



City and County of Denver  
Municipal Airport System  
ANNUAL FINANCIAL REPORT  
December 31, 2015 and 2014





City and County of Denver  
Municipal Airport System  
**ANNUAL FINANCIAL REPORT**  
December 31, 2015 and 2014

City and County of Denver  
Municipal Airport System

**TABLE OF CONTENTS**

December 31, 2015 and 2014

|  | <b>Page</b> |
|--|-------------|
| <b>Introductory Section (Unaudited)</b>  |             |
| Introduction   | 1           |
| <b>Financial Section</b>   |             |
| Independent Auditor's Report   | 8           |
| Management's Discussion and Analysis (Unaudited)   | 11          |
| Financial Statements:  |             |
| Statements of Net Position   | 23          |
| Statements of Revenues, Expenses, and Changes in Net Position  | 25          |
| Statements of Cash Flows   | 26          |
| Notes to Financial Statements  | 28          |
| <b>Required Supplementary Information (Unaudited)</b>  |             |
| Schedule of Proportionate Share of the Net Pension Liability   | 64          |
| Schedule of Contributions  | 65          |
| Other Postemployment Benefit Plan – Implicit Rate Subsidy  |             |
| Schedule of Funding Progress   | 66          |
| Schedule of Employer Contributions   | 67          |
| <b>Other Information Section (Unaudited)</b>   |             |
| Schedule of Compliance with Rate Maintenance Covenant<br>as Defined in the 1984 Airport System General Bond Ordinance<br>Airport Revenue Account   | 68          |
| Schedule of Required Deposits to the Bond Account,<br>Bond Reserve Account, and the Operation and Maintenance<br>Reserve Account as Defined in the 1984<br>Airport System General Bond Ordinance | 69          |
| Statistical Section  | 72          |

**City and County of Denver  
Municipal Airport System  
INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

**Introduction**

The Municipal Airport System (Airport System) is organized as a department of the City and County of Denver, Colorado (the City). The Airport System includes Denver International Airport (Denver International or the Airport) and former Stapleton International Airport (Stapleton). The Airport System is headed by a Chief Executive Officer who reports directly to the Mayor. The senior management team further consists of five executive vice presidents. This report was prepared by the Airport System's Finance Division in collaboration with other Airport System personnel to provide a better understanding of the Airport System than annual financial statements typically provide.

**Description of Denver International**

Situated approximately 24 miles northeast of downtown Denver, Denver International is the primary air carrier airport serving the Denver region. According to Airports Council International, in 2015 Denver International was the sixth busiest airport in the United States and the nineteenth busiest in the world, serving 54.0 million passengers. Denver International comprises approximately 33,800 acres (53 square miles) of land, an area twice the size of the island of Manhattan. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road from Interstate 70. Denver International has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline and the ability to accommodate the new generation of massive airliners, such as the Airbus A-380.

The Airport's passenger complex has a landside terminal and three airside concourses. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and passenger screening and is flanked by roads and curbs for public and private vehicles. Automobile parking is available in public garages adjacent to the landside terminal and in surface parking lots. Spaces are also provided for employee parking. On November 19, 2015, a new 519-room Westin hotel and conference center was opened to the public and is connected to the terminal via a public plaza. In April 2016, passenger rail service to downtown Denver began via a train station in the same area.

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The passenger terminal complex includes a landside terminal and three airside concourses with a total of 109 full-service contact gates and 42 ground loading positions.

**Air Traffic**

Located close to the geographic center of the United States mainland, Denver has long been a major air transportation hub. Denver has airline service to more than 180 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the Airport's ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. In 2015, 54.0 million passengers traveled through Denver International, with approximately 65% originating or terminating their air journeys in Denver, and 35% connecting to flights beyond Denver. The Denver Metropolitan Area, with a population of more than 3.0 million, is the primary region served by Denver International. The Denver Metropolitan Area comprises Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. As shown in Table 1, as of December 31, 2015, 18 airlines provided scheduled passenger service at Denver International: 8 major/national airlines, 4 regional/commuter airlines, and 6 foreign-flag airlines.

City and County of Denver  
Municipal Airport System  
**INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

In addition, several passenger charter and all-cargo airlines, including Federal Express and United Parcel Service provide service at the Airport.

**Table 1**  
**Scheduled Passenger Airlines Serving Denver**  
December 31, 2015

| <b>Major/national</b> | <b>Regional/commuter</b>  |
|-----------------------|---------------------------|
| Alaska Airlines       | American Eagle            |
| American Airlines     | Boutique Air              |
| Delta Air Lines       | Delta Connection          |
| Frontier              | United Express            |
| Jet Blue Airways      |                           |
| Southwest             |                           |
| Spirit Airlines       |                           |
| United                |                           |
|                       | <b>Foreign Flag</b>       |
|                       | Aeromexico                |
|                       | Air Canada                |
|                       | British Airways           |
|                       | Icelandair                |
|                       | Lufthansa German Airlines |
|                       | Volaris                   |

*Source: Airport management records December 31, 2015*

City and County of Denver  
Municipal Airport System  
**INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

**Airlines' Rates, Fees, and Charges**

The Airport System has a hybrid rate structure. Rates charged to the airlines for landing fees are residual in nature, i.e., the Airport System recovers its costs of operating the airfield. Airline space rentals are compensatory wherein any unrecovered costs are borne by the Airport. Concessionaires and nonairline tenants operate under agreements with the Airport System that provide for the payment of a minimum annual guarantee, which was set by the Airport System to recover the cost of the space occupied by nonairline tenants, or a percentage of gross revenues, whichever is higher. Under the airline use and lease agreements, 2015 net revenue as defined, has been shared between the Airport System and airlines, with the airlines receiving 50% of the net revenue (up to a \$40 million cap per year). The \$58.0 million that the Airport System received was deposited in the capital improvement account and can be used by the Airport System for any lawful airport purpose. The net revenue available for sharing for the years ended December 31, 2006 through 2015 is reflected in Table 2 below. In 2015, the net revenue share decreased due to lower facility rentals due to changes in leased space, reduced rates, and the 2014 hangar lease buy out by United Airlines.

**Table 2**  
**Net Revenue Available for Sharing**  
(In thousands)

| Year | Total     | Airport share |
|------|-----------|---------------|
| 2006 | \$ 97,721 | \$ 57,721     |
| 2007 | 89,152    | 49,152        |
| 2008 | 73,508    | 36,402        |
| 2009 | 49,681    | 24,481        |
| 2010 | 87,188    | 47,188        |
| 2011 | 126,686   | 86,686        |
| 2012 | 121,695   | 81,695        |
| 2013 | 122,784   | 82,784        |
| 2014 | 134,612   | 94,612        |
| 2015 | * 130,147 | 90,147        |

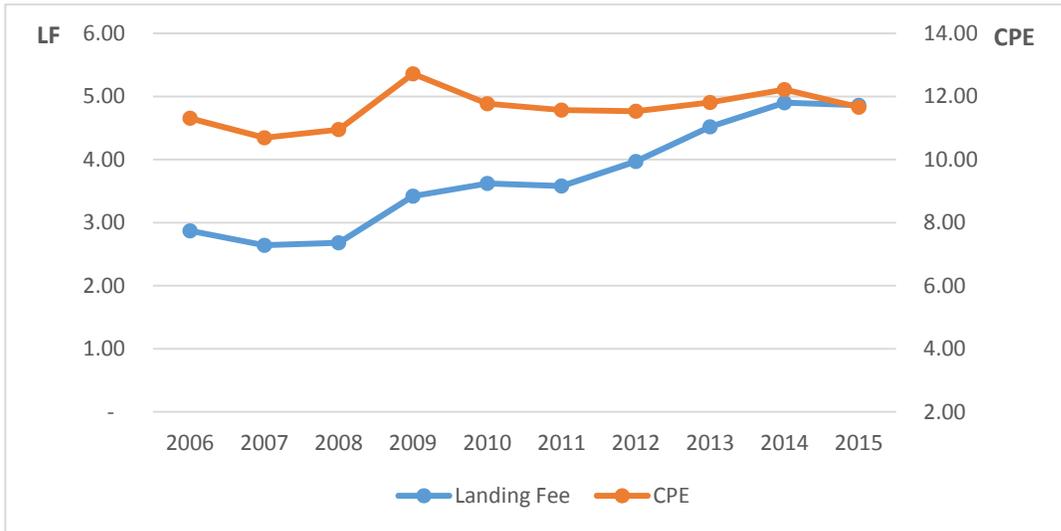
\* Estimated amount

Source: Airport Management

From 2005 through 2007, the landing fees steadily declined. In 2009, the landing fee significantly increased due to the combination of operating expense increases for airfield chemicals and snow removal costs, a lower offset of State Aviation Fuel Tax revenue to the airfield, and lower landed weight. In 2010, the landing fee was slightly lower due to lower operating expenses and an increase in the offset of oil and gas revenues. From 2012 through 2014, the landing fee increased primarily due to an increase in airfield related expenses and lower landed weight. In 2015, the landing fee decreased slightly primarily driven by a decrease in airfield debt service requirements and amortization charges. The overall cost per enplanement (CPE) was down 4.4% in 2015 driven by changes in leased space and an increase in enplanements.

City and County of Denver  
Municipal Airport System  
**INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014



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

**CPE** = Cost per enplaned passenger. The numbers above reflect an average across all carriers. Individual airlines may have a CPE higher or lower than this based on their individual operating models.

Source: Airport Management Records

**Cash Management**

The Airport System’s cash is under the control of the City’s Chief Financial Officer who invests the funds pursuant to the City’s investment policy. As of December 31, 2015 and 2014, cash and investments totaled approximately \$1,701.4 million and \$1,877.4 million, respectively. Current investment vehicles include municipal securities, corporate bonds, multi-national fixed income, structured products, U.S. Treasury securities, and U.S. Agency securities. In 2015 and 2014, the City charged fees of \$497,804 and \$525,529, respectively, to the Airport System for performing the cash management function.

**City and County of Denver  
Municipal Airport System  
INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

**Events and Other Factors Affecting the Airport System**

Passenger traffic was up 1.1% in 2015 compared with a national average increase of 5.0% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

Activity-based revenues at Denver International (e.g., Passenger Facility Charges (PFCs), concession, car rental, and parking revenues) increased 7.1% in 2015 compared to 2014, largely as the result of increase in origination and destination passengers (O&D) traffic of 8.7%.

**United Group**

United, one of the world's largest airlines is the principal air carrier operating at Denver International. United Airlines operates a major connecting hub at Denver International Airport under a use-and-lease agreement with the City that expires in 2035. United currently leases 37 contact gates and 13 gates at Concourse B's regional jet facility.

At Denver International, the United Group accounted for approximately 42.3% of passenger enplanements in 2015.

In an agreement between United Airlines and the Airport System dated September 19, 2014, United agreed to an additional 10-year lease commitment provided that the Airport System restructured debt by December 31, 2014. On December 12, 2014, the Airport system closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Refunding Bonds and Series 1992F-G Bonds (closed on October 24, 2014, see note 8), completed the debt restructuring component by deferring annual principal maturing with a goal of providing an estimated amount of debt service relief of \$25 million per year between 2015 and 2025. With the completion of the debt restructuring, along with the majority-in-interest approval for the change in amortization charges, the Airport System achieved cost reduction measures that will benefit all air carriers at Denver International Airport while obtaining a longer-term commitment from United in exchange for space reductions and a new activity level assurance. The amendment became effective January 1, 2015.

**Southwest Airlines**

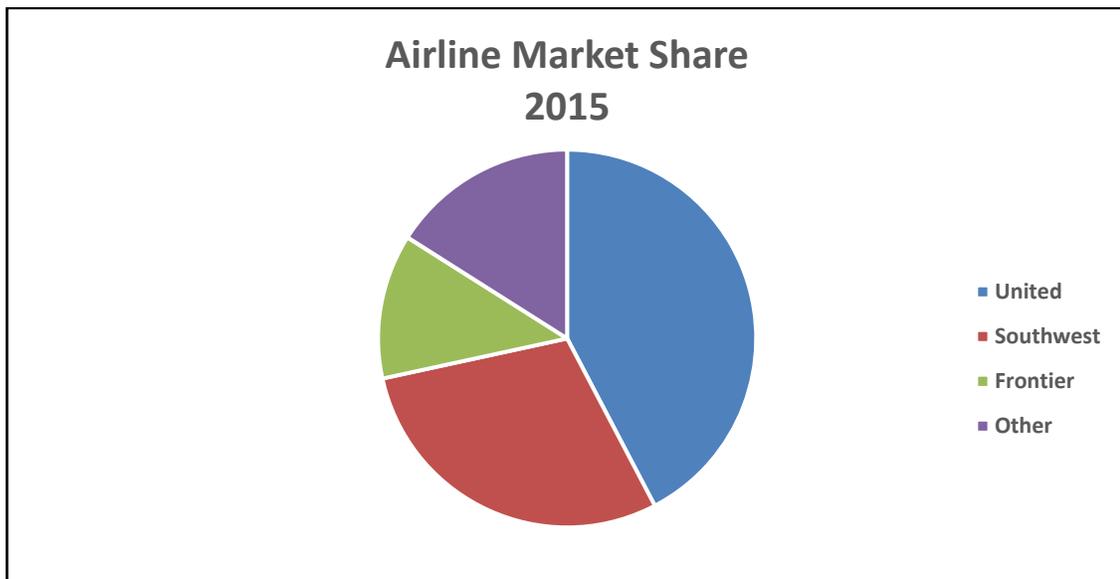
Southwest Airlines (Southwest) has the second largest market share at the Airport for 2015. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International Airport which is the airline's fourth busiest station in its system. Southwest, together with AirTran, accounted for approximately 29.3% of passenger enplanements in 2015. Southwest currently leases 22 gates, or 22.9% of the total contact gates at the Airport. The Airport has completed an expansion to Concourse C that added additional gates for Southwest to utilize. The expansion was completed in November 2014.

City and County of Denver  
Municipal Airport System  
**INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

**Frontier Group**

Frontier has the third largest market share at Denver International for 2015. Denver International is Frontier's only hub and, in 2015, the busiest airport in the Frontier system. Frontier has transformed its business model from a low-cost carrier to an ultra-low cost carrier. Under a five year Use and Lease Agreement which expires in December of 2016, Frontier leases 8 contact gates on Concourse A. Frontier accounted for 12.4% of passenger enplanements at the Airport in 2015.



**Accounting and Internal Control**

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

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

City and County of Denver  
Municipal Airport System  
**INTRODUCTION (UNAUDITED)**

December 31, 2015 and 2014

**Acknowledgments**

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

Respectfully Submitted,



Kim Day  
Chief Executive Officer



Gisela Shanahan  
Chief Financial Officer

## Independent Auditor's Report

Audit Committee  
City and County of Denver  
Denver, Colorado

We have audited the accompanying financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver, Colorado (the City), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Audit Committee  
City and County of Denver

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System, and enterprise fund of the City and County of Denver, as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2a to the financial statements, in fiscal year 2015 the Airport System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

Audit Committee  
City and County of Denver

*Other Information*

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

*BKD, LLP*

Denver, Colorado  
May 27, 2016

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

### Management's Discussion and Analysis (MD&A)

The following discussion and analysis of the financial position and activity of the Municipal Airport System (Airport System) of the City and County of Denver, Colorado (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the years ended December 31, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

### Financial Highlights

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower facility rentals due to changes in leased space, reduced rates, and the 2014 United Airlines hanger buy out and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year. Hotel revenue is a new revenue source for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel revenue was \$3.2 million.

Operating expenses, exclusive of depreciation and amortization, were \$437 million for the year ended December 31, 2015, an increase of \$23.2 million, or 5.6%, as compared to the year ended December 31, 2014. The increase over the prior year was related to an increase in personnel expenses and increases in repairs and maintenance projects, supplies, and materials. Hotel expenses is a new expense category for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel expenses were \$2.6 million.

### Overview of the Financial Statements

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

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

This report also includes required supplementary information for the Airport System's pension information, other postemployment benefit plan and other information presented for the purposes of additional analysis.

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board (GASB), because the Airport presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – current year, the prior year and the year preceding the prior year (i.e., 2015, 2014, and 2013). During 2015, the Airport System adopted GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Financial information for 2014 and 2013 has not been adjusted for adoption of GASB 68.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Summary of Revenues, Expenses, and Changes in Net Position**

The following is a summary of the revenues, expenses, and changes in net assets for the years ended December 31, 2015, 2014, and 2013 (in thousands):

|   | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|-------------------|
| Operating revenues                                      | \$ 687,536        | \$ 711,491        | \$ 661,637        |
| Operating expenses before depreciation and amortization | (436,803)         | (413,563)         | (431,935)         |
| Operating income before depreciation and amortization   | 250,733           | 297,928           | 229,702           |
| Depreciation and amortization                           | (163,714)         | (183,560)         | (184,721)         |
| Operating income  | 87,019            | 114,368           | 44,981            |
| Nonoperating revenues                                   | 187,437           | 167,803           | 128,718           |
| Nonoperating expenses                                   | (178,331)         | (176,816)         | (184,624)         |
| Capital grants and contributions                        | 20,483            | 20,533            | 31,413            |
| Increase in net position                                | 116,608           | 125,888           | 20,488            |
| Net position, beginning of year                         | 699,412           | 573,524           | 553,036           |
| Cumulative effect of change in accounting principle     | (90,567)          | -                 | -                 |
| Net position, beginning of year, as adjusted            | <u>608,845</u>    | <u>573,524</u>    | <u>553,036</u>    |
| Net position, end of year                               | <u>\$ 725,453</u> | <u>\$ 699,412</u> | <u>\$ 573,524</u> |

The following is a summary of operating revenues for the years ended December 31, 2015, 2014, and 2013:

|                         | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|-------------------------|-------------------|-------------------|-------------------|
| Operating Revenues      |                   |                   |                   |
| Facility rentals        | \$ 194,004        | \$ 235,774        | \$ 214,251        |
| Concession revenues     | 59,677            | 55,863            | 52,022            |
| Parking revenues        | 178,478           | 167,851           | 159,465           |
| Car rental revenues     | 65,309            | 59,655            | 50,002            |
| Landing fees            | 147,379           | 147,840           | 137,550           |
| Aviation fuel tax       | 19,458            | 26,298            | 28,101            |
| Hotel                   | 3,205             | -                 | -                 |
| Other sales and charges | 20,026            | 18,210            | 20,246            |
|                         | <u>\$ 687,536</u> | <u>\$ 711,491</u> | <u>\$ 661,637</u> |

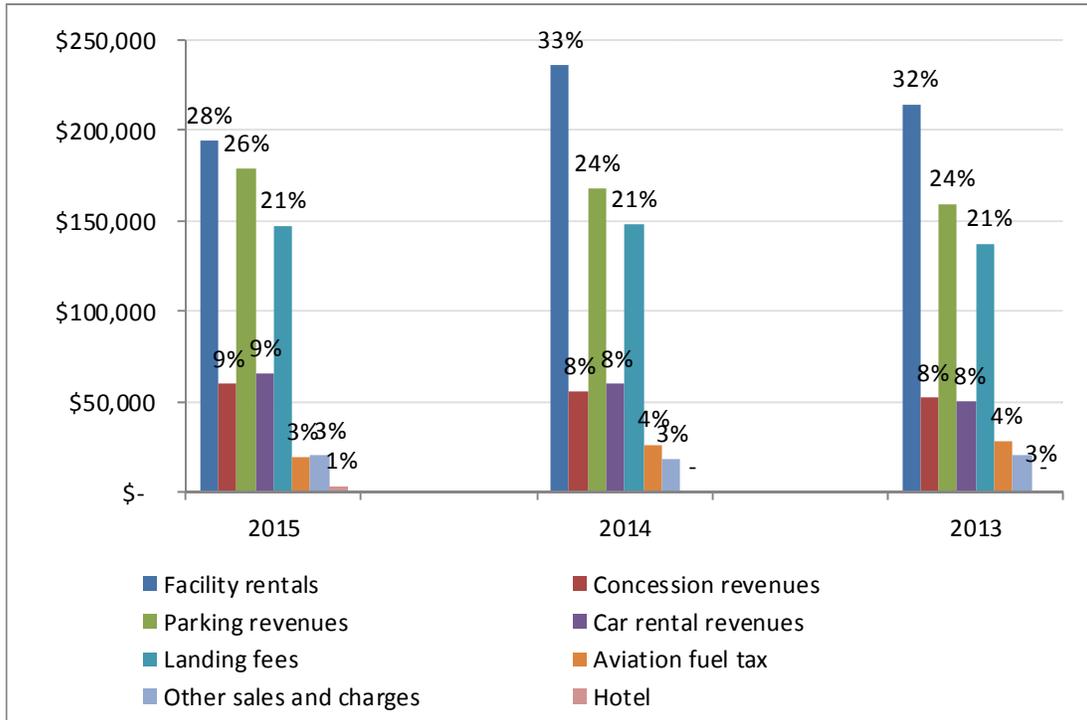
City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Percentage of Total Operating Revenues**

(\$ in thousands)



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

The Airport System's activities changed as described below for the year ended December 31, 2015, as compared to 2014:

|   | <b>2015</b> | <b>2014</b> | <b>Percentage<br/>Change</b> |
|---|-------------|-------------|------------------------------|
| Enplanements (in thousands)                       | 27,019      | 26,737      | 1.1%                         |
| Passengers (in thousands)                         | 54,015      | 53,473      | 1.0%                         |
| Aircraft operations (in thousands) <sup>(1)</sup> | 548         | 575         | -4.7%                        |
| Cargo (in 000's tons)                             | 273         | 260         | 5.0%                         |
| Landed weight (in millions lbs)                   | 30,055      | 30,351      | -1.0%                        |

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

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

The Airport System's activities changed as described below for the year ended December 31, 2014, as compared to 2013:

|   | <u>2014</u> | <u>2013</u> | <u>Percentage<br/>Change</u> |
|---|-------------|-------------|------------------------------|
| Enplanements (in thousands)                       | 26,737      | 26,285      | 1.7%                         |
| Passengers (in thousands)                         | 53,473      | 52,556      | 1.7%                         |
| Aircraft operations (in thousands) <sup>(1)</sup> | 575         | 587         | -2.0%                        |
| Cargo (in 000's tons)                             | 260         | 249         | 4.4%                         |
| Landed weight (in millions lbs)                   | 30,351      | 30,601      | -0.8%                        |

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

**2015/2014**

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower facility rentals due to changes in leased space, reduced rates, and the 2014 United Airlines hanger buy out and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year.

Facility rentals decreased by \$41.8 million due to rental rates and space adjustments.

Concession revenues between 2015 and 2014 increased \$3.8 million, or 6.8%, due to the openings of new locations along with fewer locations closed for remodeling.

Parking revenue increased by \$10.6 million, or 6.3%, due to an increase in daily rates in the garages, the economy lots, and valet on August 15, 2014, along with a higher percentage of O&D passengers.

Car rental revenue increased by \$5.6 million, or 9.5%, due to strong industry pricing and an increase in O&D passengers.

Landing fees decreased by \$0.5 million, or 0.3%, due to reduced airfield expenses.

Aviation fuel tax decreased in 2015 by \$6.8 million, or 26%, due to economic conditions with a decrease in the price of fuel during the year.

Hotel revenue is a new revenue source for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel revenue was \$3.2 million.

Other sales and charges increased by \$1.8 million, or 10.0%, primarily due to an increase in ground transportation rates and O&D passenger traffic.

**2014/2013**

Operating revenues increased by \$49.9 million, or 7.5%, to \$711.5 million in 2014, primarily due to the increased rates for landing fees, additional facility rental revenues, increased rates and surcharges for parking and car rental revenues.

Facility rentals increased by \$21.5 million, or 10.0%, which is primarily attributable to a \$9.7 million hangar lease buy out by United Airlines and increased rates.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

Concession revenues between 2014 and 2013 increased \$3.8 million, or 7.4%, primarily due to the increase in food and beverage sales and an increase in O&D passenger traffic. Additionally, there was an increase in spend rate per enplaned passenger to \$12.07 in 2014 from \$11.22 in 2013, as new locations opened for business.

Parking revenue increased by \$8.4 million, or 5.3%, which is attributable to the 6.0% increase in O&D passenger traffic and an increase in daily rates in the garages, the economy lots, and valet on August 15, 2014.

Car rental revenue increased by \$9.7 million, or 19.3%, to \$59.7 million, due to an amendment to the agreement between the Airport and rental car agencies that will include extra sources of revenue as well as an increase in O&D passenger traffic.

Landing fees increased by \$10.3 million, or 7.5%, which is attributable to the increase in landing fee rates per 1,000 pounds landed weight to \$4.67 for signatory and \$5.61 for non-signatory airlines in 2014, from \$4.52 for signatory and \$5.43 for non-signatory airlines in 2013.

Aviation fuel tax decreased in 2014 by \$1.8 million, or (6.4%), due to a decrease in the price of fuel in 2014.

Other sales and charges decreased by \$2.0 million, or (10.1%), due to a decrease in revenue from natural resource royalties.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2015, 2014, and 2013:

**Operating Expenses Before Depreciation and Amortization**  
(In thousands)

|   | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|-------------------|
| Operating expenses before depreciation and amortization       |                   |                   |                   |
| Personnel services  | \$ 148,518        | \$ 134,699        | \$ 125,608        |
| Contractual services  | 197,459           | 194,712           | 194,666           |
| Repair and maintenance projects                               | 55,358            | 57,049            | 81,234            |
| Maintenance, supplies, and materials                          | 32,911            | 27,103            | 30,427            |
| Hotel   | 2,557             | -                 | -                 |
| Total operating expenses before depreciation and amortization | <u>\$ 436,803</u> | <u>\$ 413,563</u> | <u>\$ 431,935</u> |

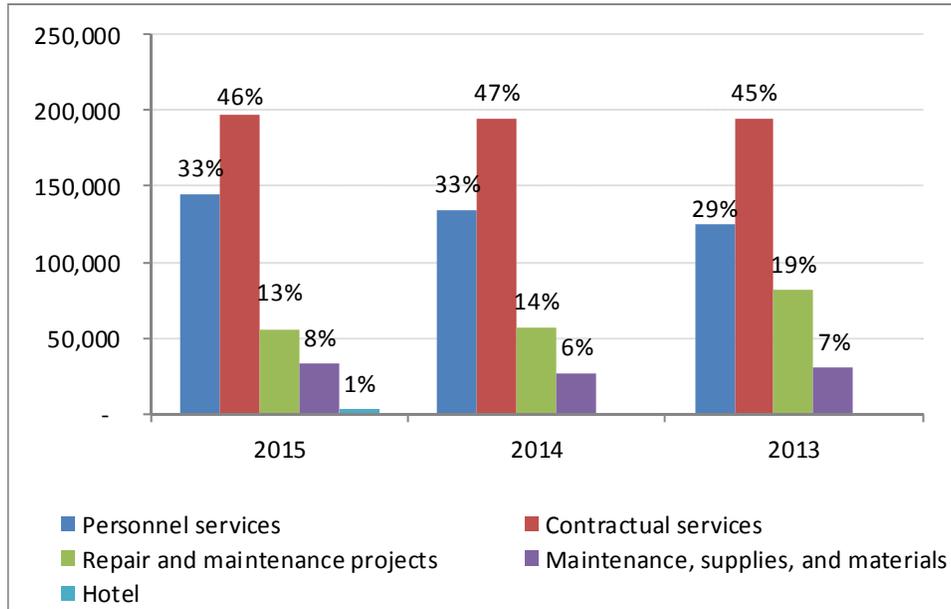
City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Percentage Total Operating Expenses before Depreciation and Amortization**

(\$ in thousands)



**2015/2014**

Operating expenses, exclusive of depreciation and amortization, were \$436.8 million for the year ended December 31, 2015, an increase of \$23.2 million, or 5.6%, as compared to the year ended December 31, 2014.

Personnel services increased \$13.8 million, or 10.3%, in 2015, primarily due to annual salary increases and benefits along with additional FTEs due to new facilities.

Contractual services increased by \$2.7 million, or 1.4%, driven primarily by snow removal related expenses, glycol, conveyances, utilities, and computer software subscriptions.

Repair and maintenance decreased by \$1.7 million, or 3.0%, due to a major airfield rehabilitation project that qualified for capitalization.

Maintenance, Supplies, and Materials increased by \$5.8 million, or 21.4%. This was due to increased spend on computer equipment and snow related chemicals.

Hotel expenses is a new expense category for the Airport with the opening of the Westin hotel on November 19, 2015. The 2015 hotel expenses were \$2.6 million.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**2014/2013**

Operating expenses before depreciation and amortization decreased by \$18.4 million, or (4.3%), to \$413.6 million in 2014.

Personnel services increased \$9.1 million, or 7.2%, in 2014, which was due to an increase in personnel costs from permanent salaries, healthcare, FICA, retirement, other benefits, and other city agencies overtime.

Contractual services was flat due to decrease in snow removal, demolition services, R&M of technical equipment, which were offset by increases in professional and management services and shuttle bus operations.

Repair and maintenance projects decreased by \$24.2 million, or (29.8%), due to the completion of many airfield related projects in 2013.

Maintenance, supplies and materials decreased by \$3.3 million, or (10.9%), to \$27.1 million due to the decrease in materials and supplies related to snow removal, and offset by an increase in periodicals and bulletins, and software under \$500.

**Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions**

**2015/2014**

Total nonoperating revenues, net of nonoperating expenses, increased by \$18.1 million in 2015. The increase was primarily due to an increase in land sales proceeds related to the redevelopment of the former Stapleton International Airport site.

In 2015 and 2014, capital grants totaled \$20.5 million.

**2014/2013**

Total nonoperating expenses, net of nonoperating revenues, decreased by \$46.9 million (72.3%) to \$9.0 million in 2014. The decrease was due to the inclusion of customer facility charges (CFCs), an increase in investment income, as well as a decrease in interest expense.

In 2014 and 2013, capital grants totaled \$20.5 million and \$31.4 million, respectively. The decrease was due to the closeout of 2010, 2011, and 2012 Federal Aviation Administration (FAA) grants.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Summary of Net Position**

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2015, 2014, and 2013 (in thousands):

Assets:

|                                | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|--------------------------------|------------------|------------------|------------------|
| Current assets, unrestricted   | \$ 122,471       | \$ 175,656       | \$ 584,785       |
| Restricted assets, current     | 103,272          | 163,207          | 723,511          |
| Noncurrent investments         | 757,338          | 731,523          | 140,167          |
| Long-term receivables          | 10,410           | 10,876           | 10,320           |
| Capital assets, net            | 3,482,899        | 3,340,329        | 3,197,418        |
| Bond insurance costs, net      | 3,063            | 4,072            | 4,487            |
| Interest rate swaps            | 46,282           | 46,656           | 38,232           |
| Investments – restricted       | 793,556          | 899,008          | 720,552          |
| Total assets                   | <u>5,319,291</u> | <u>5,371,327</u> | <u>5,419,472</u> |
| <br>                           |                  |                  |                  |
| Deferred outflows of resources | <u>209,432</u>   | <u>217,098</u>   | <u>228,930</u>   |

Liabilities:

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Current liabilities, unrestricted        | 145,944          | 119,983          | 109,086          |
| Current liabilities, restricted          | 253,178          | 238,363          | 253,116          |
| Bonds payable, noncurrent                | 4,070,819        | 4,289,099        | 4,480,581        |
| Interest rate payable swaps, noncurrent  | 196,761          | 216,834          | 201,820          |
| Notes payable, noncurrent                | 12,184           | 15,347           | 20,316           |
| Compensated absences payable, noncurrent | 6,734            | 6,295            | 6,424            |
| Net pension liability                    | 115,000          | -                | -                |
| Total liabilities                        | <u>4,800,620</u> | <u>4,885,921</u> | <u>5,071,343</u> |
| <br>                                     |                  |                  |                  |
| Deferred inflows of resources            | <u>2,650</u>     | <u>3,092</u>     | <u>3,535</u>     |

Net position (deficit)

|                                  |                   |                   |                   |
|----------------------------------|-------------------|-------------------|-------------------|
| Net investment in capital assets | (626,147)         | (730,285)         | (719,304)         |
| Restricted                       | 669,009           | 665,439           | 669,309           |
| Unrestricted                     | 682,591           | 764,258           | 623,519           |
| Total net position               | <u>\$ 725,453</u> | <u>\$ 699,412</u> | <u>\$ 573,524</u> |

**2015/2014**

Total assets decreased by \$52.0 million in 2015 compared to 2014. This was primarily due to a decrease in cash and investments of \$175.7 million offset by an increase in capital assets of \$299.6 million related to the construction of the hotel and transit center and depreciation of \$157.0 million.

Total deferred outflows of resources decreased by \$7.7 million due to the changes in fair value of effective hedging derivatives due to amortization of deferred losses on refunding and an addition of \$20.8 million due to the adoption of GASB 68.

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

Total liabilities decreased by \$85.3 million in 2015 compared to 2014. This decrease was primarily attributed to the reduction of bond debt of \$195.9 million offset by an addition of pension liabilities of \$115.0 million related to the adoption of GASB 68.

Total deferred inflows of resources decreased by the amortization of deferred gains on refunding.

Of the Airport System's 2015 total net position, 92% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$636.5 million for debt service and \$32.5 million for capital projects, respectively.

At December 31, 2015, the remaining net position of \$682.6 million was unrestricted and may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements.

In addition, (\$626.1) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

### 2014/2013

Total assets decreased by \$48.0 million in 2014, compared to 2013. This was primarily due to a decrease in cash and investments of \$209.7 million offset by an increase in capital assets of \$142.9 million related to the construction of the hotel and transit center.

Total deferred outflows of resources decreased by \$11.8 million due to the changes in fair value of effective hedging derivatives due to amortization of deferred losses on refunding.

Total liabilities decreased by \$185.4 million in 2014, compared to 2013. This decrease was primarily attributed to the reduction of bond debt coupled with a decrease in vouchers payable.

Total deferred inflows of resources decreased by the amortization of deferred gains on refunding.

Of the Airport System's 2014 total net position, 95% was restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent \$642.3 million for debt service and \$23.1 million for capital projects, respectively.

At December 31, 2014, the remaining net position of \$764.3 million was unrestricted and may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements.

In addition, (\$730.3) million represents the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

### Long-term Debt

As of December 31, 2015 and 2014, the Airport System had approximately \$4.1 and \$4.3 billion, respectively, in outstanding bonded debt (exclusive of deferred loss on bonds and unamortized premiums), both senior and subordinate, paying fixed and variable interest rates. The total annual debt service (principal and interest) was approximately \$368.7 million in 2015.

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

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

The Airport System's governing bond ordinances (the bond ordinance) require that the Airport System's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds. The debt service coverage ratio for the years ended December 31, 2015 and 2014 were 184% and 187% of total debt service, respectively.

On November 20, 2015, the Airport System issued \$195,940,000 of Series 2015A Bonds in a fixed rate mode to refund all of the outstanding Series 2005A Bonds via direct placement with Bank of America, resulting in a net present value savings of approximately \$38 million.

On December 12, 2014, the Airport System closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Bonds (closed on October 24, 2014), which refunded a \$114,325,000 portion of the Series 2007F1-F4 Bonds, will defer annual principal maturing with a goal of providing an estimated amount of debt service relief to the airlines of \$25 million per year between 2015 and 2025.

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

### Capital Assets

As of December 31, 2015 and 2014, the Airport System had capital assets of approximately \$3.5 billion and \$3.3 billion, respectively. These amounts are net of accumulated depreciation of approximately \$2.9 billion and \$2.8 billion, respectively.

The Hotel and Transit Center Program consisting of a variety of projects which are, in part, under construction made up of three independent, yet physically integrated projects, which include the design and construction of:

Westin Hotel and Conference Center: Hotel with 519 rooms, conference center space for meetings, banquets, conventions and trade shows, full service restaurant, full gym and indoor pool. The hotel officially opened to the public on November 19, 2015.

Public Transit Center: Aviation commuter rail station with trains connecting the Airport with Denver's Union Station as part of the Regional Transportation District's east rail line under construction by Denver Transit Partners. This portion of the program was under construction as of December 31, 2015 with completion and initiation of rail service in April 2016.

Public Plaza: A connection of the hotel and transit center to the Jeppesen Terminal that also provides a venue for programs and events where passengers and visitors can find entertainment, relaxation, art and restaurants. The plaza was officially opened to the public on November 19, 2015.

The Airport's current capital program represents the expectations of future Airport System capital needs in order to maintain, reconstruct and expand Airport facilities from 2013-2018. The 2013-2018 Capital Program has an estimated total cost of approximately \$1.4 billion and is expected to be financed with a combination of Airport System Revenue Bonds, Commercial Paper, grants, and Airport System monies. The Airport is in the process of developing its 2016-2020 capital plan which is expected to be finalized in mid-2016.

**Construction Commitments** – As of December 31, 2015, the Airport System had outstanding contractual construction and professional services commitments of approximately \$118.6 million.

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

# City and County of Denver Municipal Airport System

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2015 and 2014

**PFC** – In 1992, the PFC program authorized the imposition of a fee of \$3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of \$4.50. In 2000, the Federal Aviation Administration approved the Airport's application for an increase in the PFC fee from \$3.00 to \$4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from \$3.00 to \$4.50 effective April 1, 2001. As of December 31, 2015 a total of \$1.7 billion has been remitted to the Airport, (including interest earned), of which \$106.2 million has been expended on approved projects. \$1.6 billion has been used to pay debt service on the Airport's general airport revenue bonds, and \$7.9 million is unexpended. The Airport System's authorization to impose the PFC expires on the earlier of February 1, 2029, or upon collection of the authorized maximum PFC total of \$3.3 billion.

**CFC** – Effective January 1, 2014, the Airport imposed a CFC of two dollars and fifteen cents (\$2.15) per Rental Car Transaction Day. The CFC is imposed pursuant to the provisions of Chapter 5 and Sections 5-15 and 5-16 of the Revised Municipal Code of the City and County of Denver. The CFC shall be established through a cost recovery methodology based on the estimated costs associated with the management of, improvements to, and expansion of the existing rental car facility area and related transportation facilities and the planning and design of future phases of the rental car program.

### **Economic Factors**

Passenger traffic increased 1.0%, compared to the previous year. Also, the national average increased by 5.0%, in 2015 compared to 2014 as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS).

The dominant air carrier at Denver International is United Airlines, which together with its affiliates account for approximately 42.3% of passenger enplanements at the Airport in 2015.

Southwest Airlines (Southwest) has the second-largest market share at the Airport for 2015. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at Denver International which is the airline's fourth busiest station in its system. Southwest currently leases 22 gates under a use and lease agreement. Southwest accounted for approximately 29.3% of passenger enplanements at the Airport in 2015.

Frontier maintained the third largest market share at the Airport for 2015. The Airport serves as Frontier's largest station. Frontier accounted for 12.4% of passenger enplanements at the Airport in 2015.

As previously discussed, operating revenues were down 3.4% in 2015 compared to 2014. Operating income before depreciation and amortization of \$250.7 million represented a decrease of \$47.2 million compared to 2014. Revenues Available for Sharing, the net revenue that is split 50%/50% with the signatory airlines under the use and lease agreement was \$130.1 million. The airlines will receive \$40 million with the balance flowing to the Airport System's Capital Fund for discretionary purposes.

City and County of Denver  
Municipal Airport System

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

December 31, 2015 and 2014

**Budgetary Highlights**

**Operating Income**

(In thousands)

|                           | <b><u>2015</u></b><br><b><u>Budget</u></b> | <b><u>2015</u></b><br><b><u>Actual</u></b> | <b><u>% Over /</u></b><br><b><u>Under</u></b> | <b><u>2014</u></b><br><b><u>Budget</u></b> | <b><u>2014</u></b><br><b><u>Actual</u></b> | <b><u>% Over /</u></b><br><b><u>Under</u></b> |
|---------------------------|--|--|---|--|--|---|
| Operating Revenues        |  |  |   |  |  |   |
| Airline Revenues          | \$ 342,313                                 | \$ 341,383                                 | (0.3%)  | \$ 367,593                                 | \$ 383,614                                 | 4.4%  |
| Other Operating Revenues  | <u>345,758</u>                             | <u>346,153</u>                             | <u>0.1%</u>                                   | <u>301,232</u>                             | <u>327,876</u>                             | <u>8.8%</u>                                   |
| Total Operating Revenues  | 688,071                                    | 687,536                                    | (0.1%)  | 668,825                                    | 711,490                                    | 6.4%  |
| Total Operating Expenses* | <u>401,678</u>                             | <u>381,445</u>                             | <u>(5.0%)</u>                                 | <u>369,727</u>                             | <u>356,514</u>                             | <u>(3.6%)</u>                                 |
| Total Operating Income    | <u>\$ 286,393</u>                          | <u>\$ 306,091</u>                          | <u>6.9%</u>                                   | <u>\$ 299,098</u>                          | <u>\$ 354,976</u>                          | <u>18.7%</u>                                  |

\*Operating expenses exclusive of repair and maintenance of projects

**2015**

Operating revenues at the Airport were \$687.5 million, a decrease of \$24.0 million, or 3.4%, for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The decrease in revenue was primarily driven by lower landing fees due to reduced airfield expenses, lower facility rentals due to changes in leased space and lower aviation fuel tax receipts due to a decrease in the price of fuel during the year.

Operating expenses were under budget primarily due to vacant positions, AGTS contractual savings, and City indirect costs savings.

**2014**

Other operating revenues were over budget primarily as a result of a parking rate increase, as well as an amendment to the agreement between the rental car agencies and the Airport.

Operating expenses were under budget primarily as a result of reduced snow removal expenses, the elimination of a letter of credit, as well as reductions in other service contracts.

**Request for Information**

This financial report is designed to provide a general overview of the Airport System's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Finance Department, Denver International Airport, Airport Office Building, 8th Floor, 8500 Pena Boulevard, Denver, CO 80249-6340. Copies are available online at [www.flydenver.com](http://www.flydenver.com).

City and County of Denver  
Municipal Airport System

**STATEMENTS OF NET POSITION**

December 31, 2015 and 2014

|   | 2015            | 2014            |
|---|-----------------|-----------------|
| <b>Assets</b>   |                 |                 |
| Current assets:   |                 |                 |
| Cash and cash equivalents   | \$ 29,529,487   | \$ 33,357,820   |
| Investments   | 35,334,372      | 77,417,367      |
| Accounts receivable (net of allowance for doubtful<br>accounts \$328,034 and \$155,023) | 39,281,954      | 39,559,853      |
| Due from other City agencies  | 60,613          | 32,309          |
| Accrued interest receivable   | 6,814,961       | 8,149,313       |
| Other receivables   | 498,126         | 825,898         |
| Inventories   | 9,629,837       | 14,780,837      |
| Prepaid expenses and other  | 1,321,835       | 1,532,124       |
| Total current unrestricted assets   | 122,471,185     | 175,655,521     |
| Restricted assets:  |                 |                 |
| Cash and cash equivalents   | 48,956,803      | 40,995,251      |
| Investments   | 37,024,159      | 95,142,440      |
| Accrued interest receivable   | 1,100,049       | 2,307,350       |
| Prepaid expenses and other  | 4,920,275       | 5,960,280       |
| Grants receivable   | 2,115,978       | 10,415,841      |
| Passenger facility charges receivable   | 9,154,827       | 8,385,990       |
| Total current restricted assets   | 103,272,091     | 163,207,152     |
| Total current assets  | 225,743,276     | 338,862,673     |
| Noncurrent assets:  |                 |                 |
| Investments   | 757,337,714     | 731,522,705     |
| Long-term receivables, net of current portion   | 10,409,362      | 10,875,757      |
| Capital assets:   |                 |                 |
| Buildings   | 2,315,457,426   | 2,072,964,404   |
| Improvements other than buildings   | 2,422,915,273   | 2,278,187,375   |
| Machinery and equipment   | 814,247,542     | 771,108,855     |
|   | 5,552,620,241   | 5,122,260,634   |
| Less accumulated depreciation and amortization  | (2,920,388,618) | (2,763,392,655) |
|   | 2,632,231,623   | 2,358,867,979   |
| Art   | 5,329,702       | 891,797         |
| Capacity rights   | 12,399,824      | 12,399,824      |
| Construction in progress  | 537,635,927     | 672,867,604     |
| Land, land rights and air rights  | 295,301,825     | 295,301,825     |
| Total capital assets  | 3,482,898,901   | 3,340,329,029   |
| Prepaid bond insurance, net of accumulated amortization                                 | 3,063,376       | 4,071,561       |
| Interest rate swaps   | 46,282,293      | 46,656,510      |
| Investments - restricted  | 793,555,695     | 899,008,297     |
| Total noncurrent assets   | 5,093,547,341   | 5,032,463,859   |
| Total assets  | 5,319,290,617   | 5,371,326,532   |
| <b>Deferred Outflows of Resources</b>   | 209,431,544     | 217,098,040     |

City and County of Denver  
Municipal Airport System

**STATEMENTS OF NET POSITION**

December 31, 2015 and 2014

|  | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
| <b>Liabilities</b>                         |                |                |
| <b>Current liabilities:</b>                |                |                |
| Unrestricted                               |                |                |
| Vouchers payable                           | \$ 56,644,134  | \$ 33,120,882  |
| Due to other City agencies                 | 5,497,110      | 4,823,942      |
| Compensated absences payable               | 2,337,681      | 2,607,792      |
| Other liabilities                          | 15,307,251     | 13,958,100     |
| Revenue credit payable                     | 40,000,000     | 40,000,000     |
| Advance rent                               | 26,158,194     | 25,472,443     |
| Total current unrestricted liabilities     | 145,944,370    | 119,983,159    |
| Restricted                                 |                |                |
| Vouchers payable                           | 23,479,479     | 20,109,978     |
| Retainages payable                         | 20,665,334     | 30,839,397     |
| Accrued interest and matured coupons       | 24,495,505     | 25,881,991     |
| Notes payable                              | 4,892,922      | 5,640,290      |
| Other liabilities                          | 9,094,673      | 7,751,754      |
| Revenue bonds                              | 170,550,000    | 148,140,000    |
| Total current restricted liabilities       | 253,177,913    | 238,363,410    |
| Total current liabilities                  | 399,122,283    | 358,346,569    |
| <b>Noncurrent liabilities:</b>             |                |                |
| Bonds payable:                             |                |                |
| Revenue bonds, net of current portion      | 3,941,940,000  | 4,135,885,000  |
| Plus: net unamortized premiums             | 128,878,934    | 153,213,718    |
| Total bonds payable, noncurrent            | 4,070,818,934  | 4,289,098,718  |
| Interest rate swaps                        | 196,760,824    | 216,833,543    |
| Notes payable                              | 12,184,062     | 15,346,954     |
| Compensated absences payable               | 6,733,411      | 6,294,753      |
| Net pension liability                      | 115,000,000    | -              |
| Total noncurrent liabilities               | 4,401,497,231  | 4,527,573,968  |
| Total liabilities                          | 4,800,619,514  | 4,885,920,537  |
| <b>Deferred Inflows of Resources</b>       | 2,649,526      | 3,092,220      |
| <b>Net Position</b>                        |                |                |
| Net investment in capital assets (deficit) | (626,147,375)  | (730,285,402)  |
| Restricted for:                            |                |                |
| Capital projects                           | 32,479,368     | 23,120,816     |
| Debt service                               | 636,529,546    | 642,317,797    |
| Unrestricted                               | 682,591,582    | 764,258,604    |
| Total net position                         | \$ 725,453,121 | \$ 699,411,815 |

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years Ended December 31, 2015 and 2014

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| Operating revenues:   |                |                |
| Facility rentals  | \$ 194,004,325 | \$ 235,773,863 |
| Concession  | 59,676,864     | 55,863,189     |
| Parking   | 178,478,347    | 167,850,663    |
| Car rental  | 65,308,527     | 59,654,772     |
| Landing fees  | 147,378,640    | 147,840,516    |
| Aviation fuel tax   | 19,457,756     | 26,297,725     |
| Hotel   | 3,205,350      | -              |
| Other sales and charges   | 20,025,946     | 18,210,095     |
| Total operating revenues  | 687,535,755    | 711,490,823    |
| Operating expenses:   |                |                |
| Personnel services  | 148,518,107    | 134,699,132    |
| Contractual services  | 197,458,943    | 194,712,277    |
| Repair and maintenance projects                                   | 55,357,824     | 57,049,087     |
| Maintenance, supplies and materials                               | 32,911,165     | 27,102,457     |
| Hotel   | 2,556,897      | -              |
| Total operating expenses, before<br>depreciation and amortization | 436,802,936    | 413,562,953    |
| Operating income before depreciation<br>and amortization          | 250,732,819    | 297,927,870    |
| Depreciation and amortization                                     | 163,714,183    | 183,559,687    |
| Operating income  | 87,018,636     | 114,368,183    |
| Nonoperating revenues (expenses):                                 |                |                |
| Passenger facility charges  | 106,006,728    | 103,958,931    |
| Customer facility fees  | 18,597,856     | 17,214,747     |
| Investment income   | 40,648,169     | 44,030,400     |
| Interest expense  | (169,413,131)  | (176,177,132)  |
| Operating grants  | 621,760        | 516,301        |
| Other revenue   | 12,645,059     | 1,443,440      |
| Total nonoperating revenues (expenses), net                       | 9,106,441      | (9,013,313)    |
| Change in net position before capital grants and contributions    | 96,125,077     | 105,354,870    |
| Capital grants  | 20,483,204     | 20,533,407     |
| Change in net position  | 116,608,281    | 125,888,277    |
| Net position, beginning of year, as previously reported           | 699,411,815    | 573,523,538    |
| Cumulative effect of change in accounting principle               | (90,566,975)   |                |
| Net position, beginning of year, as adjusted                      | 608,844,840    |                |
| Net position, end of year   | \$ 725,453,121 | \$ 699,411,815 |

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2015 and 2014

|  | <b>2015</b>     | <b>2014</b>     |
|--|-----------------|-----------------|
| Cash flows from operating activities:                        |                 |                 |
| Receipts from customers                                      | \$ 695,295,973  | \$ 729,185,846  |
| Payments to suppliers  | (240,191,165)   | (274,681,013)   |
| Interfund activity payments to other funds                   | (33,677,993)    | (17,360,688)    |
| Payments to employees  | (128,002,315)   | (133,530,272)   |
| Net cash provided by operating activities                    | 293,424,500     | 303,613,873     |
| Cash flows from noncapital financing activities:             |                 |                 |
| Operating grants received                                    | 438,637         | 423,500         |
| Net cash provided by noncapital financing activities         | 438,637         | 423,500         |
| Cash flows from capital and related financing activities:    |                 |                 |
| Proceeds from issuance of notes payable                      | 1,846,254       | -               |
| Principal paid on notes payable                              | (5,756,514)     | (4,816,494)     |
| Principal paid on revenue bonds                              | (151,325,000)   | (159,045,000)   |
| Interest paid on revenue bonds                               | (213,720,940)   | (220,593,015)   |
| Bond insurance and issue costs paid                          | (465,522)       | (352,690)       |
| Interest paid on notes payable                               | (468,965)       | (581,858)       |
| Capital grant receipts                                       | 28,966,190      | 13,592,845      |
| Passenger Facility Charges                                   | 105,237,891     | 104,611,078     |
| Car Rental Facility Fees                                     | 18,626,187      | 17,214,747      |
| Purchases of capital assets                                  | (216,407,262)   | (225,874,905)   |
| Payments from accrued expenses for capital assets            | (50,701,714)    | (74,953,960)    |
| Payments to escrow for current refunding of debt             | (20,870,406)    | -               |
| Proceeds from sale of capital assets                         | 904,053         | 864,352         |
| Net cash used in capital and related financing activities    | (504,135,748)   | (549,934,900)   |
| Cash flows from investing activities:                        |                 |                 |
| Purchases of investments                                     | (1,946,362,831) | (2,220,346,798) |
| Proceeds from sales and maturities of investments            | 2,126,201,700   | 2,313,260,253   |
| Proceeds from sales of assets held for disposition           | 10,256,125      | 1,319,266       |
| Payments to maintain assets held for disposal                | (797,733)       | (1,849,609)     |
| Insurance recoveries for Stapleton environmental remediation | 302,099         | 1,805,451       |
| Interest and dividends on investments and cash equivalents   | 24,806,470      | 28,290,088      |
| Net cash provided by investing activities                    | 214,405,830     | 122,478,651     |
| Net increase (decrease) in cash and cash equivalents         | 4,133,219       | (123,418,876)   |
| Cash and cash equivalents, beginning of the year             | 74,353,071      | 197,771,947     |
| Cash and cash equivalents, end of the year                   | \$ 78,486,290   | \$ 74,353,071   |

(continued)

City and County of Denver  
Municipal Airport System

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2015 and 2014

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| Reconciliation of operating income to net cash provided by operating activities:        |                |                |
| Operating income  | \$ 87,018,636  | \$ 114,368,183 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                |                |
| Depreciation and amortization   | 163,714,183    | 183,559,687    |
| Miscellaneous income  | 6,242,507      | 1,753,852      |
| Changes in assets and liabilities:  |                |                |
| Receivables, net of allowance   | 831,961        | 841,649        |
| Due from other City agencies  | (28,304)       | -              |
| Inventories   | 5,151,000      | (5,284,796)    |
| Prepaid expenses and other  | 1,132,468      | (1,025,135)    |
| Vouchers and other payables   | 23,523,252     | (4,789,935)    |
| Advance rent  | 685,751        | 3,446,462      |
| Due to other City agencies  | 673,168        | 469,793        |
| Compensated absences  | 168,547        | (11,602)       |
| Pension related items   | 3,623,989      | -              |
| Other operating liabilities   | 687,342        | 10,285,715     |
| Net cash provided by operating activities   | \$ 293,424,500 | \$ 303,613,873 |

Noncash activities:

On November 20, 2015, the Airport system closed on a bond refunding via direct placement with Bank of America. The approximately \$216 million in outstanding Series 2005A Senior Bonds were refunded with Series 2015A Subordinate Bonds, resulting in a net present value savings of approximately \$38 million over a ten year period. On December 12, 2014, the Airport system closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds.

|  |                |               |
|--|----------------|---------------|
| Unrealized gain (loss) on investments  | \$ (8,729,248) | \$ 14,828,983 |
| Unrealized gain on derivatives   | 20,968,938     | 6,197,200     |
| Capital assets added through incurrence of vouchers and retainages payable                       | 43,330,401     | 50,701,713    |
| Amortization of bond premiums, deferred losses on bond refundings, and prepaid bond insurance    | 6,637,081      | 5,666,145     |
| Refunding bond proceeds delivered directly to an irrevocable trust                               | 195,940,000    | 116,000,000   |
| Credit facility and reimbursement agreements proceeds delivered directly to an irrevocable trust | -              | 172,501,638   |

See accompanying notes to financial statements.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(1) Organization and Reporting Entity**

**(a) Nature of Operations**

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

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

**(b) Reporting Entity**

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

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

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

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

During the year ended December 31, 2015, the Airport System adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, (Statement No. 68), as amended, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Airport System provides its employees with pension benefits through the Denver Employees Retirement Plan (DERP).

Statement No. 68 requires employers to record their proportionate share of the plan's unfunded pension liability. Statement No. 68 also includes recognition of deferred inflows and outflows of resources associated with the net difference between projected and actual earnings on pension plan investments, changes of assumptions or other inputs, and the net difference between expected and actual experience. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period or the service life, as appropriate. The adoption of Statement No. 68 resulted in a \$90,566,975 decrease in net position as of January 1, 2015. The fiscal year 2014 financial statements were not restated as it was not practical to do so as the actuarial data required to restate fiscal year 2014 was not available. Information regarding DERP's current funding status can be found in their annual financial report.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(b) Cash and Cash Equivalents**

Cash and cash equivalents, which the City primarily manages, consist principally of cash on hand, demand deposits, certificates of deposit, local government investment pools, and state and local government securities with original maturities of less than 90 days. See note 3 for further discussion.

**(c) Investments**

Investments, which the City manages, are reported at fair value, which is primarily determined based on quoted market prices at December 31, 2015 and 2014. The Airport System's investments are maintained in pools at the City and include municipal securities, corporate bonds, multi-national fixed income, structured products, U.S. Treasury securities, and U.S. Agency securities.

**(d) Inventories**

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

**(e) Capital Assets**

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, land, and land rights at Denver International. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Repairs and maintenance are expensed as incurred, unless they have the effect of improving and extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of Denver International are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2015 and 2014 was \$47,052,696 and \$43,717,567, respectively.

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

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

**(f) Prepaid Bond Insurance, Deferred Gains (Losses) on Bond Refundings, and Unamortized Premiums (Discounts)**

Bond insurance premiums and premiums (discounts) on bonds are recorded as assets or liabilities and amortized over the life of the bonds that were issued using the effective interest method. Unamortized premiums on bonds are recorded as an addition to the face amount of the bonds payable. Gains (losses) on bond refundings are deferred and amortized over the life of the old bonds, or the remaining life of the refunding bonds, whichever is shorter, using the effective interest method. Gains (losses) on bond refundings are recorded as deferred inflows or outflows of resources, respectively.

**(g) Compensated Absences Payable**

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

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

(h) **Advance Rent**

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

(i) **Pensions**

For purposes of recording the net pension liability, deferred outflows of resources and deferred inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the Denver Employees Retirement Plan (DERP) and additions to/reductions from DERP's fiduciary net position have been determined on the same basis as they are reported by DERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(j) **Net Position**

**2015**

The Airport System assets exceeded liabilities by \$725,453,121 as of December 31, 2015, a \$26,041,306 increase in net position from the prior year-end, which is net of a cumulative effect adjustment of \$90,566,975, relating to the adoption of Statement No. 68. Of the Airport System's 2015 net position, 92% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$636,529,546 and are externally restricted for debt service. The net position restricted for capital projects represent \$32,479,368.

The remaining net position included unrestricted net position of \$682,591,582 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65,760,442 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, (\$626,147,375) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

**2014**

The Airport System assets exceeded liabilities by \$699,411,815 as of December 31, 2014, a \$125,888,276 increase in net position from the prior year-end. Of the Airport System's 2014 net position, 95% are restricted for future debt service and capital construction. The bond reserve account and bond accounts represent \$642,317,797 and are externally restricted for debt service. The net position restricted for capital projects represent \$23,120,816.

The remaining net position included unrestricted net position of \$764,258,604 which may be used to meet any of the Airport System's ongoing operations. Management of the Airport System has internally designated \$65,760,442 of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, (\$730,285,402) represents the Airport System's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(k) *Restricted and Unrestricted Resources***

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

**(l) *Operating Revenues and Expenses***

The statement of revenues, expenses, and changes in net position distinguish operating revenues and expenses from nonoperating activity and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denver International's principal ongoing operations. The principal operating revenues of the Airport System are charges to airline tenants for facility rentals, landing fees and parking. Operating expenses include the cost of providing services, administrative costs, and depreciation on capital assets.

**(m) *Nonoperating Revenues and Expenses***

All revenues and expenses not meeting the above definition of operating revenues and expenses are reported as nonoperating revenues and expenses or capital contributions. Such items include Passenger Facility Charges (PFCs), Car Rental Customer Facility Fees (CFCs), interest expense, interest income, operating grants from the federal government and Stapleton demolition and remediation expenses.

**(n) *Governmental Grants***

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

**(o) *Rates and Charges***

The Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines. As of December 31, 2015, the Airport System had accrued a liability to the airlines of \$3,150,356. As of December 31, 2014, the Airport System had accrued a receivable from the airlines in the amount of \$7,671,897.

50% of Net Revenues (as defined by the bond ordinance) with an annual cap of \$40,000,000 remaining at the end of the year are to be credited in the following year to the passenger airlines signatory use and lease agreement. The Net Revenues credited to the airlines totaled \$40,000,000 for both 2015 and 2014. Liabilities for these amounts were accrued as of December 31, 2015 and 2014, and are reported in the statements of net position as revenue credit payable.

**(p) *Use of Estimates***

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

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**(3) Cash, Cash Equivalents, and Investments**

**(a) Deposits**

As a department of the City and County of Denver (the City), the Airport System's deposits are pooled with the City's. Deposits are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's Investment Policy (the Policy) requires that Certificates of Deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2015, the amount of the Airport System's deposits was \$27,157,881. In addition, the Airport System had \$4,543,230 in uncashed payroll and vendor checks at December 31, 2015. At December 31, 2014, the amount of the Airport System's deposits was \$46,739,795 (includes \$25,346,556 of certificates of deposit). In addition, the Airport System had \$1,029,141 in uncashed payroll and vendor checks at December 31, 2014.

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty, the Airport System would not be able to recover its deposits, investments, or collateral securities.

**(b) Investments**

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

The City Charter, Section 2.5.3(c), and Denver Revised Municipal Code, Section 20-21, authorizes the type of investments that the City can hold. The Policy generally requires that investments shall be managed in accordance with portfolio theory management principles to compensate for actual or anticipated changes in market interest rates. To the extent possible, investment maturity will be matched with anticipated cash flow requirements of each investment pool. Additionally, to the extent possible, investments will be diversified by security type and obligor. 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.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

At December 31, 2015 and 2014, the Airport System's cash, cash equivalents, and investment balances were as follows (in thousands):

|   | <b>December 31,</b> | <b>December 31,</b> |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
| Cash equivalents (including cash on hand) | \$ 28,292           | \$ 21,387           |
| Certificate of deposit                    | -                   | 25,347              |
| Local government investment pools         | 50,194              | 24,391              |
| Municipal Securities                      | 55,740              | 28,959              |
| Commercial Paper                          | -                   | 3,613               |
| State & local government securities       | -                   | 3,230               |
| Corporate Bonds                           | 292,007             | 292,687             |
| Multinational fixed income                | 114,129             | 66,495              |
| Structured products                       | 182,985             | 46,275              |
| U.S. Treasury securities                  | 354,604             | 449,757             |
| U.S. Agency securities                    | 623,787             | 915,303             |
|   | <u>\$ 1,701,738</u> | <u>\$ 1,877,444</u> |

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2015 and 2014, is as follows (amount expressed in thousands).

|                             | <b>December 31,</b> | <b>December 31,</b> |
|-----------------------------|---------------------|---------------------|
|                             | <b>2015</b>         | <b>2014</b>         |
| Cash and cash equivalents   | \$ 29,529           | \$ 33,358           |
| Investments                 | 792,672             | 808,940             |
| Restricted cash equivalents | 48,957              | 40,995              |
| Restricted investments      | 830,580             | 994,151             |
|                             | <u>\$ 1,701,738</u> | <u>\$ 1,877,444</u> |

**Interest Rate Risk** – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the CFO by limiting their maximum maturity of investments. Commercial paper can have a maximum maturity of 270 days. U.S. Treasury and Agency securities can have a maximum maturity of 10 years. Structured products, such as Mortgage Pass-Through Securities and Collateralized Mortgage Obligations can have a maximum of 31 years.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

At December 31, 2015, the Airport System’s investment balances and maturities, in years, for those investments subject to interest rate risk were as follows (amounts are expressed in thousands):

| Investment type            | Investments maturity in years |                  |                     |                   |                 |
|----------------------------|-------------------------------|------------------|---------------------|-------------------|-----------------|
|                            | Fair value                    | Less than 1      | 1-5                 | 6-10              | Greater than 10 |
| Corporate Bonds            | \$ 292,007                    | \$ 9,883         | \$ 282,124          | \$ -              | \$ -            |
| Municipal Securities       | 55,740                        | -                | 40,234              | 15,506            | -               |
| Multinational Fixed Income | 114,129                       | 13,069           | 74,519              | 26,541            | -               |
| Structured Products        | 182,985                       | 3,235            | 125,748             | 52,952            | 1,050           |
| U.S. Treasury Securities   | 354,604                       | 11,497           | 280,100             | 63,007            | -               |
| U.S. Agency securities     | 623,787                       | 34,674           | 487,859             | 101,254           | -               |
| Total                      | <u>\$ 1,623,252</u>           | <u>\$ 72,358</u> | <u>\$ 1,290,584</u> | <u>\$ 259,260</u> | <u>\$ 1,050</u> |

As of December 31, 2015, the Airport System’s portfolio included callable U.S. Agency securities with a fair value of \$8,739,369. If a callable U.S. Agency security is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date.

**Credit Quality Risk** – Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. Moody’s, Standard & Poor’s, and Fitch are the three primary Nationally Recognized Securities Rating Organizations (NRSRO) that assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are assigned credit quality ratings AAA or its equivalent. Of the City’s investments at December 31, 2015, local government investment pools and corporation obligations were subject to credit quality risk. The Policy requires the local government investment pool to be in compliance with Title 24, Article 75, Part 7 of the Colorado Revised Statutes and have an office in Denver. The Policy also requires corporate debt obligations to be rated A- or higher, or the equivalent, by at least two NRSROs. All constraints are imposed at the time of purchase.

As of December 31, 2015, the Airport’s investments were in compliance with the City’s investment policy.

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

None of the Airport System’s investments owned at December 31, 2015, were subject to custodial credit risk.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single type of investment, or in a single issuer. The City’s Policy states that a maximum of 5% of the portfolio, based on market value, may be invested in commercial paper, municipal securities, corporate debt obligations, or certificates of deposit issued by any one provider. The Policy limits investments in money market funds, local government investment pool and supranationals to 10% per provider. Investments in money market funds, local government investment pools are limited to 25% of total investments with asset-back securities and municipal securities limited to 15% of the portfolio. Corporate bonds are limited to 20% of total investments and federal agency securities limited to 80% of the portfolio. All constraints are imposed at time of purchase.

More than 5.0% of the Airport System’s investments are in individual issuers: Federal Home Loan Bank (13.1%), Federal Home Loan Mortgage Corp. (7.2%), Federal National Mortgage Association (11%), and Tennessee Valley Authority (5.7%).

**(4) Accounts Receivables**

Management of the Airport System reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management’s assessment of the probability of collection. As of December 31, 2015 and 2014, an allowance of \$328,034 and \$155,023, respectively, had been established.

**(5) Capital Assets**

Changes in capital assets for the years ended December 31, 2015 and 2014 were as follows (in thousands):

|   | 2015                |                   |                                       |                                   |                      |
|---|---------------------|-------------------|---------------------------------------|-----------------------------------|----------------------|
|   | January 1,<br>2015  | Additions         | Transfers of<br>completed<br>projects | Retirements<br>and<br>impairments | December 31,<br>2015 |
| Depreciable:                                      |                     |                   |                                       |                                   |                      |
| Buildings   | \$ 2,072,964        | \$ -              | \$ 242,852                            | \$ (358)                          | \$ 2,315,458         |
| Improvements other<br>than buildings              | 2,278,188           | -                 | 144,728                               | -                                 | 2,422,916            |
| Machinery and equipment                           | 771,109             | 12,400            | 37,330                                | (6,592)                           | 814,247              |
|   | 5,122,261           | 12,400            | 424,910                               | (6,950)                           | 5,552,621            |
| Less accumulated depreciation<br>and amortization | (2,763,393)         | (163,714)         | -                                     | 6,718                             | (2,920,389)          |
|   | 2,358,868           | (151,314)         | 424,910                               | (232)                             | 2,632,232            |
| Nondepreciable:                                   |                     |                   |                                       |                                   |                      |
| Art   | 892                 | -                 | 4,438                                 | -                                 | 5,330                |
| Capacity rights                                   | 12,400              | -                 | -                                     | -                                 | 12,400               |
| Construction in progress                          | 672,867             | 298,034           | (429,348)                             | (3,918)                           | 537,635              |
| Land, land rights, and air rights                 | 295,302             | -                 | -                                     | -                                 | 295,302              |
| Total capital assets                              | <u>\$ 3,340,329</u> | <u>\$ 146,720</u> | <u>\$ -</u>                           | <u>\$ (4,150)</u>                 | <u>\$ 3,482,899</u>  |

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

|   | 2014                |                   |                                       |                                   |                      |
|---|---------------------|-------------------|---------------------------------------|-----------------------------------|----------------------|
|   | January 1,<br>2014  | Additions         | Transfers of<br>completed<br>projects | Retirements<br>and<br>impairments | December 31,<br>2014 |
| Depreciable:                                      |                     |                   |                                       |                                   |                      |
| Buildings   | \$ 2,009,211        | \$ -              | \$ 63,753                             | \$ -                              | \$ 2,072,964         |
| Improvements other<br>than buildings              | 2,274,526           | -                 | 4,426                                 | (764)                             | 2,278,188            |
| Machinery and equipment                           | 767,295             | 4,228             | 8,829                                 | (9,243)                           | 771,109              |
|   | <u>5,051,032</u>    | <u>4,228</u>      | <u>77,008</u>                         | <u>(10,007)</u>                   | <u>5,122,261</u>     |
| Less accumulated depreciation<br>and amortization | (2,589,185)         | (183,560)         | -                                     | 9,352                             | (2,763,393)          |
|   | <u>2,461,847</u>    | <u>(179,332)</u>  | <u>77,008</u>                         | <u>(655)</u>                      | <u>2,358,868</u>     |
| Nondepreciable:                                   |                     |                   |                                       |                                   |                      |
| Art   | 1,058               | -                 | -                                     | (166)                             | 892                  |
| Capacity rights                                   | 12,400              | -                 | -                                     | -                                 | 12,400               |
| Construction in progress                          | 426,810             | 330,215           | (77,008)                              | (7,150)                           | 672,867              |
| Land, land rights, and air rights                 | 295,303             | -                 | -                                     | (1)                               | 295,302              |
| Total capital assets                              | <u>\$ 3,197,418</u> | <u>\$ 150,883</u> | <u>\$ -</u>                           | <u>\$ (7,972)</u>                 | <u>\$ 3,340,329</u>  |

**(6) Disposal of Stapleton**

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

The Airport System reduced the carrying value of Stapleton by the amount of proceeds from sales of parcels each year. As of December 31, 2015 and 2014, the carrying value has been reduced to \$0, but there are some parcels that have not been sold. All proceeds from sales received after the carrying amount became \$0 are recorded as revenue. The current and anticipated costs accrued in restricted other liabilities for the environmental liability for Stapleton were \$7,785,859 and \$6,063,929, at December 31, 2015, and 2014, respectively. The Airport System has accrued \$6,924,281 and \$6,849,517 of insurance recoveries in accounts receivable at December 31, 2015 and 2014, respectively. The airport has received payments for insurance recoveries totaling \$267,762 in 2015 and \$1,805,451 in 2014.

**(7) Due to Other City Agencies**

The City provides various services to the Airport System, including data processing, investing, financial services, budgeting, and engineering. Billings from the City, both direct and indirect, during 2015 and 2014 totaled \$19,854,878 and \$17,360,688, respectively, and have been included in operating expenses.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

In addition to the above services, the Airport System also pays directly salaries and wages for police, fire and other City personnel which are reflected as personnel services expenses. The total services paid for City service and personnel are \$34,895,811 and \$32,132,967 at December 31, 2015 and 2014, respectively. The outstanding liability to the City and its related agencies in connection with these services totaled \$5,497,110 and \$4,823,942 at December 31, 2015 and 2014, respectively.

The outstanding receivable from the City and its related agencies totaled \$60,613 and \$32,309 at December 31, 2015 and 2014, respectively.

**(8) Bonds Payable**

Changes in long-term debt for the years ended December 31, 2015 and 2014 were as follows (in thousands):

|                               | 2015                |                   |                     |                     |                      | Amounts due<br>within one year |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|----------------------|--------------------------------|
|                               | January 1,<br>2015  | Additions         | Refunded<br>debt    | Retirements         | December 31,<br>2015 |                                |
| Airport System revenue bonds  | \$ 4,240,750        | \$ 195,940        | \$ (216,150)        | \$ (148,130)        | \$ 4,072,410         | \$ 170,550                     |
| Economic defeasance           | 40,080              | -                 | -                   | -                   | 40,080               | -                              |
| Baggage defeasance            | 3,195               | -                 | -                   | (3,195)             | -                    | -                              |
| Plus unamortized net premiums | 153,213             | -                 | (6,214)             | (18,120)            | 128,879              | -                              |
| Total bond debt               | <u>\$ 4,437,238</u> | <u>\$ 195,940</u> | <u>\$ (222,364)</u> | <u>\$ (169,445)</u> | 4,241,369            | <u>\$ 170,550</u>              |
| Less current portion          |                     |                   |                     |                     | (170,550)            |                                |
| Noncurrent portion            |                     |                   |                     |                     | <u>\$ 4,070,819</u>  |                                |

|                               | 2014                |                   |                     |                     |                      | Amounts due<br>within one year |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|----------------------|--------------------------------|
|                               | January 1,<br>2014  | Additions         | Refunded<br>debt    | Retirements         | December 31,<br>2014 |                                |
| Airport System revenue bonds  | \$ 4,398,110        | \$ 116,000        | \$ (114,325)        | \$ (159,035)        | \$ 4,240,750         | \$ 148,130                     |
| Economic defeasance           | 40,080              | -                 | -                   | -                   | 40,080               | -                              |
| Baggage defeasance            | 3,205               | -                 | -                   | (10)                | 3,195                | 10                             |
| Plus unamortized net premiums | 172,681             | -                 | -                   | (19,468)            | 153,213              | -                              |
| Total bond debt               | <u>\$ 4,614,076</u> | <u>\$ 116,000</u> | <u>\$ (114,325)</u> | <u>\$ (178,513)</u> | 4,437,238            | <u>\$ 148,140</u>              |
| Less current portion          |                     |                   |                     |                     | (148,140)            |                                |
| Noncurrent portion            |                     |                   |                     |                     | <u>\$ 4,289,098</u>  |                                |

The Airport System has issued bonds, paying fixed and variable interest rates, collateralized by and payable from Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended (Bond Ordinance) and the 1990 Airport System General Subordinate Bond Ordinance as supplemented and amended (Subordinate Bond Ordinance). Interest on fixed rate bonds is payable semi-annually. The variable rate bonds are issued in weekly mode (except for the Series 2007G1-G2 bonds which are currently in a daily mode). Auction rate bonds carry interest rates that are periodically reset for 7-day periods. As such, the actual interest rate on the bonds will vary based on market conditions in the short-term tax-exempt bond market.

**City and County of Denver  
Municipal Airport System**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2015 and 2014 are as follows:

| Bond                           | Maturity                                     | Interest Rate   | Amount Outstanding      |                         |
|--------------------------------|--|-----------------|-------------------------|-------------------------|
|                                |  |                 | 2015                    | 2014                    |
| Airport system revenue bonds   |  |                 |                         |                         |
| Series 1992F, G*               | November 15, 2031                            | 0.721%          | \$ 34,900,000           | \$ 34,900,000           |
| Series 2002C*                  | November 15, 2031                            | 0.721%          | 28,200,000              | 28,200,000              |
| Series 2005A                   | Annually November 15, 2016 to 2025           | 4.00-5.00%      | -                       | 216,230,000             |
| Series 2006A                   | Annually November 15, 2016 to 2025           | 4.00-5.00%      | 259,345,000             | 268,360,000             |
| Series 2006B                   | November 15, 2015                            | 5.00%           | -                       | 11,365,000              |
| Series 2007A                   | November 15, 2023, 2024, 2026, 2027 and 2030 | 5.00%           | 188,350,000             | 188,350,000             |
| Series 2007B                   | November 15, 2032                            | 5.00%           | 24,250,000              | 24,250,000              |
| Series 2007C                   | November 15, 2016, 2017 and 2033             | 5.00%           | 34,635,000              | 34,635,000              |
| Series 2007D                   | Annually November 15, 2016 to 2023           | 5.25-5.50%      | 147,815,000             | 147,815,000             |
| Series 2007D2                  | November 15, 2015                            | 5.00%           | -                       | 16,365,000              |
| Series 2007E                   | November 15, 2032                            | 5.00%           | 47,400,000              | 47,400,000              |
| Series 2007F1-F2**             | November 15, 2025                            | 0.37% - 0.42%   | 75,550,000              | 75,550,000              |
| Series 2007G1-G2*              | November 15, 2031                            | 1.071%          | 131,500,000             | 135,600,000             |
| Series 2008A1                  | November 15, 2016 and 2017                   | 5.00-5.50%      | 20,900,000              | 53,990,000              |
| Series 2008B*                  | November 15, 2031                            | 0.914%          | 61,700,000              | 65,000,000              |
| Series 2008C1-C3*              | November 15, 2031                            | 0.914% - 0.918% | 292,600,000             | 292,600,000             |
| Series 2009A                   | November 15, 2016 to 2036                    | 5.00-5.25%      | 164,850,000             | 164,850,000             |
| Series 2009B                   | November 15, 2039                            | 6.414%          | 65,290,000              | 65,290,000              |
| Series 2009C*                  | November 15, 2031                            | 1.071%          | 104,655,000             | 104,655,000             |
| Series 2010A                   | Annually November 15, 2016 to 2032           | 4.00-5.00%      | 171,360,000             | 171,360,000             |
| Series 2011A                   | Annually November 15, 2016 to 2023           | 4.00-5.25%      | 285,695,000             | 301,830,000             |
| Series 2011B                   | Annually November 15, 2016 to 2018 and 2024  | 4.00-5.00%      | 82,765,000              | 113,550,000             |
| Series 2011C                   | November 15, 2016                            | 4.00-5.00%      | 1,925,000               | 4,895,000               |
| Series 2012A                   | Annually November 15, 2016 to 2043           | 3.00-5.00%      | 290,340,000             | 299,530,000             |
| Series 2012B                   | Annually November 15, 2016 to 2043           | 4.00-5.00%      | 505,315,000             | 507,980,000             |
| Series 2012C                   | November 15, 2026                            | 3.592%          | 30,285,000              | 30,285,000              |
| Series 2013A                   | Annually November 15, 2016 to 2043           | 4.00-5.50%      | 322,460,000             | 326,260,000             |
| Series 2013B                   | Annually November 15, 2016 to 2043           | 3.00-5.25%      | 392,360,000             | 393,655,000             |
| Series 2014A *                 | December 1, 2031                             | 0.431%          | 112,025,000             | 116,000,000             |
| Series 2015A                   | November 15, 2016 to 2021 and 2023 to 2035   | 2.220%          | 195,940,000             | -                       |
| Economic Defeasance            |  |                 |                         |                         |
| LOI 1998/1999                  | November 15, 2024 and 2025                   | 6.125%          | 40,080,000              | 40,080,000              |
| ABS baggage defeasance         | November 15, 2015 to 2021                    | 4.00-5.00%      | -                       | 3,195,000               |
| Total revenue bonds            |  |                 | 4,112,490,000           | 4,284,025,000           |
| Less current portion           |  |                 | (170,550,000)           | (148,140,000)           |
| Net unamortized premiums       |  |                 | 128,878,934             | 153,213,718             |
| Total bonds payable noncurrent |  |                 | <u>\$ 4,070,818,934</u> | <u>\$ 4,289,098,718</u> |

\* Variable rates are as of December 31, 2015

\*\* Auction rates are as of December 31, 2015

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

***Economic Defeasances***

On November 1, 1999, the Airport System entered into an economic defeasance of \$54,880,000 of Airport System Revenue Bonds through the use of certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under a 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the City. Escrow A proceeds will be used to pay principal and interest on \$40,080,000 of the Series 1992C Bonds maturing on November 15, 2025. Escrow B proceeds were used to pay principal and interest on \$14,800,000 of the Series 1991D Bonds maturing on November 15, 2013.

A special escrow account (ABS Baggage System defeasance) was funded between December 27, 2006 and December 31, 2011 with PFC and net revenues. This escrow was used to pay principal and interest on the Airport System revenue bonds related to the ABS baggage system. As of December 31, 2015, the bonds were paid off.

The economically defeased bonds are considered outstanding for the purposes of the General Bond Ordinance and were not considered legal defeasances or in-substance defeasances under accounting principles generally accepted in the United States of America and, therefore, the bonds remain outstanding in the accompanying financial statements.

***Bond Issuances***

On November 20, 2015, the Airport system closed on a bond refunding via direct placement with Bank of America. The approximately \$216 million in outstanding Series 2005A Senior Bonds were refunded with \$196 million in Series 2015A Subordinate Bonds, resulting in a net present value savings of approximately \$38 million over a 10 year period. The difference between the reacquisition price of \$216,810,406 and the net carrying amount of the old debt of \$221,745,529 resulted in the recognition of a deferred gain on refunding in the amount of \$4,935,123. The deferred gain on refunding is being amortized over the remaining life of the old debt.

On December 12, 2014, the Airport system closed on the restructuring of debt to extend the maturity of the Series 2002C, 2007G1-G2, 2008B, 2008C1-C3 and 2009C Bonds. These transactions, in conjunction with the simultaneous closing of the Series 2014A Refunding Bonds and Series 1992F-G Bonds (closed on October 24, 2014), completed the debt restructuring component by deferring annual principal maturing with a goal of providing an estimated amount of debt service relief of \$25 million per year between 2015 and 2025.

***Defeased Bonds***

The Airport System has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2015 and 2014, respectively, \$49,360,000 and \$70,800,000 of bonds outstanding are considered defeased.

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**(9) Bond and Notes Payable Debt Service Requirements**

**(a) Bonds Payable**

Bond debt service requirements of the Airport System for bonds payable to maturity as of December 31, 2015 are as follows:

| <b>Airport System Bonds Payable</b> | <b>Principal</b> | <b>Interest</b>  |
|-------------------------------------|------------------|------------------|
| <b>Year:</b>                        |                  |                  |
| 2016                                | \$ 170,550,000   | \$ 163,930,176   |
| 2017                                | 172,120,000      | 155,961,094      |
| 2018                                | 190,655,000      | 148,035,652      |
| 2019                                | 195,140,000      | 140,805,878      |
| 2020                                | 200,405,000      | 134,393,053      |
| 2021-2025                           | 1,232,100,000    | 552,949,083      |
| 2026-2030                           | 887,355,000      | 351,134,465      |
| 2031-2035                           | 563,295,000      | 183,649,682      |
| 2036-2040                           | 303,205,000      | 83,334,589       |
| 2041-2043                           | 157,585,000      | 14,914,350       |
| Total                               | \$ 4,072,410,000 | \$ 1,929,108,022 |

Debt service requirements for the economic defeasance LOI of the Airport System to maturity as of December 31, 2015, are as follows:

| <b>LOI of Airport System</b> | <b>Principal</b> | <b>Interest</b> |
|------------------------------|------------------|-----------------|
| <b>Year:</b>                 |                  |                 |
| 2016                         | \$ -             | \$ 2,454,900    |
| 2017                         | -                | 2,454,900       |
| 2018                         | -                | 2,454,900       |
| 2019                         | -                | 2,454,900       |
| 2020                         | -                | 2,454,900       |
| 2021-2025                    | 40,080,000       | 10,800,825      |
| Total                        | \$ 40,080,000    | \$ 23,075,325   |

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(b) Notes Payable**

The Airport System entered into a Master Installment Purchase Agreement on March 15, 2004, with GE Capital Public Finance Inc. for \$13 million, to finance various capital equipment purchases at rates and terms of 3.6448% based on a 30/360 calculation for 2004. Payments are due quarterly to GE Capital Public Finance. The Airport System entered into Master Installment Purchase Agreements on October 26, 2006. These include an agreement with Koch Financial Corporation for \$23.0 million and an agreement with GE Capital Public Finance for \$9.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, and 4.16% based on a 30/360 calculation for 2007. The Airport System entered into a \$20.5 million Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.9595% based on a 30/360 calculation for 2012. The Airport System entered into an Installment Purchase Agreement on January 9, 2015 with Banc of America Public Capital Corp for \$1.8 million to finance various capital equipment purchases at a rate of 1.1656%. Payments are due annually.

The payment schedule relating to note requirements as of December 31, 2015 is as follows:

| <b>Notes Payable</b> | <u>Principal</u>     | <u>Interest</u>   |
|----------------------|----------------------|-------------------|
| <b>Year:</b>         |                      |                   |
| 2016                 | \$ 4,892,922         | \$ 291,931        |
| 2017                 | 2,507,788            | 205,606           |
| 2018                 | 2,569,538            | 165,006           |
| 2019                 | 2,138,801            | 123,605           |
| 2020                 | 2,181,020            | 81,386            |
| 2021-2022            | <u>2,786,915</u>     | <u>41,091</u>     |
| Total                | <u>\$ 17,076,984</u> | <u>\$ 908,625</u> |

Changes in notes payable for the years ended December 31, 2015 and 2014 were as follows:

|                      | <u>Balance<br/>January 1,<br/>2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>December 31,<br/>2015</u> | <u>Amounts<br/>due within<br/>one year</u> |
|----------------------|--|------------------|--------------------|--|--|
| Notes payable        | \$ 20,987,244                          | \$ 1,846,254     | \$ (5,756,514)     | \$ 17,076,984                            | \$4,892,922                                |
| Less current portion |  |                  |                    | (4,892,922)                              |  |
| Noncurrent portion   |  |                  |                    | <u>\$ 12,184,062</u>                     |  |
|                      |  |                  |                    |  |  |
|                      | <u>Balance<br/>January 1,<br/>2014</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>December 31,<br/>2014</u> | <u>Amounts<br/>due within<br/>one year</u> |
| Notes payable        | \$ 25,803,738                          | \$ -             | \$ (4,816,494)     | \$ 20,987,244                            | \$5,640,290                                |
| Less current portion |  |                  |                    | (5,640,290)                              |  |
| Noncurrent portion   |  |                  |                    | <u>\$ 15,346,954</u>                     |  |

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(10) Demand Bonds**

Included in long-term debt are \$34,900,000 of Series 1992F, G; \$28,200,000 of Series 2002C, \$61,700,000 of Series 2008B, \$92,600,000 of Series 2008C1, \$200,000,000 of Series 2008C2-C3, \$104,655,000 of Series 2009C and \$131,500,000 of Series 2007G1-G2 of Airport System Revenue Bonds Series. These Bonds are currently Credit Facility Bonds which bear interest at rates indexed to 1-month LIBOR and are subject to mandatory redemption when the credit facilities and reimbursement agreements supporting them expire and upon the occurrence of certain other events of default. These agreements will either be extended, replaced, or the bonds will be refunded prior to the expiration date.

On July 29, 2011 and August 8, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Wells Fargo, who purchased the Series 2008B and 2008C1 bonds, respectively, at a floating rate indexed to 1-month LIBOR. On December 11, 2015, this agreement was amended, and the expiration date was extended to December 11, 2020.

On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate index to 1-month LIBOR. On August 29, 2014, this agreement was amended, and the expiration date was extended to August 29, 2019.

On October 1, 2012, the Airport entered into a credit facility and reimbursement agreement with U.S. Bank National Association, who purchased the Series 2009C bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on April 30, 2017.

On October 24, 2014, the Airport System entered into credit facility and reimbursement agreements with Banc of America Preferred Funding Corporation who purchased the Series 1992F Bonds at a floating rate indexed to 1-month LIBOR. These agreements expire on September 25, 2017.

On September 25, 2014, the Airport System entered into credit facility and reimbursement agreements with Banc of America Preferred Funding Corporation, who purchased the Series 2002C Bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on September 25, 2017.

On November 1, 2014, the Airport entered into credit facility and reimbursement agreements with BMO Harris Investment Corp who purchased the Series 2007G1-G2 Bonds at a floating rate indexed to 1-month LIBOR. This agreement expires on December 1, 2023.

Also included in long-term debt is \$112,025,000 of Series 2014A Revenue Bonds which bear interest at a rate indexed to 1-month LIBOR and which are subject to mandatory tender on December 9, 2016. These bonds will either be remarketed with a later mandatory tender date or refunded prior to the expiration date.

**(11) Bond Ordinance Provisions**

***Additional Bonds***

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

***Airport System Revenue Bonds***

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

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

**(12) Swap Agreements**

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements all pay fixed–receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System’s swap agreements are considered investment derivatives in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (Statement No. 53). Additionally, investment income on these derivatives has also been recognized in accordance with Statement No. 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments. The fair value balances and notional amounts of the swaps outstanding at December 31, 2015 and 2014 and the changes in the fair value of such swaps for the years then ended, are as follows:

**City and County of Denver  
Municipal Airport System**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

| Counterparty                           | Effective Date | Notional Amount<br>(in millions) | Bond/Swap Termination Date | Associated Debt Series | Payable Swap Rate | Variable Receivable Swap Rate | Changes in Fair Value |             | Fair Value 12/31/2015         |
|--|----------------|----------------------------------|----------------------------|------------------------|-------------------|-------------------------------|-----------------------|-------------|-------------------------------|
|  |                |                                  |                            |                        |                   |                               | Classification        | Amount      |                               |
| 1998 Swap Agreements                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Goldman Sachs Capital Markets, L.P.    | 10/4/2000      | \$ 100                           | 11/15/2025                 | 2008C2-C3              | 4.7600%           | 70% LIBOR + 0.10%             | Deferred Outflow      | \$ 424,505  | \$ (21,578,358)               |
|  |                |                                  |                            |                        |                   |                               | Investment Income     | (2,341,605) |                               |
| Societe Generale, New York Branch      | 10/4/2000      | 100                              | 11/15/2025                 | 2008C2-C3              | 4.7190%           | 70% LIBOR + 0.10%             | Deferred Outflow      | 425,132     | (21,319,312)                  |
|  |                |                                  |                            |                        |                   |                               | Investment Income     | (2,306,874) |                               |
| 1999 Swap Agreements                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Goldman Sachs Capital Markets, L.P.    | 10/4/2001      | 100                              | 11/1/2022                  | (1)                    | 5.6179%           | SIFMA                         | Deferred Outflow      | 385,563     | (22,390,192)                  |
|  |                |                                  |                            |                        |                   |                               | Investment Income     | (2,611,116) |                               |
| Merrill Lynch Capital Services, Inc.   | 10/4/2001      | 50                               | 11/1/2022                  | (1)                    | 5.5529%           | SIFMA                         | Deferred Outflow      | 193,573     | (11,035,115)                  |
|  |                |                                  |                            |                        |                   |                               | Investment Income     | (1,276,776) |                               |
| 2002 Swap Agreements                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Goldman Sachs Capital Markets, L.P.    | 4/15/2002      | 100                              | 11/1/2022                  | (1)                    | SIFMA             | 76.33% LIBOR                  | Investment Income     | (794,027)   | 664,879                       |
| 2005 Swap Agreements                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Royal Bank of Canada                   | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A, 2007D           | 3.6560%           | 70% LIBOR                     | Investment Income     | (750,711)   | (7,908,020)                   |
| JP Morgan Chase Bank, N.A.             | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A, 2007D           | 3.6874%           | 70% LIBOR                     | Investment Income     | (765,924)   | (8,011,878)                   |
| Jackson Financial Products, LLC        | 11/15/2006     | 108.228                          | 11/15/2025                 | 2006A, 2007D           | 3.6560%           | 70% LIBOR                     | Investment Income     | (1,501,423) | (15,816,041)                  |
| Piper Jaffray Financial Products, Inc. | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A, 2007D           | 3.6560%           | 70% LIBOR                     | Investment Income     | (750,711)   | (7,908,020)                   |
| 2006A Swap Agreements                  |                |                                  |                            |                        |                   |                               |                       |             |                               |
| JP Morgan Chase Bank, N.A.             | 11/15/2007     | 151.100                          | 11/15/2025                 | 2007F-G(2), 2014A      | 4.0085%           | 70% LIBOR                     | Investment Income     | (3,066,238) | (23,389,576)                  |
| GKB Financial Services Corp.           | 11/15/2007     | 50.367                           | 11/15/2025                 | 2007F-G(2), 2014A      | 4.0085%           | 70% LIBOR                     | Investment Income     | (1,022,080) | (7,796,525)                   |
| 2006B Swap Agreements                  |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Royal Bank of Canada                   | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A                  | SIFMA             | 4.0855%                       | Investment Income     | 207,819     | 9,123,483                     |
| JP Morgan Chase Bank, N.A.             | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A                  | SIFMA             | 4.0855%                       | Investment Income     | 207,819     | 9,123,483                     |
| Jackson Financial Products, LLC        | 11/15/2006     | 108.228                          | 11/15/2025                 | 2006A                  | SIFMA             | 4.0855%                       | Investment Income     | 415,639     | 18,246,965                    |
| Piper Jaffray Financial Products, Inc. | 11/15/2006     | 54.114                           | 11/15/2025                 | 2006A                  | SIFMA             | 4.0855%                       | Investment Income     | 207,819     | 9,123,483                     |
| 2008A Swap Agreement                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Royal Bank of Canada                   | 12/18/2008     | 100.733                          | 11/15/2025                 | 2007F-G(2), 2014A      | 4.0085%           | 70% LIBOR                     | Investment Income     | (2,044,326) | (15,590,716)                  |
| 2008B Swap Agreement                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Loop Financial Products I LLC          | 1/8/2009       | 100                              | 11/15/2025                 | 2008C1(2)              | 4.7600%           | 70% LIBOR + 0.1%              | Investment Income     | (1,819,480) | (22,809,548)                  |
| 2009A Swap Agreement                   |                |                                  |                            |                        |                   |                               |                       |             |                               |
| Loop Financial Products I LLC          | 1/12/2010      | 50                               | 11/15/2022                 | (1)                    | 5.6229%           | SIFMA                         | Deferred Outflow      | (158,337)   | (11,207,523)                  |
|  |                |                                  |                            |                        |                   |                               | Investment Income     | (956,743)   |                               |
| Total                                  |                |                                  |                            |                        |                   |                               |                       |             | <u><u>\$(150,478,531)</u></u> |

(1) Previously associated with the 2001 C1-C4. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds

(2) A portion of the Series 2002C bonds are additionally associated with these swaps

**City and County of Denver  
Municipal Airport System**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

| Counterparty                           | Effective Date | Amount (in millions) | Termination Date | Associated Debt Series | Swap Rate | Receivable Swap Rate | Changes in Fair Value |              | Fair Value 12/31/2014          |
|--|----------------|----------------------|------------------|------------------------|-----------|----------------------|-----------------------|--------------|--------------------------------|
|  |                |                      |                  |                        |           |                      | Classification        | Amount       |                                |
| 1998 Swap Agreements                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Goldman Sachs Capital Markets, L.P.    | 10/4/2000      | \$ 100               | 11/15/2025       | 2008C2-C3              | 4.7600%   | 70% LIBOR + 0.10%    | Deferred Outflow      | \$ 4,160,195 | \$ (23,495,458)                |
|  |                |                      |                  |                        |           |                      | Investment Income     | (2,271,347)  |                                |
| Societe Generale, New York Branch      | 10/4/2000      | 100                  | 11/15/2025       | 2008C2-C3              | 4.7190%   | 70% LIBOR + 0.10%    | Deferred Outflow      | 4,156,505    | (23,201,054)                   |
|  |                |                      |                  |                        |           |                      | Investment Income     | (2,237,633)  |                                |
| 1999 Swap Agreements                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Goldman Sachs Capital Markets, L.P.    | 10/4/2001      | 100                  | 11/1/2022        | (1)                    | 5.6179%   | SIFMA                | Deferred Outflow      | 2,406,516    | (24,615,745)                   |
|  |                |                      |                  |                        |           |                      | Investment Income     | (2,536,529)  |                                |
| Merrill Lynch Capital Services, Inc.   | 10/4/2001      | 50                   | 11/1/2022        | (1)                    | 5.5529%   | SIFMA                | Deferred Outflow      | 1,203,312    | (12,118,318)                   |
|  |                |                      |                  |                        |           |                      | Investment Income     | (1,240,290)  |                                |
| 2002 Swap Agreements                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Goldman Sachs Capital Markets, L.P.    | 4/15/2002      | 100                  | 11/1/2022        | (1)                    | SIFMA     | 76.33% LIBOR         | Investment Income     | (414,046)    | (129,148)                      |
| 2005 Swap Agreements                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Royal Bank of Canada                   | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | 3.6560%   | 70% LIBOR            | Investment Income     | 1,307,997    | (8,658,731)                    |
| JP Morgan Chase Bank, N.A.             | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | 3.6874%   | 70% LIBOR            | Investment Income     | 1,295,104    | (8,777,802)                    |
| Jackson Financial Products, LLC        | 11/15/2006     | 111.834              | 11/15/2025       | 2006A                  | 3.6560%   | 70% LIBOR            | Investment Income     | 2,615,995    | (17,317,464)                   |
| Piper Jaffray Financial Products, Inc. | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | 3.6560%   | 70% LIBOR            | Investment Income     | 1,307,997    | (8,658,731)                    |
| 2006A Swap Agreements                  |                |                      |                  |                        |           |                      |                       |              |                                |
| JP Morgan Chase Bank, N.A.             | 11/15/2007     | 178.150              | 11/15/2025       | 2007F-G(2), 2014A      | 4.0085%   | 70% LIBOR            | Investment Income     | 1,243,754    | (26,455,814)                   |
| GKB Financial Services Corp.           | 11/15/2007     | 59.383               | 11/15/2025       | 2007F-G(2), 2014A      | 4.0085%   | 70% LIBOR            | Investment Income     | 414,585      | (8,818,605)                    |
| 2006B Swap Agreements                  |                |                      |                  |                        |           |                      |                       |              |                                |
| Royal Bank of Canada                   | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | SIFMA     | 4.0855%              | Investment Income     | (1,684,956)  | 9,331,302                      |
| JP Morgan Chase Bank, N.A.             | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | SIFMA     | 4.0855%              | Investment Income     | (1,684,956)  | 9,331,302                      |
| Jackson Financial Products, LLC        | 11/15/2006     | 111.834              | 11/15/2025       | 2006A                  | SIFMA     | 4.0855%              | Investment Income     | (3,369,911)  | 18,662,604                     |
| Piper Jaffray Financial Products, Inc. | 11/15/2006     | 55.917               | 11/15/2025       | 2006A                  | SIFMA     | 4.0855%              | Investment Income     | (1,684,956)  | 9,331,302                      |
| 2008A Swap Agreement                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Royal Bank of Canada                   | 12/18/2008     | 118.767              | 11/15/2025       | 2007F-G(2), 2014A      | 4.0085%   | 70% LIBOR            | Investment Income     | 831,242      | (17,635,042)                   |
| 2008B Swap Agreement                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Loop Financial Products I LLC          | 1/8/2009       | 100                  | 11/15/2025       | 2008C1(2)              | 4.7600%   | 70% LIBOR + 0.1%     | Investment Income     | 2,837,079    | (24,629,028)                   |
| 2009A Swap Agreement                   |                |                      |                  |                        |           |                      |                       |              |                                |
| Loop Financial Products I LLC          | 1/12/2010      | 50                   | 11/15/2022       | (1)                    | 5.6229%   | SIFMA                | Deferred Outflow      | 859,595      | (12,322,603)                   |
|  |                |                      |                  |                        |           |                      | Investment Income     | (926,329)    |                                |
| Total                                  |                |                      |                  |                        |           |                      |                       |              | <u><u>\$ (170,177,033)</u></u> |

(1) Previously associated with the 2001 C1-C4. Swaps currently associated with Series 2009C, 2008B and a portion of the 2002C Bonds

(2) A portion of the Series 2002C bonds are additionally associated with these swaps

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2015 and 2014. 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, 2015. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

(a) ***Risks Associated with the Swap Agreements***

The following risks are generally associated with swap agreements:

***Credit Risk*** – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the Swap Agreement that is rated in the highest rating category of either Standard & Poors, Moody's Investors Service or Fitch, for any swap agreement, the counter party 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 Investor 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, 2015, 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).

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

The ratings of the counterparties, or their credit support providers, as of December 31, 2015 are as follows:

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

As of December 31, 2015, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

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

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

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

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**(b) Description of the Swap Agreements and Associated Debt**

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

In August 2000, the Airport System issued the Series 2000B and the Series 2000C Bonds in order to refund a portion of the Series 1990A Bonds, and treated such 1998 Swap Agreements as relating to the payments due on the Series 2000B Bonds and the Series 2000C Bonds (the associated debt), thereby effectively converting the floating rates of the Series 2000B Bonds and the Series 2000C Bonds to a fixed interest rate. The Series 2000B and Series 2000C Bonds were refunded in 2008, by the Series 2008C1-C3 bonds. The Series 2008C2-C3 Bonds are currently associated debt with the 1998 swaps. On August 31, 2011, the Airport System entered into a liquidity facility and reimbursement agreement with Royal Bank of Canada, who purchased the Series 2008C2-C3 Bonds at a floating rate indexed to 1-month LIBOR. As a result of this transaction, the swap counterparties elected to apply the alternative variable rate provision under the swaps (70% of 1-month LIBOR plus 0.10%).

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

**The 1999 Swap Agreements and Associated Debt** – On July 28, 1999, the Airport System entered into interest rate Swap Agreements (the 1999 Swap Agreements) in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1991A Bonds and Series 1991D Bonds through the Airport System's issuance of variable rate bonds on or before October 4, 2001. The 1999 Swap Agreements have notional amounts of \$100 million and \$50 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and the SIFMA Index payable by the respective financial institutions. Historically, SIFMA Index averages have been lower than the variable interest rate the Airport System pays on the associated debt. The Airport System attributes this difference largely to the fact that the associated debt is subject to the alternative minimum tax. This means that, on average, the Airport System pays more in interest on the associated debt than it receives under the 1999 Swap Agreements. This basis risk is modified when the 1999 Swap Agreements and associated debt are considered together with the 2002 Swap Agreements and 2009A Swap Agreements.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

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

***The 2002 Swap Agreements and Associated Debt*** – On April 11, 2002, the Airport System entered into interest rate Swap Agreements (the 2002 Swap Agreements) with two financial institutions in order to effectively change the amounts it receives under the 1999 Swap Agreements from the SIFMA Index to a percentage of the LIBOR for 1-month deposits of U.S. dollars. On January 12, 2010, the Airport System terminated the 2002 Swap Agreement with RFPC, Ltd. due to deterioration in the credit ratings of AMBAC, the credit support provider for the swap. The 2002 swap agreement was not replaced. The 2002 Swap Agreement with RFPC Ltd. has a notional amount of \$100 million, related to the 1999 Swap Agreements and provide for certain payments to or from the financial institution equal to the difference between SIFMA payable by the Airport System and a percentage of LIBOR payable by the financial institution. The net effect of the 2002 Swap Agreement, when considered together with the 1999 Swap Agreements, is that the Airport System will receive 76.33% of LIBOR, rather than SIFMA, to offset the actual rate paid on the associated bonds. (See “the 1999 Swap Agreements and Associated Debt”).

The Airport System is exposed to basis risk under the 1999 and 2002 Swap Agreements, due to the differences in indices between the variable interest rate it pays on the associated debt and 76.33% of LIBOR received under the 2002 Swap Agreements. The 2002 Swap Agreement became effective on April 15, 2002 and payments under this Swap Agreement commenced on May 1, 2002.

***The 2005 Swap Agreements*** – In April 2005, the Airport System entered into interest rate Swap Agreements (the 2005 Swap Agreements) with four financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of a portion of the Series 1996A Bonds and Series 1996D Bonds through the Airport System’s issuance of variable rate bonds on or before November 15, 2006. On August 9, 2006, the Airport System amended the 2005 Swap Agreements. The notional amounts of the 2005 Swap Agreements are approximately \$54.1 million, \$54.1 million, \$108.2 million and \$54.1 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a fixed rate payable by the Airport System under each Agreement and 70% of the LIBOR for 1-month deposits of U.S. dollars payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A Bonds in order to refund the Series 1996A and 1996D Bonds, and entered into the 2006B Swap Agreements (described below under the 2006B Swap Agreements). The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A Bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70% of 1-month LIBOR on \$259 million of obligations.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

**The 2006A Swap Agreements** – On June 1, 2006, the City entered into interest rate swap agreements (the 2006A Swap Agreements) with three financial institutions in order to take advantage of and secure prevailing interest rates in contemplation of the future refunding of the Series 1997E Bonds through the Airport System's issuance of variable rate bonds on or before November 15, 2007. One of these agreements, with Lehman Brothers Special Financing was terminated on December 18, 2008 and replaced with a 2008A Swap Agreement with Royal Bank of Canada described below. The remaining 2006A Swap Agreements have notional amounts of approximately \$151.1 million and \$50.4 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between the fixed rate payable by the Airport System under each Agreement and 70% of LIBOR for 1-month deposits of U.S. dollars payable for the respective financial institutions.

On November 14, 2007, the Airport System issued the Series 2007F1-F4 and Series 2007G1-G2 Bonds to refund a portion of the Series 1997E Bonds. On December 12, 2014, the Airport System issued the Series 2014A Bonds to refund a portion of the Subseries 2007F1-F4 Bonds. The net effect of the 2006A Swap Agreements, when considered together with the variable rate Series 2014A, Series 2007F1-F2, and Series 2007G1-G2 Bonds is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2014A, Series 2007F1-F2 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$201.5 million of obligations.

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

**The 2006B Swap Agreements** – On August 9, 2006 the Airport System entered into interest rate swap agreements (the 2006B Swap Agreements) with four financial institutions in order to synthetically create variable rate debt in association with the refunding of the Series 1996A and 1996D bonds on August 17, 2006. The 2006B Swap Agreements have notional amounts of approximately \$54.1 million, \$54.1 million, \$108.2 million and \$54.1 million, respectively, and provide for certain payments to or from each financial institution equal to the difference between a variable rate based on the SIFMA Index payable by the Airport System under each Swap Agreement and a fixed rate payable by the respective financial institutions.

In August 2006, the Airport System issued the Series 2006A bonds in order to refund the Series 1996A and 1996D bonds. The net effect of the 2006B Swap Agreements, when considered together with the fixed rate Series 2006A Bonds, is that the Airport System will effectively pay a variable rate based on SIFMA plus or minus the difference between the fixed rate on the Series 2006A Bonds and the fixed rate received under the 2006B Swap Agreements on \$280.0 million of obligations. In November 2006, the 2005 Swap Agreements became effective. The net effect of the 2005 Swap Agreements, when considered together with the fixed rate Series 2006A bonds and the 2006B Swap Agreements is that the Airport System will pay a fixed rate plus or minus the difference between the SIFMA index and 70.0% of 1-month LIBOR, minus the difference of the fixed receiver rate on the 2006B Swap and the weighted average fixed payor rate on the 2005 Swap on \$259.3 million of obligations.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

**The 2008A Swap Agreement** – On December 18, 2008, the Airport System entered into an interest rate swap agreement (the 2008A Swap Agreement) with Royal Bank of Canada and simultaneously terminated a 2006A Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$120.233 million notional amount associated with 2007-G Bonds. The swap provides for certain payment to or from Royal Bank of Canada equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for 1-month deposits of U.S. dollars payable to Royal Bank of Canada. The Airport System received \$21,100,000 from Royal Bank of Canada to assist in paying the settlement amount of \$21,353,831 due to Lehman Brothers Special Financing. As a result of receiving the loan of \$21,100,000 from Royal Bank of Canada, this loan, including interest at an implied rate of 6.519%, will be paid through the fixed rate to be paid by the City to Royal Bank of Canada.

The net effect of the 2008A Swap Agreements, with a remaining notional amount of approximately \$100.7 million, when considered together with the variable rate Series 2014A, Series 2007F1-F2 and Series 2007G1-G2 bonds, is that the Airport System will effectively pay a fixed rate, plus or minus the difference between the actual rate on the Series 2014-A, Series 2007F1-F2 and Series 2007G1-G2 Bonds and 70% of LIBOR on \$118.4 million of obligations.

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

**The 2008B Swap Agreement** – On January 8, 2009, the Airport System entered into an interest rate swap agreement (the 2008B Swap Agreement) with Loop Financial Products I LLC and simultaneously terminated a 1998 Swap Agreement with Lehman Brothers Special Financing. The purpose of the transaction was to replace Lehman Brothers Special Financing, which filed a voluntary petition for Chapter 11 bankruptcy protection on September 15, 2008, as counterparty to \$100 million notional associated with the 2008C1 Bonds outstanding in the amount of \$92.6 million. The swap provides for certain payment to or from Loop Financial Products I LLC equal to the difference between the fixed rate payable by the Airport System under the Swap Agreement and 70% of LIBOR for 3-month deposits of U.S. dollars plus 0.10% payable by Loop Financial Products I LLC. The Airport System received \$22,100,000 from Loop Financial Products I LLC to assist in paying the settlement amount of \$22,213,550 due to Lehman Brothers Special Financing. As a result of receiving \$22,100,000 from Loop Financial Products I LLC, the fixed rate to be paid by the City to Loop Financial Products I LLC will take into account such payments and will be above the market rate. The net effect of the 2008B Swap Agreement, when considered together with the variable rate Series 2008C1 bonds, is that the Airport System will effectively pay a fixed rate on \$100 million, plus or minus the difference between the actual rate on \$92.6 million of the Series 2008C1 Bonds and 70% of 3-month LIBOR plus 0.10% on \$100 million notional amount of swaps.

The Airport System is exposed to basis risk under the 2008B Swap Agreement, due to the differences between the variable interest rate it pays on the associated debt and 70% of 3-month LIBOR plus 0.10% received under the 2008B Swap Agreement. The fixed rate payable by the Airport System under the 2008B Swap Agreement is 4.76%. The 2008B Swap Agreement became effective on January 8, 2009 and payments under this Agreement commenced on February 1, 2009.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

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

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

(c) *Swap Payments and Associated Debt*

Interest Rate Swap Profile (all rates as of December 31, 2015)

| Swaps                          | <b>1999, 2002,<br/>2009A</b>   | <b>2005,<br/>2006B</b> | <b>2006A,<br/>2008A</b>              | <b>1998</b>      | <b>2008B</b>             |
|--------------------------------|--------------------------------|------------------------|--------------------------------------|------------------|--------------------------|
| Associated Debt                | <b>2002C, 2008B,<br/>2009C</b> | <b>2006A<br/>2007D</b> | <b>2007F-G,<br/>2002C,<br/>2014A</b> | <b>2008C2-C3</b> | <b>2008C1,<br/>2002C</b> |
| Payment to Counterparty:       | 5.6129%                        | 3.7943%                | 4.0085%                              | 4.7395%          | 4.7600%                  |
| Payment from Counterparty:     | <u>0.3378%</u>                 | <u>4.3862%</u>         | <u>0.3007%</u>                       | <u>0.4007%</u>   | <u>0.5289%</u>           |
| Net Swap Payment:              | 5.2751%                        | -0.5919%               | 3.7078%                              | 4.3388%          | 4.2311%                  |
| Associated Bond Interest Rate: | <u>1.0458%</u>                 | <u>4.9609%</u>         | <u>0.7952%</u>                       | <u>0.9257%</u>   | <u>0.9124%</u>           |
| Net Swap & Bond Payment:       | <u>6.3209%</u>                 | <u>4.3690%</u>         | <u>4.5030%</u>                       | <u>5.2645%</u>   | <u>5.1435%</u>           |

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2015, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999, and 2009A Swap Agreements), assuming current interest rates remain the same, for their terms, were as follows:

| Year:     | <u>Principal</u>      | <u>Interest</u>      | <u>Interest rate<br/>swaps net</u> | <u>Total</u>          |
|-----------|-----------------------|----------------------|------------------------------------|-----------------------|
| 2016      | \$ 3,300,000          | \$ 3,942,806         | \$ 19,545,663                      | \$ 26,788,469         |
| 2017      | 5,200,000             | 3,912,375            | 19,545,663                         | 28,658,038            |
| 2018      | 8,300,000             | 3,867,054            | 19,545,663                         | 31,712,717            |
| 2019      | 43,155,000            | 3,780,213            | 17,790,869                         | 64,726,082            |
| 2020      | 46,385,000            | 3,347,919            | 14,258,108                         | 63,991,027            |
| 2021-2025 | 187,585,000           | 10,424,586           | 24,662,947                         | 222,672,533           |
| 2026-2030 | 87,085,000            | 3,691,976            | -                                  | 90,776,976            |
| 2031      | 18,990,000            | 194,027              | -                                  | 19,184,027            |
| Total     | <u>\$ 400,000,000</u> | <u>\$ 33,160,956</u> | <u>\$ 115,348,913</u>              | <u>\$ 548,509,869</u> |

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2015.

**(13) Denver International Special Facility Revenue Bonds**

To finance the acquisition and construction of various facilities at Denver International, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2015 and 2014, Special Facility Revenue Bonds outstanding totaled \$270,025,000.

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**(14) Compensated Absences**

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2015 and 2014 are as follows:

|                              | <b>Balance</b>      |                     |                       | <b>Balance</b>      | <b>Amounts</b>      |
|------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|                              | <b>January 1,</b>   | <b>Additions</b>    | <b>Retirements</b>    | <b>December 31,</b> | <b>due within</b>   |
|                              | <b>2015</b>         |                     |                       | <b>2015</b>         | <b>one year</b>     |
| Compensated absences payable | <u>\$ 8,902,545</u> | <u>\$ 4,009,556</u> | <u>\$ (3,841,009)</u> | <u>\$ 9,071,092</u> | <u>\$ 2,337,681</u> |
| Less current                 |                     |                     |                       | <u>(2,337,681)</u>  |                     |
| Noncurrent portion           |                     |                     |                       | <u>\$ 6,733,411</u> |                     |
|                              |                     |                     |                       |                     |                     |
|                              | <b>Balance</b>      |                     |                       | <b>Balance</b>      | <b>Amounts</b>      |
|                              | <b>January 1,</b>   | <b>Additions</b>    | <b>Retirements</b>    | <b>December 31,</b> | <b>due within</b>   |
|                              | <b>2014</b>         |                     |                       | <b>2014</b>         | <b>one year</b>     |
| Compensated absences payable | <u>\$ 8,914,147</u> | <u>\$ 4,915,809</u> | <u>\$ (4,927,411)</u> | <u>\$ 8,902,545</u> | <u>\$ 2,607,792</u> |
| Less current                 |                     |                     |                       | <u>(2,607,792)</u>  |                     |
| Noncurrent portion           |                     |                     |                       | <u>\$ 6,294,753</u> |                     |

**(15) Deferred Outflows and Inflows of Resources**

A deferred outflow of resources is a consumption of net position by the Airport that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the Airport that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues, expenses or changes in assets/liabilities until the period to which they relate. Deferred outflows of resources of the Airport consist of accumulated decreases in fair value of hedging derivatives, proportionate share and employer-specific deferrals associated with the Airport's net pension liability and deferred losses on refunding. Deferred inflows of resources are comprised of deferred gain on refundings. The composition of deferred outflows and inflows are as follows as of December 31:

|  | <b>December 31,</b>   | <b>December 31,</b>   |
|--|-----------------------|-----------------------|
|  | <b>2015</b>           | <b>2014</b>           |
| Accumulated decrease in fair value of hedging activities | \$ 28,022,912         | \$ 26,752,476         |
| Deferred loss on refunding of debt                       | 160,599,596           | 190,345,564           |
| GASB 68 Deferred Outflow                                 | 20,809,036            | -                     |
| Total Deferred Outflows                                  | <u>\$ 209,431,544</u> | <u>\$ 217,098,040</u> |
|  |                       |                       |
| Deferred gain on refunding of debt                       | <u>\$ 2,649,526</u>   | <u>\$ 3,092,220</u>   |
| Total Deferred Inflows                                   | <u>\$ 2,649,526</u>   | <u>\$ 3,092,220</u>   |

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**(16) Pension Plan**

**2015**

**(As of and for the year ended December 31, 2015, accounted for and reported in accordance with GASB Statement No. 68)**

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

**Plan Description** – DERP administers a cost-sharing multiple-employer defined benefit plan to eligible members. DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan's assets.

The Plan provides retirement, death and disability benefits for its members and their beneficiaries. Members who were hired before July 1, 2011, and retire at or after age 65 (or at age 55 if the sum of their age and credited service is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member's highest salary during a 36 consecutive month period of credited service. Members with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

For members who were hired after July 1, 2011, they must be age 60 and have combined credited service of at least 85 in order to receive a normal retirement prior to age 65. Final average salary is based on the member's highest salary during a 60 consecutive month period of credited service. Five year vesting is required of all employees in order to qualify for a benefit, regardless of their age at the time of termination of employment.

Annual cost of living adjustments are granted on an ad hoc basis. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the plan's Board, and enacted into ordinance by Denver City Council.

The Plan is accounted for using the economic resources measurement focus and the accrual basis of accounting. DERP issues a publicly available comprehensive annual financial report that can be obtained at <https://www.derp.org/>.

**Funding Policy** – The City contributes 11.5% of covered payroll and employees make a pre-tax contribution of 8.0% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the year ended December 31, 2015, were \$60,180,229, which equaled the required contributions. The Airport System's share of the total contributions was \$9,109,429 for the year ended December 31, 2015.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2015, Denver International reported a liability of \$115,000,000 for its proportionate share of the net pension liability related to DERP. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Airport System's proportion of the net pension liability was based on contributions to DERP for the calendar year 2014 relative to the total contributions of participating employers to DERP.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

At December 31, 2014, Denver International's proportion was 13.13003%, which was an increase of 0.96397% from its proportion of 12.16606% measured as of December 31, 2013.

The components of Denver International's net pension liability related to DERP as of December 31, 2015, are presented below:

|                             |    |                    |
|-----------------------------|----|--------------------|
| Total pension liability     | \$ | 384,857,902        |
| Plan fiduciary net position |    | 269,857,902        |
| Net pension liability       | \$ | <u>115,000,000</u> |

The change in net pension liability for the year ended December 31, 2015 was:

| Beginning<br>Balance<br>(As Restated) | Additions     | Reductions   | Ending<br>Balance | Due Within<br>One<br>Year |
|---------------------------------------|---------------|--------------|-------------------|---------------------------|
| \$ 98,437,252                         | \$ 25,672,177 | \$ 9,109,429 | \$ 115,000,000    | \$ -                      |

For the year ended December 31, 2015 pension expense recognized by Denver International is \$12,733,418. At December 31, 2015, Denver International reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Sources  | <b>Denver International Airport</b>       |  |
|--|---|--|
|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
| Net difference between projected and actual earnings on pension plan investments | \$ 6,068,481                              | \$ -                                     |
| Changes in proportion  | 5,631,126                                 | -  |
| Contributions subsequent to the measurement date                                 | 9,109,429                                 | -  |
| <b>Total</b>   | <u>\$ 20,809,036</u>                      | <u>\$ -</u>                              |

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

The \$9,109,429 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as presented below:

| Year Ended<br>December 31, | Denver International<br>Airport |
|----------------------------|---------------------------------|
| 2016                       | \$ 3,685,607                    |
| 2017                       | 3,685,607                       |
| 2018                       | 2,811,273                       |
| 2019                       | 1,517,120                       |
| 2020                       | -                               |
| Thereafter                 | -                               |
|                            | \$ 11,699,607                   |

The total pension liability in the December 31, 2013 actuarial valuation was determined using the actuarial assumptions as follows:

|                           | DERP           |
|---------------------------|----------------|
| Investment Rate of Return | 8.00%          |
| Salary Increases          | 3.25% to 7.25% |
| Inflation                 | 2.75%          |

Mortality rates were based on the RP-2000 Combined Mortality Table via scale AA to 2020, with multipliers specific to gender and payment status of employee.

The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012. At the time, the recommended mortality table was expected to produce a margin of 8% on the retired male mortality experience and 7% on the retired female experience.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2014 these best estimates are summarized in the following table:

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**Asset Allocation**

| <b>Asset Class</b>         | <b>Target Allocation</b> | <b>Long-Term Expected<br/>Real Rate of Return</b> |
|----------------------------|--------------------------|---|
| US Equities                | 22.50%                   | 4.90%   |
| Non-US Developed Markets   | 15.50%                   | 7.00%   |
| Emerging Markets           | 8.00%                    | 9.80%   |
| <b>Total Public Equity</b> | <b>46.00%</b>            |   |
| Core Fixed Income          | 11.50%                   | 1.30%   |
| Debt                       | 2.50%                    | 5.80%   |
| Private Debt               | 6.50%                    | 8.40%   |
| <b>Total Fixed Income</b>  | <b>20.50%</b>            |   |
| Real Estate                | 8.00%                    | 6.50%   |
| Absolute Return            | 5.00%                    | 3.90%   |
| Energy MLP's               | 7.00%                    | 7.30%   |
| Private Equity/Other       | 13.50%                   | 8.40%   |
| Cash                       | 0.00%                    | 0.80%   |
| <b>Total</b>               | <b>100.00%</b>           |   |

**Discount Rate** – A single discount rate of 8.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate** – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 8.00%, as well as what the Plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

|  | <b>1 % Decrease</b> | <b>Current Discount Rate</b> | <b>1% Increase</b> |
|--|---------------------|------------------------------|--------------------|
| <b>Denver International Airport</b>          | <b>7.00%</b>        | <b>8.00%</b>                 | <b>9.00%</b>       |
| Proportionate Share of net pension liability | \$ 159,038,691      | \$ 115,000,000               | \$ 77,689,624      |

**Pension Plan Fiduciary Net Position** – Detailed information about DERP’s fiduciary net position is available in DERP’s separately issue of financial reports at <https://www.derp.org/>.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**2014**

**(As of and for the year ended December 31, 2014, accounted for and reported in accordance with GASB Statement No. 27)**

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

**(a) Plan Description**

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

DERP is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the plan's assets. As of December 31, 2014, the date of the last actuarial valuation, the plan was under-funded; however, there is no pension liability reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

Denver Employees Retirement Plan  
777 Pearl Street  
Denver, Colorado 80203

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

For DERP, the City contributes 11.2% of covered payroll and employees make a pre-tax contribution of 7.39% 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, 2014, 2013, and 2012 were approximately \$57,336,647, \$53,424,064, and \$47,175,823, respectively, which equaled the required contributions each year. DIA's share of the City's contributions for the years ended December 31, 2014, 2013, and 2012 were \$7,870,277, \$7,792,658, and \$6,859,004, respectively.

**(c) Postemployment Healthcare Benefits**

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992 postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2014, the monthly health insurance premium supplement was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

**(17) Other Postemployment Benefit Plan – Implicit Rate Subsidy**

Employees of the Airport System (as City employees), along with a portion of the employees of Denver Health and Hospital Authority (DHHA) (those employed prior to 2001, who have elected to remain members of the Plan), employees of DERP, and a majority of the other employees of the City (certain fire and police personnel are excluded),

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

are participants in the City's health care plan. For active employees participating in the City's health care plan, the employers pay a certain percentage of monthly premiums and the employees pay the remainder of the premium. Vested retired employees participating in the City's health care plan pay 100% of the premium and are eligible for an insurance premium reduction payment from DERP. In establishing premiums, the active and retired employees from the three employers (the City, DERP and DHHA) are grouped together without age-adjustment or differentiation between employers. The premiums are the same for both active and retired employees creating an implicit rate subsidy for the retirees.

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the City's retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with five years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purpose of calculating the implicit rate subsidy, it was estimated there were 1,210 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on a pay-as-you-go financing.

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

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

For the December 31, 2015, actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 3.0% general inflation rate, 7.75% investment rate of return, 3.25% salary increase, and health care cost trend grading from 8.5% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.

Contributions made by the Airport System toward the implicit rate subsidy were \$856,914, \$770,126, and \$740,483 for the years ended December 31, 2015, 2014, and 2013, respectively, based on a pay-as-you-go financing.

**(18) Deferred Compensation Plan**

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

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

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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

**(19) Commitments and Contingencies**

**(a) Commitments**

At December 31, 2015, the Airport System has the following contractual commitments for construction and professional services:

|   |    |                           |
|---|----|---------------------------|
| Construction Projects   | \$ | 80,780,589                |
| Construction Projects to be funded<br>by bonded debt                        |    | 36,269,488                |
| Construction Projects to be funded<br>by bonded debt - Hotel/Transit Center |    | <u>1,570,317</u>          |
| Total commitments   | \$ | <u><u>118,620,394</u></u> |

**(b) Noise Litigation**

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

There are no noise penalties due for 2015 or 2014.

**(c) Regional Transportation District (RTD)**

The City and Regional Transportation District (RTD) entered into an intergovernmental agreement for Denver International Airport (DIA) dated March 16, 2010 (the Intergovernmental Agreement), which contemplates the implementation of additional Gateway Stations on the East Corridor Line. The Airport is obligated to fund a Gateway Station at approximately 61<sup>st</sup> Avenue and Pena Boulevard, which will be completed by RTD, in the amount of \$12,189,520.

Additionally, the Airport and RTD had different interpretations of the IGA’s division of performance and payment responsibility in the area immediately south of the DIA Rail Station. The dispute was resolved in early 2016; as of the date of this Annual Financial Statement, the City received reimbursement from RTD of the final agreed upon amount of \$7,793,515.

**(d) Claims and Litigation**

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

City and County of Denver  
Municipal Airport System  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

(e) *Denver International Assets under Operating Leases*

The Airport leases portions of its buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2015 and 2014 was \$82,155,236 and \$93,282,249, respectively.

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

|                              |    |             |
|------------------------------|----|-------------|
| 2016                         | \$ | 92,674,259  |
| 2017                         |    | 47,677,408  |
| 2018                         |    | 39,708,575  |
| 2019                         |    | 35,930,191  |
| 2020                         |    | 32,673,189  |
| 2021-25                      |    | 41,987,499  |
| 2026-29                      |    | 2,719,897   |
| Total minimum future rentals | \$ | 293,371,018 |

The United lease provides that it can be terminated by the airline if the airline’s cost per enplaned passenger exceeds \$20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2015 or 2014. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(f) *Federal grants*

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

**(20) Insurance**

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

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

The City’s Workers’ Compensation Internal Service Fund compensates City employees, or their eligible dependents, for injuries as authorized by the State Workers’ Compensation law or City ordinances. The administrators of the fund provide safety training and enhancement programs, in addition to maintaining in-house records of claims.

City and County of Denver  
Municipal Airport System

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

In 2011, the Department of Aviation established an Owner Controlled Insurance Program (OCIP) to insure all contractors and subcontractors working on the Hotel Transit Center Project. The program included general liability, worker's compensation, builder's risk, contractor's pollution and Owners Protection Professional Liability. In 2013, the airport established a Rolling Owner Controlled Insurance Program (ROCIP) for selected Capital Improvement Projects from 2013 – 2015. Claims for these programs have not exceeded the insurance coverage since each program's inception.

**(21) Significant Concentration of Credit Risk**

The Airport System derives a substantial portion of its operating revenues from airlines' landing fees and facility rental fees (airline operating revenue). For the years ended December 31, 2015 and 2014, United Airlines group represented approximately 43.0% and 47.3% of the Airport System's airline operating revenue, respectively. Southwest Airlines represented 21.8% and 19.0% in 2015 and 2014, respectively. Frontier Airlines represented 10.4% and 12.7% in 2015 and 2014, respectively. No other airline represented more than 10% of the Airport System's airline operating revenues. The Airport System requires performance bonds to support airlines and concession accounts receivables.

**(22) United Airlines**

The dominant air carrier at Denver International Airport is United Airlines, one of the world's largest airlines. Pursuant to the United Use and Lease Agreement, United currently leases 31 contact gates and 13 gates in Concourse B's regional jet facility. In addition, United together with its United Express commuter affiliates, accounted for 42.3% and 40.6% of enplaned passengers at the Airport in 2015 and 2014, respectively.

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**(UNAUDITED)**

**December 31, 2015**

|  |                |
|--|----------------|
| Denver International proportion of the net pension liability   | 13.130030%     |
| Denver International proportionate share of the net pension liability  | \$ 115,000,000 |
| Denver International covered-employee payroll  | \$ 75,900,523  |
| Denver International proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 151.51%        |
| Plan fiduciary net position as a percentage of<br>the total pension liability  | 70.11%         |

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

Information presented in this schedule has been determined as of Denver International's measurement date (December 31 one year prior to the most recent fiscal year-end) of the collective net pension liability in accordance with Governmental Accounting Standards Board Statement No. 68.

City and County of Denver  
 Municipal Airport System  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**(UNAUDITED)**  
**December 31, 2015**

|  |                      |
|--|----------------------|
| Contractually required contribution                                  | \$ 9,109,429         |
| Contributions in relation to the contractually required contribution | <u>9,109,429</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          |
| Denver International covered-employee payroll                        | <u>\$ 84,601,177</u> |
| Contributions as a percentage of covered-employee payroll            | 10.77%               |

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

Information presented in this schedule has been determined as of Denver International's most recent fiscal year-end (December 31) in accordance with Governmental Accounting Standards Board Statement No. 68.

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING PROGRESS**

(UNAUDITED)

December 31, 2015 and 2014

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability (AAL)<br>Projected<br>Unit Credit (b) | Unfunded AAL<br>(Funding<br>Excess)<br>(b-a) | Funded<br>Ratio (a/B) | Covered<br>Payroll (c) | Unfunded AAL<br>(Funding Excess)<br>as a Percentage<br>of Covered Payroll<br>(b-a)/(c) |
|--------------------------------|-------------------------------------|---|--|-----------------------|------------------------|--|
| <b>Implicit Rate Subsidy</b>   |                                     |   |  |                       |                        |  |
| 12/31/13                       | \$ -                                | \$ 89,879,000   | \$ 89,879,000                                | 0.0%                  | \$ 464,092,000         | 19.4%  |
| 12/31/14                       | -                                   | 73,738,477  | 73,738,477                                   | 0.0                   | 487,407,934            | 15.1   |
| 12/31/15                       | -                                   | 73,494,705  | 73,494,705                                   | 0.0                   | 503,248,691            | 14.6   |

City and County of Denver  
Municipal Airport System

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**(UNAUDITED)**

**December 31, 2015 and 2014**

| <b>Year Beginning<br/>January 1</b> | <b>Annual<br/>Actuarially Required<br/>Contribution</b> | <b>Percentage<br/>Contributed</b> |
|-------------------------------------|---|-----------------------------------|
| <b>Implicit Rate Subsidy</b>        |   |                                   |
| 2013                                | \$ 6,421,000  | 85.4%                             |
| 2014                                | 4,987,182   | 105.1                             |
| 2015                                | 5,048,374   | 112.5                             |

City and County of Denver  
Municipal Airport System

**SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED  
IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE**

**AIRPORT REVENUE ACCOUNT**

**(UNAUDITED)**

Year ended December 31, 2015

|   |                              |
|---|------------------------------|
| Facility rentals  | \$ 234,043,209               |
| Concession income   | 59,676,864                   |
| Parking income  | 178,478,347                  |
| Car rental income   | 65,308,527                   |
| Landing fees  | 147,378,640                  |
| Aviation fuel tax   | 19,457,756                   |
| Other sales and charges   | 20,025,947                   |
| Customer facility fee revenue                                   | 18,597,856                   |
| Interest income   | 24,738,351                   |
| Designated Passenger Facility Charge revenues                   | 35,328,085                   |
| Hotel   | 3,205,350                    |
| Miscellaneous income  | <u>2,375,295</u>             |
| Operation and gross revenue as defined in the ordinance:        | <u>808,614,227</u>           |
| <br>  |                              |
| Personnel services  | 144,272,358                  |
| Contractual services  | 197,458,943                  |
| Maintenance, supplies, and materials                            | 32,911,165                   |
| Hotel   | <u>2,556,897</u>             |
| Operation and maintenance expenses as defined in the ordinance: | <u>377,199,363</u>           |
| <br>  |                              |
| Net revenue   | 431,414,864                  |
| Other available funds   | <u>50,319,729</u>            |
| Net revenue   | <u><u>\$ 481,734,593</u></u> |
| <br>  |                              |
| Debt Service Coverage - Senior Bonds                            |                              |
| Debt Service Requirements - Senior Bonds                        | \$ 271,935,085               |
| Less: Committee Passenger Facility Charges                      | 70,656,171                   |
| Net Debt Service Requirements - Senior Bonds                    | \$ 201,278,914               |
| <br>  |                              |
| Debt Service Coverage - Senior Bonds                            | 239%                         |
| <br>  |                              |
| Debt Service Coverage - All Bonds                               |                              |
| Debt Service Requirements - Subordinate Bonds                   | \$ 61,233,022                |
| Net Debt Service Requirements - Senior Bonds                    | 201,278,914                  |
| Net Debt Service Requirements - All Bonds                       | \$ 262,511,936               |
| <br>  |                              |
| Debt Service Coverage - All Bonds                               | 184%                         |

Note: Debt Service Requirements are net of capitalized interest.

See accompanying independent auditors' report

City and County of Denver  
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2015

**(1) Bond Account**

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

**(a) Interest Account**

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

| <u>Bond series</u> | <u>Interest<br/>payment date</u> | <u>Balance<br/>interest due</u> | <u>Required<br/>Interest Account<br/>balance at<br/>12/31/2015</u> |
|--------------------|----------------------------------|---------------------------------|--|
| Series 1992F-G     | 01/01/16                         | \$ 17,897                       | \$ 17,897  |
| Series 2002C       | 01/01/16                         | 14,587                          | 14,587   |
| Series 2006A       | 05/15/16                         | 6,433,650                       | 1,072,275  |
| Series 2007A       | 05/15/16                         | 4,708,750                       | 784,792  |
| Series 2007B       | 05/15/16                         | 606,250                         | 101,042  |
| Series 2007C       | 05/15/16                         | 865,875                         | 144,313  |
| Series 2007D       | 05/15/16                         | 3,924,319                       | 654,053  |
| Series 2007E       | 05/15/16                         | 1,185,000                       | 197,500  |
| Series 2007F       | 01/01/16                         | 15,698                          | 15,698   |
| Series 2007G1-G2   | 01/01/16                         | 121,618                         | 121,618  |
| Series 2008A1      | 05/15/16                         | 558,088                         | 93,015   |
| Series 2008B       | 01/01/16                         | 67,705                          | 67,705   |
| Series 2008C1      | 01/01/16                         | 96,453                          | 96,453   |
| Series 2008C2-C3   | 01/01/16                         | 131,317                         | 131,317  |
| Series 2009A       | 05/15/16                         | 4,290,600                       | 715,100  |
| Series 2009B       | 05/15/16                         | 2,093,850                       | 348,975  |
| Series 2009C       | 01/01/16                         | 91,021                          | 91,021   |
| Series 2010A       | 05/15/16                         | 4,240,922                       | 706,820  |
| Series 2011A       | 05/15/16                         | 7,463,000                       | 1,243,833  |
| Series 2011B       | 05/15/16                         | 2,043,475                       | 340,579  |
| Series 2011C       | 05/15/16                         | 48,125                          | 8,021  |
| Series 2012A       | 05/15/16                         | 6,817,256                       | 1,136,209  |
| Series 2012B       | 05/15/16                         | 12,014,250                      | 2,002,375  |
| Series 2012C       | 05/15/16                         | 543,919                         | 90,653   |
| Series 2013A       | 05/15/16                         | 8,514,481                       | 1,419,080  |
| Series 2013B       | 05/15/16                         | 9,966,550                       | 1,661,092  |
| Series 2014A       | 01/01/16                         | 20,476                          | 20,476   |
| Series 2015A       | 05/15/16                         | 2,144,727                       | 357,454  |
|                    |                                  |                                 | <u>\$ 13,653,953</u>   |

City and County of Denver  
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2015

(b) *Principal Account*

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

| <u>Bond series</u> | <u>Principal<br/>payment date</u> | <u>Balance<br/>principal due</u> | <u>Required<br/>Principal Account<br/>balance at<br/>12/31/2015</u> |
|--------------------|-----------------------------------|----------------------------------|---|
| Series 2006A       | 11/15/16                          | \$ 22,680,000                    | \$ 1,890,000  |
| Series 2007C       | 11/15/16                          | 3,815,000                        | 317,917   |
| Series 2007D       | 11/15/16                          | 17,240,000                       | 1,436,667   |
| Series 2007G1-G2*  | 11/15/16                          | 900,000                          | 75,000  |
| Series 2008A1      | 11/15/16                          | 14,235,000                       | 1,186,250   |
| Series 2008B*      | 11/15/16                          | 3,300,000                        | 275,000   |
| Series 2009A       | 11/15/16                          | 10,370,000                       | 864,166   |
| Series 20010A      | 11/15/16                          | 5,210,000                        | 434,167   |
| Series 2011A       | 11/15/16                          | 26,190,000                       | 2,182,500   |
| Series 2011B       | 11/15/16                          | 33,515,000                       | 2,792,917   |
| Series 2011C       | 11/15/16                          | 1,925,000                        | 160,417   |
| Series 2012A       | 11/15/16                          | 9,250,000                        | 770,833   |
| Series 2012B       | 11/15/16                          | 2,365,000                        | 197,083   |
| Series 2013A       | 11/15/16                          | 3,950,000                        | 329,167   |
| Series 2013B       | 11/15/16                          | 5,255,000                        | 437,916   |
| Series 2014A       | 11/15/16                          | 3,750,000                        | 312,500   |
| Series 2015A       | 11/15/16                          | 6,600,000                        | 550,000   |
|                    |                                   |                                  | <u>\$ 14,212,500</u>  |

(c) *Sinking Account*

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

City and County of Denver  
Municipal Airport System

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

(UNAUDITED)

Year Ended December 31, 2015

**(d) Redemption Account**

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

As of December 31, 2015, the redemption account had a balance of \$27.9 million for the sixth runway and baggage system.

**(e) Bond Account Summary**

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

|   |                            |
|---|----------------------------|
| Aggregate required bond account balance   | \$ 27,866,453              |
| Bond account balance at December 31, 2015 | <u>29,764,033</u>          |
| Overfunded                                | <u><u>\$ 1,897,580</u></u> |

**(2) Bond Reserve Account**

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport System, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2015 is \$466,189,278. The minimum Bond Reserve Account requirement is \$402,962,979.

**(3) Operation and Maintenance Reserve Account**

The operation and maintenance reserve account is an amount equal to two times the monthly average operating and maintenance costs of the preceding year. The Airport System is required to make equal monthly transfers sufficient to fully fund the Operations and Maintenance Reserve Account by January 1, 2015.

Computation of minimum operation and maintenance reserve:

|   |                             |
|---|-----------------------------|
| 2014 Operation and Maintenance expenses                                   | \$ 413,562,953              |
| Minimum operations and maintenance reserve requirement for 2014           | <u>\$ 68,927,159</u>        |
| Operation and maintenance reserve account balance at<br>December 31, 2015 | <u>87,496,743</u>           |
| Overfunded  | <u><u>\$ 18,569,584</u></u> |

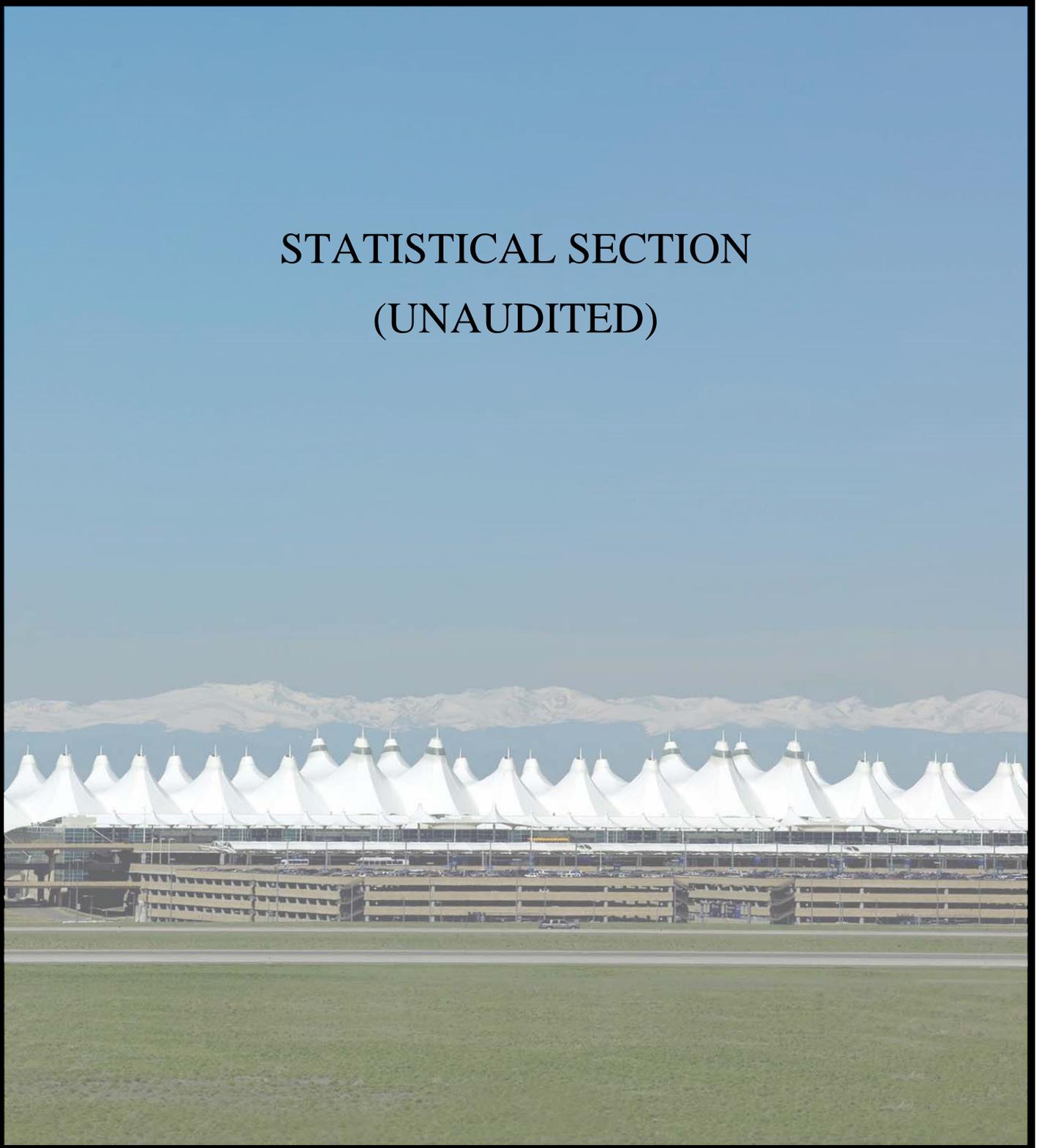
(1) Under the Supplemental Bond Ordinance effective September 9, 2003, the City may increase the operating and maintenance reserve account balance to an amount equal to four times the prior year's monthly average.

City and County of Denver  
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION (UNAUDITED)**

**LAST TEN FISCAL YEARS**

STATISTICAL SECTION  
(UNAUDITED)



City and County of Denver  
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION (UNAUDITED)**

LAST TEN FISCAL YEARS

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

|   | 2006             | 2007             | 2008               | 2009 *             | 2010               | 2011              | 2012 **          | 2013             | 2014              | 2015              |
|---|------------------|------------------|--------------------|--------------------|--------------------|-------------------|------------------|------------------|-------------------|-------------------|
| Operating revenues  | \$ 508,307       | \$ 530,151       | \$ 540,760         | \$ 564,490         | \$ 601,402         | \$ 602,769        | \$ 624,673       | \$ 661,637       | \$ 711,491        | \$ 687,536        |
| Operating expenses, before<br>depreciation and amortization | <u>262,514</u>   | <u>290,773</u>   | <u>373,829</u>     | <u>379,517</u>     | <u>409,865</u>     | <u>392,862</u>    | <u>388,171</u>   | <u>431,935</u>   | <u>413,563</u>    | <u>436,803</u>    |
| Operating income before<br>depreciation and<br>amortization | 245,793          | 239,378          | 166,931            | 184,973            | 191,537            | 209,907           | 236,502          | 229,702          | 297,928           | 250,733           |
| Depreciation and Amortization                               | 151,507          | 159,309          | 168,026            | 177,583            | 181,496            | 179,070           | 178,567          | 184,721          | 183,560           | 163,714           |
| Impairment loss   | <u>-</u>         | <u>-</u>         | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>          | <u>-</u>         | <u>-</u>         | <u>-</u>          | <u>-</u>          |
| Operating income (loss)                                     | 94,286           | 80,069           | (1,095)            | 7,390              | 10,041             | 30,837            | 57,935           | 44,981           | 114,368           | 87,019            |
| Nonoperating revenues (expenses)                            | (67,771)         | (49,127)         | (44,987)           | (59,749)           | (87,795)           | (75,488)          | (46,259)         | (55,906)         | (9,013)           | 9,106             |
| Capital Contributions, grants<br>and transfers              | <u>29,188</u>    | <u>2,426</u>     | <u>14,393</u>      | <u>38,621</u>      | <u>30,200</u>      | <u>34,702</u>     | <u>22,996</u>    | <u>31,412</u>    | <u>20,533</u>     | <u>20,483</u>     |
| Change in net assets  | <u>\$ 55,703</u> | <u>\$ 33,368</u> | <u>\$ (31,689)</u> | <u>\$ (13,738)</u> | <u>\$ (47,554)</u> | <u>\$ (9,949)</u> | <u>\$ 34,672</u> | <u>\$ 20,487</u> | <u>\$ 125,888</u> | <u>\$ 116,608</u> |

\* Restated for GASB 53

\*\* Restated for GASB 65

City and County of Denver  
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION (UNAUDITED)**

LAST TEN FISCAL YEARS

**(2) Passenger Data**

**(a) Enplaned Passengers by Major Airline Category**

| Year | Major International |          | Regional Commuter |          | Charter Miscellaneous |          | Total      | % Change |
|------|---------------------|----------|-------------------|----------|-----------------------|----------|------------|----------|
|      | Airlines            | % Change | Airlines          | % Change | Airlines              | % Change |            |          |
| 2006 | 19,674,467          | 7.6%     | 3,791,642         | 17.7%    | 199,203               | -1.5%    | 23,665,312 | 9.0%     |
| 2007 | 20,774,889          | 5.6%     | 3,945,388         | 4.1%     | 220,676               | 10.8%    | 24,940,953 | 5.4%     |
| 2008 | 21,514,216          | 3.6%     | 3,945,641         | 0.0%     | 190,386               | -13.7%   | 25,650,243 | 2.8%     |
| 2009 | 20,646,529          | -4.0%    | 4,239,139         | 7.4%     | 242,365               | 27.3%    | 25,128,033 | -2.0%    |
| 2010 | 21,032,064          | 1.9%     | 4,666,047         | 10.1%    | 326,811               | 34.8%    | 26,024,922 | 3.6%     |
| 2011 | 21,709,430          | 3.2%     | 4,439,841         | -4.8%    | 306,494               | -6.2%    | 26,455,765 | 1.7%     |
| 2012 | 21,984,133          | 1.3%     | 4,323,837         | -2.6%    | 289,021               | -5.7%    | 26,596,991 | 0.5%     |
| 2013 | 21,618,114          | -1.7%    | 4,436,819         | 2.6%     | 230,374               | -20.3%   | 26,285,307 | -1.2%    |
| 2014 | 21,962,984          | 1.6%     | 4,767,207         | 7.4%     | 6,493                 | -97.2%   | 26,736,684 | 1.7%     |
| 2015 | 22,713,090          | 3.4%     | 4,296,830         | -9.9%    | 9,009                 | 38.7%    | 27,018,929 | 1.1%     |

**(b) Enplaned Passengers by Airline**

| Airline        | 2014       | % of Total | 2015       | % of Total |
|----------------|------------|------------|------------|------------|
| United         | 6,490,795  | 24.28%     | 7,160,016  | 26.5%      |
| United Express | 4,369,613  | 16.34%     | 4,271,693  | 15.8%      |
| Total United   | 10,860,408 | 40.62%     | 11,431,709 | 42.3%      |
| American       | 756,348    | 2.83%      | 1,645,453  | 6.1%       |
| Delta          | 1,179,878  | 4.41%      | 1,337,437  | 5.0%       |
| Frontier       | 4,932,132  | 18.45%     | 3,350,347  | 12.4%      |
| Southwest      | 7,064,833  | 26.42%     | 7,911,142  | 29.3%      |
| USAir          | 781,044    | 2.92%      | -          | 0.0%       |
| Other          | 1,162,041  | 4.35%      | 1,342,841  | 4.9%       |
| Totals         | 26,736,684 | 100.00%    | 27,018,929 | 100.0%     |

**(c) Originating and Connecting Enplaned Passengers for the Year Ended December 31, 2015**

| Airline          | Originating | Connecting | Total      |
|------------------|-------------|------------|------------|
| United           | 7,922,174   | 3,509,535  | 11,431,709 |
| Other            | 10,801,944  | 4,785,277  | 15,587,220 |
| Totals           | 18,724,118  | 8,294,811  | 27,018,929 |
| Percent of total | 69%         | 31%        | 100%       |

City and County of Denver  
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION (UNAUDITED)**

LAST TEN FISCAL YEARS

**(3) Aircraft Operations**

**(a) Historical Aircraft Operations**

| <b>Year</b> | <b>Air Carrier</b> | <b>Commuter</b> | <b>Taxi/gen aviation</b> | <b>Military</b> | <b>Total</b> | <b>Percent change</b> |
|-------------|--------------------|-----------------|--------------------------|-----------------|--------------|-----------------------|
| 2006        | 428,794            | 167,975         | 11,415                   | 1,333           | 609,517      | 7.4%                  |
| 2007        | 451,228            | 162,319         | 5,620                    | 147             | 619,314      | 1.6%                  |
| 2008        | 460,311            | 160,746         | 4,610                    | 177             | 625,844      | 1.1%                  |
| 2009        | 456,675            | 151,659         | 3,513                    | 130             | 611,977      | -2.2%                 |
| 2010        | 468,962            | 162,646         | 3,721                    | 116             | 635,445      | 3.8%                  |
| 2011        | 452,223            | 178,742         | 3,628                    | 87              | 634,680      | -0.1%                 |
| 2012        | 443,389            | 170,809         | 3,900                    | 159             | 618,257      | -2.6%                 |
| 2013        | 420,073            | 162,719         | 3,988                    | 80              | 586,860      | -5.1%                 |
| 2014        | 422,178            | 148,436         | 4,021                    | 526             | 575,161      | -2.0%                 |
| 2015        | 424,930            | 118,147         | 4,464                    | 107             | 547,648      | -4.8%                 |

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

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

| <b>Year</b> | <b>Amount</b> | <b>Year</b> | <b>Amount</b> |
|-------------|---------------|-------------|---------------|
| 2006        | \$ 93,150     | 2011        | \$ 103,210    |
| 2007        | 97,191        | 2012        | 105,472       |
| 2008        | 96,786        | 2013        | 103,032       |
| 2009        | 96,865        | 2014        | 103,959       |
| 2010        | 102,595       | 2015        | 106,007       |

**(5) Enplaned Cargo Operations (in pounds)**

| <b>Year</b> | <b>Air Mail</b> | <b>Freight and Express</b> | <b>Total</b> | <b>Percent change</b> |
|-------------|-----------------|----------------------------|--------------|-----------------------|
| 2006        | 22,127,087      | 258,407,346                | 280,534,433  | -10.3%                |
| 2007        | 5,359,863       | 257,363,998                | 262,723,861  | -6.3%                 |
| 2008        | 11,783,176      | 236,339,165                | 248,122,341  | -5.5%                 |
| 2009        | 12,918,962      | 208,524,571                | 221,443,533  | -10.8%                |
| 2010        | 19,663,000      | 222,047,310                | 241,710,310  | 9.2%                  |
| 2011        | 18,612,677      | 223,878,051                | 242,490,728  | 0.3%                  |
| 2012        | 17,373,529      | 210,360,700                | 227,734,229  | -6.1%                 |
| 2013        | 13,817,432      | 208,953,640                | 222,771,072  | -2.2%                 |
| 2014        | 15,926,140      | 213,532,252                | 229,458,392  | 3.0%                  |
| 2015        | 23,769,374      | 214,894,171                | 238,663,545  | 4.0%                  |

City and County of Denver  
Municipal Airport System

**ANNUAL FINANCIAL INFORMATION (UNAUDITED)**

LAST TEN FISCAL YEARS

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

|  | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross revenue  | \$ 592,110  | \$ 616,106  | \$ 635,607  | \$ 631,592  | \$ 668,885  | \$ 702,157  | \$ 713,279  | \$ 743,101  | \$ 803,620  | \$ 808,614  |
| Operation and maintenance expenses                   | 256,191     | 282,746     | 305,382     | 309,270     | 302,881     | 312,278     | 318,394     | 349,987     | 355,769     | 377,199     |
| Net revenue  | 335,919     | 333,360     | 330,225     | 322,322     | 366,004     | 389,879     | 394,885     | 393,114     | 447,851     | 431,415     |
| Other available funds                                | 50,791      | 53,251      | 53,575      | 49,288      | 57,449      | 57,528      | 51,685      | 50,409      | 54,834      | 50,320      |
| Total amount available for debt service requirements | \$ 386,710  | \$ 386,611  | \$ 383,800  | \$ 371,610  | \$ 423,453  | \$ 447,407  | \$ 446,570  | \$ 443,523  | \$ 502,685  | \$ 481,735  |
| Debt service requirements                            | \$ 220,001  | \$ 229,923  | \$ 240,028  | \$ 237,905  | \$ 235,244  | \$ 235,356  | \$ 247,563  | \$ 242,816  | \$ 219,334  | \$ 201,279  |
| Debt service coverage                                | 176%        | 168%        | 160%        | 156%        | 180%        | 190%        | 180%        | 183%        | 229%        | 239%        |

City and County of Denver  
Municipal Airport System

**SUMMARY OF INSURANCE COVERAGE (UNAUDITED)**

**DECEMBER 31, 2015**

| <u>Policy number</u> | <u>Company</u>          | <u>Item covered</u> | <u>Expiration date</u> | <u>Annual premium</u> | <u>Coverage</u>  |
|----------------------|-------------------------|---------------------|------------------------|-----------------------|------------------|
| 66823452             | Marsh USA Inc / Chartis | Pollution           | 5/1/2016               | \$ 215,232            | \$ 10,000,000    |
| AP086448700-56       | Arthur J Gallagher      | Liability           | 5/1/2016               | \$ 488,582            | \$ 500,000,000   |
| 1002193              | Factory Mutual Ins Co   | Property            | 5/1/2016               | \$ 1,283,468          | \$ 1,500,000,000 |