$ 3,480,639,252	$ 3,649,441,826

* Variable rates are as of December 31, 2011
** Auction rates are as of December 31, 2011

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.

(a) 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.

(b) Bond Issuances

On October 5, 2011, the Airport System 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 Series 2000A Bonds in the amount of $160,135,000.

On March 9, 2010, the Airport System issued $171,360,000 of Airport System Revenue Bonds, Series 2010A, in a fixed-rate mode to current refund all of the Subseries 2008A2 Bonds and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds.

(c) Deferred Refunding

The proceeds of the 2011A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A3 and Subseries 2008A4, 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 with a difference between the reacquisition price of $355,863,243 and the net carrying amount of the old debt of $357,294,392, and 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 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 with a difference between the reacquisition price of $230,575,950 and the net carrying amount of the old debt of $233,767,113, and 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.

The proceeds of the 2010A Bonds were used together with other Airport monies to current refund all of the Subseries 2008A2 Bonds, and a portion of the Subseries 2008A3 and Subseries 2008A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt with a difference between the reacquisition price of $182,266,410 and the net carrying amount of the old debt of $181,384,701, and the recognition of a deferred loss on refunding in the amount of $881,709. The deferred loss on refunding is being amortized over the remaining life of the old debt. The transaction resulted in a difference in cash flows to service the old debt and the new debt of $(1,913,323) and an economic loss of $2,231,478.

(d) 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, 2011 and 2010, respectively, $65,720,000 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, 2011 are as follows:

	Principal	Interest
Year:		
2012	$ 132,911,839	$ 144,216,615
2013	136,949,483	131,913,213
2014	138,240,000	131,733,260
2015	144,205,000	125,762,636
2016	160,965,000	118,948,308
2017-2021	804,745,000	488,577,291
2022-2026	1,519,440,000	293,254,327
2027-2031	383,365,000	129,403,609
2032-2036	195,380,000	40,632,116
2037-2039	60,630,000	7,938,929
Total	$ 3,676,831,322	$ 1,612,380,304

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2011, are as follows:

	Principal	Interest
Year:		
2012	$ -	$ 3,601,900
2013	14,800,000	3,601,900
2014	-	2,454,900
2015	-	2,454,900
2016	-	2,454,900
2017-2021	-	12,274,500
2022-2025	40,080,000	8,345,925
Total	$ 54,880,000	$ 35,188,925

Debt service requirements for the economic defeasance ABS Baggage System of the Airport System to maturity as of December 31, 2011, are as follows:

	Principal	Interest
Year:		
2012	$ 8,148,161	$ 2,664,333
2013	11,425,517	2,175,531
2014	10,000	1,490,200
2015	10,000	1,489,800
2016	10,000	1,489,400
2017-2021	27,380,000	5,151,424
Total	$ 46,983,678	$ 14,460,688

(b) Notes Payable

The Airport System entered into two Master Installment Purchase Agreements on March 15, 2004, one with Siemens Financial Services for $20 million and one with GE Capital Public Finance Inc. for $13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.64% based on a 30/360 calculation for 2004. Payments are due semiannually to Siemens Financial Services and quarterly to GE Capital Public Finance. The Airport System entered into three Master Installment Purchase Agreements on October 26, 2006, and one on August 1, 2006. These include two agreements with Koch Financial Corporation for $23.0 million and $2.0 million, for a total of $25.0 million, and two agreements with GE Capital Public Finance for $9.0 million and $20.0 million for a total of $29.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16%, and 4.67% based on a 30/360 calculation for 2007. 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 3.33% based on 30/360 calculation for 2008.

The payment schedule relating to note requirements as of December 31, 2011 is as follows:

	Principal	Interest
Year:		
2012	$ 6,700,032	$ 695,334
2013	5,602,998	460,506
2014	3,548,309	298,541
2015	3,688,168	158,683
2016	1,100,738	32,559
	$ 20,640,245	$ 1,645,623

Changes in notes payable for the years ended December 31, 2011 and 2010 were as follows:

	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	

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Notes payable	$ 47,790,558	$ -	$ (16,361,261)	$ 31,429,297	$ 10,789,052
Less current portion				(10,789,052)	
Noncurrent portion				$ 20,640,245	

(10) Demand Bonds

Included in long-term debt are $40,600,000 for Series 1992F, G; $33,900,000 of Series 2002C, $75,100,000 of Series 2008B, $92,600,000 of Series 2008C1, $200,000,000 of Series 2008C2-C3, $104,655,000 of Series 2009C and $147,000,000 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 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 2008 C2-C3 Bonds at a floating rate index to one month LIBOR. Series 1992F, 1992G, 2002C, 2007G1-G2, and 2009C each have irrevocable letter of credits 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, 2007G, and 2009C 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	$ 22,200,000	$ 22,543,036	0.163%	October 2, 2014
Series 1992G	18,400,000	18,684,318	0.163%	October 2, 2014
Series 2002C	33,900,000	34,423,825	0.163%	October 2, 2014
Series 2007G1-G2	147,000,000	148,691,507	0.280%	November 13, 2014
Series 2009C	104,655,000	106,134,507	1.400%	November 5, 2012

* As of December 31, 2011 and 2010 no amounts have been drawn under any of the existing agreements.

Subsequent to year-end, the Airport System is evaluating various financing options for the Series 2009C Bonds with respect to the letter of credit expiration date.

(11) Bond Ordinance Provisions

(a) 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.

(b) 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 are 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, 2011 and 2010, and the changes in fair value of 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	Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2011
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)

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	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 + 0.10%	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)

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date		Associated Debt Series	Payable Swap Rate	Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2010
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 Inflow	6,153,589	$ (22,978,744)
								Investment Income	(2,051,953)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025		2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Inflow	5,990,855	(21,794,453)
								Investment Income	(2,021,400)	
1999 Swap Agreements										
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022		(1)	5.6179%	SIFMA	Deferred Inflow	3,985,328	(25,405,318)
								Investment Income	(2,305,411)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022		(1)	5.5529%	SIFMA	Deferred Inflow	1,978,823	(12,413,640)
								Investment Income	(1,127,226)	
RFPC, LTD.	10/4/2001	50	11/1/2022	*	(1)	5.6229%	SIFMA	Deferred Inflow	3,621,213	-
								Investment Income	(15,507,041)	
2002 Swap Agreements										
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022		(1)	SIFMA	76.33% LIBOR	Investment Income	2,038,379	(2,219,168)
RFPC, LTD.	4/15/2002	100	11/1/2022	*	(1)	SIFMA	76.00% LIBOR	Investment Income	(302,124)	-
2005 Swap Agreements										
Royal Bank of Canada	11/15/2006	55.917	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025		2006A	3.6874%	70% LIBOR	Investment Income	2,258,775	(7,084,429)
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	4,527,239	(13,832,878)
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025		2006A	3.6560%	70% LIBOR	Investment Income	2,263,619	(6,916,439)
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	6,334,036	(26,882,349)
GKB Financial Services Corp.	11/15/2007	59.583	11/15/2025		2007F-G(2)	4.0085%	70% LIBOR	Investment Income	2,111,345	(8,960,783)

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date		Associated Debt Series	Payable Swap Rate	Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2010
2006B Swap Agreements										
Royal Bank of Canada	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
JP Morgan Chase Bank, N.A.	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
Jackson Financial Products, LLC	11/15/2006	111.834	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(2,238,886)	12,685,800
Piper Jaffray Financial Products, Inc.	11/15/2006	55.917	11/15/2025		2006A	SIFMA	4.0855%	Investment Income	(1,119,443)	6,342,900
2007A Swap Agreements										
JP Morgan Chase Bank, N.A.	5/1/2010	150	11/1/2022	*	n/a	LIBOR	LIBOR	Investment Income	5,881,139	-
Royal Bank of Canada	5/1/2010	50	11/1/2022	*	n/a	LIBOR	LIBOR	Investment Income	1,962,713	-
2008A Swap Agreement										
Royal Bank of Canada	12/18/2008	119.117	11/15/2025		2007F-G(2)	4.0085%	70% LIBOR	Investment Income	4,224,019	(17,914,761)
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	3,969,393	(21,504,121)
2009A Swap Agreement										
Loop Financial Products I LLC	1/12/2010	50	11/15/2022		(1)	5.6229%	SIFMA	Deferred Outflow	1,813,815	(12,724,891)
								Investment income	10,911,076	
Total										$ (175,833,913)

(1) previously associated with the 2001 C1-C4. 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

* swap agreements terminated or replaced during 2010

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, 2011 and December 31, 2010. 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, 2011. 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, 2011, 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, 2011 are as follows:

	Ratings of the counterparty or its credit support provider		
Counterparty (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

The ratings of the counterparties, or their credit support providers, as of December 31, 2010 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.	AA-	Aa1	AA-
LOOP Financial Products, LLC			
(Deutsche Bank, AG, New York Branch)	A+	Aa3	AA-
Merrill Lynch Capital Services, Inc.			
(Merrill Lynch & Co., Inc.)	A	A2	A+
Royal Bank of Canada	AA-	Aa1	AA
Societe Generale, New York Branch	A+	Aa2	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
GKB Financial Services Corporation II, Inc.			
(Societe Generale New York Branch)	A+	Aa2	A+
Piper Jaffray Financial Products, Inc.			
(Morgan Stanley Capital Services, Inc.)	A	A2	A

As of December 31, 2011, 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 4.7463%. The 1998 Swap Agreements became effective on October 4, 2000, and payments under these 1998 Swap Agreements commenced on November 1, 2000.

The 1999 Swap Agreements and Associated Debt – On July 28, 1999, the Airport System entered into interest rate Swap Agreements (the 1999 Swap Agreements) 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 2001 C1-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 currently 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 SIFMA, on $150 million of obligations. The aggregate weighted average fixed rate payable by the Airport System under the 1999 Swap Agreements is 5.596%. 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 Agreement 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 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 respective financial institutions. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.165% 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 76.165% of LIBOR received under the 2002 Swap Agreement. 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 London Interbank Offered Rate for one-month deposits of U.S. dollars (LIBOR) payable by the respective financial institutions.

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

The aggregate weighted average fixed rate payable by the Airport System under the 2005 Swap Agreements is 3.66%. The Airport System is exposed to basis risk under the 2005A Swap Agreements, due to the difference in indices between 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 $179.9 million and $60.0 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Swap Agreement and 70% of London Interbank Offered Rate for one month deposits of U.S. dollars (LIBOR) 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 1-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 2007A Swap Agreements – On December 21, 2007, the City entered into interest rate swap agreements (the 2007A Swap Agreements) with two financial institutions to effectively change the amounts it receives under the

2002 Swap Agreements from a percentage of the London Interbank Offered Rate (LIBOR) for one-month deposits of U.S. dollars (one-month LIBOR) to a percentage of LIBOR for ten-year deposits of U.S. dollars (ten-year LIBOR). The 2007A Swap Agreements have notional amounts of $150.0 million and $50.0 million, $100 million relate to the 2008C commercial paper, $78.8 of Series 2008B Bonds and $12.2 of Series 2002C Bonds and provide for certain payments to or from each financial institution equal to the difference between a percentage of one-month LIBOR payable by the Airport System and a percentage of ten-year LIBOR payable by the respective financial institutions. The net effect of the 2007A Swap Agreements, when considered together with the 2002 Swap Agreements, is that the Airport System will receive 65.55% of ten-year LIBOR, rather than 76.165% of one-month LIBOR, to offset the actual rate paid on the 2008 Commercial paper, Series 2008B Bonds and a portion of the Series 2002C Bonds (see "the 1999 Swap Agreements and Associated Debt" and "the 2002 Swap Agreements and Associated Debt").

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

On February 5, 2010 and February 10, 2010, the City terminated the 2007A Swap Agreements in order to monetize the economic value of those Swap Agreements and received $11,092,000 from the counterparties.

The 2008A Swap Agreement – On December 18, 2008, the City 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 London Interbank Offered Rate (LIBOR) for one month deposits of U.S. dollars payable to Royal Bank of Canada. The City 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 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 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 Swap Agreement commenced on January 1, 2009.

The 2008B Swap Agreement – On January 8, 2009, the City 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 London Interbank Offered Rate (LIBOR) for three month deposits of U.S. dollars payable by Loop Financial

Products I LLC. The City 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 City 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 Swap Agreement commenced on February 1, 2009.

The 2009A Swap Agreement – On January 12, 2010, the City 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 Swap Agreement and the SIFMA index payable by Loop Financial Products I LLC. The City 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 Product I LLC, the fixed rate to be paid by the City 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, 2011):

Swaps	**1999, 2002 2009A (1)**	**2005,2006B**	**2006A,2008A**	**1998**	**2008B**
Associated Debt	**2002C, 2008B, 2009C(2)**	**2006A**	**2007F-G, 2002C(3)**	**2008C2-C3**	**2008C1, 2002C(4)**
Payment to Counterparty:	5.703%	3.762%	4.009%	4.740%	4.760%
Payment from Counterparty:	.325%	4.292%	.207%	.307%	.507%
Net Swap Payment:	5.378%	(0.530%)	3.802%	4.433%	4.253%
Associated Bond Interest Rate:	.552%	4.950%	0.564%	0.960%	1.193%
Net Swap & Bond Payment:	5.930%	4.420%	4.366%	5.393%	5.446%

(1) Associated 1999 Swaps with RFPC, Ltd. was terminated, and replaced with 2009A Swap Agreement, and associated 2002 Swap with RFPC, Ltd. was terminated on January 12, 2010. The 2007A swaps were terminated on February 5, 2010 and February 10, 2010. Because these swaps were not scheduled to be effective until May 1, 2010 the effect of these swaps are not included.

(2) Swaps currently associated by the Airport with $104.655 million 2009C, $75.10 million Series 2008B, and a portion of the Series 2002C Bonds.

(3) Swaps currently associated by the Airport with $206,025,000 Series 2007F1-F4, $147,000,000 Series 2007G1-G2, and a portion of the Series 2002C Bonds.

(4) Swaps currently associated by the Airport with $92,600,000 Series 2008C1, and a portion of the Series 2002C Bonds.

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2011, 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:				
2012	$ 600,000	$ 3,023,609	$ 19,745,977	$ 23,369,586
2013	4,700,000	3,015,989	19,745,977	27,461,966
2014	4,800,000	2,956,299	19,745,977	27,502,276
2015	6,045,000	2,895,339	19,745,977	28,686,316
2016	7,500,000	2,829,435	19,745,977	30,075,412
2017-2021	223,635,000	11,982,807	82,438,945	318,056,752
2022-2025	152,120,000	3,644,553	14,501,724	170,266,277
Total	$ 399,400,000	$ 30,348,031	$ 195,670,554	$ 625,418,585

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2011.

(13) Denver International Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2011 and 2010, Special Facility Revenue Bonds outstanding totaled $282,785,000 and $298,255,000, respectively.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2011 and 2010 are as follows:

	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	

	Balance January 1, 2010	Additions	Retirements	Balance December 31, 2010	Amounts due within one year
Compensated absences payable	$ 8,180,630	$ 5,889,120	$ (5,690,605)	$ 8,379,145	$ 2,359,480
Less current				(2,359,480)	
Noncurrent portion				$ 6,019,665	

(15) Pension Plan

Substantially all of Denver International's employees are covered under the City'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. The DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 2008, the date of the last actuarial valuation, the plan was under-funded; however, there is no Net Pension Obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the plan. The Board monitors the plan continually to ensure an appropriate level of funding.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

(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, 2011, 2010, and 2009 were approximately $43,047,000, $38,427,000, and $41,006,000, respectively, which equaled the required contributions each year. Denver International's share of the City's contributions for the years ended December 31, 2011, 2010, and 2009 were approximately $6,268,376, $5,509,853, and $5,782,918, 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.

(16) 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 Denver Employees Retirement Plan (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 purposes 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 $864,100, $743,100 and $693,000 for the years ended December 31, 2011, 2010 and 2009, respectively, based on a pay-as-you-go financing.

(17) 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.

(18) Commitments and Contingencies

(a) Commitments

At December 31, 2011, the Airport System has the following contractual commitments for construction and professional services:

Construction projects	$	32,815,486
Construction projects to be funded by bonded debt		18,241,289
Projects related to remediation – Stapleton		70,050
Total commitments	$	51,126,825

(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, 2011, the Airport System had accrued $.5 million in the accompanying financial statements for noise violations and penalties. There is no noise penalty due for 2011.

(c) Claims and Litigation

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

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under noncancelable operating leases. Lease terms vary from one 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 2011 and 2010 was $75,202,183 and $70,216,520, respectively.

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

2012	$ 53,079,223
2013	50,502,043
2014	19,860,329
2015	12,902,037
2016	10,619,016
2017-2021	8,013,238
2022	112,101
Total minimum future rentals	$ 155,087,987

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 2011 or 2010. 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.

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

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

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

(20) 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). United Airlines group represented approximately 54.5% (including Continental Airlines in 2011) and 54.0% (excluding Continental Airlines in 2010) of the Airport System's airline operating revenue. Frontier Airlines group represented 14.4% and 14.1% in 2011 and 2010, respectively, of the Airport System's airline operating revenue. Southwest Airlines represented 14.1% and 12.1% in 2011 and 2010, 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.

(21) 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 42.7% and 41.8% of enplaned passengers at the Airport in 2011 and through March of 2012, respectively.

(22) Subsequent Events

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, based on a ten to 15 year life.

In May 2012, the Airport System added a nonstop flight from Denver to Tokyo, Japan, to begin in March 2013.

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.

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

December 31, 2011 and 2010

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 Percentage of Covered Payroll (b-a)/(c)
Implicit Rate Subsidy						
12/31/09	$ 0	$ 110,018,000	$ 110,018,000	0.0%	$393,325,000	28.0%
12/31/10	0	113,048,000	113,048,000	0.0%	409,058,000	27.6%
12/31/11	0	115,813,000	115,813,000	0.0%	425,186,000	27.2%

City and County of Denver
Municipal Airport System

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(UNAUDITED)

December 31, 2011 and 2010

Year Beginning January 1	Annual Actuarially Required Contribution	Percentage Contributed
	Implicit Rate Subsidy	
2009	$ 7,768,000	65.4%
2010	8,026,000	69.9%
2011	8,280,000	77.9%

City and County of Denver
Municipal Airport System

SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE AIRPORT REVENUE ACCOUNT (UNAUDITED)

Year ended December 31, 2011

Gross revenue:		
Facility rentals	$	254,035,459
Concession income		47,499,304
Parking income		132,728,104
Car rental income		46,352,620
Landing fees		116,505,913
Aviation fuel tax		28,891,848
Other sales and charges		18,383,413
Interest income		25,668,798
Designated Passenger Facility Charge revenues		31,403,690
Miscellaneous income		687,457
Operation and Gross revenues as defined in the ordinance		702,156,606
Personnel services		115,247,489
Contractual services		174,203,413
Maintenance, supplies and materials		22,827,096
Operation and maintenance expenses as defined in the ordinance		312,277,998
Net revenue		389,878,608
Other available funds		57,528,265
Net revenue plus other available funds as defined in the ordinance	$	447,406,873
Debt service requirements as defined in the ordinance (1)	$	235,356,196
Coverage ratio (net revenue plus other available funds as a percentage of debt service requirements)		190%

(1) Net of irrevocably committed Passenger Facility Charges of $69,899,399 applied under Supplemental Bond Ordinance.

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, 2011

(1) Bond Account

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

(a) Interest Account

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

Bond series	Interest payment date	Balance interest due	Required Interest Acct. balance at 12/31/2011
Series 1991D	05/15/12	$ 976,445	$ 162,741
Series 1992F-G	01/01/12	8,141	8,141
Series 1995C	05/15/12	122,525	20,421
Series 1997E	05/15/12	507,082	84,514
Series 1998A	05/15/12	3,217,375	536,229
Series 1998B	05/15/12	2,584,875	430,813
Series 2002C	01/01/12	6,797	6,797
Series 2002E	05/15/12	3,122,813	520,469
Series 2003A	05/15/12	4,049,125	674,854
Series 2003B	05/15/12	1,886,500	314,417
Series 2005A	05/15/12	5,609,100	934,850
Series 2006A	05/15/12	6,710,402	1,118,400
Series 2006B	05/15/12	1,642,250	273,708
Series 2007A	05/15/12	4,708,750	784,792
Series 2007B	05/15/12	606,250	101,042
Series 2007C	05/15/12	865,875	144,313
Series 2007D	05/15/12	3,924,319	654,053
Series 2007D2	05/15/12	730,000	121,667
Series 2007E	05/15/12	1,185,000	197,500
Series 2007F1-F4	01/01/12	154,703	154,703
Series 2007G1-G2	01/01/12	12,644	12,644
Series 2008A	05/15/12	3,581,250	596,875
Series 2008B	01/01/12	86,811	86,811
Series 2008C1	01/01/12	107,040	107,040
Series 2008C2-C3	01/01/12	173,633	173,633
Series 2009A	05/15/12	4,424,100	737,350
Series 2009B	05/15/12	2,093,850	348,975
Series 2009C	01/01/12	10,005	10,005
Series 2010A	05/15/12	4,240,922	706,820
Series 2011A	05/15/12	8,751,475	1,458,579
Series 2011B	05/15/12	5,264,676	877,446
Series 2011C	05/15/12	368,042	61,340
			$ 12,421,942

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, 2011

(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 12/31/2011
Series 1991D	11/15/12	$ 19,248,577	$ 1,604,048
Series 1992 F, G	11/15/12	1,800,000	150,000
Series 1995C	11/15/12	3,770,000	314,167
Series 1997E	11/15/12	9,488,262	790,689
Series 2002C	11/15/12	1,700,000	141,667
Series 2002E	11/15/12	12,705,000	1,058,750
Series 2005A	11/15/12	70,000	5,833
Series 2006B	11/15/12	23,495,000	1,957,917
Series 2007F1-F4	11/15/12	600,000	50,000
Series 2007G1-G2	11/15/12	400,000	33,333
Series 2008A	11/15/12	23,625,000	1,968,750
Series 2008B	11/15/12	600,000	50,000
Series 2009A	11/15/12	2,625,000	218,750
Series 2011A	11/15/12	14,580,000	1,215,000
Series 2011B	11/15/12	19,205,000	1,600,417
Total principal account requirement			$ 11,159,321

(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.

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, 2011

(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, 2011, the redemption account had a balance of $20.7 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

Aggregate required Bond Account balance	$	23,581,262
Bond Account balance at December 31, 2011		23,581,262
Overfunded/(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, 2011 is $371,798,000. The minimum Bond Reserve Account requirement is $371,798,000.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account is an amount equal to four 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, 2011.

Computation of minimum operation and maintenance reserve:

2010 Operation and Maintenence expenses	$	302,880,599
Minimum operations and maintenance reserve requirement for 2010	$	50,480,100
Operation and maintenance reserve account balance at December 31, 2011		75,720,150
Overfunded	$	25,240,050

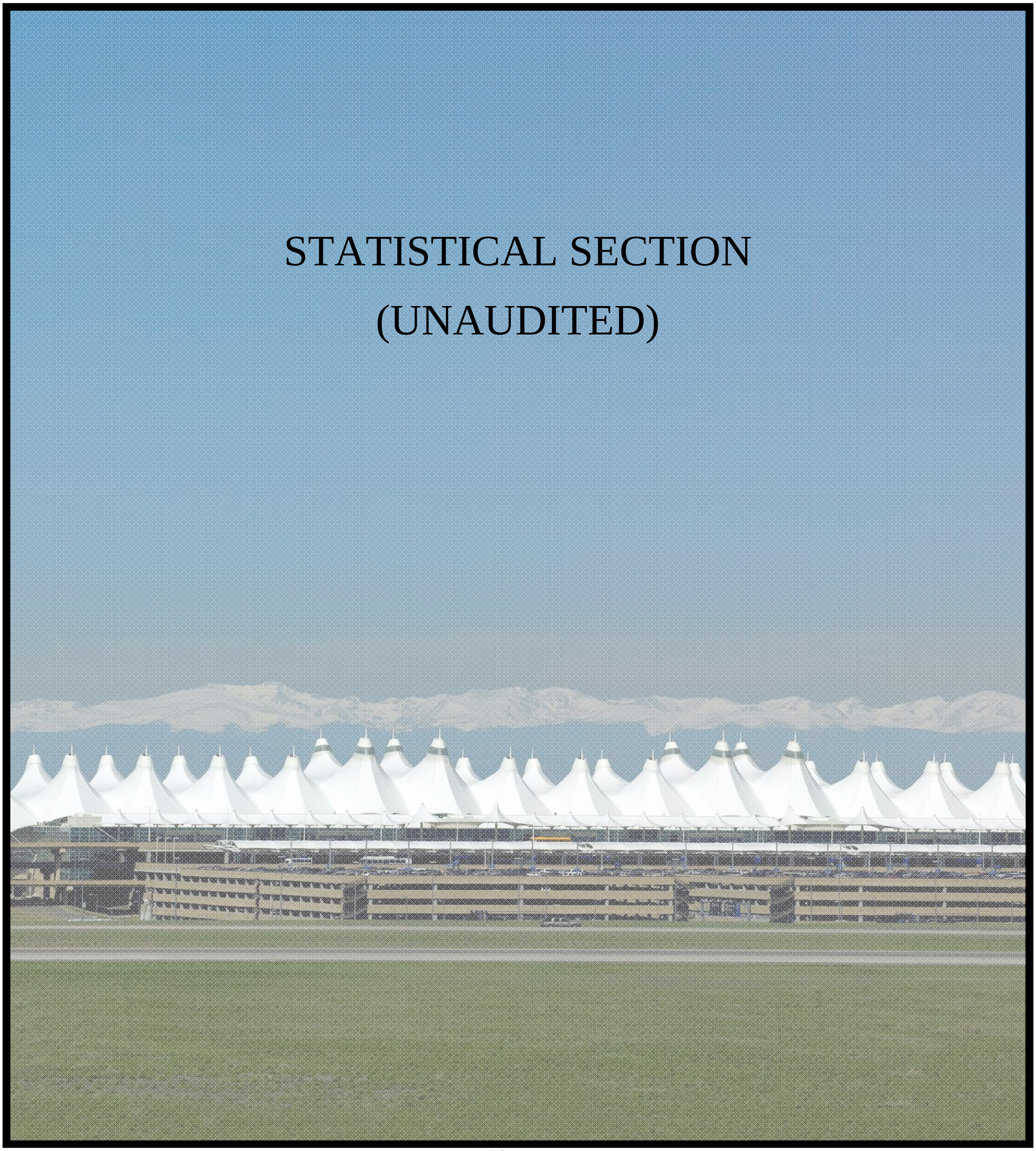
Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

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)

Condensed Schedule of revenue s and Expenses (in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009 *	2010	2011
Operating revenues	$ 443,921	$ 457,386	$ 477,936	$ 497,177	$ 508,307	$ 530,151	$ 540,760	$ 564,490	$ 601,402	$ 602,769
Operating expenses, before depreciation and amortization	238,484	211,913	221,214	239,405	262,514	290,773	373,829	379,517	409,865	392,862
Operating income before depreciation and amortization	205,437	245,473	256,722	257,772	245,793	239,378	166,931	184,973	191,537	209,907
Depreciation and Amortization	125,692	148,763	135,338	150,823	151,507	159,309	168,026	177,583	181,496	179,070
Impairment loss	-	-	18,007	85,286	-	-	-	-	-	-
Operating income (loss)	79,745	96,710	103,377	21,663	94,286	80,069	(1,095)	7,390	10,041	30,837
Nonoperating revenues (expenses)	(119,845)	(135,272)	(138,580)	(107,265)	(67,771)	(49,127)	(44,987)	(59,749)	(87,795)	(75,488)
Capital Contributions, grants And transfers	91,152	40,542	62,205	31,547	29,188	2,426	14,393	38,621	30,200	34,702
Change in net assets	$ 51,052	$ 1,980	$ 27,002	$ (54,055)	$ 55,703	$ 33,368	$ (31,689)	$ (13,738)	$ (47,554)	$ (9,949)

* Restated for GASB 53

(2) Passenger Data

(a) Enplaned Passengers by Major Airline Category

Year	Major National Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2002	16,805,378	(3.2)	669,432	104.0	354,754	(2.5)	17,829,564	(1.2)
2003	17,192,825	1.8	1,395,391	108.4	172,719	(35.8)	18,760,935	5.2
2004	18,296,498	6.4	2,623,675	88.0	223,908	29.6	21,144,081	12.7
2005	18,278,079	(0.1)	3,221,623	22.8	202,273	(9.7)	21,701,975	2.6
2006	19,674,467	7.6	3,791,642	17.7	199,203	(1.5)	23,665,312	9.0
2007	20,774,889	5.6	3,945,388	4.1	220,676	10.8	24,940,953	5.4
2008	21,514,216	3.6	3,945,641	.0	190,386	(13.7)	25,650,243	2.8
2009	20,646,529	(4.0)	4,239,139	7.4	242,365	27.3	25,128,033	(2.0)
2010	21,030,879	2.4	4,666,047	10.1	327,996	34.8	26,024,922	4.0
2011	21,731,994	3.3	4,439,841	(4.8)	283,930	(13.4)	26,455,765	1.7

(b) Enplaned Passengers by Airline

Airline	2010	% of Total	2011	% of Total
United	7,385,764	28.3%	7,263,486	27.4%
United Express	4,151,666	16.0%	4,042,388	15.3%
Total United	11,537,430	44.3%	11,305,874	42.7%
American	722,380	2.8%	732,195	2.8%
Continental	545,883	2.1%	—	0.0%
Delta	1,023,770	3.9%	1,231,122	4.7%
Frontier	5,595,197	21.5%	5,858,631	22.1%
Southwest	4,726,176	18.2%	5,756,081	21.8%
USAir	599,775	2.3%	640,248	2.4%
Other	1,274,311	4.9%	931,614	3.5%
Totals	26,024,922	100.0%	26,455,765	100.0%

(c) Originating and Connecting Enplaned Passengers for the year ended December 31, 2011

Airline	Originating	Connecting	Total
United	11,305,874	16,057,082	27,362,956
Other	15,149,891	10,336,255	25,486,146
Totals	26,455,765	26,393,337	52,849,102
Percent of total	50.1%	49.9%	100.0%

(3) Aircraft Operations

(a) Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/gen aviation	Military	Total	Percent change
2002	338,049	157,777	12,416	987	509,229	(3.6) %
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) %

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

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

Year	Amount	Year	Amount
2002	69,742	2007	97,191
2003	71,945	2008	96,786
2004	82,161	2009	96,865
2005	84,000	2010	102,595
2006	93,150	2011	103,210

(5) Enplaned Cargo Operations (in pounds)

Year	Air Mail	Freight and Express	Total	Percent change
2002	95,573,027	283,241,306	378,814,333	3.2 %
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 %

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross revenue	$ 499,435	$ 527,567	$ 543,044	$ 571,102	$ 592,110	$ 616,106	$ 635,607	$ 631,592	668,885	702,157
Operation and maintenance expenses	216,791	201,573	220,254	238,142	256,191	282,746	305,382	309,270	302,881	312,278
Net revenue	282,644	325,994	322,790	332,960	335,919	333,360	330,225	322,322	366,004	389,879
Other available funds	46,751	50,807	54,849	55,173	50,791	53,251	53,575	49,288	57,449	57,528
Total amount available for debt service requirements	$ 329,395	$ 376,801	$ 377,639	$ 388,133	$ 386,710	$ 386,611	$ 383,800	$ 371,610	423,453	447,407
Debt service requirements	$ 225,286	$ 230,547	$ 243,495	$ 241,622	$ 220,001	$ 229,923	$ 240,028	$ 237,905	235,244	235,356
Debt service coverage	146%	163%	155%	161%	176%	168%	160%	156%	180%	190%

City and County of Denver
Municipal Airport System

SUMMARY OF INSURANCE COVERAGE
(UNAUDITED)

December 31, 2011

Policy number	Company	Item covered	Expiration date		Annual premium		Coverage
PLL668823452	Chartis	Pollution	9/1/2013	$	73,112	$	10,000,000
AP086448700-01	Chartis	Airport Liability Primary	9/1/2012		429,334		300,000,000
12000780	Global Aerospace, Inc.	Airprt Liability -Excess	9/1/2012		85,000		200,000,000
WAI0002542	Aon- Scottsdale	Auto Liability- Excess	9/1/2012		34,000		1,000,000
20412933	Lexington	Property/Boiler & Machinery	9/1/2012		1,862,548		1,500,000,000