

# Contents

## I. Summary of Significant Accounting Policies

- 46 Note A - Reporting Entity
- 49 Note B - Government-wide and Fund Financial Statements
- 49 Note C - Measurement Focus, Basis of Accounting, and Statement Presentation
- 51 Note D - Assets, Liabilities, and Net Assets or Equity
- 54 Note E - Implementation of New Accounting Principles

## II. Stewardship, Compliance, and Accountability

- 54 Note A - Deficit Fund Equity
- 54 Note B - Excess Expenditures Over Appropriations

## III. Detailed Notes for All Funds

- 55 Note A - Deposits and Investments
- 62 Note B - Receivables
- 63 Note C - Interfund Receivables, Payables, and Transfers
- 64 Note D - Capital Assets
- 66 Note E - Lease Obligations
- 68 Note F - Other Liabilities
- 68 Note G - Long-term Debt

## IV. Other Note Disclosures

- 79 Note A - Risk Management
- 80 Note B - Pollution Remediation
- 81 Note C - Workers' Compensation
- 81 Note D - Water Board Risk Management
- 82 Note E - Subsequent Events
- 82 Note F - Contingencies
- 85 Note G - Deferred Compensation Plan
- 86 Note H - Pension Plans
- 88 Note I - Change in Reporting Entity

## I. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (USGAAP) applicable to governmental entities. A summary of the City and County of Denver's significant accounting policies applied in the preparation of these financial statements follows.

### Note A – Reporting Entity

The City and County of Denver (City) was incorporated in 1861 and became a Colorado Home Rule City on March 29, 1904, under the provisions of Article XX of the Constitution of Colorado, as amended, when the people of the City ratified a Charter providing for a Mayor-Council form of government. The City is operated by authority of the powers granted by its Charter. The City provides typical municipal services with the exception of education, public housing, and sewage treatment that are administered by other governmental entities.

As required by USGAAP, these financial statements present the City (primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. Certain amounts reported in the individual component unit financial statements have been reclassified to conform to the City's accounting policies. Each component unit has a December 31 year-end, except for the Denver Art Museum, Inc., which has a September 30 year-end.

#### 1. Blended Component Unit.

**Gateway Village General Improvement District** – The City created the District as a separate legal entity pursuant to state law. The District's board of directors consists of the members of the City Council. The District is reported herein in the City's debt service and capital project funds because it is operated by City management and provides services entirely to the City.

#### 2. Discretely Presented Component Units.

**9<sup>th</sup> Avenue, Cherry Creek North, Cherry Creek Subarea, , Colfax, Downtown Denver, Old South Gaylord, and West Colfax Business Improvement Districts (BID)** – Each BID is established by the City in accordance with state law for the purpose of maintaining public improvements and planning development activities within each BID's geographic boundaries. The City approves annual operating budgets for the BIDs and appoints the governing board of each BID. The 9<sup>th</sup> Avenue BID had no financial activity in 2008 or net assets to report as of December 31, 2008.

**Denver Art Museum, Inc. (DAM)** – DAM operates the Denver Art Museum for the City. DAM is the Art Agency for the City. The City does not appoint a voting majority of the DAM's board. The City provides a material subsidy to the DAM, \$2,054,000 for the 2008 fiscal year, to be used for general operating expenses of the museum and DAM employees are subject to the rules of the City's personnel system. The nature and significance of the relationship between the City and DAM is such that it would be misleading to exclude the DAM from the City's financial statements.

**Denver Convention Center Hotel Authority (DCCHA)** – The DCCHA was organized by the City as a nonprofit corporation in accordance with state law for the purpose of owning, acquiring, constructing, equipping, operating and financing a convention center hotel. The Mayor appoints the board of the DCCHA subject to City Council confirmation. The City approves the budget of the DCCHA. Any excess revenues of the DCCHA are distributed to the City annually.

**Denver Metro Convention and Visitor's Bureau, Inc. (Bureau), d/b/a VISIT DENVER** – The Bureau is a nonprofit corporation organized to solicit, induce, and persuade sundry organizations to hold their conventions in the City and to encourage tourists and other persons to visit the City and state. The Bureau is closely related to the City because the City makes a significant annual appropriation to the Bureau and the Bureau must incorporate City comments and suggested changes to its annual budget.

**Denver Museum of Nature and Science (DMNS)** – The DMNS serves as the Natural History Agency of the City. DMNS operates and manages the Museum of Nature and Science at Denver City Park. The City makes an annual appropriation to DMNS, \$1,401,000 for the 2008 fiscal year, as compensation for the care, control, maintenance, management, and development of the museum. DMNS must donate all of its right, title, and interest in exhibits at the museum to the City for the benefit of the people of the City. The nature and significance of the relationship between the City and DMNS is such that it would be misleading to exclude the DMNS from the City's financial statements.

**Denver Preschool Program, Inc. (DPP)** – DPP is a nonprofit corporation organized to administer the Denver Preschool Program as defined in Article III of Chapter 11, of the Denver Revised Municipal Code. This program provides tuition credits for children of Denver families the year before the child is eligible for kindergarten. The Mayor appoints six of the seven DPP board members and City Council appoints the other one.

**Denver Union Station Project Authority** – The Denver Union Station Project Authority was formed June 30, 2008, with the Regional Transportation District, the Denver Regional Council of Governments and the Colorado Department of Transportation for the redevelopment of the Denver Union Station and its surrounding environs as a multimodal transportation center to serve as the future hub for several transportation modes in the City's metropolitan area. It will specifically deal with the financing, acquiring, owning, equipping, designing, constructing, operating and maintaining the historic Denver Union Station building. There was no financial activity or net assets to report as of December 31, 2008.

**Denver Urban Renewal Authority (DURA)** – The DURA was created as a separate legal entity by the City pursuant to the state Urban Renewal Law to acquire, clear, rehabilitate, conserve, develop or redevelop identified slum or blighted areas existing within the City. The Mayor appoints the DURA board of directors subject to City Council approval. DURA cannot undertake any urban renewal projects unless the City approves the urban renewal plan.

**Water Board** – The Water Board was created pursuant to the City Charter as a separate legal entity to oversee the City's water system. The Water Board's five-member governing body is appointed by the Mayor. Due to the significance of the relationship between the Water Board and the City, it would be misleading to exclude the Water Board financial statements from those of the City.

Complete financial statements of the following individual discretely presented component units can be obtained from their respective administrative offices:

9<sup>th</sup> Avenue BID  
1700 Lincoln Street, Suite 3800  
Denver, Colorado 80203

Denver Convention Center Hotel Authority  
1225 Seventeenth Street, Suite 3050  
Denver, Colorado 80202

Cherry Creek North BID  
299 Milwaukee Street, Suite 201  
Denver, Colorado 80206

Denver Metro Convention and Visitor's Bureau, Inc.,  
d/b/a VISIT DENVER  
1555 California Street, Suite 300  
Denver, Colorado 80202

Cherry Creek Subarea BID  
1593 South Jamica Street  
Denver, Colorado 80012

Denver Museum of Nature and Science  
2001 Colorado Boulevard - City Park  
Denver, Colorado 80205

Colfax BID  
8390 East Crescent Parkway, Suite 500  
Aurora, Colorado 80111

Denver Preschool Program, Inc.  
370 17<sup>th</sup> Street, Suite 5300  
Denver, Colorado 80202

Downtown Denver BID  
511 16<sup>th</sup> Street, Suite 200  
Denver, Colorado 80202

Denver Union Station Project Authority  
1200 17<sup>th</sup> Street, Suite 1500  
Denver, Colorado 80202

Old South Gaylord BID  
1076 South Gaylord Street  
Denver, Colorado 80209

Denver Urban Renewal Authority  
1555 California Street, Suite 200  
Denver, Colorado 80202

West Colfax BID  
1700 Lincoln Street, Suite 3800  
Denver, Colorado 80203

Water Board  
1600 West 12<sup>th</sup> Avenue  
Denver, Colorado 80204

Denver Art Museum, Inc.  
100 West 14<sup>th</sup> Avenue Parkway  
Denver, Colorado 80204

### 3. Fiduciary Component Unit.

**Denver Employees Retirement Plan (DERP)** – The DERP is a separate legal entity established by City ordinance to provide pension benefits for substantially all City employees, except police officers and fire fighters. The Mayor appoints the members of the DERP governing board. The DERP is presented herein in the City's fiduciary funds as Pension and Health Benefits Trust Funds. The net assets of the DERP are held for the sole benefit of the participants and are not available for appropriation by the City.

### 4. Related Organizations.

The City appoints members to the boards of the following organizations. The City's accountability for the organizations does not extend beyond making these appointments and there is no fiscal dependency by these organizations on the City.

**Denver Health and Hospital Authority (Authority)** – The Authority is a political subdivision and body corporate of the State of Colorado. The Authority is governed by a nine member board, all appointed by the Mayor. The Authority entered into contractual agreements with the City to obtain and operate the City's existing hospital system. In accordance with the contractual agreements between the Authority and the City, the City paid the Authority \$53,630,000 for providing various health related services to the City and its residents during 2008. In addition, the Authority made payments in the amount of \$1,713,000 to the City for human services, fleet, sheriff, and various human resources services.

**Denver Housing Authority (DHA)** – The DHA was created by ordinance in accordance with U. S. Department of Housing and Urban Development (HUD) regulations. Its five member board controls the daily administration and operations of the DHA. The DHA is dependent on Federal funds from HUD and, as a result, is not financially dependent on the City. In addition, the City is not responsible for any deficits incurred and has no fiscal management control over the DHA.

**Denver Public Library Trust (DPL Trust)** – The DPL Trust is a charitable entity formed by the Library Commission and the DPL Friends Foundation to accept inherited interests through a bequest. All assets of the DPL Trust derive from a percentage of an interest in two real estate partnerships. The Library Commission appoints the trustees of the DPL Trust. All funds received by the DPL Trust are deposited into a bank account managed by the DPL Trust and quarterly transferred to the DPL Friends Foundation. The monies may be requested during the Denver Public Library's annual budget request from the DPL Friends Foundation.

**Lowry Economic Redevelopment Authority (Lowry)** – Lowry was created as a public entity by contract between the City and another local government under the Colorado Governmental Immunity Act, C.R.S. Section 24-10-01. Lowry is a separate legal entity intended to maintain, manage, promote, and implement economic redevelopment of the former Lowry Air Force Base. The City is not fiscally accountable for Lowry. Lowry is governed by a nine-member board of directors of which the Mayor appoints seven.

**Stapleton Development Corporation (SDC)** – The City and DURA created a nonprofit corporation whose objectives would include, but not be limited to, planning an orderly public purpose assessment and redevelopment program for the former Stapleton International Airport property and implementing the redevelopment plan for the property. The SDC board of directors is composed of 11 voting members; the Mayor appoints 9 and 2 are appointed by DURA. All 11 members are confirmed by the City Council. SDC is not financially accountable to either the City or DURA, as the City and DURA cannot impose their will on SDC, nor does a financial benefit or burden exist between the entities.

### Note B – Government-Wide and Fund Financial Statements

The government-wide financial statements, which include the statement of net assets and statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which generally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely generally on fees and charges to external parties. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets reports all of the City's assets and liabilities, with the difference between the two presented as net assets.

The statement of activities demonstrates the extent to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services provided by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds, even though the latter are excluded from the government-wide financial statements, and component units. The emphasis of fund financial statements is on major governmental funds, enterprise funds, and component units, each reported as a separate column. All remaining governmental funds, enterprise funds, and component units, are aggregated and reported as nonmajor funds.

### Note C – Measurement Focus, Basis of Accounting, and Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary, fiduciary, and component unit fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period or when matured. The City considers all revenue as available, if collected within 60 days after year-end. Property taxes, sales and use taxes, franchise taxes, occupational privilege taxes, interest revenue, grant revenue, and charges for services are

susceptible to accrual. Other receipts, fines, licenses, permits, and parking meter revenues become measurable and available when cash is received by the City and are recognized as revenue at that time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred, except for debt service expenditures, and certain compensated absences and claims and judgments, which are recognized when the payment is due.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.
- The Human Services special revenue fund is used to account for proceeds of restricted revenue to be used for public assistance and welfare activities.
- The Bond Projects capital projects fund is used to account for proceeds from the issuance of long-term debt to be used for paying the cost of projects as set forth in bond issuing ordinances.

The City reports the following major proprietary funds:

- The Wastewater Management fund accounts for the City's storm and sewer operations.
- The Denver Airport System fund accounts for the operation of the City's airport system which includes Denver International Airport.

The City reports the Denver Convention Center Hotel Authority, Denver Urban Renewal Authority, and Water Board component units as major component units.

Additionally, the City reports the following fund-types:

- Internal service funds account for the print shop, fleet maintenance, asphalt plant, and workers' compensation services provided to the various departments and agencies of the City on a cost reimbursement basis.
- The private-purpose trust funds are used to account for resources legally held in trust by the City for use by various organizations for various purposes, i.e., COBRA payments and unclaimed warrants. All resources of the funds, including any earnings on invested resources, may be used to support the various activities of the organizations. There is no requirement to preserve the resources as capital.
- Pension trust funds account for the Denver Employees Retirement Plan and Deferred Compensation Plan which accumulate resources for pension and health benefit payments to qualified City retirees and amounts employees defer from their income.
- Agency funds account for the Employee Salary Redirect plan, clearing funds for payroll and benefit provider payments, and collected receipts being temporarily held for allocation to other entities. The agency funds are custodial in nature and do not involve measurement of results of operations.

The City reports its government-wide and enterprise fund financial statements following all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, for their enterprise funds and business-type activities. The City has elected not to implement this option. However, certain component units, including the Denver Art Museum, Inc., Denver Museum of Nature and Science, and the Denver Metro Convention and Visitor's Bureau, Inc. have elected this option.

The effect of interfund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the administrative expenses, cost of sales and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the City uses the restricted resources first, then unrestricted resources as needed.

#### **Note D – Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Investments.** For the primary government, except when prohibited by trust agreements, the operating cash in each fund is maintained in one consolidated pool by the City Treasurer. Cash in excess of operating requirements is invested by the City Treasurer. The City Charter, Section 2.5.3(C) and the Denver Revised Municipal Code, Section 20-21, authorize that investments may be made in U. S. Government obligations, prime commercial paper, prime bankers' acceptances, repurchase agreements, forward purchase agreements, securities lending, highly rated municipal securities, and other similar securities as may be authorized by ordinance. The pension trust funds and component units maintain deposits and investments outside of the City Treasurer's pools. These are primarily in demand deposits and U.S. Government obligations. Some pension trust funds have investments in real property.

Investments are stated at fair value, which is primarily determined based upon quoted market prices at year-end. Fair values of real estate and other investments are determined by independent periodic appraisals.

**2. Cash Equivalents.** The City considers all investments held in the treasurer's consolidated pool to be cash equivalents. For investments owned by wastewater, the airport system, the pension trust funds, and the component units, investments with maturities of three months or less from the date of purchase are considered cash equivalents.

**3. Property Taxes Receivable.** Property taxes are reported as a receivable and as deferred revenue when the levy is certified by the City's Assessor on or before December 15 of each year, unless there is a special election. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on March 1 and June 16, respectively. Tax rate levy authority for the 2008 fiscal year was approved when Resolution 205, Series of 2008, was adopted by the City Council and approved by the Mayor.

**4. Water and Wastewater Service Accounts.** Sanitary sewer accounts are maintained, billed, and collected by the Water Board component unit in connection with its water accounts. The Wastewater Management enterprise fund is responsible for billing and collecting storm drainage charges using a cycle billing system. Flat rate accounts and certain cycle billings are billed in advance on a monthly basis and revenues relating to future years are classified as deferred revenue. Metered accounts are billed in arrears and have been accrued.

5. **Interfund Receivables/Payables.** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances from these transactions are classified as “interfund receivable” or “interfund payable” on the balance sheet. Other interfund receivables/payables between individual funds have occurred because some funds have overdrawn their equity share of pooled cash.
6. **Due From Other Governments.** Due from other governments includes amounts due from grantors for grants for specific programs and capital projects. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are deferred. In the governmental funds, revenue recognition depends on the timing of cash collections (availability).
7. **Inventories and Prepaid Items.** The City values inventories at cost, which approximates market, and accounts for them using either the weighted average method or the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

8. **Restricted and Designated Assets.** Certain assets of the General Fund, General Government special revenue fund and certain component units are classified as restricted assets because their use is completely restricted by State statute (see Note IV-F-8)

In the General Fund and Human Services special revenue fund, certain monies related to capital leases (see Note III-E-1) are classified as restricted in accordance with lease requirements.

Certain resources of the governmental activities and the Denver Airport System enterprise fund are classified as restricted assets because their use is limited by applicable bond covenants. These covenants require the accumulation of resources for current principal and interest on both bonds and subordinate bonds, principal and redemption price on term bonds subject to mandatory redemption, principal and interest emergency reserve, and operating and maintenance emergency reserve.

Certain assets of the Environmental Services enterprise fund have been restricted by external parties to be used for future plant and equipment expenditures and payment of certain liabilities.

Resources received through donor-restricted endowments are classified as restricted assets in the Denver Art Museum, Inc. and Denver Museum of Nature and Science component units.

9. **Capital Assets.** Land, collections, construction in progress, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities, or component unit columns of the government-wide financial statements. Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the City is \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Capital assets of the City and certain component units are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 to 100 years
Motor vehicles and motorized equipment	5 to 20 years
Furniture, machinery, and equipment	3 to 20 years
Collections	15 years
Infrastructure	6 to 40 years

Collections primarily include library books which are depreciated over a 15-year life using the composite method. The Western History artwork collection, valued at \$14,060,000 is not capitalized because these assets are held for public exhibition rather than financial gain. They are protected and preserved and proceeds from any sales must be used to acquire other items for collection.

Assets held for disposition consist primarily of the net book value of the Stapleton International Airport, which ceased aviation operations on February 27, 1995 and are recorded in the Denver Airport System enterprise fund. No depreciation is recorded for assets held for disposition. In addition, assets held for disposition in governmental funds consist of foreclosed property pending future sale.

**10. Long-term Obligations.** The City records long-term debt and other long-term obligations as liabilities in the government-wide and proprietary fund financial statements. Bond premiums, discounts, deferred refunding gains (losses), and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method over the term of the debt, except for deferred refunding gains (losses) which are amortized using the same methods over the shorter of the term of either the new or old debt. Bond premiums, discounts, and deferred refunding gains (losses) are presented as an addition or reduction (net) of the face amount of the bond payable. Bond issuance costs are recorded as deferred charges. With few exceptions, bonds issued by the City are tax exempt and subject to federal arbitrage regulations.

In the fund financial statements for governmental fund-types, bond premiums, discounts, and issuance costs are recognized as expenditures during the current period. Bond proceeds and bond premiums are reported as an other financing source. Bond discounts are reported as an other financing use. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

**11. Compensated Absences.** The City has vacation and sick leave policies covering substantially all of its employees, as follows:

- Career Service Authority
- Fire and Police Departments' Classified Service
- Undersheriff
- District Attorney and Judges

Employees may accumulate earned but unused benefits up to a specified maximum. The City has recorded an accrued liability for compensated absences in the government-wide and proprietary fund financial statements that was calculated using the vesting method. A liability is recorded for these compensated absences in the governmental funds only if they have matured as a result of employee resignations or retirements.

**12. Net Assets.** In the government-wide and fund financial statements, net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction, or improvement of those assets. Certain net assets are restricted for capital projects, emergency use, debt service, and by donor restrictions.

**13. Fund Equity.** In the fund financial statements, governmental funds report reservations of fund balance representing amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**14. Encumbrances.** Encumbrances for contracts and purchase orders are unencumbered at year end and reappropriated against the subsequent year's budget. As of December 31, 2008, \$6,152,098 was reappropriated against the general fund 2009 budget for remaining prior year encumbrances.

## Note E – Implementation of New Accounting Principles

**1. Governmental Accounting Standards Board Statement No. 49.** In 2008, the City implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes uniform standards requiring more timely and complete reporting of pollution remediation obligations and requires governments to account for them in the same manner to enhance comparability of information. See the City's related disclosure in Note IV-B.

## II. Stewardship, Compliance, and Accountability

### Note A – Deficit Fund Equity

At December 31, 2008, the Central Services internal service fund, Workers' Compensation internal service fund (see Note IV-C), and the DURA and Denver Convention Center Hotel Authority component units had deficit fund balances or net assets in the amounts of \$114,000, \$8,330,000, \$248,203,000 and \$15,058,000, respectively.

The City closely monitors the situation in the internal service funds and deficits are funded through unreserved fund balance/unrestricted net assets of other funds.

The DURA component unit uses Tax Increment Financing (TIF), which is additional incremental property and sales taxes generated by redevelopment projects, to fund its deficit net assets. The Denver Convention Center Hotel Authority component unit will use revenue from its hotel facility to fund its deficit net assets.

### Note B – Excess Expenditures Over Appropriations

Budget basis expenditures exceeded appropriations for certain funded projects shown in **Table 1**.

**Table 1**

#### Excess Expenditures Over Appropriations

For the Year Ended December 31, 2008 (dollars in thousands)

	Appropriation	Budget Basis Expenditures	Excess over Appropriation
Career Service Authority Hearing Office	\$ 355	\$ 359	\$ 4
County Court	20,584	20,753	169
911 Call Center	8,838	9,216	378
Police Department	169,414	171,542	2,128
Police Airport	2,513	2,575	62
Fire Department	100,382	100,722	340
Undersheriff	91,949	92,075	126
Art, Culture, and Film	1,220	1,233	13

The expenditures, which resulted in excess of appropriations, were recorded because a liability had been incurred before year-end.

### III. Detailed Notes for All Funds

#### Note A – Deposits and Investments

- 1. Deposits.** The City Charter, Section 2.5.3(c), requires all banking or savings and loan institutions to pledge sufficient collateral as required by law (Public Deposit Protection Act (C.R.S., 11-10.5-101)) before any public funds are deposited. In addition, the City's investment policy requires that certificates of deposit be purchased from institutions that are certified as Eligible Public Depositories by the appropriate state regulatory agency. Under the PDPA, all deposits exceeding the amount insured by the FDIC are to be fully collateralized at 102% of the deposits with specific approved securities identified in the act. 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 institutions' trust department or agent in the "City's name."

Custodial credit risk is the risk that, in the event of a failure of a financial institution or counterparty, the City would not be able to recover its deposits, investments or collateral securities. At December 31, 2008, the bank balance and carrying amounts of accounts managed by the City Treasurer were \$14,613,000 and \$22,814,000, respectively. The City's deposits, except for the Denver Employees Retirement Plan (DERP) pension trust fund, funds deposited at the Rocky Mountain Law Enforcement Federal Credit Union, funds held by St. Paul/Travelers Insurance, and certain component units' deposits are subject to, and in accordance with, the State of Colorado's Public Deposit Protection Act (PDPA). Deposits subject to the PDPA are not subject to custodial credit risk.

The DERP has no formal policy for custodial credit risk for deposits. At December 31, 2008, the DERP had \$4,441,000 in uninsured and uncollateralized deposits.

The Rocky Mountain Law Enforcement Federal Credit Union is not certified as an Eligible Public Depository. At December 31, 2008, the City had \$327,000 in uninsured and uncollateralized deposits subject to custodial credit risk.

St. Paul/Travelers Insurance manages an owner-controlled insurance plan on behalf of the Denver Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2008, was \$188,569.

All deposits for DURA and the Water Board were not subject to custodial credit risk at December 31, 2008, since they were in PDPA eligible financial institutions. DCCHA had cash deposits at December 31, 2008, in bank accounts in excess of the FDIC insurance limits aggregating to approximately \$2,874,000 that was subject to custodial risk.

- 2. Investments.** It is the policy of the City to invest its funds in a manner which will provide for the highest investment return consistent with the preservation of principal and provision of the liquidity necessary for daily cash flow demands. The City's investment policy applies to all investment activity of the City under the control of the Manager of Finance (the Manager), including investments of certain monies related to all governmental and business-type activities, and trust and agency funds. The City's investment policy does not apply to the investments of the deferred compensation plan or component units. Other monies that may from time to time be deposited with the Manager for investment shall also be administered in accordance with the investment policy.

The City Charter, Section 2.5.3(c), and Revised Municipal Code, Section 20-21, authorize the investments that the City can hold. The investment policy 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 portfolio. 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.

The City has retained Dominion Capital Group, Inc. (DCG) to perform quarterly reviews of the investment portfolio to ensure that the investments are authorized by the Denver City Charter and are in compliance with the City's Investment Policy. DCG also reviews investment market prices for accuracy as well as the accuracy of the portfolio performance as reported by the City.

At December 31, 2008, the City's investment balances were as shown in **Table 2**.

**Table 2****City Investment Balances**

December 31, 2008 (dollars in thousands)

	<b>Fair Value</b>
Repurchase agreements	\$ 1,734
Money market funds	39,392
Local government investment pool	125,632
Commercial paper	761,211
Common stock	765,648
Mutual funds	182,860
State and local government securities	15,135
Municipal auction rate securities	134,000
U.S. Treasury securities	161,306
U.S. agency securities	1,001,784
Corporate and mortgage bonds	316,882
Annuity contracts	183,099
Real estate	176,520
Other	133,335
<b>Total Investments</b>	<b>\$ 3,998,538</b>

The DERP pension trust fund had securities lending collateral of \$151,272,000 at December 31, 2008; see Note III-A-6 for additional discussion related to this balance.

At December 31, 2008, the investment balances of the discretely presented component units were as shown in **Table 3**.

**Table 3****Component Units Investment Balances**

December 31, 2008 (dollars in thousands)

	<b>Fair Value</b>
Money market funds	\$ 112,540
Local government investment pool	19,049
Commercial paper	22,064
Mutual funds	6,583
U.S. Treasury securities	113,631
U.S. agency securities	56,030
Investment contracts	25,219
Corporate bonds	7,193
Other	11,649
<b>Total Investments</b>	<b>\$ 373,958</b>

A reconciliation of cash and investments as shown in the basic financial statements as of December 31, 2008, is shown in

**Table 4.**

**Table 4**

**Reconciliation of Cash and Investments**

December 31, 2008 (dollars in thousands)

	Primary Government	Component Units	Total
<b>Governmental and Business-type Activities</b>			
Cash on hand	\$ 4,942	\$ 49	\$ 4,991
Cash and cash equivalents	670,771	73,146	743,917
Investments	350,526	178,720	529,246
Restricted cash and cash equivalents	294,024	83,299	377,323
Restricted investments	784,676	85,259	869,935
<b>Total Governmental and Business-type Activities</b>	<b>2,104,939</b>	<b>420,473</b>	<b>2,525,412</b>
<b>Fiduciary</b>			
Cash on hand	4,476	-	4,476
Cash and cash equivalents	60,058	-	60,058
Investments	1,866,959	-	1,866,959
<b>Total Fiduciary</b>	<b>1,931,493</b>	<b>-</b>	<b>1,931,493</b>
Total	4,036,432	420,473	4,456,905
Less deposit balance	(37,894) <sup>1</sup>	(46,515)	(84,409)
<b>Total Investments</b>	<b>\$ 3,998,538</b>	<b>\$ 373,958</b>	<b>\$ 4,372,496</b>

<sup>1</sup>The carrying amount of the City's bank accounts, \$22,814, plus fiduciary deposits of \$42,992, less uncashed warrants of \$37,524, plus other cash amounts of \$9,612 equal (\$37,894).

**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's investment policy limits interest rate risk for investments under the control of the Manager by limiting the maximum maturity of investments. Investments in commercial paper have a maximum maturity of 270 days. At December 31, 2008, the City's commercial paper maturity dates ranged from January 5, 2009 to June 26, 2009. Bond reserve proceeds that are invested in U. S. Treasury and agency securities have a maximum maturity of ten years. All other U.S. Treasury and agency securities can have a maximum maturity of five years.

At December 31, 2008, the City's investment balances and maturities for those investments subject to interest rate risk (excluding the DERP) is shown in **Table 5** (dollars in thousands):

**Table 5**

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
Commercial Paper	\$ 761,211	\$ 761,211	\$ -	\$ -	\$ -
U.S. Treasury securities	39,750	-	10,909	28,841	-
U.S. agency securities	985,607	183,045	543,677	202,572	56,313
<b>Total</b>	<b>\$ 1,786,568</b>	<b>\$ 944,256</b>	<b>\$ 554,586</b>	<b>\$ 231,413</b>	<b>\$ 56,313</b>

The City's portfolio of U. S. agency securities includes callable securities and securities with scheduled interest changes. If a callable investment is purchased at a discount the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2008, the City owned callable securities with a fair value of \$535,882,000. Of these, securities with scheduled changes to predetermined interest rates had a fair value of \$60,861,000.

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

The DERP limits its exposure to fair value losses due to rising interest rates by limiting investment duration as the primary measure of interest rate risk within some of its fixed income investments: intermediate – one to eight years and high yield – between (+) or (-) 10% of the duration of the Merrill Lynch High yield Cash Pay Index. At December 31, 2008, the DERP pension trust fund investment balances and maturities for those investments subject to interest rate risk are shown in **Table 6** (dollars in thousands).

**Table 6**

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Treasury securities	\$ 121,556	\$ 3,052	\$ 48,162	\$ 51,774	\$ 18,568
U.S. agency securities	16,177	1,237	6,801	3,705	4,434
Asset backed	9,050	35	4,304	1,977	2,734
Corporate backed	205,399	4,392	84,502	89,668	26,837
Mortgage backed	102,433	751	33,193	9,872	58,617
<b>Total</b>	<b>\$ 454,615</b>	<b>\$ 9,467</b>	<b>\$ 176,962</b>	<b>\$ 156,996</b>	<b>\$ 111,190</b>

**Credit Quality Risk** - Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations 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 not assigned credit quality ratings. Of the City's investments at December 31, 2008, commercial paper, municipal auction rate securities, and local government investment pools were subject to credit quality risk. The City's investment policy requires that commercial paper and bankers acceptances be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's, and Fitch, respectively, at the time of purchase. Municipal auction rate securities must have an underlying issuer rating from at least one of the three rating agencies of at least A from Standard & Poor's and Fitch or A2 from Moody's at the time of purchase. Local government investment pools must either have over \$1 billion in assets or have a rating of AAAm-g, AAAm, or AAA by Standard & Poor's or Aaa, Aa1, or Aa2 by Moody's.

As of December 31, 2008, the City owned commercial paper with a fair value of \$761,211,000 that had two ratings of at least A-1 as rated by Standard & Poor's, P-1 as rated by Moody's, or F1 as rated by Fitch. The City owned \$134,000,000 of municipal auction rate securities that had ratings of at least A1 by Moody's or AA- by Standard & Poor's or Fitch. The City also had \$125,632,000 invested in local government investment pools with ratings of AAAm by Standard & Poor's.

The DERP pension trust fund investment policy states that the DERP fixed income investment managers, excluding the DERP high yield manager, invest only in securities that are rated at BBB- or higher by one of the three established rating agencies. The DERP high yield investment manager is permitted to invest in securities rated B- or higher. The high yield manager is also permitted to invest 5% of its portfolio temporarily in bonds rated CCC or lower.

Information on the credit ratings associated with the DERP investments in debt securities at December 31, 2008, is shown in **Table 7** (dollars in thousands).

**Table 7**

S&P	Moody's	Asset Backed	Corporate Bonds	Mortgage Bonds	Total
AAA	Aaa	\$ 5,468	\$ 8,843	\$ 89,231	\$ 103,542
AAA	A1 to Aa3	875			875
AAA	NR	110		4,485	4,595
AA+ to AA-	A1 to Aa3		11,910		11,910
A+ to A-	A1 to Baa2	852	64,037	1,912	66,801
BBB+ to BBB-	A1 to Baa3	1,100	40,247	1,197	42,544
BB+ to BB-	B1 to Ba3	605	35,338	1,305	37,248
B+ to B-	B1 to Caa1	35	43,483	362	43,880
CCC+ to CCC	B3	-	1,541		1,541
NR	Aaa to Baa2	5		3,941	3,946
					-
<b>Total</b>		<b>\$ 9,050</b>	<b>\$ 205,399</b>	<b>\$ 102,433</b>	<b>\$ 316,882</b>

*NR - no rating.*

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of a failure, the City 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 City's investments owned at December 31, 2008, were subject to custodial credit risk.

In accordance with the City's investment policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week, and adjusted on an as needed basis. Collateral for all investments, including repurchase agreements, are held in the City's name by the City's custodian, J.P. Morgan. The City did not own any repurchase agreements in its investment portfolio on December 31, 2008.

The Office of Economic Development has several accounts at Vectra Bank in relation to its HUD Section 108 programs. The cash in these accounts is invested each night in repurchase agreements issued by Vectra. The amounts in these accounts are held in the City's name and protected by the PDPA. In addition, Vectra pledges securities that are direct obligation of the U. S. Government, at a minimum collateralized value of 102% in compliance with HUD's investment requirements.

DERP has no formal policy for custodial credit risk. There were no investments or collateral securities 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 issuer. The City's Investment Policy states that a maximum of 5% of the portfolio may be invested in commercial paper or certificates of deposit issued by any one provider. The City's Investment Policy also 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, 2008, all investments in commercial paper, money market funds, and municipal securities were in compliance with the City's Investment Policy.

The DERP investment policy mandates that no managed account may invest more than 5% of managed assets in the securities of a single issuer. As of December 31, 2008, all DERP investments were in compliance with this policy.

**Foreign Currency Risk** - Foreign Currency risk is the risk that changes in exchange rates will adversely affect their value of an investment or deposit. The City's investment policy, excluding the DERP pension trust fund, does not allow for investments in foreign currency. The DERP pension trust fund investment policy allows 15% to 19% of total investments to be invested in international equities. The DERP pension trust fund exposure to foreign currency risk as of December 31, 2008, is reflected in

**Table 8** (dollars in thousands):

**Table 8**

Foreign Currency	U.S. Dollars
<b>Equities:</b>	
Euro	\$ 80,476
British Pound	34,381
Brazilian Real	388
Japanese Yen	42,842
Swiss Franc	22,696
Australian Dollar	10,445
Hong Kong Dollar	5,108
Sedish Krona	3,045
Singapore Dollar	3,905
Norwegian Krone	1,784
Danish Krone	1,568
Canadian Dollar	212
New Zealand Dollar	53
<b>Subtotal</b>	<b>206,903</b>
<b>Cash:</b>	
British Pound	62
Singapore Dollar	13
Japanese Yen	91
Euro	121
<b>Subtotal</b>	<b>287</b>
<b>Total Foreign Deposits and Investments</b>	<b>\$ 207,190</b>

- Denver Convention Center Hotel Authority (DCCHA)** – DCCHA's investments are not subject to custodial credit risk at December 31, 2008, since they were covered by collateral held by DCCHA's custodial bank.
- Denver Urban Renewal Authority (DURA)** – Although it does not have a formal policy to limit exposure to interest rate risk, DURA limits the maximum maturity of investments.

At December 31, 2008, DURA's investment balances and maturities are shown in **Table 9** (dollars in thousands):

**Table 9**

Investment Type	Investment Maturities in Years		
	Fair Value	Less than 1	1 - 5
Money market funds	\$ 21,124	\$ 21,124	\$ -
Guaranteed investment contracts	25,219	-	25,219
Local government investment pool	18,302	18,302	-
<b>Total</b>	<b>\$ 64,645</b>	<b>\$ 39,426</b>	<b>\$ 25,219</b>

5. **Water Board.** To limit exposure to interest rate risk, the Water Board's investment policy limits investments to 270 days for commercial paper, 3 years for corporate fixed income securities, 4 years for U. S. agency securities, 5 years for U. S. Treasury securities, and 7 business days for repurchase agreements.

At December 31, 2008, the Water Board's investment balances and maturities are shown in **Table 10** (dollars in thousands):

**Table 10**

Investment Type	Investment Maturities in Years		
	Fair Value	Less than 1	1 - 5
U.S. Treasury securities	\$ 73,591	\$ 58,464	\$ 15,127
U.S. agency securities	67,923	50,569	17,354
Commercial paper	51,906	51,906	-
Corporate obligations	2,438	1,532	906
<b>Total</b>	<b>\$ 195,858</b>	<b>\$ 162,471</b>	<b>\$ 33,387</b>

The Water Board mitigates credit quality risk by limiting the purchase of investments in commercial paper to those rated either A1 or better by Standard & Poor's or P1 by Moody's. Corporate bonds must have an investment grade rating by either Standard & Poor's or Moody's. As of December 31, 2008, all of the Water Board's investments in commercial paper were rated A1 or better by Standard & Poor's or P-1 by Moody's with the exception of two securities that were downgraded to A3/P-2 September 15, 2008. These securities, representing 1.1% of the total portfolio at December 31, 2008, are being held with the Water Board's approval until maturity in early 2009. All corporate bonds held by the Water Board on December 31, 2008, were rated AA- or better by Standard & Poor's or Aa3 or better by Moody's.

6. **Securities Lending.** The City participates in a securities lending program with certain qualified dealers. The securities are loaned to the dealer up to a maximum of up to one year in exchange for a predetermined fee. The City continues to receive interest earnings on the loaned securities. The securities are collateralized by the dealer. The collateral is held in the City's name by J.P. Morgan, the City's custodian. Collateral is limited to U.S. Government and/or its Agencies' securities with a maximum maturity of 10 years. Only those securities issued by Agencies approved for purchase under the City's investment policy are acceptable as collateral for these agreements. The initial market value of the collateral for each investment position maintained with a dealer shall be 102% of the market value of the securities being collateralized. Market value includes investment principal plus accrued interest. Collateral valuation levels with each dealer must be determined on at least a weekly basis, and deficiencies from the required 102% level must be cured no later than the following business day. The loans can be terminated at the request of either party on demand. The City had no securities on loan as of December 31, 2008.

The DERP pension trust fund participates in a securities lending program to augment income. The program is administered by the DERP custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U. S. Government securities, defined letters of credit or other collateral approved by the DERP. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. DERP continues to receive interest and dividends during the loan period as well as a fee from the borrower. There are no restrictions on the amount of securities that can be lent at one time. At December 31, 2008, the fair value of underlying securities lent was \$196,637,000. The fair value of associated collateral was \$194,564,000; of this amount, \$151,272,000 represents the fair value of cash collateral and \$43,293,000 is the fair value of non-cash collateral. The collateral at December

31, 2008, is less than 102% of the underlying securities due to certain securities for which cash collateral had been invested in becoming impaired because of the credit failure of the issuer. Thus DERP has credit risk exposure of \$6,109,000; the reduction in the carrying amount of the collateral due to the impairment.

## Note B – Receivables

1. **Accounts and Notes Receivable Allowances.** The City reviews its accounts receivables periodically and allowances for doubtful accounts are established based upon management’s assessment of collection.

**Table 11** represents the allowances for doubtful accounts at December 31, 2008:

**Table 11**

### Allowances for Doubtful Accounts

December 31, 2008 (dollars in thousands)

	Governmental Activities	Business-type Activities	Fiduciary Funds
General Fund	\$ 22,306	\$ -	\$ -
Human Services	595	-	-
Other Governmental Funds	49,776	-	-
Wastewater Management	-	1,119	-
Denver Airport System	-	1,025	-
Agency	-	-	6,222
<b>Total</b>	<b><u>\$ 72,677</u></b>	<b><u>\$ 2,144</u></b>	<b><u>\$ 6,222</u></b>

2. **Notes Receivable.** The special revenue funds’ and general fund notes receivable balance at December 31, 2008, is shown in **Table 12** (dollars in thousands):

**Table 12**

Neighborhood Development Loans	\$ 5,798
Economic Development Loans	53,286
Housing Development Loans	69,605
<b>Total Office of Economic Development</b>	<b><u>128,689</u></b>
Less allowances for delinquent loans	(1,505)
Less allowances for forgivable loans	(43,985)
<b>Notes Receivable, Net</b>	<b><u>\$ 83,199</u></b>

Allowance for uncollectibles for notes receivable of \$45,490,000 is included in the accounts receivable allowance of \$72,677,000 above.

The Neighborhood, Economic and Housing Development loans are funded from both federal U.S. Housing and Urban Development grants and City monies designated for affordable housing. Recipients of affordable housing loans target low and moderate income households, special needs and the homeless. Rental and Occupancy Covenants are recorded on these properties for affordability periods of 20 years or more. Housing loans may be fully deferred and forgivable at the end of the affordability period, due and payable in full, or due and payable based on occupancy rates or other conditions. The Economic Development loans are made to qualified program recipients under the Community Development Block Grant to provide business owners with funds to promote job creation and growth in targeted areas. Loans are collateralized by the underlying properties.

- 3. Long-Term Receivables Allowance.** Included in long-term receivables are amounts related to reimbursement for construction costs, parking fines, court fines, and library fines. The City recorded an allowance for uncollectible accounts for governmental activities of \$24,204,000. The DURA component unit recorded an allowance of \$4,376,000.
- 4. Operating Leases.** The Denver Airport System leases portions of its Denver International Airport buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases require retail concessions to pay a minimum guarantee or percentage of gross receipts, whichever is greater. Revenue from these operating leases of \$71,582,000 was recognized in the Denver Airport System enterprise fund during the year ended December 31, 2008. Minimum future rentals due from concessions under operating leases are shown in **Table 13** (dollars in thousands):

**Table 13**

Year	
2009	\$ 51,806
2010	50,115
2011	47,619
2012	45,901
2013	44,037
2014 - 2017	25,955
<b>Total</b>	<b>\$ 265,433</b>

Leases with airlines with terms of 10 years and 30 years are terminable by the airline if the airline's cost per enplaned passenger exceeds \$25 and \$20 (in 1990 dollars), respectively. Rental rates for airlines are established using the rate making 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 rate maintenance covenants per governing bond ordinances.

### Note C – Interfund Receivables, Payables, and Transfers

**Tables 14 and 15** reflect the City's interfund balances as of December 31, 2008 (dollars in thousands):

#### 1. Interfund Payables/Receivables.

**Table 14**

Receivable Fund	Payable Fund									Total
	General Fund	Human Services	Bond Projects	Non-major Governmental	Wastewater Management	Denver Airport System	Non-major Business-type	Internal Service		
General Fund	\$ -	\$ 2,938	\$ -	\$ 4,390	\$ 3,056	\$ 17,999	\$ 1,568	\$ 1,645	\$ -	\$ 31,596
Human Services	-	-	-	36	-	-	-	-	-	36
Non-major Governmental	253	2,299	18	105	1	1	14	4	-	2,695
Wastewater Management	85	-	-	-	-	25	18	-	-	128
Denver Airport System	281	-	-	-	-	-	-	-	-	281
Non-major Business-type	31	-	-	2	-	-	-	-	-	33
Internal Service Funds	2,758	1,212	1	99	130	48	7	11	-	4,266
<b>Total</b>	<b>\$ 3,408</b>	<b>\$ 6,449</b>	<b>\$ 19</b>	<b>\$ 4,632</b>	<b>\$ 3,187</b>	<b>\$ 18,073</b>	<b>\$ 1,607</b>	<b>\$ 1,660</b>	<b>\$ -</b>	<b>\$ 39,035</b>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. In addition, some balances result from the overdraft of cash balances in the payable funds.

## 2. Transfers.

Table 15

Transfers In	Transfers Out					Total
	General Fund	Human Services	Non-major Governmental	Wastewater Management	Non-major Business-type	
General Fund	\$ -	\$ -	\$ 30,731	\$ -	\$ -	\$ 30,731
Human Services	150	-	-	-	-	150
Bond Projects	-	-	5,520	-	-	5,520
Non-major Governmental	67,391	43	7,490	15	250	75,189
Internal Service Funds	50	-	-	-	-	50
<b>Total</b>	<b>\$ 67,591</b>	<b>\$ 43</b>	<b>\$ 43,741</b>	<b>\$ 15</b>	<b>\$ 250</b>	<b>\$ 111,640</b>

Transfers are used to move revenues from the fund in which the City budget requires collection to the fund required to expend the monies, and to move unrestricted revenues collected in the General Fund to finance various activities accounted for in other funds.

## Note D – Capital Assets

Capital asset activity for the year ended December 31, 2008, are shown in Tables 16 and 17:

## 1. Governmental Activities.

Table 16

## Governmental Activities

For the Year Ended December 31, 2008 (dollars in thousands)

	January 1	Additions	Deletions	December 31
<b>Capital assets not being depreciated:</b>				
Land and land rights	\$ 246,273	\$ 1,612	\$ (1,576)	\$ 246,309
Construction in progress	101,737	208,997	(66,785)	243,949
<b>Total capital assets not being depreciated</b>	<b>348,010</b>	<b>210,609</b>	<b>(68,361)</b>	<b>490,258</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,533,493	39,868	(5,879)	1,567,482
Equipment and other	241,380	30,451	(13,659)	258,172
Collections	75,094	5,525	(6,063)	74,556
Infrastructure	1,007,409	51,938	(4,320)	1,055,027
<b>Total capital assets being depreciated</b>	<b>2,857,376</b>	<b>127,782</b>	<b>(29,921)</b>	<b>2,955,237</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(351,049)	(43,135)	884	(393,300)
Equipment and other	(172,486)	(24,643)	10,514	(186,615)
Collections	(39,593)	(4,260)	6,069	(37,784)
Infrastructure	(435,727)	(33,622)	4,320	(465,029)
<b>Total accumulated depreciation</b>	<b>(998,855)</b>	<b>(105,660)</b>	<b>21,787</b>	<b>(1,082,728)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,858,521</b>	<b>22,122</b>	<b>(8,134)</b>	<b>1,872,509</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 2,206,531</b>	<b>\$ 232,731</b>	<b>\$ (76,495)</b>	<b>\$ 2,362,767</b>

## 2. Business-type Activities.

**Table 17**

### Business-type Activities

For the Year Ended December 31, 2008 (dollars in thousands)

	January 1	Additions	Deletions	December 31
<b>Capital assets not being depreciated:</b>				
Land and land rights	\$ 317,866	\$ 3,620	\$ -	\$ 321,486
Construction in progress	243,458	145,505	(330,288)	58,675
<b>Total capital assets not being depreciated</b>	<b>561,324</b>	<b>149,125</b>	<b>(330,288)</b>	<b>380,161</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,995,941	37,040	(19,390)	2,013,591
Improvements other than buildings	2,578,174	126,550	78,573	2,783,297
Machinery and equipment	620,672	83,006	(1,733)	701,945
<b>Total capital assets being depreciated</b>	<b>5,194,787</b>	<b>246,596</b>	<b>57,450</b>	<b>5,498,833</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(658,588)	(56,533)	4,202	(710,919)
Improvements other than buildings	(786,298)	(69,880)	-	(856,178)
Machinery and equipment	(350,859)	(54,879)	1,469	(404,269)
<b>Total accumulated depreciation</b>	<b>(1,795,745)</b>	<b>(181,292)</b>	<b>5,671</b>	<b>(1,971,366)</b>
<b>Total capital assets being depreciated, net</b>	<b>3,399,042</b>	<b>65,304</b>	<b>63,121</b>	<b>3,527,467</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 3,960,366</b>	<b>\$ 214,429</b>	<b>\$ (267,167)</b>	<b>\$ 3,907,628</b>

## 3. Discretely Presented Component Units. Capital Asset activity for the Water Board and Denver Convention Hotel Authority component units is shown in Table 18:

**Table 18**

### Discretely Presented Component Units

For the Year Ended December 31, 2008 (dollars in thousands)

	January 1	Additions	Deletions	December 31
<b>Capital assets not being depreciated:</b>				
Land and land rights	\$ 179,696	\$ 6,585	\$ (16)	\$ 186,265
Construction in progress	155,813	-	(46,497)	109,316
<b>Total capital assets not being depreciated</b>	<b>335,509</b>	<b>6,585</b>	<b>(46,513)</b>	<b>295,581</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	437,649	4,372	(431)	441,590
Improvements other than buildings	1,499,287	83,470	(6,807)	1,575,950
Machinery and equipment	200,456	52,539	(2,971)	250,024
<b>Total capital assets being depreciated</b>	<b>2,137,392</b>	<b>140,381</b>	<b>(10,209)</b>	<b>2,267,564</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(61,037)	(8,357)	68	(69,326)
Improvements other than buildings	(408,342)	(24,507)	2,249	(430,600)
Machinery and equipment	(87,813)	(14,989)	2,349	(100,453)
<b>Total accumulated depreciation</b>	<b>(557,192)</b>	<b>(47,853)</b>	<b>4,666</b>	<b>(600,379)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,580,200</b>	<b>92,528</b>	<b>(5,543)</b>	<b>1,667,185</b>
<b>Discretely Presented Component Units Capital Assets, net</b>	<b>\$ 1,915,709</b>	<b>\$ 99,113</b>	<b>\$ (52,056)</b>	<b>\$ 1,962,766</b>

<sup>1</sup>Excludes net capital assets of \$18,569 of Other Component Units.

4. **Depreciation Expense.** Depreciation expense that was charged to governmental activities' functions is shown in **Table 19** (dollars in thousands):

**Table 19**

General government	\$ 16,394
Public safety	12,828
Public works, including depreciation of infrastructure	38,831
Human services	789
Health	195
Parks and recreation	9,766
Cultural activities	25,985
Community development	75
Economic opportunity	7
Capital assets held by internal service funds	790
<b>Total</b>	<b>\$ 105,660</b>

5. **Construction Commitments.** The City's governmental and business-type activities and component units have entered into construction and professional services contracts having remaining commitments under contract as of December 31, 2008, as shown in **Table 20** (dollars in thousands):

**Table 20****Governmental Activities:**

Bond Projects	\$ 195,357
Entertainment and Culture	2,784
<b>Total Governmental Activities</b>	<b>\$ 198,141</b>

**Business-type Activities:**

Wastewater Management	\$ 11,401
Denver Airport System	207,611
<b>Total Business-type Activities</b>	<b>\$ 219,012</b>

**Component Units:**

Water Board	\$ 135,500
<b>Total Component Units</b>	<b>\$ 135,500</b>

The commitments for these funds are not reflected in the accompanying financial statements. Only the unpaid amounts incurred to date for these contracts are included as liabilities in the financial statements.

**Note E – Lease Obligations**

1. **Capitalized Leases.** The governmental activity capital leases are for various properties including the Wellington Webb Municipal Office Building, 2000 West Third Avenue, the Blair-Caldwell Research Library, the Buell Theatre, the 5440 Roslyn maintenance facility property, a jail dorm building, three fire stations and portions of three parking garages. The capital leases also include certain computer and safety equipment, the Figaro simultext system, snow plows, street sweepers, and a production press. The Water Board leases are for 40% of the storage capacity and 40% of the water rights of Ritschard Dam and Wolford Mountain Reservoir, and leases of certain facilities.

The City currently leases two City Park parking structures, adjacent to the Denver Museum of Nature and Sciences (DMNS) and the Denver Zoo, from Denver Capital Leasing Corporation (DCLC). Under separate agreements, the DMNS and the Denver Zoological Foundation Inc. agreed to increase their admission charges and provide a portion of their admission revenues to help make the lease payments. In 2008, the DMNS collected and remitted \$565,257 to the City to be applied to the lease payments. The Zoo collected and remitted \$638,045.

On October 1, 2008, Civic Center Office Building, Inc. (CCOB), the Lessor on the City's capital lease on the Wellington E. Webb Municipal Office Building, refunded the outstanding Series 2003C1-C3 Certificates of Participation (COPs) with the Series 2008A1-A3 (2008A COPs). The refunding was necessary due to the deteriorating credit rating of the insurer. Concurrently, the City amended its annually renewable lease with CCOB. The present value of the new lease payments is \$9,710,000 higher than the present value of the old lease payments. This figure does not include interest due to the variable rate nature of the lease.

In addition to base rental payments, the lease agreement with CCOB, requires the City to make all payments for any swap agreements relating to the Series 2008 A COP's entered into by the Lessor. The Lessor has entered into three separate interest rate swap agreements requiring payment to the counterparties of a fixed 3.39% interest rate on the 2008A1 and 2008A2 associated swaps and 3.13% on the 2008A3 associated swap. In return, the Lessor receives a floating rate set at 68% of LIBOR. The interest rate swaps, with amortizing notional amounts equal to the principal of the outstanding 2008A COPs, effectively fix the variable rate on the 2008A COPs. The City's annual interest expense on the lease is equal to the interest payable on the variable rate 2008A COPs, increased or decreased by any payments made or received under the three interest rate swap agreements. In 2008, the City's net payments to the swap counterparties were \$2,926,806.

In 2008, the City entered into a Lease/Lease Back agreement to allow the Trustee on behalf of Denver Botanic Garden Parking Facility Leasing Trust to execute and deliver Certificates of Participation (Denver Botanic Gardens Parking Facility Project), Series 2008B. Certificates in the amount of \$17,735,000 were executed and delivered in November 2008, and proceeds of the certificates are being used to fund the design and construction of a new parking facility at the Denver Botanic Gardens. The Trust has a leasehold interest in the City-owned site of the parking facility that is currently being leased back to the City by the Trust. Upon completion of the parking facility, it will also be leased to the City by the Trust. The Denver Botanic Gardens has agreed to implement a fee increase schedule for admissions, membership and concerts in order to generate revenues sufficient to cover the lease payments. The certificated lease is included in the City's capital lease information.

The related net book values of plant and equipment under capital lease obligations as of December 31, 2008, are shown in **Table 21** (dollars in thousands):

**Table 21**

	<b>Governmental Activities</b>	<b>Component Unit Water Board</b>
Buildings	\$ 351,316	\$ 31,183
Land	17,314	-
Improvements other than buildings	-	40,766
Equipment	25,287	-
Less accumulated depreciation	(75,675)	(22,610)
<b>Net Book Value</b>	<b><u>\$ 318,242</u></b>	<b><u>\$ 49,339</u></b>

**Table 22** is a schedule by year of future minimum lease obligations together with the present value of the net minimum lease payments as of December 31, 2008 (dollars in thousands):

**Table 22**

	<b>Governmental Activities</b>	<b>Component Unit Water Board</b>
2009	\$ 29,892	\$ 10,599
2010	30,481	10,582
2011	31,854	16,113
2012	32,504	5,211
2013	32,625	5,209
2014-2018	162,208	21,633
2019-2023	137,258	4,500
2024-2028	104,718	-
2029-2032	78,575	-
<b>Total minimum lease payments</b>	<b>640,115</b>	<b>73,847</b>
Less amounts representing interest	(204,809)	(16,311)
<b>Present Value of Minimum Lease Payments</b>	<b><u>\$ 435,306</u></b>	<b><u>\$ 57,536</u></b>

- 2. Operating Leases.** The City is committed under various cancelable leases for property and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year-ended December 31, 2008, were approximately \$10,954,000, \$847,000, and \$2,778,000 for the governmental activities, business-type activities, and component units, respectively. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments should be approximately the same amount.

#### Note F – Other Liabilities

The Denver Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations, maintenance, and debt service related to the airfield and space utilized by the airlines. Any differences between amounts collected and actual costs allocated to the airline's leased space are credited or billed to the airlines. As of December 31, 2008, the Denver Airport System has accrued a liability of \$1,184,000 for such amounts due to the airlines.

For the years ended December 31, 2000 through 2005, 75% of Net Revenues (as defined by bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50%, capped at \$40,000,000. The Net Revenues credited to the airlines for the year-ended December 31, 2008, were \$40,000,000 and have been accrued as a liability at year-end.

#### Note G – Long-Term Debt

- 1. General Obligation Bonds.** The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are reported in the business-type funds if they are expected to be repaid from business-type fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 15-year serial bonds, except for refunding issues. General obligation bonds outstanding, excluding unamortized premium of \$34,539,902, at December 31, 2008, are shown in **Table 23** (dollars in thousands):

**Table 23**

<b>Purpose</b>	<b>Net Interest Cost</b>	<b>Interest Rates</b>	<b>Amount</b>
General government	3.14% to 4.90%	3.00% to 5.50%	\$ 551,679
Water Board component unit refunding	n/a	3.125% to 5.60%	42,725
<b>Total</b>			<b>\$ 594,404</b>

On December 31, 2008, the City had \$538,230,000 in authorized but unissued general obligation bonds. Of this amount, \$26,500,000 is for improvements to the City Zoo, and \$511,730,000 is for the Better Denver Bond Projects authorized by the Denver voters in November 2007. Commercial paper notes outstanding in the amount of \$38,000,000 are attributed to the Better Denver Bonds Projects authorization that will be redeemed with proceeds of the Better Denver general obligation bonds as they are issued, beginning in 2009. The City initiated the use of commercial paper notes to fund the Better Denver Bond Projects in order to more closely match incoming funds to project needs, and time the issuance of bonds to market conditions. The initial commercial paper draw was \$16,000,000 on May 29, 2008, and another \$22,000,000 was drawn on August 27, 2008. The interest rate on the outstanding commercial paper on December 31, 2008, was 0.90%.

In February 2008, the City issued \$174,135,000 of Series 2008, General Obligation Bonds, and supplemental "B" interest registered coupons for the purpose of financing a portion of the City's new Justice System Facilities. The bonds are fixed rate bonds that mature in 2020 and the coupons, totaling \$11,785,100, mature in 2008 and 2009.

General obligation bonds have been issued by the Gateway Village General Improvement District; however, these bonds are solely the obligation of the District and not the primary government. These bonds are outstanding at December 31, 2008 in the amount of \$2,215,000.

Annual debt service requirements to maturity for general obligation bonds are shown in **Table 24** (dollars in thousands):

**Table 24**

	<b>Governmental Activities</b>				<b>Component Unit-Water Board</b>	
	<b>General Government</b>		<b>General Improvement District</b>		<b>Principal</b> <sup>2</sup>	<b>Interest</b>
	<b>Principal</b> <sup>1</sup>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2009	\$ 40,305	\$ 29,586	\$ 365	\$ 87	\$ 11,555	\$ 2,006
2010	29,460	24,465	520	76	3,080	1,548
2011	32,710	23,010	565	59	4,265	1,391
2012	34,500	21,492	325	39	1,595	1,178
2013	33,190	19,822	65	26	1,995	1,112
2014 - 2018	202,724	76,613	375	69	6,320	4,409
2019 - 2023	121,295	39,912	-	-	2,365	3,535
2024 - 2028	57,495	4,347	-	-	-	3,232
2029 - 2033	-	-	-	-	11,550	646
<b>Total</b>	<b>\$ 551,679</b>	<b>\$ 239,247</b>	<b>\$ 2,215</b>	<b>\$ 356</b>	<b>\$ 42,725</b>	<b>\$ 19,057</b>

<sup>1</sup> Does not include \$1,805 and \$731 of compound interest on the series 1999A and 2007 mini-bonds respectively (or unamortized premium of \$34,540).

<sup>2</sup> Does not include unamortized discount of (\$146) and deferred amount on refunding of (\$15).

2. **Revenue Bonds.** The City and component units issue bonds and notes where income derived from acquired or constructed assets is pledged to pay debt service. Certain Airport system and Art Museum revenue bonds are subject to mandatory redemption requirements in 2009, and subsequent years. Revenue bonds outstanding, excluding unamortized premium (net of discount) of \$75,769,000 and deferred amount on refunding of (\$297,613,000), at December 31, 2008, are shown in **Table 25** (dollars in thousands):

**Table 25**

Purpose	Net Interest Cost	Interest Rates	Amount
Excise tax revenue	5.04% to 5.41%	3.75% to 5.00%	\$ 87,955
Excise tax refunding	3.40% to 5.11%	3.50% to 5.50%	202,975
Wastewater	4.98%	4.25% to 5.50%	24,250
Golf	4.80%	4.00% to 5.50%	6,110
Airport system	4.15% to 8.02%	3.41% to 7.75%	4,099,775
<b>Total primary government</b>			<b>4,421,065</b>
DCCHA component unit		4.125% to 5.25%	355,890
Water Board component unit		0.75% to 5.50%	277,490
<b>Total</b>			<b>\$ 5,054,445</b>

Revenue bonds' debt service requirements to maturity are shown in **Tables 26** and **27** (dollars in thousands):

**Table 26**

	Governmental Activities				Business-type Activities			
	Golf Enterprise		Wastewater Management		Denver Airport System			
	Principal <sup>1</sup>	Interest	Principal <sup>2</sup>	Interest	Principal <sup>3</sup>	Interest	Principal <sup>4</sup>	Interest
2009	\$ 14,490	\$ 13,871	\$ 385	\$ 297	\$ 1,235	\$ 1,220	\$ 100,785	\$ 186,491
2010	14,945	13,182	400	282	1,300	1,167	112,395	180,539
2011	16,085	12,422	425	260	1,365	1,109	136,200	172,685
2012	17,085	11,607	450	236	1,430	1,047	143,960	163,911
2013	17,955	10,699	470	212	1,505	980	159,635	155,803
2014 - 2018	95,530	39,143	2,705	717	8,730	3,661	819,145	652,189
2019 - 2023	87,730	15,638	1,275	93	8,685	1,142	1,124,915	443,930
2024 - 2028	27,110	836	-	-	-	-	1,184,305	164,860
2029 - 2033	-	-	-	-	-	-	318,435	45,456
2034 - 2038	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 290,930</b>	<b>\$ 117,398</b>	<b>\$ 6,110</b>	<b>\$ 2,097</b>	<b>\$ 24,250</b>	<b>\$ 10,326</b>	<b>\$ 4,099,775</b>	<b>\$ 2,165,864</b>

<sup>1</sup>Does not include unamortized premium of \$12,132 and deferred amount on refunding of (\$2,433).

<sup>2</sup>Does not include unamortized premium of \$50.

<sup>3</sup>Does not include unamortized premium of \$68.

<sup>4</sup>Does not include unamortized premium of \$63,519 and deferred amount on refunding of (\$295,180).

**Table 27**

	Component Units			
	DCCHA		Water Board	
	Principal <sup>1</sup>	Interest	Principal <sup>2</sup>	Interest
2009	\$ 1,960	\$ 17,655	\$ 12,465	\$ 12,668
2010	2,800	17,557	21,360	12,072
2011	3,100	17,417	6,105	10,984
2012	3,835	17,263	14,560	10,690
2013	4,335	17,070	15,415	10,037
2014 - 2018	30,585	81,464	70,050	39,039
2019 - 2023	50,405	72,297	63,890	24,897
2024 - 2028	75,410	57,328	24,655	12,778
2029 - 2033	107,260	35,553	24,550	7,718
2034 - 2037	76,200	6,294	24,440	2,738
<b>Total</b>	<b>\$ 355,890</b>	<b>\$ 339,898</b>	<b>\$ 277,490</b>	<b>\$ 143,621</b>

<sup>1</sup>Does not include unamortized premium of \$8,413 and deferred amount on refunding of (\$7,802).

<sup>2</sup>Does not include unamortized premium of \$4,633 and deferred amount on refunding of (\$938).

Included in the revenue bonds are certain bonds which bear interest at flexible or weekly rates and are subject to mandatory redemption upon conversion to a different rate type or rate period. If the bonds are in a weekly (or monthly) mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. Each series is supported by an irrevocable letter of credit or standby bond purchase agreement that contains provisions for a take-out agreement that would convert the obligation to an installment loan with the provider of that agreement. If the take-out agreement were to be exercised, interest payments would be required that are expected to be higher than the interest amount on the bonds. **Table 28** provides details of the irrevocable letters of credit and standby bond purchase agreements (SBPA) that were issued as collateral for the commercial paper and demand bonds (dollars in thousands):

**Table 28**

<b>Bonds</b>	<b>Par Amount Outstanding</b>	<b>Letter of Credit or SBPA Amount</b>	<b>Annual Commitment Fee</b>	<b>Letter of Credit or SBPA Expiration Date</b>
Excise Tax Series 2001B	\$ 74,000	\$ 74,827	0.225%	May 1, 2009 <sup>1</sup>
Airport Series 1992F	24,800	25,183	0.163%	October 2, 2014
Airport Series 1992G	20,600	20,918	0.163%	October 2, 2014
Airport Series 2002C	38,400	38,993	0.163%	October 2, 2014
Airport Series 2007G1-G2	148,500	150,209	0.280%	November 13, 2014
Airport Series 2008B	78,800	79,707	0.800%	June 30, 2011
Airport Series 2008C1	92,600	93,909	1.100%	November 4, 2011
Airport Series 2008C2-C3	200,000	202,827	0.800%	November 3, 2011
Airport 2008 Commercial Paper	100,000	127,200	0.280%	August 17, 2010

<sup>1</sup>On May 1, 2009, the \$74,000,000 outstanding Series 2001B Excise Tax bonds were refunded and the SBPA expired.

As of December 31, 2008, no amounts were outstanding that have been drawn under any of the existing agreements.

On November 2, 2008 the Airport issued \$92,600,000 and \$200,000,000 of Airport System Revenue bonds Series 2008C1 and 2008C2-C3 in a variable rate mode for the purpose of refunding the Series 2000C and 2000B bonds.

On June 24, 2008, the Airport issued \$81,800,000 of Airport System Revenue bonds Series 2008B in a variable rate mode for the purpose of refunding Series 2005C1-C2 bonds which were trading at above market rate because of distressed bond insurance.

The Airport drew \$50 million on March 28, 2008 and \$50 million April 1, 2008, of Commercial Paper to current refund the Series 2001C1-C2 Auction Rate Securities ("ARS"). On April 14, 2008, the Airport issued \$221,215,000, \$111,000,000, \$181,965,000 and \$94,660,000 of Series 2008A1-A4 bonds in a fixed rate and term rate mode for the purposes of current refunding \$100,000,000 of the Series 2001C3-C4, \$267,625,000 of the Series 2002A1-A3, \$85,275,000 of the Series 2005B1-B2 Airport Revenue bonds that were variable rate bonds currently in an auction rate mode, and to current refund \$144,000,000 of the Series 2004A-B bonds variable rate bonds. The Series 2001C1-C4 Airport Revenue Bonds which were Auction Rate Securities and associated with 1999, 2002, and 2007A swap agreements were refunded on March 28, 2008, April 1, 2008, and April 14, 2008, with Commercial Paper and a portion of the Series 2008A1-A4 variable rate bonds which will bear interest initially in a term mode. The refunding transactions were necessitated by the deterioration of the credit rating of certain bond insurers. Debt service savings and economic gains resulting from the refunding transactions are not meaningful because all debt was variable rate debt.

For detailed information on individual bond issues see "OTHER SUPPLEMENTARY SCHEDULES – Combined Schedule of Bonds Payable, Commercial Paper, and Escrows."

3. **Other Debt.** DURA component unit tax increment bonds, note payable, and loan payable exclusive of unamortized loss on refunding of \$4,987, at December 31, 2008, are comprised of the following individual issues shown in **Table 29** (dollars in thousands):

**Table 29**

Purpose	Interest Rates	Amount
Series 20022A	Variable less than 12.0%	\$ 4,590
Series 2001 A-1	Variable	186,000
Series 2004 B-1	8.000%	100,000
Series 2006A	Variable	10,395
Series 2006B	Variable	11,050
Series 2006C	Variable	19,390
Series 2006D	Variable	2,265
Series 2007	5.25%	4,260
Note payable	6.00%	1,286
<b>Total</b>		<b>\$ 339,236</b>

Debt service requirements to maturity for DURA's note and bond issues are shown in **Table 30** (dollars in thousands):

**Table 30**

Year	Principal	Interest
2009	\$ 11,922	\$ 11,257
2010	13,722	10,815
2011	15,674	10,291
2012	17,373	9,728
2013	19,040	9,139
2014 - 2018	104,200	36,294
2019 - 2023	98,695	18,704
2024 - 2028	58,610	1,737
<b>Total</b>	<b>\$ 339,236</b>	<b>\$ 107,965</b>

4. **Indentures and Reporting Requirements.** The City is subject to a number of limitations and restrictions contained in various indentures. Such limitations and covenants include: continued collection of pledged revenues, segregation of pledged revenues, and maintenance of specified levels of bond reserve funds, permissible investment of bond proceeds and pledged revenues, and ongoing disclosure to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12. The City believes it is in compliance with all significant covenants.
5. **Notes payable.** The Denver Airport System entered into Master Installment Purchase Agreements with Siemens Financial Services, GE Capital Public Finance Inc., Koch Financial Corporation, and Chase Equipment Leasing Inc. to finance various capital asset purchases. The payment schedule relating to the loan requirements as of December 31, 2008, is shown in **Table 31** (dollars in thousands):

**Table 31**

Year	Principal	Interest
2009	\$ 14,368	\$ 2,337
2010	14,552	1,767
2011	12,283	1,176
2012	6,683	796
2013	5,327	551
2014 - 2016	10,435	667
<b>Total</b>	<b>\$ 63,648</b>	<b>\$ 7,294</b>

The City has a note payable with JP Morgan Chase Bank of New York in the amount of \$14,532,000 as of December 31, 2008. This represents Housing and Urban Development (HUD) loans that are due regardless of amounts received from borrowers.

**6. Line of Credit.** JP Morgan Chase, a private corporation, has extended a Line of Credit Agreement of \$8,000,000 to the City to provide loans for affordable housing and economic development purposes. The line of credit balance outstanding as of December 31, 2008, is \$770,000 and represents a liability to JP Morgan Chase.

**7. Changes in Long-term Liabilities.** Long-term liability activity for the year ended December 31, 2008, is shown in **Table 32 and 33** (dollars in thousands):

**Table 32**

<b>Governmental Activities</b>	<b>January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31</b>	<b>Due within one year</b>
Legal liability	\$ 1,520	\$ 4,441	\$ 5,961	\$ -	\$ -
Line of credit	735	35	-	770	-
Compensated absences:					
Classified service employees -	63,357	32,482	28,606	67,233	5,312
Career Service employees -	40,208	32,856	29,720	43,344	3,587
Claims payable	32,496	9,391	8,863	33,024	11,371
General obligation bonds <sup>1</sup>	424,793	174,802	45,380	554,215	40,305
Commercial paper notes	-	38,000	-	38,000	38,000
GID general obligation bonds	2,520	-	305	2,215	365
Excise tax revenue bonds	304,105	-	13,175	290,930	13,871
Capitalized lease obligations <sup>2</sup>	416,914	280,780	262,388	435,306	13,421
Unamortized premium	35,646	17,644	6,618	46,672	5,784
Unamortized gain on refunding	2,642	-	210	2,432	210
Other governmental funds - note payable	14,038	3,214	2,720	14,532	-
<b>Total Governmental Activities</b>	<b>\$ 1,338,974</b>	<b>\$ 593,645</b>	<b>\$ 403,946</b>	<b>\$ 1,528,673</b>	<b>\$ 132,226</b>

<sup>1</sup>Additions and deletions to general obligation bonds include accretion of \$666.

<sup>2</sup>Deletions include \$151 paid by an internal service fund.

The legal liability, compensated absences, and other accrued liabilities in the governmental activities are generally liquidated by the General Fund. The other governmental funds include a note payable liquidated by the Community Development special revenue fund and a claims payable liquidated by the Workers' Compensation internal service fund. The amount available for long-term debt in the debt service funds for bonds payable and in the special revenue fund was \$62,186,000.

**Table 33**

	<b>January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31</b>	<b>Due within one year</b>
<b>Business-type Activities</b>					
Wastewater Management					
Revenue bonds	\$ 25,430	\$ -	\$ 1,180	\$ 24,250	\$ 1,235
Unamortized premium	73	-	5	68	-
Compensated absences	2,271	318	170	2,419	658
<b>Total Wastewater Management</b>	<b>27,774</b>	<b>318</b>	<b>1,355</b>	<b>26,737</b>	<b>1,893</b>
Denver Airport System:					
Revenue bonds	4,198,850	1,083,240	1,182,315	4,099,775	100,785
Unamortized premium	58,422	12,657	7,560	63,519	-
Deferred amount on refunding	(303,121)	20,942	13,001	(295,180)	-
Notes payable	61,671	15,295	13,318	63,648	14,368
Compensated absences	7,291	846	319	7,818	2,098
<b>Total Denver Airport System</b>	<b>4,023,113</b>	<b>1,132,980</b>	<b>1,216,513</b>	<b>3,939,580</b>	<b>117,251</b>
Nonmajor enterprise funds:					
Revenue bonds	6,480	-	370	6,110	385
Unamortized premium	59	-	9	50	-
Compensated absences	784	53	68	769	154
<b>Total nonmajor enterprise funds</b>	<b>7,323</b>	<b>53</b>	<b>447</b>	<b>6,929</b>	<b>539</b>
<b>Total Business-type Activities</b>	<b>\$ 4,058,210</b>	<b>\$ 1,133,351</b>	<b>\$ 1,218,315</b>	<b>\$ 3,973,246</b>	<b>\$ 119,683</b>
<b>Major Component Units:</b>					
Revenue bonds <sup>1</sup>	\$ 641,695	\$ 2,230	\$ 6,239	\$ 637,686	\$ 12,465
General obligation bonds <sup>2</sup>	61,451	-	18,887	42,564	11,555
Capitalized lease obligations	64,576	-	7,040	57,536	7,392
Increment bonds and notes payable <sup>3</sup>	338,963	182,963	187,677	334,249	11,922
Customer advances	51,363	9,932	14,759	46,536	-
Compensated absences	6,837	2,922	2,572	7,187	2,754
Other post employment benefits	3,591	1,266	-	4,857	-
Other long term liabilities	2,493	103	-	2,596	-
<b>Total Major Component Units</b>	<b>\$ 1,170,969</b>	<b>\$ 199,416</b>	<b>\$ 237,174</b>	<b>\$ 1,133,211</b>	<b>\$ 46,088</b>

<sup>1</sup>Includes unamortized premium of \$13,046; and deferred loss on refunding of (\$8,740).

<sup>2</sup>Includes unamortized discount of (\$146) and deferred loss on refunding of (\$15).

<sup>3</sup>Includes deferred amount on refunding of (\$4,987).

- 8. Swap Agreements.** On September 6, 2006, the City entered into interest rate swap agreements with Morgan Stanley Capital Services, Inc. and JPMorgan Chase Bank, N.A. to protect against interest rates rising prior to the anticipated issuance of its 2008 general obligation bonds. The notional amount of each swap was \$91.5 million. No cash was paid or received by either party when the swaps were initiated. On February 20, 2008, concurrent with the issuance of the Series 2008 General Obligation bonds, there was a mandatory unwind of the swap agreements. At the time of the unwind, the swaps had negative value to the City, resulting in total payments to the counterparties of \$13,420,000 that were recorded as interest expense.

The Denver Airport System has entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. **Table 34** provides a profile of the terms of the Airport's swap agreements (all rates as of December 31, 2008):

**Table 34**

<b>Associated Debt</b>	<b>CP, 2002C</b>				
	<b>2008B</b> <sup>1</sup>	<b>2006A</b>	<b>2007F-G</b>	<b>2008C2-3</b>	<b>2008C1</b> <sup>2</sup>
Payment to counterparty	6.503%	4.562%	4.009%	4.740%	4.760%
Payment from counterparty	(1.232%)	(4.391%)	(0.305%)	(1.000%)	(0.405%)
Net swap interest rate	5.271%	0.171%	3.704%	3.740%	4.355%
Associated bond interest rate	1.217%	4.950%	2.617%	1.000%	0.950%
Synthetic interest rate	<u>6.488%</u>	<u>5.121%</u>	<u>6.321%</u>	<u>4.740%</u>	<u>5.305%</u>

<sup>1</sup>Swaps currently associated by the Airport with \$100mm CP, \$78.8mm Series 2008B, and a portion of the Series 2002C Bonds.

<sup>2</sup>Associated 1998 Swap with Lehman was terminated 1/8/09 and replaced with 2009 Swap Agreement. Not reflected here.

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2008, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, are reflected in **Table 35** (dollars in thousands).

**Table 35**

<b>Year</b>	<b>Interest Rate</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Swaps Net</b>	<b>Total</b>
2009	\$ 5,575	\$ 28,462	\$ 36,209	\$ 70,246
2010	1,730	28,387	36,172	66,289
2011	2,385	28,355	36,132	66,872
2012	2,540	28,398	36,296	67,234
2013	6,750	28,229	35,947	70,926
2014 - 2018	251,005	128,596	170,166	549,767
2019 - 2023	604,930	82,533	93,405	780,868
2024 - 2025	253,795	10,036	10,134	273,965
<b>Total</b>	<u>\$ 1,128,710</u>	<u>\$ 362,996</u>	<u>\$ 454,461</u>	<u>\$ 1,946,167</u>

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31 2008.

**Table 36** provides a summary of the Airport's interest rate swap transactions (dollars in thousands):

**Table 36**

Counterparty	Trade Date	Effective Date	Notional Amount	Bond/Swap		Payable Swap Rate	Variable Receivable Swap Rate	Fair Values 12/31/08
				Termination Date	Associated Debt Series			
<b>1998 Swap Agreements</b>								
Goldman Sachs Capital Markets, L.P.	1/22/98	10/4/00	\$ 100,000	11/15/25	2008C2-C3	4.7600%	Bond Rate	\$ (32,002)
Societe Generale, New York Branch	1/22/98	10/4/00	\$ 100,000	11/15/25	2008C2-C3	4.7190%	Bond Rate	(31,527)
Lehman Brothers Special Financing, Inc.	1/22/98	10/4/00	\$ 100,000	11/15/25	2008C1	4.7600%	Bond Rate	(13,853)
<b>1999 Swap Agreements</b>								
Goldman Sachs Capital Markets, L.P.	7/22/99	10/4/01	\$ 100,000	11/1/22	<sup>2</sup>	5.6179%	BMA	(30,962)
Merrill Lynch Capital Services, Inc.	7/22/99	10/4/01	\$ 50,000	11/1/22	<sup>2</sup>	5.5529%	BMA	(15,139)
RFPC, LTD.	7/22/99	10/4/01	\$ 50,000	11/1/22	<sup>2</sup>	5.6229%	BMA	(15,507)
<b>2002 Swap Agreements</b>								
Goldman Sachs Capital Markets, L.P.	4/11/02	4/15/02	\$ 100,000	11/1/22	<sup>2</sup>	BMA	76.33% LIBOR	(6,628)
RFPC, LTD.	4/11/02	4/15/02	\$ 100,000	11/1/22	<sup>2</sup>	BMA	76% LIBOR	(6,721)
<b>2005 Swap Agreements</b>								
Royal Bank of Canada	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6560%	70% LIBOR	(11,309)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6874%	70% LIBOR	(11,506)
Jackson Financial Products, LLC	4/14/05	11/15/06	\$ 111,834	11/15/25	2006A	3.6560%	70% LIBOR	(22,617)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6560%	70% LIBOR	(11,309)
<b>2006B Swap Agreements</b>								
Royal Bank of Canada	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	BMA	4.0855%	8,332
JP Morgan Chase Bank, N.A.	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	BMA	4.0855%	8,332
Jackson Financial Products, LLC	8/9/06	11/15/06	\$ 111,834	11/15/25	2006A	BMA	4.0855%	16,664
Piper Jaffray Financial Products, Inc.	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	BMA	4.0855%	8,332
<b>2006A Swap Agreements</b>								
Bear Stearns Capital Markets, Inc. <sup>1</sup>	6/1/06	11/15/07	\$ 180,850	11/15/25	2007F-G	4.0085%	70% LIBOR	(39,724)
GKB Financial Services Corp.	6/1/06	11/15/07	\$ 60,117	11/15/25	2007F-G	4.0085%	70% LIBOR	(13,241)
<b>2007A Swap Agreements</b>								
Bear Stearns Capital Markets, Inc. <sup>1</sup>	12/21/07	5/1/10	\$ 150,000	11/1/22	<sup>2</sup>	76.165% 1M LIBOR	65.55% 10Y LIBOR	191
Royal Bank of Canada	12/21/07	5/1/10	\$ 50,000	11/1/22	<sup>2</sup>	76.165% LIBOR	65.55% 10Y LIBOR	64
<b>2008A Swap Agreements</b>								
Royal Bank of Canada	12/18/08	12/18/08	\$ 120,233	11/15/25	2007F-G	4.0080%	1 Month 70% LIBOR	(26,955)
<b>TOTAL</b>								<b>\$ (247,085)</b>

<sup>1</sup>On May 30, 2008, the Bear Stearns Companies Inc., merged with JP Morgan & Company. JP Morgan & Company has indicated its intention to, with agreement from the City, novate the swap with Bear Stearns Capital Markets, Inc. to JP Morgan Chase Bank, N.A. As of December 31, 2008, this novation has yet to occur.

<sup>2</sup>Swaps are currently associated with Commercial paper Series 2008B and a portion of Series 2002C.

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2008. 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, 2008. 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.

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, 2008, the ratings of the Airport System’s Senior Bonds were A+ by Standard & Poor’s (with a stable outlook), A1 by Moody’s Investors Service (with a stable outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below). The ratings of the counterparties, or their credit support providers, as of December 31, 2008, are shown in **Table 37**:

**Table 37**

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
Bear Stearns Capital Markets, Inc. (Bear Stearns Companies) (JP Morgan & Company) <sup>1</sup>	A+	Aa2	AA-
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	AA-	A1	A+
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A	A1	AA-
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
JP Morgan Chase Bank, N.A.	AA-	Aaa	AA-
LOOP Financial Products, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa1	AA-
Merrill Lynch Capital Servies, Inc. (Merrill Lynch & Co., Inc.)	A	A2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A	A2	A
RFPC, LTD (Ambac Assurance Corp.)	A	Baa1	not rated
Royal Bank of Canada	AA-	Aaa	AA
Societe Generale, New York Branch	AA-	Aa2	AA-

<sup>1</sup>On May 30, 2008, the Bear Stearns Companies Inc. merged with JP Morgan Chase & Company. JP Morgan Chase & Company has indicated its intention to, with agreement from the City, novate the swap with Bears Stearns Capital Markets Inc. to JP Morgan Chase Bank, N.A. As of December 31, 2008, this novation has yet to occur.

As of December 31, 2008, 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 derivative’s fair value.

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

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

The Denver Urban Renewal Authority (DURA) has entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. **Table 38** provides the swap rates as of December 31, 2008.

**Table 38**

	2006	2008A-1	2008A-2
Fixed payment to counterparty	3.816%	5.259%	4.598%
Variable payment from counterparty (USD-SIFMA Municipal Swap Index)	-0.9	-0.9	-0.9
Net interest rate swap payments	2.916%	4.359	3.698
Variable-rate bond coupon payment	1.186	1.185	1.185
<b>Synthetic interest rate on bonds</b>	<b>4.102%</b>	<b>5.544%</b>	<b>4.833%</b>

As of December 31, 2008, debt service requirements of the variable-rate debt under swap agreements and net swap payments, assuming current interest rates remain the same, for their term are summarized in **Table 39** (dollars in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

**Table 39**

	Principal	Interest	Interest Rate Swaps, Net	Total
2009	9,105	2,716	8,614	20,435
2010	9,750	2,606	8,299	20,655
2011	10,980	2,484	7,946	21,410
2012	12,785	2,339	7,525	22,649
2013	23,450	2,174	7,044	32,668
2014 - 2018	48,625	8,248	27,295	84,168
2019 - 2023	58,065	5,013	16,413	79,491
2024 - 2027	56,435	1,008	3,188	60,631
<b>Total</b>	<b>\$ 229,195</b>	<b>\$ 26,588</b>	<b>\$ 86,324</b>	<b>\$ 342,107</b>

The terms of the swap agreements are summarized in **Table 40** (dollars in thousands).

**Table 40**

Counterparty	Trade Date	Effective Date	Notional Amount	Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Fair Values 12/31/08
<b>2006 Swap Agreements</b>								
Royal Bank of Canada	10/25/06	10/25/06	\$ 43,195	9/1/13	2006A,B,C,D	3.816%	SIFMA	\$ (2,793)
<b>2008A-1 Swap Agreements</b>								
Merrill Lynch Capital Services, Inc.	5/11/04	5/1/07	33,642	12/1/24	2008A-1	5.259%	SIFMA	(7,631)
Lehman Brothers	5/11/04	5/1/07	19,229	12/1/24	2008A-1	5.259%	SIFMA	(4,362)
Bank of America, N.A.	5/11/04	5/1/07	19,229	12/1/24	2008A-1	5.259%	SIFMA	(4,362)
<b>2008A-2 Swap Agreements</b>								
Merrill Lynch Capital Services, Inc.	1/28/05	6/1/08	56,950	12/1/25	2008A-2	4.598%	SIFMA	(11,488)
Merrill Lynch Capital Services, Inc.	1/28/05	6/1/08	56,950	12/1/25	2008A-2	4.598%	SIFMA	(11,488)
<b>Total</b>			<b>\$ 229,195</b>					<b>\$ (42,124)</b>

Under the various swap agreements, DURA is the fixed-rate payer at the rates listed in the “payable swap rate” column in the table above and the counterparties are the floating rate payers.

The year-end fair values were calculated using the mid-market BMA swap curve as of December 31, 2008. 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, 2008.

The following risks are generally associated with the swap agreements:

**Credit Risk** – All of DURA's swap agreements rely upon the performance of the respective swap counterparties. DURA is exposed to the risk of these counterparties being unable to fulfill their financial obligations to DURA. DURA measures the extent of this risk based upon the credit ratings of each counterparty (or, with respect to a swap agreement for which the counterparty's payment obligations are guaranteed by another entity, the credit ratings of such guarantor) and the fair value of the swap agreement. The credit risk with respect to the Series 2008A-1 Lehman swap has been realized by its bankruptcy, as discussed below. The ratings of the other counterparties, or their credit support providers, as of December 31, 2008, are shown in **Table 41**:

**Table 41**

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
Royal Bank of Canada	AA-	Aaa	AA
Merrill Lynch Capital Services, Inc.	A+	A1	A+
Bank of America, N.A.	A+	Aa2	A+

In September 2008, Lehman Brothers Holdings Inc., the guarantor of the obligations of Lehman Brothers Special Financing, Inc. (LBSF) under the 2008A-1 swap, filed for federal bankruptcy protection. The bankruptcy constituted an event of default, and gave DURA the authority to terminate the swap. DURA had not exercised this right as of December 31, 2008. The event of default also gave DURA the right to suspend making regularly-scheduled payments under the swap agreement, provided that the unpaid amounts would be required to be paid, with interest, upon any termination of the swap, along with any termination payment. DURA and LBSF have exercised their right to suspend making payments. DURA has collected and accounted for the amounts of such payments and \$111,957 has been accrued for the suspended payments to LBSF as of December 31, 2008.

As of December 31, 2008, for the other swaps, there was no risk of loss to DURA since the fair values of the swap agreements are negative.

**Termination Risk** – Any party to DURA’s swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, DURA may terminate any of its swap agreements at any time at its sole discretion, provided that if DURA would be required to make a termination payment to the applicable counterparty upon such termination.

If any of DURA’s swap agreements are terminated, and the associated bonds are then in variable rate mode, such bonds would no longer have the benefit of the interest rate risk hedge represented by such swap agreement. DURA is not aware of any current circumstances that would lead to a termination event with respect to any of such swap agreements.

**Basis Risk** – Each of the Series 2006, Series 2008A-1 and Series 2008A-2 Swap Agreements provide for the applicable counterparty to pay variable payments to DURA based on the SIFMA Municipal Swap Index. To the extent that the rate produced by such index from time to time does not equal the interest rate on the associated Series 2006 or Series 2008A Bonds, as applicable, there will either be a net loss or net benefit to DURA.

## IV. Other Note Disclosures

### Note A – Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In addition, the City is party to numerous pending or threatened lawsuits under which it may be required to pay certain amounts upon final disposition of these matters. The City has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The City has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The City currently reports substantially all of its risk management activities, except workers’ compensation (see Note IV-C), in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Current liabilities are reported when the liability has matured. These losses include an estimate of claims that have been incurred but not reported.

The Lowry Landfill, which accepted hazardous waste from the late 1960s to 1980, is listed on the national Superfund list. This means that the contamination at the site will be cleaned up under the auspices of the U.S. Environmental Protection Agency. Under federal law, the City, as owner and operator of the facility is one of the parties responsible for cleanup of the site. The City’s share of the remaining costs for cleanup could be incurred over the next 5 to 30 years. The City’s liability for a portion of the cleanup costs is probable, but cannot be reasonably estimated.

With respect to matters expecting to be settled subsequent to 2008, the City Attorney estimates there is no liability determined as probable (in accordance with FASB Statement No. 5) and incurred but not reported claims and judgments at December 31, 2008. The City Attorney also estimates that pending cases having a reasonably possible likelihood of resulting in an additional liability aggregating approximately \$22,090,000 at December 31, 2008. This amount is not recorded in the accompanying financial statements since, in the opinion of management and the City Attorney; it is not probable that a loss has been incurred.

Changes in the long-term legal liability during the past two years are shown in **Table 42** (dollars in thousands):

**Table 42**

	2008	2007
Beginning balance - January 1	\$ 1,520	\$ 2,500
Current year claims and changes in estimates	4,441	581
Claims paid	(5,961)	(1,561)
<b>Ending Balance - December 31</b>	<b>\$ -</b>	<b>\$ 1,520</b>

Pursuant to Colorado law, if a monetary judgment is rendered against the City, and the City fails to provide for the payment of such judgment, the Board of County Commissioners must levy a tax (not to exceed 10 mills per annum) upon all of the taxable property within the City for the purpose of making provision for the payment of the judgment. The City must continue to levy such tax until the judgment is discharged. Such mill levy is in addition to all other mill levies for other purposes. The Colorado Governmental Immunity Act establishes limits for claims made against governmental entities. These limits are \$150,000 per injury or \$600,000 per occurrence.

See Note IV-F-5 regarding Denver Airport System related litigation.

### **Note B – Pollution Remediation**

Effective January 1, 2008, the City implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The City has determined that the implementation of GASB 49 had no material effect on prior year financial statements.

The City has four underground storage tanks that leaked and are under remediation. Funds spent on remediation are partially reimbursed up to 50 percent of the cost by the Colorado Petroleum Storage Tank Trust. As of December 31, 2008, the City accrued a liability, measured at its expected amount, using the expected cash flow technique, of \$528,890 for its share of remediation costs related to these underground storage tanks. The City determined the liability amount by estimating a reasonable range of potential outlays, with no amount within the range considered a better estimate than any other amount.

The Environmental Protection Agency has listed a large area in north Denver on the National Priorities List of Superfund Sites because of lead, arsenic and cadmium contamination found in soils in residential neighborhoods. EPA has divided the Site into three operable units. Operable Unit 1 (OU1) consists of the contaminated residential soils in north Denver. Operable Unit 2 (OU2) is the Grant-Omaha Smelter Site. Operable Unit 3 (OU3) is the Argo Smelter Site.

ASARCO, Inc. finished the remediation of Operable Unit 1 in 2006 and has not claimed that the City is responsible for any of those costs; therefore management believes the possibility that the City has any liability associated with OU1 is remote.

The EPA has named the City a Potentially Responsible Party (PRP) at OU2 as the current owner of part of the site where the former Grant-Omaha Smelter was located. Denver has entered into an Administrative Order on Consent to perform a remedial investigation and feasibility study and has paid \$18,000 dollars of EPA's past costs. Whether this site is contaminated or whether it will require remediation can not be determined until completion of the remedial investigation. The City's responsibility for some of the investigation and clean up costs is probable; however at this early stage in the process it is not possible to estimate the costs associated with this site, therefore no liability has been accrued. ASARCO, Inc. is another significant PRP at the site. ASARCO, Inc. filed bankruptcy and The City filed a contingent claim for environmental remediation costs and reached a settlement with ASARCO for \$640,000, which has been approved by the bankruptcy court.

The City has no connection to OU3 and EPA has not asserted that the City has any responsibility for investigating or cleaning it up, therefore management believes the possibility is remote that the City has any liability associated with OU3.

Additionally, the Denver Airport System has accrued a liability of \$19,365,644 as of December 31, 2008, in connection with its remediation of friable asbestos in the soil at the City's Stapleton International Airport property. Under an insurance policy with American International Specialty Lines Insurance, Denver Airport System has recorded a receivable of \$32,256,896 as of December 31, 2008, for insurance recoveries from past and future remediation of the Stapleton International Airport property.

### Note C – Workers’ Compensation

The City has a Workers’ Compensation self-insurance trust established in accordance with State Statutes to be held for the benefit of the City’s employees. This trust is included in the Workers’ Compensation internal service fund.

The Workers’ Compensation internal service fund compensates City employees, or their eligible dependents, for injuries as authorized by the State Workers’ Compensation law, in addition to maintaining in-house records of claims. The Workers’ Compensation program is part of the City’s Risk Management Office, which also provides safety training and loss prevention for all City departments and agencies.

The Department of Labor and Employment of the State of Colorado establishes the amount of funding required each year for the City to maintain its self-insured permit. The requirement is calculated using the average amount of claims paid over the previous five years plus the outstanding liability for claims as of the end of the previous year. This requirement at December 31, 2008, for 2009, was \$14,534,000. The Workers’ Compensation internal service fund has current assets and appropriations set aside in 2008 to satisfy this requirement. These funds may only be used for payment of worker’s compensation benefits and administrative costs.

The City has purchased reinsurance coverage in order to reduce its risk. For the period from January 1, 2008 through December 31, 2008, the self-retention amount was \$2,500,000 for all employees. The City had no settlements in the past three years that exceeded its self-retention levels.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, and includes an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, and other economic and social factors. The liability is reported in the Workers’ Compensation internal service fund and was discounted for investment income. Changes in the liability during the past two years are shown in **Table 43** (dollars in thousands):

**Table 43**

	<b>2008</b>	<b>2007</b>
Beginning balance, undiscounted - January 1	\$ 32,496	\$ 31,258
Current year claims and changes in estimates	18,374	19,647
Claims paid	(8,863)	(8,648)
<b>Ending balance undiscounted</b>	<b>42,007</b>	<b>42,257</b>
Less discount	(8,983)	(9,761)
<b>Ending Balance - December 31</b>	<b>\$ 33,024</b>	<b>\$ 32,496</b>

### Note D – Water Board Risk Management

The Water Board is exposed to various risks of losses including general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence), property damage, and employee life, medical, dental, and accident benefits. The Water Board has a risk management program that includes self-insurance for liability, employee medical, long-term disability, dental, and vision. The Water Board carries commercial property insurance for catastrophic losses, including flood, fire, earthquakes, and terrorism for scheduled major facilities: the Westside Complex, Marston Treatment Plant and Lab, Moffat Treatment Plant, Foothills Water Treatment Plant, and the Recycling Plant. The Water Board carries limited insurance for other nonscheduled miscellaneous locations. The Water Board also carries commercial insurance for employee life, accident,

short-term disability, and worker's compensation. Workers' compensation insurance is under a retrospectively rated policy whereby the initial premiums are adjusted based on actual experience during the period of coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Premiums on retrospectively rated policies are accrued based on the ultimate cost of the experience to date. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2008, claims liabilities consisting of medical and dental benefits were \$2,659,000. Changes in the balances of these liabilities are shown in **Table 44** (dollars in thousands):

**Table 44**

	2008	2007
Beginning balance - January 1	\$ 1,452	\$ 1,966
Current year claims and changes in estimates	11,635	10,310
Claims paid	(10,428)	(10,824)
<b>Ending Balance - December 31</b>	<b>\$ 2,659</b>	<b>\$ 1,452</b>

### Note E – Subsequent Events

- 1. Denver Airport System.** There have been various adjustments of airport swap counterparties or credit support providers' credit ratings since December 31, 2008. As of May 11, 2009, Societe Generale was rated A+ by S & P and by Fitch Ratings, Merrill Lynch & Co., Inc. was rated A2 by Moodys and A by S & P, JP Morgan Chase Bank was rated Aa1 by Moodys, Goldman Sachs Group was rated A+ by Fitch Ratings, and Ambac Assurance Corp. was rated Ba3 by Moodys.

The 1998 airport swap with Lehman Brothers Special Financing was terminated in January, 2009 and replaced with a new swap agreement with Loop Financial Products, with Deutsche Bank, AG, New York Branch providing credit support.

- 2. Bond Issuance and Commercial Paper.** On April 14, 2009, the City issued an additional \$15 million in commercial paper notes. The currently outstanding \$53 million of commercial paper notes mature June 1, 2009, at an interest rate of 0.5%.

On May 1, 2009, the City issued \$73,630,000 of Series 2009A Excise Tax Revenue Refunding Bonds, with a fixed interest rate of 6.0% and a premium of \$6,158,852, for the purpose of current refunding the \$74,000,000 outstanding variable rate Series 2001B Excise Tax Revenue Bonds.

### Note F – Contingencies

- 1. Legal Debt Margin.** Per the City Charter, the City's indebtedness for general obligation bonds shall not exceed three percent of actual value as determined by the last final assessment of the taxable property within the City. At December 31, 2008, the City's General obligation debt outstanding was \$624,219,000 and the City's legal debt margin was \$1,788,986.
- 2. Prior Years' Defeased Bonds.** At various dates in prior years, the City and certain component units have placed proceeds from bond issues and cash contributions in irrevocable refunding escrow accounts. The amounts deposited in the irrevocable escrow accounts are invested in U. S. Treasury obligations that, together with interest earned thereon, would provide amounts sufficient for payment of all principal and interest of the bond issues on each remaining payment date. The likelihood of the earnings and principal maturities of the U. S. Treasury obligations not being sufficient to pay the defeased bond issues appears remote. Accordingly, the escrow accounts and outstanding defeased bonds are not included in the accompanying financial statements. Defeased bonds principal outstanding at December 31, 2008, for the City and Water Board component unit was \$213,020,000 and \$9,455,000, respectively.

- 3. Grants and Other.** Under the terms of federal and state 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. City management believes disallowances, if any, will be immaterial to its financial position and activities.

The City is responsible for administering certain federal and state social services programs for which the related revenue and expenditures are not included in the accompanying financial statements since the state now makes the grant disbursements.

**Table 45** lists Denver County electronic benefit transfers (EBT) authorizations, warrant expenditures, and total expenditures associated with the Human Services special revenue fund for the year ended December 31, 2008 (dollars in thousands):

**Table 45**

Program	City EBT Authorizations	City Share of Authorizations	Expenditures by City Warrant	City EBT Authorized Plus Expenditures by		Total Expenditures
				City Warrant	City Warrant	
Colorado Works	\$ 11,070	\$ 2,603	\$ 24,540	\$ 35,610	\$ 27,143	
Child Care	22,619	1,288	4,222	26,841	5,510	
Child Welfare	42,823	7,516	39,199	82,022	46,715	
County Administration	-	-	16,006	16,006	16,006	
Non-allocated Programs	8	2	152	160	154	
Core Services	8,059	1,963	478	8,537	2,441	
HB 1414 Activities	-	-	970	970	970	
Child Support Enforcement	-	-	12,753	12,753	12,753	
Low Income Energy Assistance	6,114	-	595	6,709	595	
Aid to the Blind	(1)	-	-	(1)	-	
Adult Foster Care	16	1	-	16	1	
Aid to Needy and Disabled	4,489	898	-	4,489	898	
Home Care Allowance	2,944	147	-	2,944	147	
Old Age Pension	20,590	-	559	21,149	559	
Colorado Refugee Services	-	-	56	56	56	
Food Assistance Benefits	68,474	-	-	68,474	-	
Food Assistance Job Search	-	-	1,354	1,354	1,354	
Child Support Grants	-	-	250	250	250	
Foster Care Celebration Program	-	-	2	2	2	
Title IV-B Sub Part 2 - PSSF	217	-	434	651	434	
Title IV-E Independent Living	66	-	167	233	167	
ADP Pass Thru	-	-	688	688	688	
County Only Pass Thru	-	-	9,220	9,220	9,220	
TANF Collects-EBT	(169)	(34)	-	(169)	(34)	
Federal Grants	-	-	6,490	6,490	6,490	
<b>Total</b>	<b>\$ 187,319</b>	<b>\$ 14,384</b>	<b>\$ 118,135</b>	<b>\$ 305,454</b>	<b>\$ 132,519</b>	

<sup>1</sup>Does not include audit adjustments, TANF Collections - IV-D Retained, Medicaid Collections and programs not settled in CFMS, with the exception of Federal grants, which are also captured in the CAFR. It also excludes County Wide Cost Allocation. Pass Thru, as these amounts are not retained by Human Services and not earned by expenses incurred by Human Services.

- 4. Conduit Debt Obligations.** From time to time, the City issues industrial revenue bonds, single-family mortgage revenue bonds, multi-family mortgage revenue bonds, construction loan revenue bonds, and special obligation revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of private, industrial, and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Not the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2008, the aggregate principal amount payable for the bonds was approximately \$266,086,000.

To finance the acquisition and construction of various facilities at Denver International Airport, 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, 2008 Special Facility Revenue Bonds outstanding totaled \$309,900,000.

- 5. Denver Airport System.** 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.

There is no noise penalty due for 2008.

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.

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.

- 6. Environmental Services.** State and federal laws will require the City to close the Denver Arapahoe Disposal Site (DADS) once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The contracted operator is responsible for all closure and post-closure costs for the landfill's individual cells while they are under contract to operate the landfill. However, the ultimate responsibility rests with the City as owner of the facility. The City contractually shifted this financial responsibility to its operator as described below.

Effective October 1, 1997, the City renegotiated its contract with Waste Management of Colorado, Inc. (WMC), the current operator of DADS. As a result, the City assigned its responsibility for all closure and post-closure costs to WMC. To cover these costs, WMC has provided a performance bond of \$2,250,000, provided a corporate guarantee from their parent company, Waste Management, Inc (WMI), and posted a financial assurance plan with the State of Colorado (including an insurance certificate of \$11,051,964 as of March, 2009). Due to this assignment of closure and post-closure costs to WMC, the City no longer recognizes the related closure and post-closure costs liability in its financial statements.

- 7. Denver Urban Renewal Authority.** In connection with DURA's development of the Denver Dry Building, DURA has guaranteed certain loans made to the Denver Building Housing, Ltd. by the Colorado Housing and Finance Authority with an outstanding balance of \$2,741,824 at December 31, 2008. In addition, DURA has guaranteed all obligations of the Denver Dry Development Corporation as general partner, under the terms and conditions of the limited partnership agreement of the Denver Building Housing, Ltd. No amounts have been recorded as a liability in the financial statements, as DURA management believes the possibility of having to make payments under these guarantees is remote.
- 8. Tabor.** At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution limiting the ability of the State and local governments, such as the City, to increase revenues, debt and spending, and restricting property, income and other taxes. In addition, the amendment requires that the State and local governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years."

The amendment excludes from its restrictions the borrowings and fiscal operations of “enterprises.” Enterprises are defined to include government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their revenues in grants from all Colorado State and local governments combined. The amendment also requires the establishment of an “Emergency Reserve” equal to three percent of fiscal year spending excluding debt service for all years subsequent to 1994. The City has established an emergency reserve of \$32,033,000. The amendment is also applicable to several component units, which have established emergency reserves of \$255,000.

In November 2005, local voters approved Referred Measure 1B to allow the City to retain any revenue collected in excess of the limits established by the state amendment to the constitution for ten fiscal years beginning with fiscal year 2005 and thereafter retain and spend any excess revenues up to the amount of the revenue cap as defined.

There are numerous uncertainties about the interpretation of the amendment and its application to particular governmental entities and their operations. It is possible that the constitutionality of the amendment as applied in some situations may be challenged on various grounds, including the argument that the amendment conflicts with other constitutional provisions and violates the protections afforded by the federal constitution against impairment of contract.

#### Note G – Deferred Compensation Plan

- 1. Description of the Plan.** The Deferred Compensation Plan (Plan) was adopted by the City to provide a means by which public employees could defer a portion of their current income and related income taxes to future years. Under Section 457 of the Internal Revenue Code, amounts deferred and income earned on those funds are not taxed until made available to the participant. The Plan’s publicly available financial report can be obtained by contacting the City of Denver Controller’s Office at 201 West Colfax Avenue, Department 1109, Denver, Colorado, 80202.
- 2. Administration of the Plan.** The Deferred Compensation Governing Committee of the City manages the Plan. The Committee has designated two third-party administrators for the Plan to account for all deferred compensation, withdrawals, interest income credited, and the individual balance for each participant. In addition, the administrators execute individual participant agreements and provide Plan information and counseling to all eligible employees.
- 3. Investments.** Investments are recorded at fair value. In compliance with the City Charter, the Deferred Compensation Governing Committee has approved certain options for investment. All investments are transferred to mutual investment funds offered by the Hartford Variable Annuity Life Insurance Company, to an annuity contract program with the Prudential Insurance Company of America, or to a retirement trust investment fund with ICMA Retirement Trust. The Plan provides for self-directed investments by the participants.
- 4. Contributions.** Participation in the Plan is voluntary and is open to all City employees. The City does not make any contributions. The maximum deferral in any one year is generally limited to 100 percent of a participant’s pre-deferred taxable income or \$15,500 for 2008. Those who are age 50 and older may save an additional \$5,000 per year. However, special provisions, applicable during the last three taxable years before a participant attains normal retirement age under the Plan, or any year thereafter prior to the participants’ separation from service, may increase the annual maximum up to \$31,000 for 2008.
- 5. Withdrawals.** Withdrawals from the Plan may be made upon retirement, termination of employment with the City, or in hardship cases as approved by the Administrator. Upon death, amounts credited to the participant are paid to the beneficiary designated by the participant.

Eligible participants may elect the Systematic Withdrawal Option, purchase an annuity, or receive a lump-sum distribution. The Systemic Withdrawal Option allows eligible participants to withdraw specified amounts from their account at regular intervals. The balance of their account remains in the pool of Plan assets and continues to be invested as directed by the participant. The annuity option allows eligible participants to purchase a payment stream for a period certain or for the lifetime of the annuitant. Contracts purchased under this annuity option remain as assets of the Plan. The periodic distributions are accounted for as withdrawals in the year disbursed.

- 6. Assets.** 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 held in trust by the City for the exclusive benefit of the participants and their beneficiaries. The assets of the Plan are reported as an other employee benefit trust fund of the City.
- 7. Plan Termination and Amendments.** The City can at any time elect to amend, modify, or terminate the Plan. However, notice must be given to all participants at least 45 days prior to the effective date of an amendment. No amendments will deprive the participants of any benefits they were entitled to prior to the change. If the Plan is terminated, all amounts then credited to the participants are to be paid out by the administrators under the normal withdrawal requirements and procedures.
- 8. Component Units.** Several component units offer plans similar to the City's which are also qualified under Section 457 of the Internal Revenue Code.

#### Note H – Pension Plans

The City has two material pension plans covering substantially all employees of the primary government, as follows:

- Denver Employees Retirement Plan
- State of Colorado - Fire and Police Pension Plan

The majority of the City's employees are covered under the Denver Employees Retirement Plan; firemen and policemen are covered under the State of Colorado - Fire and Police Pension Plan. In addition to the two material plans offered, several component units offer various types of pension plans, which include deferred annuity plans and defined contribution plans.

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

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's assets. As of January 1, 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.

DERP prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Plan is accounted for using the economic resources measurement focus and the accrual basis of accounting.

All full-time fire fighters and police officers of the City participate in the State of Colorado - Fire and Police Pension Plan (State Plan), a cost-sharing multiple-employer public employee retirement system. Authority for the State Plan, including benefit and contribution provisions, is derived from Title 31, Articles 30, 30.5 and 31 of the Colorado Revised Statutes. The plan is amended by statute. The plan is affiliated with and administered by the Fire and Police Pension Association (FPPA).

Each 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	Fire and Police Pension Association
777 Pearl Street	5290 DTC Parkway, Suite 100
Denver, Colorado 80203	Greenwood Village, Colorado 80111

- 2. Pension Plans' Funding Policy and Annual Pension Cost.** For DERP, the City contributes 8.50% of covered payroll and employees make a pre-tax contribution of 2.50% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2008, 2007, and 2006 were \$41,313,000 \$38,862,000, and \$36,036,000, respectively, which equaled the required contributions each year.

For FPPA, covered employees contribute at the rate of at least 8% of base salary. The City is required to provide level dollar funding at a minimum of \$27,894,000 each year until there is no longer any unfunded actuarial liability for police officers and fire fighters hired before April 8, 1978. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2008, 2007 and 2006 were \$30,135,266, \$30,353,579, and \$29,659,628, respectively, which was over 100% of the required contributions. The City also made contributions for the years ended December 31, 2008, 2007, and 2006 for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$12,443,683, \$11,728,730, and \$10,977,086, respectively. There are no long-term contracts for contributions to the State Plan. The City's annual pension cost for the current year and related contribution information for DERP (plan totals) is shown in **Table 46, 47 and 48** (dollars in thousands):

**Table 46**

	DERP	DERP Health Benefits
Actuarially determined contribution rates (percentage of covered payroll):		
Employer	7.75%	0.73%
Plan members	2.27%	0.22%
Annual pension costs	\$54,668	\$5,211
Total contributions made	\$57,167	\$5,437
Actuarial valuation date	1/1/08	1/1/08
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	30 years	30 years
Asset valuation methods	5-year smoothed mkt.	5-year smoothed mkt.
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.0-6.3%	3.0-6.3%
Includes inflation at	3.00%	0%
Cost of living adjustment	None	None

**Table 47****Three-year Trend Information**

December 31, 2008 (dollars in thousands)

	Year	Annual Actuarial Required Contribution (ARC) <sup>1</sup>	Percentage of ARC Contributed	Net Pension Obligation
<b>DERP</b>	2006	\$ 53,428	92.2%	\$ -
	2007	50,536	100.0%	-
	2008	54,668	100.0%	-
<b>DERP Health Benefits</b>	2006	\$ 5,292	99.5%	\$ -
	2007	5,475	100.0%	-
	2008	5,211	100.0%	-

<sup>1</sup>Employers made contributions based on the legally required rates.**Table 48****Defined Benefit Pension Plans Schedule of Funding Progress**

December 31, 2008 (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit	Unfunded (Excess) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Excess) Actuarial Accrued Liab. as a % of Covered Payroll
<b>DERP</b>						
January 1, 2006	1,735,209	1,782,505	47,296	97.3%	495,285	9.5%
January 1, 2007	1,837,476	1,862,773	25,297	98.6%	499,463	5.1%
January 1, 2008	1,950,011	1,985,651	35,641	98.2%	545,835	6.5%
<b>DERP Health Benefits</b>						
January 1, 2006	90,228	123,775	33,547	72.9%	495,285	6.8%
January 1, 2007	93,089	127,133	34,044	73.2%	499,463	6.8%
January 1, 2008	96,457	128,607	32,150	75.0%	545,835	5.9%

**Note I – Change in Reporting Entity**

The Denver Preschool Program, Inc. (DPP) has been deemed a component unit of the City because the Mayor appoints six of the seven DPP board members and City Council appoints the remaining member. To reflect the change in reporting entity, DPP is presented as a discretely presented component unit as of and for the year ended December 31, 2008. Net assets for the City's discretely presented component units as of January 1, 2008, have been restated in the amount of \$9,113,000 to report DPP's net assets as of that date.

\* \* \* \* \*

This page left blank intentionally.