

FINANCIAL



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Independent Accountants' Report on Financial Statements and Supplementary Information

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Denver (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Denver Art Museum, Inc., Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North BID, Downtown Denver BID, Denver Metro Convention and Visitor's Bureau, Inc., d/b/a Visit Denver and Denver Preschool Program, Inc., all of which are included as discretely presented component units, which represent 22.52 percent of total assets and 36.07 percent of total revenues of the aggregate discretely presented component units as of and for the year ended December 31, 2009, respectively. Those financial statements were audited by other accountants whose reports thereon have been furnished to us and our opinion on the aggregate discretely presented component units, insofar as it relates to the amounts included for the Denver Art Museum, Inc., Denver Museum of Nature and Science, Denver Convention Center Hotel Authority, Cherry Creek North BID, Downtown Denver BID, Denver Metro Convention and Visitor's Bureau, Inc., d/b/a Visit Denver and Denver Preschool Program, Inc., is based solely on the reports of the other accountants. Additionally, we did not audit the financial statements of the Gateway Village General Improvement District which are included as a blended component unit, which represent .03 percent of total assets and .09 percent of total revenues of the aggregate remaining fund information as of and for the year ended December 31, 2009. Those financial statements were audited by other accountants whose report thereon has been furnished to us and our opinion on the aggregate remaining fund information, insofar as it relates to the amounts included for the Gateway Village General Improvement District, is based solely on the report of the other accountants.

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

In our opinion, based on our audit and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of Denver as of December 31, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Committee
City and County of Denver

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, introduction section and statistical sections supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2009 combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other accountants in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other accountants, are fairly stated, in all material respects, in relation to the basic financial statements as of and for the year ended December 31, 2009, taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements as of and for the year ended December 31, 2008, which are not presented with the accompanying financial statements. In our report dated May 29, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the general fund balance sheet as of December 31, 2008 and related statement of revenues, expenditures, and changes in fund balance for the year then ended supplementary information are fairly stated in all material respects in relation to the basic financial statements as of and for the year ended December 31, 2008, taken as a whole. The introduction section and statistical section have not been subjected to the auditing procedures applied by us and the other accountants in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLP

May 27, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City and County of Denver (City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal. The focus of the information herein is on the primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$2,870,825,000 (net assets). Of this amount, \$550,804,000 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- The City's total net assets decreased by \$95,263,000, or 3.2%.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$517,290,000, a decrease of \$196,882,000 from the prior year. Approximately 58.7% of the fund balance (unreserved fund balance) is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$92,990,000 which represents 10.7% of total General Fund expenditures, including transfers out.
- The City's total bonded debt increased by \$86,795,000 during the year. Increases occurred in general obligation bonds and revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, also provided are required and other supplementary information.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities reports how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The governmental activities reflect the City's basic services, including police, fire, public works, sanitation, economic development, and culture and recreation. Sales and property taxes finance the majority of these services.

The business-type activities reflect private sector-type operations, such as Wastewater Management; the Denver Airport System, including Denver International Airport (DIA); and Golf Courses, where fees for services typically cover all or most of the cost of operations, including depreciation.

The government-wide financial statements include not only the City itself (referred to as the primary government), but also other legally separate entities for which the City is financially accountable. Financial information for most of these component units is reported separately from the financial information presented for the primary government itself. A few component units, although legally separate, function essentially as an agency of the City and, therefore are included as an integral part of the City.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship (or differences) between them.

The City maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Human Services special revenue fund, and Bond Projects capital projects fund, each of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund and Human Services special revenue fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets for the General Fund and Human Services Fund in accordance with US GAAP.

The City maintains two different types of *proprietary funds*: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Wastewater Management, Denver Airport System, Environmental Services, and Golf Course funds. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, workers' compensation self-insurance, paper and printing supplies inventory, and asphalt plant operations. The internal service funds provide services which predominantly benefit governmental rather than business-type functions. They have been included within governmental activities with an adjustment to reflect the consolidation for internal service fund activities related to the enterprise funds in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Wastewater Management and the Denver Airport System, both of which are considered to be major funds of the City. Data for the other two enterprise funds and all of the internal service funds are combined into their respective single aggregated presentations. Individual fund data for the nonmajor enterprise funds and all of the internal service funds is provided in the form of combining statements elsewhere in this report.

The City uses *fiduciary funds* to account for assets held on behalf of outside parties, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust fund is used.

Agency funds generally are used to account for assets that the City holds on behalf of others as their agent. Pension trust funds account for the assets of the City's employee retirement plans.

Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *notes to basic financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the City's budgetary comparison schedules.

The combining statements supplementary information referred to earlier in connection with nonmajor funds, internal service funds, and nonmajor component units are presented immediately following the budgetary comparison required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$2,870,825,000 at the close of the most recent fiscal year.

A portion of the City's net assets, \$550,804,000 (19.2%), is unrestricted and may be used to meet the City's ongoing financial obligations. These are net assets that are not restricted by external requirements nor invested in capital assets.

Net assets of \$1,400,939,000 (48.8%) reflects investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of the City also include \$919,082,000 of restricted net assets. These are net assets representing resources subject to external restrictions as to how they may be used by the City.

Table 1 reflects the City's net assets (dollars in thousands) as of December 31, 2009 and 2008:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,044,798	\$ 1,173,743	\$ 1,722,631	\$ 1,636,176	\$ 2,767,429	\$ 2,809,919
Capital assets	2,517,316	2,362,767	3,848,560	3,907,628	6,365,876	6,270,395
Total assets	3,562,114	3,536,510	5,571,191	5,543,804	9,133,305	9,080,314
Noncurrent liabilities	1,584,027	1,528,673	4,056,717	3,973,246	5,640,744	5,501,919
Other liabilities	412,271	406,556	209,465	205,751	621,736	612,307
Total liabilities	1,996,298	1,935,229	4,266,182	4,178,997	6,262,480	6,114,226
Net assets						
Invested in capital assets, net of related debt	1,188,810	1,238,768	212,129	262,385	1,400,939	1,501,153
Restricted	257,699	340,270	661,383	681,263	919,082	1,021,533
Unrestricted	119,307	22,243	431,497	421,159	550,804	443,402
Total net assets	\$ 1,565,816	\$ 1,601,281	\$ 1,305,009	\$ 1,364,807	\$ 2,870,825	\$ 2,966,088

At December 31, 2009, the City reported positive balances in all three categories of net assets for both the government as a whole and the separate governmental and business-type activities.

Table 2 reflects the City's changes in net assets (dollars in thousands) for the years ended December 31, 2009 and 2008:

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 282,522	\$ 261,464	\$ 655,450	\$ 633,286	\$ 937,972	\$ 894,750
Operating grants and contributions	192,447	247,860	96,865	106,173	289,312	354,033
Capital grants and contributions	21,325	16,819	53,639	22,082	74,964	38,901
General revenues:						
Property tax	259,963	274,809	-	-	259,963	274,809
Sales and use tax	421,838	468,137	-	-	421,838	468,137
Facilities development admissions tax	7,082	10,016	-	-	7,082	10,016
Lodgers tax	43,982	53,773	-	-	43,982	53,773
Motor vehicle ownership fee	17,907	19,514	-	-	17,907	19,514
Occupational privilege tax	39,551	43,040	-	-	39,551	43,040
Specific ownership tax	47	54	-	-	47	54
Telephone tax	9,596	9,814	-	-	9,596	9,814
Special Assessments	1,342	1,394	-	-	1,342	1,394
Investment income	11,826	34,340	15,828	90,279	27,654	124,619
Convention Center revenue	14,857	15,321	-	-	14,857	15,321
Other revenues	32,002	21,442	56	6	32,058	21,448
Total revenues	1,356,287	1,477,797	821,838	851,826	2,178,125	2,329,623
Expenses						
General government	243,518	257,780	-	-	243,518	257,780
Public safety	506,887	536,382	-	-	506,887	536,382
Public works	159,657	134,698	-	-	159,657	134,698
Human services	128,946	139,895	-	-	128,946	139,895
Health	52,961	52,332	-	-	52,961	52,332
Parks and recreation	100,253	105,232	-	-	100,253	105,232
Cultural activities	63,646	62,499	-	-	63,646	62,499
Community development	40,480	39,945	-	-	40,480	39,945
Economic opportunity	31,803	31,647	-	-	31,803	31,647
Interest on long-term debt	62,670	76,073	-	-	62,670	76,073
Wastewater management	-	-	80,865	75,122	80,865	75,122
Denver airport system	-	-	787,914	780,501	787,914	780,501
Other enterprise funds	-	-	13,788	14,588	13,788	14,588
Total expenses	1,390,821	1,436,483	882,567	870,211	2,273,388	2,306,694
Change in net assets before transfers	(34,534)	41,314	(60,729)	(18,385)	(95,263)	22,929
Transfers	(931)	265	931	(265)	-	-
Change in net assets	(35,465)	41,579	(59,798)	(18,650)	(95,263)	22,929
Net assets - January 1	1,601,281	1,559,702	1,364,807	1,383,457	2,966,088	2,943,159
Net assets - December 31	\$ 1,565,816	\$ 1,601,281	\$ 1,305,009	\$ 1,364,807	\$ 2,870,825	\$ 2,966,088

Governmental activities decreased the City's net assets by \$35,465,000 for the year ended December 31, 2009. Key elements of the decrease are as follows:

- Property tax and sales and use taxes totaled 85.2% of all tax revenues and 50.3% of all governmental activities' revenues. Property tax recorded in the governmental funds totaled \$259,963,000 for a decrease of \$14,846,000 (5.4%). Sales and use tax revenues of \$421,838,000 were down \$46,299,000 (9.9%) compared to 2008, reflecting a shrinking economy in 2009.
- Investment income decreased by \$22,514,000, due to the large decrease in interest rates nationally.

- The City received \$55,413,000 less in operating grants and contributions in 2009 compared to 2008.
- To offset the decreases in revenues, the City also lowered its total expenses by \$45,662,000.

General government expenses in 2009 were \$243,518,000 (17.5%) of total expenses. Public safety expenses were \$506,887,000 (36.4%) of total expenses. Public works' expenses were \$159,657,000 (11.5%) of total expenses.

Human services' expenses were \$128,946,000 (9.3%) of total expenses. The remainder of the governmental activities expenses is comprised of health with \$52,961,000 (3.8%), parks and recreation with \$100,253,000 (7.2%), cultural activities with \$63,646,000 (4.6%), community development with \$40,480,000 (2.9%), economic opportunity with \$31,803,000 (2.3%), and interest on long-term debt of \$62,670,000 (4.5%).

Chart 1

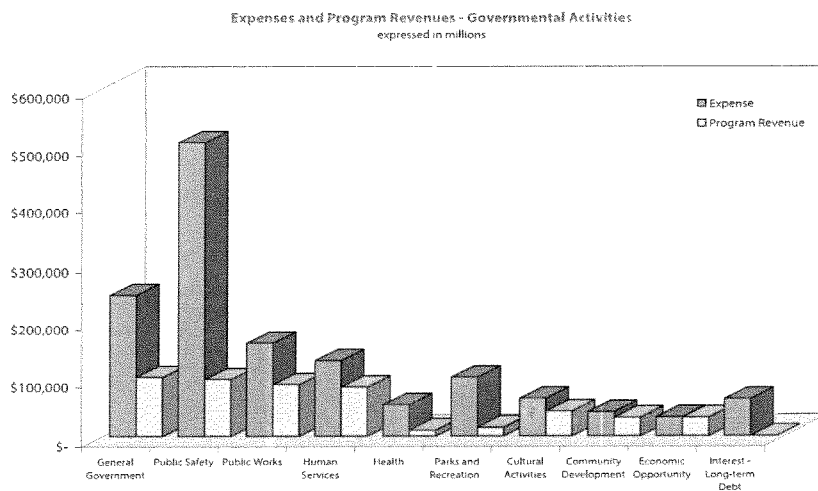
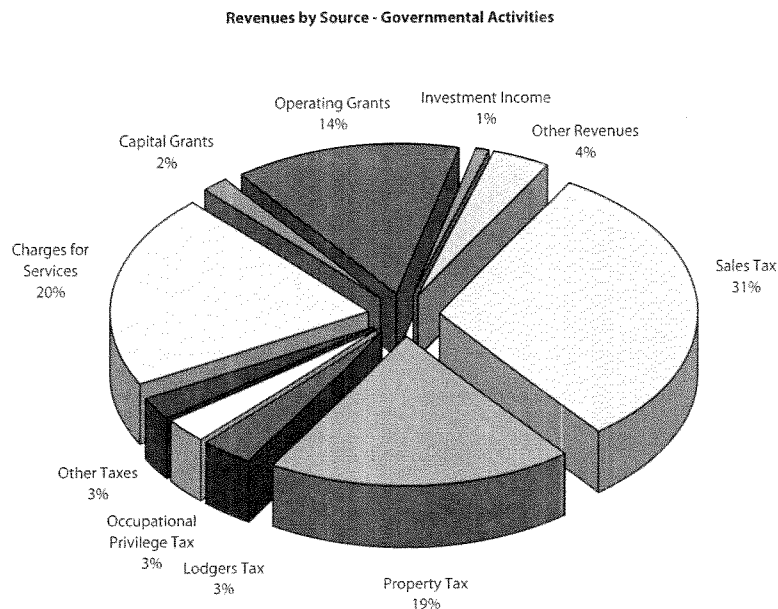


Chart 2



Business-type activities decreased the City's net assets by \$59,798,000. Key elements of this decrease are as follows:

- Total revenues of \$821,838,000 were \$29,988,000 (3.5%) lower compared to prior year amounts primarily due to decreases in investment income of \$74,451,000 and operating grants and contributions by \$9,308,000. These decreases were partially offset by increases in charges for services of \$22,164,000 and capital grants and contributions of \$31,557,000.
- Total expenses of \$882,567,000 increased by \$12,356,000 (1.4%) when compared to the prior year, due to higher expenses in the Denver Airport System fund of \$7,413,000 during 2009. Wastewater Management expenses in 2009 totaled \$80,865,000 (9.2%) of total business-type activities. Denver Airport System expenses totaled \$787,914,000 (89.3%) of business-type activities. The remaining \$13,788,000 (1.5%) of expenses in business-type activities were related to Environmental Services and Golf activities.

Chart 3

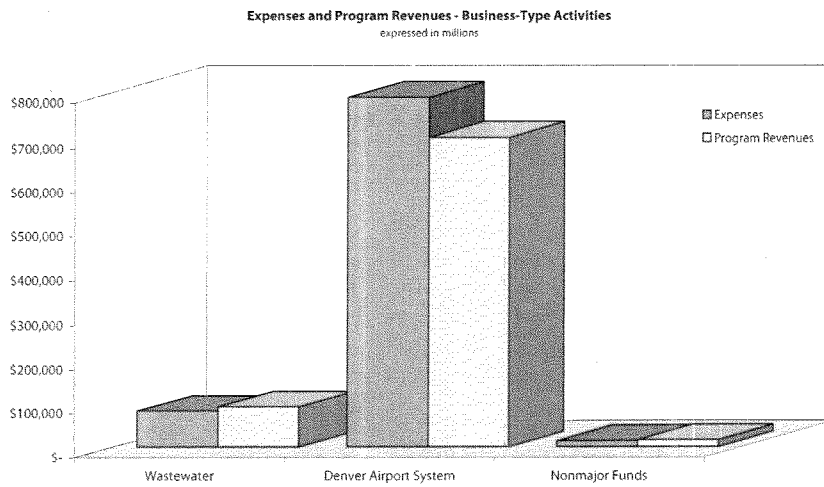
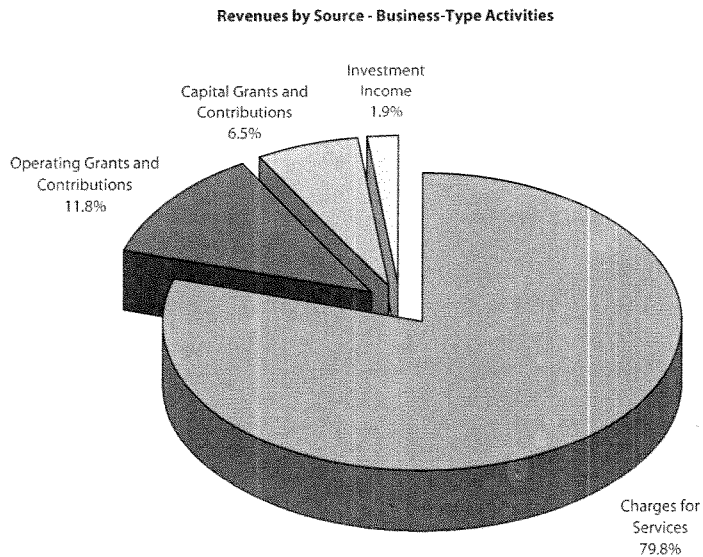


Chart 4



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on current year revenues, expenditures, and balances of spendable resources. Such information is useful in assessing the City's near-term financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$517,290,000, a decrease of \$196,882,000 in comparison with the prior year. Approximately 58.7% (\$303,846,000) of the total fund balance amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$94,889,000), 2) for emergency use (\$30,854,000), 3) for notes receivable (\$81,477,000), and 4) for a variety of other purposes (\$6,224,000).

The General Fund is the chief operating fund of the City. As of December 31, 2009, unreserved/undesignated fund balance of the General Fund was \$92,990,000 while total fund balance was \$113,220,000. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved/undesignated fund balance represents 10.7% of total General Fund expenditures including transfers out of \$866,268,000, while total fund balance represents 13.1% of the same amount.

The total fund balance of the City's General Fund decreased by \$58,229,000 (34.0%) during the year ended December 31, 2009. Total revenues, including transfers in, were lower than total expenditures, including transfers out, by \$59,823,000. This was directly due to declining revenues from the economic recession in 2009.

Almost every revenue source declined in 2009 due to the recession. Total General Fund revenues, including transfers in of \$806,445,000, decreased by \$54,002,000 or 6.3%. Certain revenues in the General Fund that decreased from 2008 to 2009 include:

- Sales and use taxes earned were lower by \$43,090,000. The decrease in sales and use tax is directly related to the shrinkage in the economy.
- The motor vehicle ownership fee and registration tax collections were lower by \$1,607,000, again due to consumer buying habits related to the economy.
- Occupational privilege tax revenues decreased by \$3,506,000 due to the increases in unemployment in the City.
- Lodgers tax revenue decreased by \$2,705,000, again due to the economic recession.
- Licenses and permit revenues decreased by \$4,534,000 largely due to the decrease in construction activity.
- Investment income decreased by \$7,180,000, due to the large decrease in interest rates nationally.

Some revenues in the General Fund increased from 2008 to 2009, including:

- Fines and forfeitures increased by \$2,973,000 primarily due to increases in activity for traffic court fines and parking fines.
- Charges for services increased by \$1,403,000 to account for services provided to the Denver Airport System Enterprise Fund by General Fund agencies.

The national and local economies shrunk significantly in 2009 as part of the economic recession. At the end of 2008, the City moved to reduce 2009 expenditures to respond to rapidly declining revenues. The result is that almost every agency saw a decrease in expenditures in 2009 from 2008. Some of the decrease was achieved through reductions in programs and operating

expenditures, including supplies and equipment, and some of it was achieved through across the board personnel savings, including wage freezes, furlough days, and concession from collective bargaining groups. Total General Fund expenditures, including transfers out, decreased by \$28,105,000, or 3.1%.

The Human Services special revenue fund had a total fund balance of \$10,174,000, of which \$2,000,000 is reserved for the Human Services share of the TABOR reserve. The net increase in fund balance of \$1,748,000 during the current year was mainly due to a decrease of \$10,421,000 in Human Services current expenditures, while revenues, including transfers in, increased by \$3,942,000.

A decrease in fund balance in the Bond Projects fund of \$150,640,000 primarily reflects a combination of increased expenditures of Public Works by \$34,918,000, a decrease in interest expense of \$14,432,000, and the City issued \$51,500,000 in general obligation bonds in 2009 as opposed to the \$174,135,000 that were issued in 2008.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of Wastewater Management were \$501,507,000 and those for the Denver Airport System were \$769,553,000. Net assets for all enterprise funds decreased \$60,058,000. Other significant factors concerning the finances of the enterprise funds can be found in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund original budget and the final amended budget include a revision to both the projected revenues and expenditures.

Original revenue estimates for 2009, prepared in the summer of 2008, were based on minimal growth in the economy. The projection was for slight sales and use tax growth of 1.9% above 2008 amounts and an overall growth rate in the General Fund of 2.9%. The revenue forecast was revised downward significantly to respond to the rapidly declining economy by a total amount of \$78,415,000 (8.7%) during 2009. The major revisions by individual revenue type are listed below.

- 2009 sales and use tax estimates were revised down by \$51,597,000 or 11.5%. The year-over-year decline in sales and use tax collections from the previous year's month began in November 2008 and eventually lasted through December 2009.
- Lodger's tax estimates were revised down by \$2,569,000 or 16.9% to respond to declines in tourism and related hotel revenues.
- Licenses and permitting revenues projections were revised down by \$6,241,000 or 28.9%. This was directly related to significant slowdown in construction activity in the City resulting in reduced permitting revenues.
- Fee-related revenue estimates were revised down by \$9,027,000 or 15.3%. This was due to a reduction in anticipated revenue from the Xcel franchise fee and also a reduction in plan reviewing revenues related to reduced construction activity.

In 2009, the original budget anticipated a use of fund balance of \$15,060,000, not accounting for contingency and projected appropriations that would be unspent at the end of the year. It was later anticipated that an additional \$43,000,000 in reserves would be used by the end of the year in accordance with our financial policies, which state that use of reserves above 10% of expenditures is appropriate when anticipated revenue growth is below the historical average, and only as a short-term solution to maintaining services. Though the final approved expenditure budget was not formally reduced, an additional \$55,179,000 in unspent appropriations was identified that would be realized as savings by year-end.

Differences between the final amended budget and actual revenues and expenditures are briefly summarized in the following paragraphs. The national and local economies had significantly worsened throughout 2009 and revenue forecasts were adjusted again downward from the revised forecast the first quarter of 2009.

General Fund revenues, including transfers in, were approximately \$11,500,000 lower than the revised budget for 2009, or 0.9%, primarily due to the impacts of the recession on certain revenue sources. The one major variance was revenue from sales and use tax collections, which was below the revised forecast by \$9,294,000 (2.3%). This decrease was partially offset by various other revenue sources being over the revised budget, most notably use charges, which was over budget by \$1,334,000 (7.5%) due to higher than anticipated parking related revenue.

General Fund budget basis expenditures were approximately \$55,179,000 less than the final budget. This is due to achieving expected unspent appropriations, due in large part of savings measures put in place to respond to the recession, including furloughs, program reductions, compensation savings, and equipment replacement deferrals.

CAPITAL ASSETS AND BONDED DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of December 31, 2009, were \$6,365,876,000 (net of accumulated depreciation). This investment in capital assets includes land and land rights, collections, buildings and improvements, equipment and other, park facilities, and, for governmental activities, infrastructure (including streets, alleys, traffic signals and signs, and bridges). Infrastructure-type assets of business-type activities are reported as buildings and improvements. The City's capital assets by activity at December 31, 2009 and 2008, are shown in **Table 3** (dollars in thousands):

Table 3

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land and construction in progress	\$ 638,857	\$ 490,258	\$ 430,721	\$ 380,161	\$ 1,069,578	\$ 870,419
Buildings and Improvements	1,594,623	1,567,482	4,851,911	4,796,888	6,446,534	6,364,370
Equipment and other	269,831	258,172	710,037	701,945	979,868	960,117
Collections	68,356	74,556	-	-	68,356	74,556
Infrastructure	1,103,623	1,055,027	-	-	1,103,623	1,055,027
Less accumulated depreciation	(1,157,974)	(1,082,728)	(2,144,109)	(1,971,366)	(3,302,083)	(3,054,094)
Total	\$ 2,517,316	\$ 2,362,767	\$ 3,848,560	\$ 3,907,628	\$ 6,365,876	\$ 6,270,395

Major capital asset activity for the year ended December 31, 2009 included the following:

Governmental Activities:

- Construction in progress on the Justice Center of approximately \$131,300,000.
- Construction in progress of approximately \$36,500,000 on Better Denver Bond projects that construct or improve City buildings and facilities.

Business-type Activities:

- Additions to the Wastewater Storm Collection system of \$15,000,000.
- Additions to the Wastewater Sanitary Collection system of \$8,000,000.
- Additions to Denver Airport System's Building and Improvements of approximately \$33,000,000.
- Additions to Denver Airport System's Equipment of approximately \$27,000,000.

Additional information on the City's capital asset activity for the year can be found in Note III-D in the notes to basic financial statements.

Bonded Debt

At December 31, 2009, the City had total bonded indebtedness of \$5,059,539,000 (excluding GID Bond of \$2,215,000). Of this amount, \$616,209,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt, \$4,443,330,000, represents bonds and commercial paper notes secured by specified revenue sources (i.e., revenue bonds of the Denver Airport System, Wastewater Management, and excise tax revenue bonds).

As of December 31, 2009, the City's general obligation debt is rated AAA by Standard & Poor's rating agency, AA+ by Fitch Ratings and Aa1 by Moody's Investors Service.

In May 2009, the City issued the Series 2009A Excise Tax Revenue Refunding Bonds to current refund the Series 2001B Excise Tax Revenue Bonds.

In June 2009, the City issued the Series 2009B Excise Tax Revenue Refunding Bonds to current refund the Series 1999A Excise Tax Revenue Bonds.

In June 2009, the City issued \$104,500,000 and \$14,415,000 of Series 2009A and Series 2009B General Obligation Bonds, respectively. The proceeds of the Series 2009A Bonds were used to redeem \$53,000,000 commercial paper notes and provide \$25,000,000 of new money for the Better Denver Bond Projects.

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 stable outlooks as of December 2009.

On November 6, 2009, the Airport issued \$104,655,000 of Airport System Revenue Bonds, Series 2009C, in a variable rate mode for the purpose of current refunding all of the Airport System Subordinate Commercial Paper Notes, Series A.

On October 28, 2009, the Airport issued \$170,190,000 and \$65,290,000 (Build America Bonds) of Airport System Revenue Bonds, Series 2009A and 2009B, in a fixed rate mode for the purpose of purchasing and retiring portions of the Series 2006B, Series 2007D2 and Subseries 2008A4 Bonds and the funding of new money for capital improvement projects.

The proceeds of the Series 2009A Bonds were used together with other Airport monies to current refund a portion of the Series 2006B, Series 2007D2 and Subseries 2008A1-A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt and the recognition of a deferred loss on refunding that is being amortized over the remaining life of the old debt.

Outstanding bonded debt at December 31, 2009, and 2008, is reflected in **Table 4** (dollars in thousands):

Table 4

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 616,209	\$ 551,679	\$ -	\$ -	\$ 616,209	\$ 551,679
Revenue bonds	278,450	290,930	4,164,880	4,130,135	4,443,330	4,421,065
Total	\$ 894,659	\$ 842,609	\$ 4,164,880	\$ 4,130,135	\$ 5,059,539	\$ 4,972,744

Additional information on the City's bonded debt for the year can be found in Note III-G in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The original 2010 budget assumed moderate growth in the local economy. By the last quarter of 2009 the economy was continuing to feel the effects of the recession, though indicators were starting to improve. Currently, 2010 General Fund revenues, including transfers in, are projected to be \$841,000,000, which is an increase of 4.3% from actual 2009 revenues. No revisions to the 2010 budget are currently anticipated and measures have been taken to have expenditures be in line with anticipated revenues.

It is anticipated that unreserved-undesignated fund balance will remain at approximately 11% of expenditures during 2010. This is appropriate during an economic downturn according to our financial policies.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, 201 West Colfax Avenue, Department 1109, Denver, CO 80202. The report is available online at www.denvergov.org/controller.

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BASIC FINANCIAL STATEMENTS

Statement of Net Assets

December 31, 2009 (dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash on hand	\$ 5,636	\$ -	\$ 5,636	\$ 47
Cash and cash equivalents	357,411	119,620	477,031	62,850
Investments	-	357,105	357,105	185,725
Receivables (net of allowances):				
Taxes	345,597	-	345,597	60,636
Notes	81,477	-	81,477	-
Accounts	24,585	69,153	93,738	25,313
Accrued interest	2,148	6,301	8,449	74
Other	-	-	-	15,438
Due from other governments	43,843	-	43,843	-
Internal balances	27,620	(27,620)	-	-
Inventories	2,487	10,852	13,339	7,265
Prepaid items and other assets	29	2,821	2,850	10,509
Restricted assets:				
Cash and cash equivalents	59,844	74,288	134,132	148,232
Investments	-	977,787	977,787	25,047
Accrued interest	-	3,009	3,009	-
Other receivables	-	9,468	9,468	-
Prepaid items	-	8,789	8,789	-
Net assets held by third party	-	-	-	167,736
Deferred charges	28,866	-	28,866	-
Long-term receivables (net of allowances)	52,449	2,000	54,449	25,065
Denver Water CIS (net of amortization)	-	5,819	5,819	-
Bond issue cost and other assets (net of accumulated amortization)	6,611	51,863	58,474	23,804
Deferred loss on swap termination, net	-	38,577	38,577	-
Assets held for disposition	6,195	12,799	18,994	-
Capital assets:				
Land and construction in progress	638,857	430,721	1,069,578	287,084
Buildings, improvements, infrastructure, collections, and equipment, net of accumulated depreciation	1,878,459	3,417,839	5,296,298	1,742,172
Total Assets	3,562,114	5,571,191	9,133,305	2,786,997
Liabilities				
Vouchers payable	64,322	38,066	102,388	26,928
Accrued liabilities	55,285	32,430	87,715	49,623
Unearned revenue	288,784	41,996	330,780	61,516
Advances	3,295	-	3,295	1,313
Due to taxing unit	585	-	585	-
Due to other governments	-	-	-	4,346
Liabilities payable from restricted assets	-	96,973	96,973	-
Noncurrent liabilities:				
Due within one year	122,420	135,351	257,771	54,419
Due in more than one year	1,461,607	3,921,366	5,382,973	1,098,278
Total Liabilities	1,996,298	4,266,182	6,262,480	1,296,423
Net Assets				
Invested in capital assets, net of related debt	1,188,810	212,129	1,400,939	1,260,303
Restricted for:				
Capital projects	61,465	16,351	77,816	86,966
Emergency use	30,854	-	30,854	240
Debt service	143,962	645,032	788,994	86,683
Donor and other restrictions:				
Expendable	11,661	-	11,661	88,182
Nonexpendable	3,527	-	3,527	97,848
Other purposes	6,230	-	6,230	-
Unrestricted (deficit)	119,307	431,497	550,804	(129,648)
Total Net Assets	\$ 1,565,816	\$ 1,305,009	\$ 2,870,825	\$ 1,490,574

See accompanying notes to basic financial statements.

Statement of Activities

For the Year Ended December 31, 2009 (dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 243,518	\$ 82,719	\$ 17,613	\$ 22
Public safety	506,887	71,786	24,713	-
Public works	159,657	49,240	23,633	14,624
Human services	128,946	2,735	80,428	-
Health	52,961	1,544	8,537	-
Parks and recreation	100,253	6,337	2,047	6,479
Cultural activities	63,646	39,312	2,175	200
Community development	40,480	11,639	19,419	-
Economic opportunity	31,803	17,210	13,882	-
Interest on long-term debt	62,670	-	-	-
Total Governmental Activities	1,390,821	282,522	192,447	21,325
Business-type Activities:				
Wastewater management	80,865	75,512	-	15,018
Denver airport system	787,914	564,490	96,865	38,621
Environmental services	5,904	7,095	-	-
Golf course	7,884	8,353	-	-
Total Business-type Activities	882,567	655,450	96,865	53,639
Total Primary Government	\$ 2,273,388	\$ 937,972	\$ 289,312	\$ 74,964
Component Units	\$ 502,154	\$ 287,935	\$ 103,284	\$ -

General revenues:

Taxes:

Facilities development admissions

Lodgers

Motor vehicle ownership fee

Occupational privilege

Property

Sales and use

Specific ownership

Telephone

Special assessments

Investment and interest income

Convention Center revenue

Other revenues

Transfers

Total General Revenues and Transfers

Change in net assets

Net assets - January 1

Net assets - December 31

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Units
Governmental Activities	Business-type Activities	Total		
\$ (143,164)	\$ -	\$ (143,164)	\$ -	
(410,388)	-	(410,388)	-	
(72,160)	-	(72,160)	-	
(45,783)	-	(45,783)	-	
(42,880)	-	(42,880)	-	
(85,390)	-	(85,390)	-	
(21,959)	-	(21,959)	-	
(9,422)	-	(9,422)	-	
(711)	-	(711)	-	
(62,670)	-	(62,670)	-	
(894,527)	-	(894,527)	-	
-	9,665	9,665	-	
-	(87,938)	(87,938)	-	
-	1,191	1,191	-	
-	469	469	-	
-	(76,613)	(76,613)	-	
(894,527)	(76,613)	(971,140)	-	
				(110,935)
7,082	-	7,082	-	
43,982	-	43,982	656	
17,907	-	17,907	-	
39,551	-	39,551	-	
259,963	-	259,963	52,961	
421,838	-	421,838	48,914	
47	-	47	205	
9,596	-	9,596	-	
1,342	-	1,342	-	
11,826	15,828	27,654	7,665	
14,857	-	14,857	-	
32,002	56	32,058	17,006	
(931)	931	-	-	
859,062	16,815	875,877	127,407	
(35,465)	(59,798)	(95,263)	16,472	
1,601,281	1,364,807	2,966,088	1,474,102	
\$ 1,565,816	\$ 1,305,009	\$ 2,870,825	\$ 1,490,574	

Balance Sheet - Governmental Funds

December 31, 2009 (dollars in thousands)

	General	Human Services	Bond Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on hand	\$ 34	\$ 295	\$ -	\$ 5,307	\$ 5,636
Cash and cash equivalents	28,021	5,178	61,813	223,620	318,632
Receivables (net of allowances of \$84,394)					
Taxes	116,253	50,682	-	178,662	345,597
Notes	23	-	-	81,454	81,477
Accounts	19,760	12,446	-	44,719	76,925
Accrued interest	542	-	330	1,095	1,967
Interfund receivable	44,001	3	-	2,513	46,517
Due from other governments	224	2,306	-	41,313	43,843
Prepaid items and other assets	-	-	-	29	29
Restricted assets:					
Cash and cash equivalents	20,207	2,000	3	37,634	59,844
Assets held for disposition	-	-	-	6,195	6,195
Total Assets	\$ 229,065	\$ 72,910	\$ 62,146	\$ 622,541	\$ 986,662
Liabilities and Fund Balances					
Liabilities:					
Vouchers payable	\$ 10,639	\$ 5,304	\$ 17,340	\$ 30,058	\$ 63,341
Accrued liabilities	21,781	1,747	50	12,474	36,052
Due to taxing units	34	-	-	551	585
Interfund payable	3,839	4,684	39	11,884	20,446
Deferred revenue	79,552	50,699	-	215,402	345,653
Advances	-	302	-	2,993	3,295
Total Liabilities	115,845	62,736	17,429	273,362	469,372
Fund Balances:					
Reserved for:					
Notes receivable	23	-	-	81,454	81,477
Prepaid items and other assets	-	-	-	29	29
Assets held for disposition	-	-	-	6,195	6,195
Emergency use	-	2,000	-	28,854	30,854
Debt service:					
Long-term debt	20,207	-	3	52,131	72,341
Interest	-	-	-	22,548	22,548
Unreserved:					
Designated for subsequent years' expenditures, reported in:					
Capital projects funds	-	-	44,714	67,541	112,255
Undesignated, reported in:					
General Fund	92,990	-	-	-	92,990
Special revenue funds	-	8,174	-	84,565	92,739
Capital projects funds	-	-	-	2,335	2,335
Permanent fund	-	-	-	3,527	3,527
Total Fund Balances	113,220	10,174	44,717	349,179	517,290
Total Liabilities and Fund Balances	\$ 229,065	\$ 72,910	\$ 62,146	\$ 622,541	\$ 986,662

See accompanying notes to basic financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

December 31, 2009 (dollars in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance-governmental funds	\$ 517,290
Capital assets used in governmental activities, excluding internal service funds of \$2,761, are not financial resources, and therefore, are not reported in the funds.	2,514,555
Accrued interest payable not included in the funds.	(18,961)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	85,735
Bond issue costs, net of accumulated amortization.	6,611
Internal service funds are used by management to charge the cost of these funds to their primary users-governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	8,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds (this excludes internal service liabilities of \$35,704).	(1,548,323)
Net assets of governmental activities	<u>\$ 1,565,816</u>

See accompanying notes to basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	General	Human Services	Bond Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Facilities development admission	\$ -	-	\$ -	\$ 7,082	\$ 7,082
Lodgers	11,921	-	-	32,061	43,982
Motor vehicle ownership fee	17,907	-	-	-	17,907
Occupational privilege	39,534	-	-	17	39,551
Property	64,396	47,448	-	148,119	259,963
Sales and use	387,838	-	-	34,000	421,838
Specific ownership	-	-	-	47	47
Telephone	2,761	-	-	6,835	9,596
Special assessments	-	-	-	1,342	1,342
Licenses and permits	23,229	-	-	1,326	24,555
Intergovernmental revenues	31,955	79,602	-	96,474	208,031
Charges for services	138,563	2,735	-	49,642	190,940
Investment and interest income	4,512	-	2,311	5,003	11,826
Fines and forfeitures	41,389	-	-	3,474	44,863
Contributions	14	827	-	4,900	5,741
Other revenue	11,849	1,694	-	37,121	50,664
Total Revenues	775,868	132,306	2,311	427,443	1,337,928
Expenditures					
Current:					
General government	165,897	-	2,368	81,261	249,526
Public safety	429,718	-	-	58,662	488,380
Public works	79,506	-	43,901	44,641	168,048
Human services	-	128,592	-	-	128,592
Health	43,750	-	-	8,984	52,734
Parks and recreation	46,183	-	3,104	50,895	100,182
Cultural activities	32,222	-	28,866	10,055	71,143
Community development	16,343	-	-	24,908	41,251
Economic opportunity	-	-	-	31,885	31,885
Debt service:					
Principal retirement	276	3,072	-	62,242	65,590
Interest	1,795	1,686	-	57,870	61,351
Bond issuance costs	-	-	723	2,549	3,272
Capital outlay	-	-	169,133	23,099	192,232
Total Expenditures	815,690	133,350	248,095	457,051	1,654,186
Deficiency of revenues over expenditures	(39,822)	(1,044)	(245,784)	(29,608)	(316,258)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	146	146
General obligation bonds issued	-	-	51,500	69,630	121,130
Excise tax revenue bonds issued	-	-	-	107,570	107,570
Capital leases	-	-	-	13,972	13,972
Capital leases restructured	1,307	-	-	-	1,307
Payment to escrow	-	-	-	(178,024)	(178,024)
Commercial paper issued	-	-	37,000	-	37,000
Bond premium	-	-	8,117	8,006	16,123
Insurance recoveries	287	5	8	783	1,083
Transfers in	30,577	2,862	-	80,846	114,285
Transfers out	(50,578)	(75)	(1,481)	(63,082)	(115,216)
Total Other Financing Sources (Uses)	(18,407)	2,792	95,144	39,847	119,376
Net change in fund balances	(58,229)	1,748	(150,640)	10,239	(196,882)
Fund balances - January 1	171,449	8,426	195,357	338,940	714,172
Fund Balances - December 31	\$ 113,220	\$ 10,174	\$ 44,717	\$ 349,179	\$ 517,290

See accompanying notes to basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2009 (dollars in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (196,882)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:	
Capital outlay, including sale of assets	286,687
Depreciation expense	(107,288)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	25,781
The issuance of long-term debt and other obligations (e.g., bonds, certificates of participation, and capital leases) provides current financial resource to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on change in net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:	
General obligation bonds issued	(118,915)
Excise revenue bonds issued	(107,570)
GID bonds issued	(2,215)
Commercial paper issued	(37,000)
Capital lease issued	(15,279)
Principal retirement on bonds	229,650
Issuance costs, premium, discounts and deferred gain (loss) on refunding	(2,034)
Capital lease principal payments	13,965
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences (excluding internal service)	(6,701)
Special incentive payable (excluding internal service)	(4,187)
Accrued interest payable	(621)
Legal liability	(1,835)
Pollution remediation	(159)
Note payable	(124)
Line of credit payable	770
Internal service funds are used by management to charge their cost to individual funds. The net expense of certain activities of internal service funds is reported within governmental activities.	8,492
Change in net assets of governmental activities	\$ (35,465)

See accompanying notes to basic financial statements.

Statement of Net Assets - Proprietary Funds

December 31, 2009 (dollars in thousands)

	Business-type Activities	
	Wastewater Management	Denver Airport System
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,589	\$ 97,629
Investments	27,107	30,740
Receivables (net of allowance for uncollectibles of \$2,294):		
Accounts	8,987	58,966
Accrued interest	166	6,065
Inventories	-	10,740
Interfund receivable	250	-
Prepaid items and other assets	296	2,525
Restricted assets:		
Cash and cash equivalents	-	71,194
Investments	-	77,541
Accrued interest receivable	-	2,631
Other receivables	-	9,456
Prepaid items	-	8,789
Total Current Assets	42,395	376,276
Noncurrent assets:		
Investments - unrestricted	-	299,258
Investments - restricted	-	900,246
Capital assets:		
Land and construction in progress	43,445	379,302
Buildings and improvements	14,207	1,988,352
Improvements other than buildings	662,514	2,161,395
Machinery and equipment	15,097	689,952
Accumulated depreciation	(223,549)	(1,904,392)
Net capital assets	511,714	3,314,609
Long-term receivables (net of allowances)	-	2,000
CIS, net	5,819	-
Bond issue costs and other assets, net	255	51,457
Deferred loss on swap termination, net	-	38,577
Assets held for disposition	-	12,799
Total Noncurrent Assets	517,788	4,618,946
Total Assets	560,183	4,995,222

See accompanying notes to basic financial statements.

Enterprise Funds		Governmental Activities	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 16,402	\$ 119,620	\$ 38,779	
-	57,847	-	
1,200	69,153	109	
70	6,301	181	
112	10,852	2,487	
14	264	4,138	
-	2,821	-	
3,094	74,288	-	
-	77,541	-	
378	3,009	-	
12	9,468	-	
-	8,789	-	
21,282	439,953	45,694	
-	299,258	-	
-	900,246	-	
7,974	430,721	-	
9,331	2,011,890	4,107	
16,112	2,840,021	82	
4,987	710,036	7,356	
(16,167)	(2,144,108)	(8,784)	
22,237	3,848,560	2,761	
-	2,000	-	
-	5,819	-	
151	51,863	-	
-	38,577	-	
-	12,799	-	
22,388	5,159,122	2,761	
43,670	5,599,075	48,455	

continued

Statement of Net Assets - Proprietary Funds, continued

December 31, 2009 (dollars in thousands)

	Business-type Activities	
	Wastewater Management	Denver Airport System
Liabilities		
Current liabilities:		
Vouchers payable	\$ 2,828	\$ 34,260
Revenue bonds payable	1,300	-
Accrued liabilities	783	30,940
Interfund payable	3,381	23,669
Capital lease obligations	-	-
Notes payable	1,108	-
Special Incentive Program payable	77	245
Compensated absences	594	2,010
Deferred revenue	18,803	-
Claims reserve	-	-
Construction payable	1,028	-
Unearned revenue	-	23,055
Current liabilities (payable from restricted assets):		
Vouchers payable	-	19,321
Retainages payable	-	22,532
Notes payable	-	17,053
Accrued interest and other liabilities	-	25,203
Other accrued liabilities	-	28,889
Revenue bonds payable	-	112,395
Total Current Liabilities	29,902	339,572
Noncurrent liabilities		
Notes payable	5,017	71,783
Revenue bonds payable, net	21,715	3,749,180
Unamortized premium	63	59,208
Capital lease obligations	-	-
Special Incentive Program payable	111	351
Compensated absences	1,868	5,575
Claims reserve	-	-
Total Noncurrent Liabilities	28,774	3,886,097
Total Liabilities	58,676	4,225,669
Net Assets		
Invested in capital assets, net of related debt (deficit)	486,622	(291,115)
Restricted for:		
Capital projects	-	13,063
Debt service	-	645,032
Unrestricted	14,885	402,573
Total Net Assets	\$ 501,507	\$ 769,553

Adjustment to reflect consolidation of internal service fund activities
related to enterprise funds
Net assets of business-type activities

See accompanying notes to basic financial statements.

Enterprise Funds		Governmental Activities	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	Internal Service Funds
\$ 978	\$ 38,066	\$ 981	
400	1,700	-	
707	32,430	272	
1,486	28,536	1,937	
131	131	77	
-	1,108	-	
13	335	20	
25	2,629	330	
138	18,941	-	
-	-	9,896	
-	1,028	-	
-	23,055	-	
-	19,321	-	
-	22,532	-	
-	17,053	-	
-	25,203	-	
-	28,889	-	
-	112,395	-	
3,878	373,352	13,513	
-	76,800	-	
5,325	3,776,220	-	
41	59,312	-	
486	486	166	
18	480	27	
625	8,068	863	
-	-	24,325	
6,495	3,921,366	25,381	
10,373	4,294,718	38,894	
16,622	212,129	2,518	
3,288	16,351	-	
-	645,032	-	
13,387	430,845	7,043	
\$ 33,297	1,304,357	\$ 9,561	
	652		
	\$ 1,305,009		

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Business-type Activities	
	Wastewater Management	Denver Airport System
Operating Revenues		
Charges for services	\$ 75,512	\$ 552,708
Other revenue	-	11,782
Total Operating Revenues	75,512	564,490
Operating Expenses		
Personnel services	21,203	116,540
Contractual services	14,840	236,444
Supplies and materials	1,275	26,533
Depreciation and amortization	14,369	177,583
District water treatment charges	29,316	-
Claims payments	-	-
Change in claims reserve	-	-
Other operating expenses	-	-
Total Operating Expenses	81,003	557,100
Operating income (loss)	(5,491)	7,390
Nonoperating Revenues (Expenses)		
Investment and interest income	383	15,282
Passenger facility charges	-	96,865
Disposition of assets	56	-
Grants	-	(829)
Interest expense	-	(227,122)
Other revenue	-	(2,966)
Total Nonoperating Revenues (Expenses)	439	(118,770)
Income (loss) before contributions and transfers	(5,052)	(111,380)
Capital grants and contributions	15,018	38,621
Transfers in	-	12
Transfers out	(19)	-
Change in net assets	9,947	(72,747)
Net assets - January 1	491,560	842,300
Net Assets - December 31	\$ 501,507	\$ 769,553
Change in net assets of enterprise funds		
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds		
Change in net assets of business-type activities		

See accompanying notes to basic financial statements.

- Enterprise Funds		Governmental
Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
\$ 14,223	\$ 642,443	\$ 48,437
1,225	13,007	675
<u>15,448</u>	<u>655,450</u>	<u>49,112</u>
6,914	144,657	9,458
2,122	253,406	761
916	28,724	16,434
1,066	193,018	773
-	29,316	-
-	-	7,762
-	-	1,197
2,514	2,514	5,453
<u>13,532</u>	<u>651,635</u>	<u>41,838</u>
1,916	3,815	7,274
163	15,828	1,148
-	96,865	-
-	56	-
-	(829)	-
(275)	(227,397)	(14)
-	(2,966)	-
<u>(112)</u>	<u>(118,443)</u>	<u>1,134</u>
1,804	(114,628)	8,408
-	53,639	-
1,188	1,200	-
<u>(250)</u>	<u>(269)</u>	<u>-</u>
2,742	(60,058)	8,408
<u>30,555</u>	<u>1,364,415</u>	<u>1,153</u>
<u>\$ 33,297</u>	<u>\$ 1,304,357</u>	<u>\$ 9,561</u>
	\$ (60,058)	
	260	
	<u>\$ (59,798)</u>	

Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Business-type Activities	
	Wastewater Management	Denver Airport System
Cash Flows From Operating Activities		
Receipts from customers	\$ 82,862	\$ 549,008
Payments to suppliers	(34,279)	(236,656)
Payments to employees	(20,950)	(115,818)
Other receipts (payments)	-	-
Interfund activity	(11,324)	(18,378)
Claims paid	-	-
Other payments	-	-
Net Cash Provided by Operating Activities	16,309	178,156
Cash Flows From Noncapital Financing Activities		
Proceeds from note payable	-	22,100
Swap termination payment	-	(22,100)
Transfers in	-	12
Transfers out	(19)	-
Net Cash Provided (Used) By Noncapital Financing Activities	(19)	12
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	-	242,023
Bond issue costs	-	(3,604)
Principal payments	(1,235)	(219,628)
Passenger facility charges	-	96,359
Payments on capital assets acquired through construction payables	(1,847)	(33,228)
Acquisition and construction of capital assets	(22,263)	(56,415)
Sale of assets	56	1,211
Interest paid	(1,200)	(212,887)
Contributions and advances	3,731	46,065
Payments to escrow for current refunding of debt	-	(4)
Net Cash Used by Capital and Related Financing Activities	(22,758)	(140,108)
Cash Flows From Investing Activities		
Purchases of investments	(7,528)	(9,218,475)
Proceeds from sale of investments	5,146	8,997,007
Sale of assets held for disposition; payments to maintain assets held	-	(8,479)
Insurance proceeds from Stapelton remediation	-	8,616
Interest received	644	38,833
Net Cash Provided (Used) by Investing Activities	(1,738)	(182,498)
Net increase (decrease) in cash and cash equivalents	(8,206)	(144,438)
Cash and cash equivalents - January 1	13,795	313,261
Cash and Cash Equivalents - December 31	\$ 5,589	\$ 168,823
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (5,491)	\$ 7,390
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,369	177,583
Miscellaneous revenue	-	1,566
Accounts receivable, net of allowance	2,071	(2,605)
Interfund receivable	(122)	-
Inventories	-	(685)
Prepaid items and other assets	5	(4,516)
Vouchers payable	(907)	(1,095)
Unearned revenue	5,401	(788)
Accrued and other liabilities	789	(4,290)
Interfund payable	194	5,596
Claims reserve	-	-
Net Cash Provided by Operating Activities	\$ 16,309	\$ 178,156
Noncash Activities		
The Airport System issued bonds in the amount of \$340,135,000 in order to refund debt and fund capital projects. Net bond proceeds of \$121,732,000 were deposited immediately into an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of \$3,618,000 were realized on the issuance of bonds.		
Assets acquired through capital contributions	\$ 11,287	\$ -
Unrealized gain (loss) on investments	(29)	(23,891)
Capital assets acquired through accounts payable	2,268	36,251
Amortization of bond premiums and deferred losses on bond refundings	5	18,061
Assets acquired through note payable/capital lease	6,125	-

See accompanying notes to basic financial statements.

Enterprise Funds		Governmental
Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
\$ 15,502	\$ 647,372	\$ 47,344
(4,529)	(275,464)	(25,385)
(6,965)	(143,733)	(9,320)
-	-	389
-	(29,702)	(3,244)
(1,490)	(1,490)	-
<u>2,518</u>	<u>196,983</u>	<u>9,784</u>
-	22,100	-
-	(22,100)	-
1,188	1,200	-
(250)	(269)	-
<u>938</u>	<u>931</u>	-
-	242,023	-
-	(3,604)	-
(385)	(221,248)	(74)
-	96,359	-
-	(35,075)	-
(3,301)	(81,979)	(424)
-	1,267	10
(275)	(214,362)	-
-	49,796	-
-	(4)	-
<u>(3,961)</u>	<u>(166,827)</u>	<u>(488)</u>
-	(9,226,003)	-
-	9,002,153	-
-	(8,479)	-
-	8,616	-
157	39,634	1,065
<u>157</u>	<u>(184,079)</u>	<u>1,065</u>
(348)	(152,992)	10,361
19,844	346,900	28,418
<u>\$ 19,496</u>	<u>\$ 193,908</u>	<u>\$ 38,779</u>
\$ 1,916	\$ 3,815	\$ 7,274
1,066	193,018	773
-	1,566	-
23	(511)	116
21	(101)	127
16	(669)	173
-	(4,511)	-
302	(1,700)	(204)
(90)	4,523	-
(615)	(4,116)	50
(121)	5,669	278
-	-	1,197
<u>\$ 2,518</u>	<u>\$ 196,983</u>	<u>\$ 9,784</u>
\$ -	\$ 11,287	\$ -
-	(23,920)	-
-	38,519	-
9	18,075	-
617	6,742	-

Statement of Fiduciary Net Assets - Fiduciary Funds

December 31, 2009 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets			
Cash on hand	\$ -	\$ 69	\$ 3,763
Cash and cash equivalents	43,707	662	22,721
Securities lending collateral	208,051	-	-
Receivables (net of allowance for uncollectibles of \$4,558):			
Taxes	-	-	556,225
Accounts	1,088	-	18
Accrued interest	5,351	-	2
Investments, at fair value:			
U.S. government obligations	142,671	-	-
Domestic stocks and bonds	938,572	-	-
International stocks	343,745	-	-
Annuity	408,064	-	-
Mutual funds	45,219	-	-
Real estate	107,888	-	-
Other	95,378	-	-
Total investments	2,081,537	-	-
Capital assets, net of accumulated depreciation	2,845	-	-
Total Assets	2,342,579	731	\$ 582,729
Liabilities			
Vouchers payable	7,267	385	702
Securities lending obligation	213,779	-	-
Other accrued liabilities	-	-	7,331
Due to taxing units	-	69	574,696
Total Liabilities	221,046	454	\$ 582,729
Net Assets			
Net assets held in trust for pension benefits	1,585,360	-	-
Net assets held in trust for OPEB benefits	73,727	-	-
Net assets held in trust for deferred compensation benefits	462,446	-	-
Net assets held in trust for other purposes	-	277	-
Net assets held in trust for pension benefits and other purposes	\$ 2,121,533	\$ 277	

See accompanying notes to basic financial statements.

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds
Additions		
Contributions:		
City and County of Denver	\$ 41,006	\$ -
Denver Health and Hospital Authority	6,672	-
Plan members	45,568	-
Total contributions	93,246	-
Investment earnings:		
Net appreciation in fair value of investments	164,036	-
Interest and dividends	120,033	-
Total investment earnings	284,069	-
Less investment expense	(6,958)	-
Net gain from investments	277,111	-
Securities lending earnings	1,433	-
Securities lending expenses:		
Borrower rebates	(258)	-
Agent fees	(294)	-
Net earnings from securities lending	881	-
Total net investment gain	277,992	-
Total Additions	371,238	-
Deductions		
Benefits	155,915	-
Refunds of contributions	450	40
Administrative expenses	2,697	-
Total Deductions	159,062	40
Change in net assets	212,176	(40)
Net assets-January 1	1,909,357	317
Net assets-December 31	\$ 2,121,533	\$ 277

See accompanying notes to basic financial statements.

Statement of Net Assets - Component Units

December 31, 2009 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Urban Renewal Authority	Water Board	Other Component Units	Total
Assets					
Cash on hand	\$ -	\$ 1	\$ 46	\$ -	\$ 47
Cash and cash equivalents	2,246	5,359	16,614	38,631	62,850
Investments	-	-	178,505	7,220	185,725
Receivables:					
Taxes	-	51,648	-	8,988	60,636
Accounts	2,101	429	17,626	5,157	25,313
Accrued interest	-	74	-	-	74
Other	-	4,442	-	10,996	15,438
Inventories	-	-	6,640	625	7,265
Prepaid items and other assets	1,325	6,281	509	2,394	10,509
Restricted Assets:					
Cash and cash equivalents	77,938	47,468	-	22,826	148,232
Investments	-	25,047	-	-	25,047
Net assets held by third party	-	-	-	167,736	167,736
Long-term receivables	-	-	20,063	5,002	25,065
Other assets	10,921	-	11,691	1,192	23,804
Capital Assets:					
Land and construction in progress	23,421	-	256,663	7,000	287,084
Buildings and improvements	229,748	-	217,774	38,623	486,145
Improvements other than buildings	-	-	1,648,231	-	1,648,231
Machinery and equipment	40,529	-	226,396	12,491	279,416
Accumulated depreciation	(43,896)	-	(589,060)	(38,664)	(671,620)
Net Capital Assets	249,802	-	1,760,004	19,450	2,029,256
Total Assets	344,333	140,749	2,011,698	290,217	2,786,997
Liabilities					
Vouchers payable	2,627	-	16,783	7,518	26,928
Accrued liabilities	7,386	3,484	14,254	24,499	49,623
Unearned revenue	-	47,912	-	13,604	61,516
Advances	1,013	300	-	-	1,313
Due to other governments	-	3,619	-	727	4,346
Noncurrent liabilities:					
Due within one year	2,800	13,472	35,442	2,705	54,419
Due in more than one year	351,715	306,405	393,859	46,299	1,098,278
Total Liabilities	365,541	375,192	460,338	95,352	1,296,423
Net Assets					
Invested in capital assets, net of related debt	(106,185)	-	1,363,848	2,640	1,260,303
Restricted for:					
Capital projects	48,662	38,304	-	-	86,966
Emergency use	-	-	-	240	240
Debt service	39,496	33,948	13,233	6	86,683
Donor and other restrictions:					
Expendable	-	3,195	-	84,987	88,182
Nonexpendable	-	-	-	97,848	97,848
Unrestricted (Deficit)	(3,181)	(309,890)	174,279	9,144	(129,648)
Total Net Assets (Deficit)	\$ (21,208)	\$ (234,443)	\$ 1,551,360	\$ 194,865	\$ 1,490,574

See accompanying notes to basic financial statements.

Statement of Activities - Component Units

For the Year Ended December 31, 2009 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Urban Renewal Authority	Water Board	Other Component Units	Total
Expenses	\$ 88,563	\$ 53,873	\$ 218,564	\$ 141,154	\$ 502,154
Program Revenues					
Charges for services	73,229	1,537	193,030	20,139	287,935
Operating grants and contributions	-	200	66,751	36,333	103,284
Total Program Revenues	73,229	1,737	259,781	56,472	391,219
Net (expenses) revenues	(15,334)	(52,136)	41,217	(84,682)	(110,935)
General Revenues					
Taxes:					
Lodgers	-	656	-	-	656
Property	-	45,278	-	7,683	52,961
Sales and use	-	15,581	-	33,333	48,914
Specific ownership	-	-	-	205	205
Investment and interest income	684	1,454	948	4,579	7,665
Other revenues	8,500	2,927	2,679	2,900	17,006
Net General Revenues	9,184	65,896	3,627	48,700	127,407
Change in net assets	(6,150)	13,760	44,844	(35,982)	16,472
Net Assets (deficit) - January 1	(15,058)	(248,203)	1,506,516	230,847	1,474,102
Net Assets (Deficit) - December 31	\$ (21,208)	\$ (234,443)	\$ 1,551,360	\$ 194,865	\$ 1,490,574

See accompanying notes to basic financial statements.

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Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 46 Note A - Reporting Entity
- 50 Note B - Government-Wide and Fund Financial Statements
- 50 Note C - Measurement Focus, Basis of Accounting, and Statement Presentation
- 52 Note D - Assets, Liabilities, and Net Assets or Fund Balances

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- 55 Note A - Deficit Fund Equity
- 55 Note B - Excess Expenditures Over Authorizations

III. DETAILED NOTES FOR ALL FUNDS

- 55 Note A - Deposits and Investments
- 63 Note B - Receivables
- 64 Note C - Interfund Receivables, Payables, and Transfers
- 65 Note D - Capital Assets
- 67 Note E - Lease Obligations
- 69 Note F - Rates and Charges
- 69 Note G - Long-term Debt

IV. OTHER NOTE DISCLOSURES

- 80 Note A - Risk Management
- 81 Note B - Pollution Remediation
- 82 Note C - Workers' Compensation
- 83 Note D - Water Board Risk Management
- 84 Note E - Subsequent Events
- 85 Note F - Contingencies
- 88 Note G - Deferred Compensation Plan
- 89 Note H - Pension Plans

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE A – REPORTING ENTITY

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

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

1. Blended Component Units.

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

Denver 14th Street General Improvement District – The District was approved by voters November 3, 2009, as a separate legal entity pursuant to state law. The Districts' board of directors consists of the members of City Council. The District was formed to make infrastructure improvements to the 14th Street area in order to facilitate a connection to Denver City Park, the Cherry Creek Bike Path, and other destinations of interest. The District had no financial activity in 2009 or net assets to report as of December 31, 2009.

2. Discretely Presented Component Units.

9th Avenue, Cherry Creek North, Cherry Creek Subarea, Colfax, Downtown Denver, Old South Gaylord, and West Colfax Business Improvement Districts (BID) – Each BID is established by the City in accordance with state law for the purpose of maintaining public improvements and planning development activities within each BID's geographic boundaries. The City approves annual operating budgets for the BIDs and appoints the governing board of each BID. The 9th Avenue BID had no financial activity in 2009 or net assets to report as of December 31, 2009.

Denver Art Museum, Inc. (DAM) – DAM operates the Denver Art Museum for the City. DAM is the Art Agency for the City. The City does not appoint a voting majority of the DAM's board. The City provides a material subsidy to the DAM, \$2,058,000 for the 2009 fiscal year, to be used for general operating expenses of the museum and DAM employees are subject to the rules of the City's personnel system. The nature and significance of the relationship between the City and DAM is such that it would be misleading to exclude the DAM from the City's financial statements.

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

Denver Downtown Development Authority (DDDA) – The DDDA was created in August 2008 for the purpose of promoting public health, safety, prosperity, security, and general welfare in order to halt or prevent deterioration of property values or structures within the central business district and to assist in the development and redevelopment of the central business district, especially to benefit the property within the boundaries of the Authority. The DDDA will collect property and sales tax increment revenue from the City and disburse it to the Denver Union Station Project Authority and the Denver Union Station Metro Districts. In addition to the Denver Union Station Project Authority and the Denver Union Station Metro Districts, there exists within the boundaries of DDDA the Central Platte Valley Metropolitan District (CPV District). The CPV District only receives property tax revenue. The Board of Directors of DDDA are appointed by the City's Mayor and confirmed by City Council. The City Council can remove any of the Directors at will. The City entered into a cooperation agreement with DDDA, as a downtown development authority, on May 5, 2009, to authorize the collection and disbursement of property and sales tax increment revenues.

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

Denver Museum of Nature and Science (DMNS) – The DMNS serves as the Natural History Agency of the City. DMNS operates and manages the Museum of Nature and Science at Denver City Park. The City makes an annual appropriation to DMNS, \$1,647,000 for the 2009 fiscal year, as compensation for the care, control, maintenance, management, and development of the museum. DMNS must donate all of its rights, title, and interest in exhibits at the museum to the City for the benefit of the people of the City. The nature and significance of the relationship between the City and DMNS is such that it would be misleading to exclude the DMNS from the City's financial statements.

Denver Preschool Program, Inc. (DPP) – DPP is a nonprofit corporation organized to administer the Denver Preschool Program as defined in Article III of Chapter 11, of the Denver Revised Municipal Code. This program provides tuition credits for children of Denver families the year before the child is eligible for kindergarten. To fund the program, the voters of the City approved a sales and use tax increase of twelve one-hundredths of one percent (.12%) commencing on January 1, 2007, through December 31, 2016. The Mayor appoints six of the seven DPP board members and City Council appoints the other one.

Denver Union Station Project Authority (DUSPA) – The Denver Union Station Project Authority was formed June 30, 2008, with the Regional Transportation District, the Denver Regional Council of Governments and the Colorado Department of Transportation for the redevelopment of the Denver Union Station and its surrounding environs as a multimodal transportation center to serve as the future hub for several transportation modes in the City's metropolitan area. It will specifically deal with the financing, acquiring, equipping, designing, constructing, operating and maintaining the historic Denver Union Station building. The Mayor appoints the majority of the DUSPA board members, which are then confirmed by City Council, and can remove any City appointed board member at will.

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

undertake any urban renewal projects unless the City approves the urban renewal plan. In 2009, the DURA established Denver Neighborhood Revitalization, Inc. (DNRI), a registered State of Colorado not-for-profit organization to address the needs in the Denver community related to foreclosed and/or abandoned homes. DNRI administers and executes the Neighborhood Stabilization Program (NSP) funds awarded by the City and County of Denver. DNRI activities include acquisition and rehabilitation of foreclosed residential properties in targeted neighborhoods within the City and County of Denver. For presentation purposes, DURA and DNRI financial activity is combined.

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

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

9th Avenue BID 1700 Lincoln Street, Suite 3800 Denver, Colorado 80203	Cherry Creek North BID 299 Milwaukee Street, Suite 201 Denver, Colorado 80206
Cherry Creek Subarea BID 1593 South Jamaica Street Denver, Colorado 80012	Colfax BID 8390 East Crescent Parkway, Suite 500 Aurora, Colorado 80111
Downtown Denver BID 511 16th Street, Suite 200 Denver, Colorado 80202	Old South Gaylord BID 1076 South Gaylord Street Denver, Colorado 80209
West Colfax BID 1700 Lincoln Street, Suite 3800 Denver, Colorado 80203	Denver Art Museum, Inc. 100 West 14th Avenue Parkway Denver, Colorado 80204
Denver Convention Center Hotel Authority 1225 Seventeenth Street, Suite 3050 Denver, Colorado 80202	Denver Downtown Development Authority 201 West Colfax Avenue, Department 1109 Denver, Colorado 80202
Denver Metro Convention and Visitor’s Bureau, Inc., d/b/a VISIT DENVER 1555 California Street, Suite 300 Denver, Colorado 80202	Denver Museum of Nature and Science 2001 Colorado Boulevard - City Park Denver, Colorado 80205
Denver Preschool Program, Inc. 370 17th Street, Suite 5300 Denver, Colorado 80202	Denver Union Station Project Authority 1200 17th Street, Suite 1500 Denver, Colorado 80202
Denver Urban Renewal Authority 1555 California Street, Suite 200 Denver, Colorado 80202	Water Board 1600 West 12th Avenue Denver, Colorado 80204

3. Fiduciary Component Unit.

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

4. Related Organizations.

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

Denver Health and Hospital Authority (Authority) – The Authority is a political subdivision and body corporate of the State of Colorado. The Authority is governed by a nine member board, all appointed by the Mayor. The Authority entered into contractual agreements with the City to obtain and operate the City's existing hospital system. In accordance with the contractual agreements between the Authority and the City, the City paid the Authority \$54,197,000 for providing various health related services to the City and its residents during 2009. In addition, the Authority made payments in the amount of \$1,713,000 to the City for human services, fleet, sheriff, and various human resources services.

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

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

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

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

NOTE B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period or when matured. The City considers all revenue as available, if collected within 60 days after year-end. Property taxes, sales and use taxes, franchise taxes, occupational privilege taxes, interest revenue, grant revenue, and charges for services are susceptible to accrual. Other receipts, fines, licenses, permits, and parking meter revenues become measurable and available when cash is received by the City and are recognized as revenue at that time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred, except for debt service expenditures, and certain compensated absences and claims and judgments, which are recognized when the payment is due.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.
- The Human Services special revenue fund is used to account for proceeds of restricted revenue to be used for public assistance and welfare activities.

- The Bond Projects capital projects fund is used to account for proceeds from the issuance of long-term debt to be used for paying the cost of projects as set forth in bond issuing ordinances.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund-types:

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

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

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

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

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

NOTE D – ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCES

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

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

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

3. Property Taxes Receivable. Property taxes are reported as a receivable and as unearned or deferred revenue when the levy is certified by the City's Assessor on or before December 15 of each year, unless there is a special election. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on March 1 and June 16, respectively. Tax rate levy authority for the 2009 fiscal year was approved when Resolution 153, Series of 2009, was adopted by the City Council and approved by the Mayor.

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

5. Interfund Receivables/Payables. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances from these transactions are classified as "interfund receivable" or "interfund payable" on the balance sheet/statement of net assets. Other interfund receivables/payables between individual funds have occurred because some funds have overdrawn their equity share of pooled cash.

6. Due From Other Governments. Due from other governments includes amounts due from grantors for grants for specific programs and capital projects. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are deferred. In the governmental funds, revenue recognition depends on the timing of cash collections (availability).

- 7. Inventories and Prepaid Items.** The City values inventories at cost, which approximates market, and accounts for them using either the weighted average method or the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

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

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

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

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

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

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

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

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

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

Buildings and improvements	5 to 100 years
Motor vehicles and motorized equipment	5 to 20 years
Furniture, machinery, and equipment	3 to 20 years
Collections	15 years
Infrastructure	6 to 50 years

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

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

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

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

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

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

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

12. Special Incentive Program. In 2009, the City approved a Special Incentive Program (SIP) for the purpose of reducing payroll expenses by encouraging employees eligible to retire to separate from employment. Under the SIP, each employee who separated from employment will receive \$500 per month for thirty months beginning in January 2010. A total of 322 employees elected to participate in the program. The City recorded a current liability of \$2,079,798 for the 2010 payments and a long term liability of \$2,969,912 for the 2011 and 2012 payments. The liability for 2011 and 2012 was calculated using the present value of the payments. The discount rate of .23% used for the present value calculation was based on the average monthly projected yield of investments that will be used to fund the future payments.

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

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

15. Encumbrances. Encumbrances for contracts and purchase orders are unencumbered at year end and reappropriated against the subsequent year's budget. As of December 31, 2009, \$6,284,643 was reappropriated against the general fund 2010 budget for remaining prior year encumbrances.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE A – DEFICIT FUND EQUITY

At December 31, 2009, the Central Services internal service fund, the Workers' Compensation internal service fund (see Note IV-C), and the Economic Opportunity special revenue fund had deficit fund balances or net assets in the amount of \$272,000, \$2,278,000, and \$89,000, respectively. In addition, the Denver Convention Center Hotel Authority (DCCHA), the Denver Preschool Program, Inc. (DPP), the Denver Union Station Project Authority (DUSPA), and the Denver Urban Renewal Authority (DURA) component units had deficit net assets in the amounts of \$21,208,000, \$2,840,000, \$31,846,000, and \$234,443,000, respectively.

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

The DCCHA component unit will use revenue from its hotel facility to fund its deficit net assets. The DPP receives sales tax revenue to fund its deficit net assets. The DUSPA and DURA component units use Tax Increment Financing (TIF), which is additional incremental property and sales taxes generated by redevelopment projects, to fund their deficit net assets.

NOTE B – EXCESS EXPENDITURES OVER AUTHORIZATIONS

Budget basis expenditures exceeded authorizations for one funded project shown in **Table 1**.

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

Table 1

Excess Expenditures Over Authorizations

For the Year Ended December 31, 2009 (dollars in thousands)

	Authorization	Budget Basis Expenditures	Excess over Authorization
911 Call Center	\$ 8,962	\$ 8,971	\$ 9

III. DETAILED NOTES FOR ALL FUNDS

NOTE A – DEPOSITS AND INVESTMENTS

1. Deposits. The City Charter, Section 2.5.3(c), requires all banking or savings and loan institutions to pledge sufficient collateral as required by law (Public Deposit Protection Act (C.R.S., 11-10.5-101)) before any public funds are deposited. In addition, the City's investment policy requires that certificates of deposit be purchased from institutions that are certified as Eligible Public Depositories by the appropriate state regulatory agency. The financial institutions holding the City's cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Effective October 3, 2008, the FDIC's insurance limits for interest bearing accounts increased to \$250,000. The increase in federally insured limits is currently set to expire

December 31, 2013. Under the PDPA, all deposits exceeding the amount insured by the FDIC are to be fully collateralized at 102% of the deposits with specific approved securities identified in the act. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institutions' trust department or agent in the "City's name."

Custodial credit risk is the risk that, in the event of a failure of a financial institution or counterparty, the City would not be able to recover its deposits, investments or collateral securities. At December 31, 2009, the bank balance and carrying amounts of accounts managed by the City Treasurer were \$6,624,000 and \$23,348,000, respectively. The City's deposits, except for the Denver Employees Retirement Plan (DERP) pension trust fund, funds held by St. Paul/Travelers Insurance, and certain component units' deposits are subject to, and in accordance with, the State of Colorado's Public Deposit Protection Act (PDPA). Deposits subject to the PDPA are not subject to custodial credit risk.

At December 31, 2009, the DERP did not have any deposits, investments, or collateral securities subject to custodial credit risk.

St. Paul/Travelers Insurance manages an owner-controlled insurance plan on behalf of the Denver Airport System. St. Paul pays claims from an escrow account held in the Airport System's name that is uninsured, uncollateralized, and subject to custodial credit risk. The balance of the account at December 31, 2009, was \$114,312.

All deposits for DURA and the Water Board were not subject to custodial credit risk at December 31, 2009, since they were in PDPA eligible financial institutions. DCCCHA had cash deposits at December 31, 2009, in bank accounts in excess of the FDIC insurance limits aggregating to approximately \$1,996,000 that was subject to custodial risk.

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

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

The City has contracted with Chandler Asset Management (CAM) of San Diego, California, a Securities and Exchange Commission registered investment advisor, to advise the City on matters related to the administration of the investment portfolio. The services include provision of information concerning market conditions, monitoring the investment portfolio's

risk profile to the City's benchmarks, advice regarding strategy and structuring of the portfolio, and education of City staff. CAM directs the investment of approximately 25% of the investment portfolio, but securities are held by the City's third party custodial agent and CAM has no access to City cash or assets.

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

At December 31, 2009, the City's investment balances were as shown in **Table 2**.

Table 2**City Investment Balances**

December 31, 2009 (dollars in thousands)

	Fair Value
Repurchase agreements	\$ 1,919
Money market funds	7,239
Local government investment pool	181,696
Certificate of deposit	20,000
Commercial paper	106,808
Common stock	961,740
Mutual funds	251,229
State and local government securities	14,851
Municipal securities	7,875
U.S. Treasury securities	400,758
U.S. agency securities	1,356,153
Corporate and mortgage bonds	320,576
Annuity contracts	194,966
Real estate	107,888
Other	120,917
Total Investments	\$ 4,054,615

The DERP pension trust fund had securities lending collateral of \$245,389,000 at December 31, 2009; see Note III-A-6 for additional discussion related to this balance.

At December 31, 2009, the investment balances of the discretely presented component units were as shown in **Table 3**.

Table 3**Component Units Investment Balances**

December 31, 2009 (dollars in thousands)

	Fair Value
Money market funds	\$ 108,560
Repurchase agreements	8,760
Certificate of deposit	27,002
Local government investment pool	18,984
Mutual funds	647
U.S. Treasury securities	156,192
U.S. agency securities	28,348
Investment contracts	25,047
Corporate bonds	592
Other	873
Total Investments	\$ 375,005

A reconciliation of cash and investments as shown in the basic financial statements as of December 31, 2009, is shown in **Table 4**.

Table 4**Reconciliation of Cash and Investments**

December 31, 2009 (dollars in thousands)

	Primary Government	Component Units	Total
Governmental and Business-type Activities			
Cash on hand	\$ 5,636	\$ 47	\$ 5,683
Cash and cash equivalents	477,031	62,850	539,881
Investments	357,105	185,725	542,830
Restricted cash and cash equivalents	134,132	148,232	282,364
Restricted investments	977,787	25,047	1,002,834
Total Governmental and Business-type Activities	1,951,691	421,901	2,373,592
Fiduciary			
Cash on hand	3,832	-	3,832
Cash and cash equivalents	67,090	-	67,090
Investments	2,081,537	-	2,081,537
Total Fiduciary	2,152,459	-	2,152,459
Total	4,104,150	421,901	4,526,051
Less deposit balance	(49,535) ¹	(46,896)	(96,431)
Total Investments	\$ 4,054,615	\$ 375,005	\$ 4,429,620

¹The carrying amount of the City's bank accounts, \$23,348 plus fiduciary deposits of \$43,707, less uncashed warrants of \$27,183, plus other cash amounts of \$9,663 equal \$49,535.

Interest Rate Risk. Interest rate risk is the risk that changes in the financial market interest rates will adversely affect the value of an investment. The City's investment policy limits interest rate risk for investments under the control of the Manager by limiting the maximum maturity of investments. Investments in commercial paper have a maximum maturity of 366 days. At December 31, 2009, the City's commercial paper maturity dates ranged from January 4, 2010 to January 27, 2010. U.S. Treasury and agency securities can have a maximum maturity of ten years.

At December 31, 2009, the City's investment balances and maturities for those investments subject to interest rate risk (excluding the DERP) is shown in **Table 5** (dollars in thousands):

Table 5

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
Commercial paper	\$ 106,808	\$ 106,808	\$ -	\$ -	\$ -
Municipal bonds	\$ 6,940	\$ -	\$ -	\$ -	\$ 6,940
U.S. Treasury securities	271,241	-	220,090	51,151	-
U.S. agency securities	1,342,999	43,401	1,061,847	191,648	46,103
Total	\$ 1,727,988	\$ 150,209	\$ 1,281,937	\$ 242,799	\$ 53,043

The City's portfolio of U. S. agency securities includes callable securities and securities with scheduled interest changes. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2009, the City owned callable securities with a fair value of \$353,428,000. Of these, securities with scheduled changes to predetermined interest rates had a fair value of \$76,977,000.

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

The DERP limits its exposure to fair value losses due to rising interest rates by limiting investment duration as the primary measure of interest rate risk within some of its fixed income investments: intermediate – one to eight years and high yield – between (+) or (-) 10% of the duration of the Merrill Lynch High yield Cash Pay Index. At December 31, 2009, the DERP pension trust fund investment balances and maturities for those investments subject to interest rate risk are shown in **Table 6** (dollars in thousands).

Table 6

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Treasury securities	\$ 129,517	\$ 4,383	\$ 57,361	\$ 50,199	\$ 17,574
U.S. agency securities	13,154	120	6,357	3,619	3,058
Asset backed	8,880	-	4,203	1,845	2,832
Corporate backed	226,527	2,384	97,284	100,414	26,445
Mortgage backed	85,169	4,994	18,630	15,679	45,866
Total	\$ 463,247	\$ 11,881	\$ 183,835	\$ 171,756	\$ 95,775

Credit Quality Risk. Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the City. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are assigned credit quality ratings of AAA. Of the City's investments at December 31, 2009, commercial paper, municipal variable rate demand obligations (VRDO's), and local government investment pools were subject to credit quality risk. The VRDO's were issued by the City and County of Denver. The City's investment policy requires that commercial paper be rated by at least two of the recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's and Fitch, respectively, at the time of purchase. The investment policy requires that the VRDO's have a minimum underlying issuer rating from at least one of the three rating agencies of A from Standard and Poor's and Fitch and A2 from Moody's. The investment policy also requires the local government investment pool to have over \$1 billion in assets or have the highest current rating from one or more nationally recognized rating agencies.

As of December 31, 2009, the City owned commercial paper with a fair value of \$106,808,000 that had two ratings of at least A-1 as rated by Standard & Poor's, P-1 as rated by Moody's, or F1 as rated by Fitch. The City owned \$935,000 of VRDO's that had ratings of at least A1 by Moody's or AA- by Standard & Poor's or Fitch. The City also had \$181,197,000 invested in local government investment pools with a rating of AAAM by Standard & Poor's.

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

Information on the credit ratings associated with the DERP investments in debt securities at December 31, 2009, is shown in **Table 7** (dollars in thousands).

Table 7

S&P	Moody's	Asset Backed	Corporate Bonds	Mortgage Bonds	Total
AAA	Aaa	\$ 3,373	\$ 5,275	\$ 71,230	\$ 79,878
AAA	A1 to Aa3	238	-	31	269
AAA	NR	305	-	2,312	2,617
AA+ to AA-	A1 to Aa3	-	13,961	1,021	14,982
A+ to A-	A1 to Baa2	547	65,188	5,202	70,937
BBB+ to BBB-	A1 to Baa3	1,850	48,160	950	50,960
BB+ to BB-	B1 to Ba3	1,262	37,174	-	38,436
B+ to B-	B1 to Caa1	498	51,345	-	51,843
CCC+ to CCC	B3	184	2,056	1,235	3,475
NR	Aaa to Baa2	622	947	3,189	4,758
NR	NR	-	2,421	-	2,421
Total		\$ 8,879	\$ 226,527	\$ 85,170	\$ 320,576

NR - no rating.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name. None of the City's investments owned at December 31, 2009, were subject to custodial credit risk.

In accordance with the City's investment policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week, and adjusted on an as needed basis. Collateral for all investments, including repurchase agreements, are held in the City's name by the City's custodian, J.P. Morgan. The City did not own any repurchase agreements in its investment portfolio on December 31, 2009.

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

DERP has no formal policy for custodial credit risk. There were no investments or collateral securities subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states that a maximum of 5% of the portfolio may be invested in commercial paper, municipal securities, or certificates of deposit issued by any one provider. The City's investment policy also limits investments in money market funds to 25% of total investments and investments in municipal securities to 15% of total investments. As of December 31, 2009, all investments in commercial paper, money market funds, and municipal securities were in compliance with the City's investment policy.

The DERP investment policy mandates that no managed account may invest more than 5% of managed assets in the securities of a single issuer. As of December 31, 2009, all DERP investments were in compliance with this policy.

Foreign Currency Risk. Foreign Currency risk is the risk that changes in exchange rates will adversely affect their value of an investment or deposit. The City's investment policy, excluding the DERP pension trust fund, does not allow for investments in foreign currency. The DERP pension trust fund investment policy allows 15% to 19% of total investments to be invested in international equities. The DERP pension trust fund exposure to foreign currency risk as of December 31, 2009, is reflected in **Table 8** (dollars in thousands):

Table 8

Foreign Currency	U.S. Dollars
Equities:	
Australian Dollar	\$ 19,966
Brazilian Real	531
British Pound	72,387
Canadian Dollar	2,923
Chinese Yuan	3
Danish Krone	1,926
Euro	116,979
Hong Kong Dollar	8,704
Japanese Yen	55,038
New Zealand Dollar	227
Norwegian Krone	4,548
Swedish Krona	6,985
Singapore Dollar	7,695
Swiss Franc	25,798
Subtotal	323,710
Cash:	
British Pound	183
Euro	366
Hong Kong Dollar	8
Japanese Yen	69
Singapore Dollar	21
Swiss Franc	54
Subtotal	701
Total Foreign Deposits and Investments	\$ 324,411

- 3 **Denver Convention Center Hotel Authority (DCCHA).** DCCHA's investments are not subject to custodial credit risk at December 31, 2009, since they were covered by collateral held by DCCHA's custodial bank.
4. **Denver Urban Renewal Authority (DURA).** Although it does not have a formal policy to limit exposure to interest rate risk, DURA limits the maximum maturity of investments.

At December 31, 2009, DURA's investment balances and maturities are shown in **Table 9** (dollars in thousands):

Table 9

Investment Type	Investment Maturities in Years		
	Fair Value	Less than 1	1 - 5
Money market funds	\$ 20,598	\$ 20,598	\$ -
Guaranteed investment contracts	25,047	-	25,047
Local government investment pool	18,380	18,380	-
Total	\$ 64,025	\$ 38,978	\$ 25,047

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

At December 31, 2009, the Water Board's investment balances and maturities are shown in **Table 10** (dollars in thousands):

Table 10

Investment Type	Investment Maturities in Years		
	Fair Value	Less than 1	1 - 5
U.S. Treasury securities	\$ 151,639	\$ 133,639	\$ 18,000
U.S. agency securities	26,348	25,302	1,046
Corporate obligations	518	518	-
Total	\$ 178,505	\$ 159,459	\$ 19,046

The Water Board mitigates credit quality risk by limiting the purchase of investments in commercial paper to those rated either A1 or better by Standard & Poor's or P1 by Moody's. Corporate bonds must be rated AA- or better by Standard & Poor's or Aa3 or better by Moody's. As of December 31, 2009, all of the Water Board's investments in corporate bonds were rated AAA by Standard & Poor's or Aaa by Moody's. The Water Board did not own any commercial paper at December 31, 2009.

6. **Securities Lending.** The City participates in a securities lending program with certain qualified dealers. The securities are loaned to the dealer up to a maximum of up to one year in exchange for a predetermined fee. The City continues to receive interest earnings on the loaned securities. The securities are collateralized by the dealer. The collateral is held in the City's name by J.P. Morgan, the City's custodian. Collateral is limited to U.S. government and/or its agencies' securities with a maximum maturity of 10 years. Only those securities issued by agencies approved for purchase under the City's investment policy are acceptable as collateral for these agreements. The initial market value of the collateral for each investment position maintained with a dealer shall be 102% of the market value of the securities being collateralized. Market value includes investment principal plus accrued interest. Collateral valuation levels with each dealer must be determined on at least a weekly basis, and deficiencies from the required 102% level must be cured no later than the following business day. The loans can be terminated at the request of either party on demand. The City had no securities on loan as of December 31, 2009.

The DERP pension trust fund participates in a securities lending program to augment income. The program is administered by the DERP custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U. S. government securities, defined letters of credit or other collateral approved by the DERP. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. DERP continues to receive interest and dividends during the loan period as well as a fee from the borrower. There are no restrictions on the amount of securities that can be lent at one time. At December 31, 2009, the fair value of underlying securities lent was \$243,865,000. The fair value of associated collateral was \$245,389,000; of this amount, \$208,051,000 represents the fair value of cash collateral and \$37,338,000 is the fair value of non-cash collateral. The collateral at December 31, 2009, is less than 102% of the underlying securities due to certain securities for which cash collateral had been invested in becoming impaired because of the credit failure of the issuer. Thus DERP has credit risk exposure of \$5,728,000; the reduction in the carrying amount of the collateral due to the impairment.

NOTE B – RECEIVABLES

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

Table 11 represents the allowances for doubtful accounts at December 31, 2009:

Table 11
Allowances for Doubtful Accounts
December 31, 2009 (dollars in thousands)

	Governmental Activities	Business-type Activities	Fiduciary Funds
General Fund	\$ 23,897	\$ -	\$ -
Human Services	431	-	-
Other Governmental Funds	60,066	-	-
Wastewater Management	-	1,219	-
Denver Airport System	-	1,075	-
Agency	-	-	4,558
Total	\$ 84,394	\$ 2,294	\$ 4,558

2. **Notes Receivable.** The special revenue funds' and general fund notes receivable balance at December 31, 2009, is shown in Table 12 (dollars in thousands):

Table 12

Neighborhood Development Loans	\$ 8,094
Economic Development Loans	53,204
Housing Development Loans	72,583
Total Office of Economic Development	133,881
Less allowances for delinquent loans	(2,505)
Less allowances for forgivable loans	(49,899)
Notes Receivable, Net	\$ 81,477

Allowance for uncollectibles for notes receivable of \$52,404,000 is included in the accounts receivable allowance of \$84,394,000 above.

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

3. **Long-Term Receivables Allowance.** Included in long-term receivables are amounts related to reimbursement for construction costs, parking fines, court fines, and library fines. The City recorded an allowance for uncollectible accounts for governmental activities of \$29,715,000. The DURA component unit recorded an allowance of \$4,255,000.

4. **Operating Leases.** The Denver Airport System leases portions of its Denver International Airport buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases require retail concessions to pay a minimum guarantee or percentage of gross receipts, whichever is greater. Revenue from these operating leases of \$67,896,000 was recognized in the Denver Airport System enterprise fund during the year ended December 31, 2009. Minimum future rentals due from concessions under operating leases are shown in **Table 13** (dollars in thousands):

Table 13

Year	
2010	\$ 52,433
2011	49,847
2012	47,923
2013	45,772
2014	14,025
2015 - 2019	18,475
2020 - 2022	1,056
Total	\$ 229,531

Leases with airlines with terms of 10 years and 30 years are terminable by the airline if the airline's cost per enplaned passenger exceeds \$25 and \$20 (in 1990 dollars), respectively. Rental rates for airlines are established using the rate making methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet rate maintenance covenants per governing bond ordinances.

NOTE C – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Tables 14 and **15** reflect the City's interfund balances as of December 31, 2009 (dollars in thousands):

1. Interfund Payables/Receivables.

Table 14

Receivable Fund	Payable Fund								Total
	General Fund	Human Services	Bond Projects	Non-major Governmental	Wastewater Management	Denver Airport System	Non-major Business-type	Internal Service	
General Fund	\$ -	\$ 2,249	\$ 25	\$ 11,746	\$ 3,246	\$ 23,369	\$ 1,459	\$ 1,907	\$ 44,001
Human Services	3	-	-	-	-	-	-	-	3
Non-major Governmental	147	2,340	-	19	1	-	4	2	2,513
Wastewater Management	-	-	11	-	-	222	17	-	250
Non-major Business-type	14	-	-	-	-	-	-	-	14
Internal Service Funds	3,675	95	3	119	134	78	6	28	4,138
Total	\$ 3,839	\$ 4,684	\$ 39	\$ 11,884	\$ 3,381	\$ 23,669	\$ 1,486	\$ 1,937	\$ 50,919

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

2. Transfers.

Table 15

Transfers In	Transfers Out						Total
	General Fund	Human Services	Bond Projects	Non-major Governmental	Wastewater Management	Non-major Business-type	
General Fund	\$ -	\$ -	\$ -	\$ 30,577	\$ -	\$ -	\$ 30,577
Human Services	2,862	-	-	-	-	-	2,862
Non-major Governmental	47,716	75	1,481	31,305	19	250	80,846
Denver Airport System	-	-	-	12	-	-	12
Non-major Business-type	-	-	-	1,188	-	-	1,188
Total	\$ 50,578	\$ 75	\$ 1,481	\$ 63,082	\$ 19	\$ 250	\$ 115,485

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

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, are shown in **Tables 16** and **17**:

1. Governmental Activities.

Table 16

Governmental Activities

For the Year Ended December 31, 2009 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
Capital assets not being depreciated:					
Land and land rights	\$ 246,309	\$ 5,024	\$ -	\$ -	\$ 251,333
Construction in progress	243,949	197,400	-	(53,825)	387,524
Total capital assets not being depreciated	490,258	202,424	-	(53,825)	638,857
Capital assets being depreciated:					
Buildings and improvements	1,567,482	10,254	(6,250)	23,137	1,594,623
Equipment and other	258,172	29,730	(18,799)	728	269,831
Collections	74,556	5,419	(11,698)	79	68,356
Infrastructure	1,055,027	22,740	(4,025)	29,881	1,103,623
Total capital assets being depreciated	2,955,237	68,143	(40,772)	53,825	3,036,433
Less accumulated depreciation for:					
Buildings and improvements	(393,300)	(43,723)	430	-	(436,593)
Equipment and other	(186,615)	(25,230)	15,917	-	(195,928)
Collections	(37,784)	(6,345)	11,670	-	(32,459)
Infrastructure	(465,029)	(31,990)	4,025	-	(492,994)
Total accumulated depreciation	(1,082,728)	(107,288)	32,042	-	(1,157,974)
Total capital assets being depreciated, net	1,872,509	(39,145)	(8,730)	53,825	1,878,459
Governmental Activities Capital Assets, net	\$ 2,362,767	\$ 163,279	\$ (8,730)	\$ -	\$ 2,517,316

2. Business-type Activities.

Table 17

Business-type Activities

For the Year Ended December 31, 2009 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
Capital assets not being depreciated:					
Land and land rights	\$ 321,486	\$ 897	\$ -	\$ -	\$ 322,383
Construction in progress	58,675	111,469	-	(61,806)	108,338
Total capital assets not being depreciated	380,161	112,366	-	(61,806)	430,721
Capital assets being depreciated:					
Buildings and improvements	2,013,591	436	(3,678)	1,541	2,011,890
Improvements other than buildings	2,783,297	8,683	(658)	48,699	2,840,021
Machinery and equipment	701,945	17,472	(20,946)	11,566	710,037
Total capital assets being depreciated	5,498,833	26,591	(25,282)	61,806	5,561,948
Less accumulated depreciation for:					
Buildings and improvements	(710,919)	(63,421)	1,330	379	(772,631)
Improvements other than buildings	(856,178)	(67,053)	-	(379)	(923,610)
Machinery and equipment	(404,269)	(62,218)	18,619	-	(447,868)
Total accumulated depreciation	(1,971,366)	(192,692)	19,949	-	(2,144,109)
Total capital assets being depreciated, net	3,527,467	(166,101)	(5,333)	61,806	3,417,839
Business-type Activities Capital Assets, net	\$ 3,907,628	\$ (53,735)	\$ (5,333)	\$ -	\$ 3,848,560

3. Discretely Presented Component Units. Capital Asset activity for the Water Board and Denver Convention Hotel

Authority component units is shown in Table 18:

Table 18

Discretely Presented Component Units

For the Year Ended December 31, 2009 (dollars in thousands)

	January 1	Additions and Transfers	Deletions	December 31
Capital assets not being depreciated:				
Land and land rights	\$ 186,265	\$ 16,479	\$ -	\$ 202,744
Construction in progress	109,316	(29,944)	(2,032)	77,340
Total capital assets not being depreciated	295,581	(13,465)	(2,032)	280,084
Capital assets being depreciated:				
Buildings and improvements	441,590	6,302	(370)	447,522
Improvements other than buildings	1,575,950	77,908	(5,627)	1,648,231
Machinery and equipment	250,024	34,113	(17,212)	266,925
Total capital assets being depreciated	2,267,564	118,323	(23,209)	2,362,678
Less accumulated depreciation for:				
Buildings and improvements	(69,326)	(9,462)	125	(78,663)
Improvements other than buildings	(430,600)	(26,901)	3,189	(454,312)
Machinery and equipment	(100,453)	(11,018)	11,490	(99,981)
Total accumulated depreciation	(600,379)	(47,381)	14,804	(632,956)
Total capital assets being depreciated, net	1,667,185	70,942	(8,405)	1,729,722
Discretely Presented Component Units Capital Assets, net	\$ 1,962,766	\$ 57,477	\$ (10,437)	\$ 2,009,806 ¹

¹Excludes net capital assets of \$19,450 of Other Component Units.

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

Table 19

General government	\$	15,037
Public safety		13,319
Public works, including depreciation of infrastructure		38,801
Human services		793
Health		216
Parks and recreation		9,851
Cultural activities		28,595
Community development		(102)
Economic opportunity		5
Capital assets held by internal service funds		773
Total	\$	107,288

5. **Construction Commitments.** The City's governmental and business-type activities and component units have entered into construction and professional services contracts having remaining commitments under contract as of December 31, 2009, as shown in **Table 20** (dollars in thousands):

Table 20**Governmental Activities:**

Bond Projects	\$	44,861
Capital Improvements		48,758
Entertainment and Culture		1,958
Total Governmental Activities	\$	95,577

Business-type Activities:

Wastewater Management	\$	20,560
Denver Airport System		152,993
Total Business-type Activities	\$	173,553

Component Units:

Water Board	\$	156,300
Total Component Units	\$	156,300

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

NOTE E – LEASE OBLIGATIONS

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

The City currently leases two City Park parking structures, adjacent to the Denver Museum of Nature and Sciences (DMNS) and the Denver Zoo, from Denver Capital Leasing Corporation (DCLC). Under separate agreements, the DMNS and the Denver Zoological Foundation Inc. agreed to increase their admission charges and provide a portion of their admission revenues to help make the lease payments. In 2009, the DMNS collected and remitted \$668,128 to the City to be applied to the lease payments. The Zoo collected and remitted \$640,803.

The City has entered into a lease/lease back agreement to allow the Trustee on behalf of Denver Botanic Garden Parking Facility Leasing Trust to execute and deliver Certificates of Participation (Denver Botanic Gardens Parking Facility Project), Series 2008B. Certificates in the amount of \$17,735,000 were executed and delivered in November 2008, and proceeds of the certificates are being used to fund the design and construction of a new parking facility at the Denver Botanic Gardens (DBG). The Trust has a leasehold interest in the City-owned site of the parking facility that is currently being leased back to the City by the Trust. Upon completion of the parking facility, it will also be leased to the City by the Trust. DBG has agreed to implement a fee increase schedule for admissions, membership, and concerts in order to generate revenues sufficient to cover the lease payments. The certificated lease is included in the City's capital lease information. In 2009, DBG collected and remitted \$446,645 to be applied to the lease payments.

In addition to base rental payments, the lease agreement related to the Wellington Webb Municipal Office Building requires the City to make all payments for any swap agreements relating to the Series 2008A Certificates of Participation (COPs) entered into by the lessor. The lessor has entered into three separate interest rate swap agreements requiring payment to the counterparties of a fixed 3.39% interest rate on the 2008A1 and 2008A2 associated swaps and 3.13% on the 2008A3 associated swap. In return, the Lessor receives a floating rate set at 68% of LIBOR. The interest rate swaps, with amortizing notional amounts equal to the principal of the outstanding 2008A COPs, effectively fix the variable rate on the 2008A COPs. The City's annual interest expense on the lease is equal to the interest payable on the variable rate 2008A COPs, increased or decreased by any payments made or received under the three interest rate swap agreements. In 2009, the City's net payments to the swap counterparties were \$7,858,909.

The related net book values of plant and equipment under capital lease obligations as of December 31, 2009, are shown in **Table 21** (dollars in thousands):

Table 21

	Governmental Activities	Component Unit Water Board
Buildings	\$ 350,600	\$ 31,114
Land	17,314	-
Improvements other than buildings	-	81,829
Equipment	25,363	-
Less accumulated depreciation	(78,495)	(31,639)
Net Book Value	<u>\$ 314,782</u>	<u>\$ 81,304</u>

Table 22 is a schedule by year of future minimum lease obligations together with the present value of the net minimum lease payments as of December 31, 2009 (dollars in thousands):

Table 22

	Governmental Activities	Business-type Activities	Component Unit Water Board
2010	\$ 25,407	\$ 156	\$ 10,582
2011	26,844	171	16,113
2012	27,248	170	5,211
2013	27,476	170	5,209
2014	27,598	14	5,212
2015 - 2019	124,229	-	19,421
2020 - 2024	100,454	-	1,500
2025 - 2029	87,832	-	-
2030 - 2031	55,942	-	-
Total minimum lease payments	503,030	681	63,248
Less amounts representing interest	(66,484)	(64)	(13,105)
Present Value of Minimum Lease Payments	\$ 436,546	\$ 617	\$ 50,143

2. **Operating Leases.** The City is committed under various cancelable leases for property and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year-ended December 31, 2009, were approximately \$7,332,000, \$354,000, and \$2,809,000 for the governmental activities, business-type activities, and component units, respectively. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments should be approximately the same amount.

NOTE F – RATES AND CHARGES

The Denver Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations, maintenance, and debt service related to the airfield and space utilized by the airlines. Any differences between amounts collected and actual costs allocated to the airline's leased space are credited or billed to the airlines. As of December 31, 2009, the Denver Airport System has accrued a receivable balance of \$5,891,000 for such amounts due from the airlines.

For the years ended December 31, 2000 through 2005, 75% of net revenues (as defined by bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50%, capped at \$40,000,000. The net revenues credited to the airlines for the year-ended December 31, 2009, were \$29,335,000 and have been accrued as a liability at year-end.

NOTE G – LONG-TERM DEBT

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 15 to 20-year serial bonds, except for refunding issues. General obligation bonds outstanding, excluding unamortized premium of \$38,292,963, at December 31, 2009, are shown in **Table 23** (dollars in thousands):

Table 23

Purpose	Net Interest Cost	Interest Rates	Amount
General government	2.28% to 6.77%	2.00% to 5.50%	\$ 616,209
Water Board component unit refunding		3.25% to 6.00%	31,170
Total			\$ 647,379

On December 31, 2009, the City had \$449,730,000 in authorized but unissued general obligation bonds, all attributable to the Better Denver Bond Projects that were authorized by the Denver voters in 2007. The City is using commercial paper notes to fund the Better Denver Bond Projects in order to more closely match incoming funds to project needs, and to time the issuance of bonds to market conditions. The commercial paper notes will be redeemed with proceeds of Better Denver general obligation bonds as they are issued. On December 31, 2009, the amount of commercial paper notes outstanding was \$22,000,000, at an interest rate of 0.40%.

In June 2009, the City issued \$104,500,000 and \$14,415,000 of Series 2009A and Series 2009B General Obligation Bonds, respectively. The proceeds of the Series 2009A Bonds were used to redeem \$53,000,000 in commercial paper notes and provide \$25,000,000 of new money for the Better Denver Bond Projects. The Series 2009A Bonds also provided \$26,500,000 of new money for the Denver Zoo, which was the remaining balance of the \$62,500,000 authorization for the Zoo approved by the Denver voters in 1999. The proceeds of the 2009B Bonds, along with other City funds, were used to advance refund the Series 2000 General Obligation Bonds resulting in a present value savings of \$613,741 and a deferred loss of \$690,333. The Series 2009A Bonds are fixed rate bonds with final maturity in 2025; the Series 2009B Bonds are fixed rate bonds with final maturity in 2015.

General obligation bonds have been issued by the Gateway Village General Improvement District; however, these bonds are solely the obligation of the District and not the primary government. In November 2009, the District issued the Series 2009 Gateway Village General Improvement District, General Obligation Refunding Bonds that current refunded the outstanding Series 1998 and Series 2004 Gateway Village GID Bonds. The existing bonds were refunded to provide a level debt service and to maintain existing services without increasing mill levies on assessed property values that had decreased. As of December 31, 2009, there are bonds outstanding in the amount of \$2,215,000.

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

Table 24

	Governmental Activities				Component Unit-Water Board	
	General Government		General Improvement District		Principal ²	Interest
	Principal ¹	Interest	Principal	Interest		
2010	\$ 41,595	\$ 29,507	\$ 260	\$ 86	\$ 3,080	\$ 1,548
2011	39,455	27,177	270	74	4,265	1,391
2012	37,525	25,459	280	63	1,595	1,177
2013	36,280	23,729	290	53	1,995	1,112
2014	36,594	22,048	300	42	1,735	1,023
2015 - 2019	214,290	81,037	815	49	5,100	4,137
2020 - 2024	170,725	34,925	-	-	1,850	3,431
2025 - 2029	39,745	1,987	-	-	11,550	3,232
Total	\$ 616,209	\$ 245,869	\$ 2,215	\$ 367	\$ 31,170	\$ 17,051

¹ Does not include \$2,042 and \$1,192 of compound interest on the series 1999A and 2007 mini-bonds respectively, unamortized premium of \$38,293, or deferred amount on refunding of (\$372).

² Does not include unamortized discount of (\$155).

2. **Revenue Bonds.** The City and component units issue bonds and notes where income derived from acquired or constructed assets is pledged to pay debt service. Certain Airport system and Art Museum revenue bonds are subject to mandatory redemption requirements in 2008, and subsequent years. Revenue bonds outstanding, excluding unamortized premium (net of discount) of \$76,846,000 and deferred amount on refunding of (\$277,096,000), at December 31, 2009, are shown in **Table 25** (dollars in thousands):

Table 25

<u>Purpose</u>	<u>Net Interest Cost</u>	<u>Interest Rates</u>	<u>Amount</u>
Excise tax revenue	5.04%	5.00%	\$ 7,255
Excise tax refunding	2.93% to 5.42%	2.25% to 6.00%	271,195
Wastewater	4.98%	4.50% to 5.50%	23,015
Golf	4.80%	4.375% to 5.50%	5,725
Airport system	4.15% to 8.02%	0.25% to 7.75%	4,136,140
Total primary government			4,443,330
DCCCHA component unit		4.125% to 5.25%	353,930
Water Board component unit		0.75% to 6.15%	311,501
Total			\$ 5,108,761

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

Table 26

	<u>Governmental Activities</u>				<u>Business-type Activities</u>			
			<u>Golf Enterprise</u>		<u>Wastewater Management</u>		<u>Denver Airport System</u>	
	<u>Principal</u> ¹	<u>Interest</u>	<u>Principal</u> ²	<u>Interest</u>	<u>Principal</u> ³	<u>Interest</u>	<u>Principal</u> ⁴	<u>Interest</u>
2010	\$ 11,810	\$ 14,774	\$ 400	\$ 282	\$ 1,300	\$ 1,167	\$ 112,395	\$ 174,674
2011	17,500	13,919	425	260	1,365	1,109	136,200	167,884
2012	18,490	13,095	450	236	1,430	1,047	143,930	160,283
2013	19,325	12,247	470	212	1,505	980	159,635	152,201
2014	20,175	11,358	495	191	1,580	904	147,735	143,181
2015 - 2019	97,430	42,448	2,830	588	9,165	3,207	837,910	591,548
2020 - 2024	93,720	14,429	655	31	6,670	692	1,204,110	393,513
2025 - 2029	-	-	-	-	-	-	971,210	175,857
2030 - 2034	-	-	-	-	-	-	327,355	70,525
2035 - 2039	-	-	-	-	-	-	95,660	18,608
Total	\$ 278,450	\$ 122,270	\$ 5,725	\$ 1,800	\$ 23,015	\$ 9,106	\$ 4,136,140	\$ 2,048,274

¹ Does not include unamortized premium of \$17,534 and deferred amount on refunding of (\$2,531).

² Does not include unamortized premium of \$41.

³ Does not include unamortized premium of \$63.

⁴ Does not include unamortized premium of \$59,208 and deferred amount on refunding of (\$274,565).

Table 27

	<u>Component Units</u>			
	<u>DCCCHA</u>		<u>Water Board</u>	
	<u>Principal</u> ¹	<u>Interest</u>	<u>Principal</u> ²	<u>Interest</u>
2010	\$ 2,800	\$ 17,557	\$ 21,360	\$ 14,660
2011	3,100	17,417	6,105	13,573
2012	3,835	17,263	14,560	13,279
2013	4,335	17,070	15,415	12,625
2014	4,900	16,843	16,500	11,956
2015 - 2019	33,730	80,014	66,845	48,472
2020 - 2024	55,285	69,739	68,100	33,236
2025 - 2029	81,150	53,596	31,130	20,631
2030 - 2034	114,395	30,237	36,610	13,092
2035 - 2039	50,400	2,507	32,400	4,261
Total	\$ 353,930	\$ 322,243	\$ 309,025	\$ 185,785

¹ Does not include unamortized premium of \$7,958 and deferred amount on refunding of (\$7,373).

² Does not include unamortized premium of \$3,066 and deferred amount on refunding of (\$590).

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

Table 28 provides details of the irrevocable letters of credit and standby bond purchase agreements (SBPA) that were issued as collateral for the commercial paper and demand bonds (dollars in thousands):

Table 28

Bonds	Par Amount Outstanding	Letter of Credit or SBPA Amount	Annual Commitment Fee	Letter of Credit or SBPA Expiration Date
Airport Series 1992F	\$ 24,000	\$ 24,371	0.163%	October 2, 2014
Airport Series 1992G	19,900	20,207	0.163%	October 2, 2014
Airport Series 2002C	37,000	37,572	0.163%	October 2, 2014
Airport Series 2007G1-G2	147,800	149,501	0.280%	November 13, 2014
Airport Series 2008B	75,700	76,571	0.800%	June 30, 2011
Airport Series 2008C1	92,600	93,909	1.100%	January 4, 2011
Airport Series 2008C2-C3	200,000	202,827	0.800%	November 3, 2011
Airport Series 2009C	104,655	106,135	1.400%	November 5, 2012

As of December 31, 2009, no amounts were outstanding that have been drawn under any of the existing agreements.

In May 2009, the City issued the Series 2009A Excise Tax Revenue Refunding Bonds to current refund the Series 2001B Excise Tax Revenue Bonds. Debt service savings and economic gains/losses resulting from the refunding transaction are not meaningful because the refunded debt was variable rate debt.

In June 2009, the City issued the Series 2009B Excise Tax Revenue Refunding Bonds to current refund the Series 1999A Excise Tax Revenue Bonds, resulting in a present value savings of \$1,665,415.

On November 6, 2009, the Airport issued \$104,655,000 of Airport System Revenue Bonds, Series 2009C, in a variable rate mode for the purpose of current refunding all of the Airport System Subordinate Commercial Paper Notes, Series A.

On October 28, 2009 the Airport issued \$170,190,000 and \$65,290,000 (Build America Bonds) of Airport System Revenue Bonds, Series 2009A and 2009B, in a fixed rate mode for the purpose of purchasing and retiring portions of the Series 2006B, Series 2007D2 and Subseries 2008A4 Bonds, and the funding of new money for capital improvement projects.

The proceeds of the Series 2009A Bonds were used together with other Airport monies to current refund a portion of the Series 2006B, Series 2007D2 and Subseries 2008A1-A4 Bonds to approximately match the principal amortization of the refunded bonds and debt service. The current refunding resulted in a defeasance of debt with a difference between the requisition price of \$21,253,068 and the net carrying amount of the old debt of \$20,321,917, and the recognition of a deferred loss on refunding in the amount of \$931,151. The deferred loss on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be \$455,626.

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

3. **Other Debt.** DURA component unit tax increment bonds, note payable, and loan payable exclusive of unamortized loss on refunding of \$4,523,227 at December 31, 2009, are comprised of the following individual issues shown in **Table 29** (dollars in thousands):

Table 29

Purpose	Interest Rates	Amount
Series 2002A	Variable	\$ 3,195
Series 2004 B-1	8.00%	96,510
Series 2006A	Variable	8,885
Series 2006B	Variable	9,995
Series 2006C	Variable	16,015
Series 2006D	Variable	1,870
Series 2007	5.25%	4,110
Series 2008 A-1	Variable	77,735
Series 2008 A-2	Variable	105,045
Note payable	6.00%	954
Total		\$ 324,314

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

Table 30

Year	Principal	Interest
2010	\$ 13,472	\$ 8,757
2011	15,409	8,318
2012	17,093	7,853
2013	18,305	7,377
2014	19,710	6,907
2015 - 2019	103,120	26,626
2020 - 2024	101,625	11,311
2025	35,580	82
Total	\$ 324,314	\$ 77,231

4. **Indentures and Reporting Requirements.** The City is subject to a number of limitations and restrictions contained in various indentures. Such limitations and covenants include: continued collection of pledged revenues, segregation of pledged revenues, and maintenance of specified levels of bond reserve funds, permissible investment of bond proceeds and pledged revenues, and ongoing disclosure to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12. The City believes it is in compliance with all significant covenants.
5. **Notes payable.** The Denver Airport System entered into two master installment purchase agreements in March 2004, one with Siemens Financial Services for \$20 million and one with GE Capital Public Finance Inc. for \$13 million, to finance various capital equipment purchases at rates and terms of 3.46% and 3.6448% based on a 30/360 calculation for 2004. The Airport System entered into four master installment purchase agreements in 2006, including two agreements with Koch Financial Corporation for \$23.0 million and \$2.0 million, for a total of \$25.0 million, and two agreements with GE Capital Public Finance for \$9.0 million and \$20.0 million for a total of \$29.0 million. These transactions will finance capital equipment purchases at rates and terms of 4.34%, 4.22%, 4.16% and 4.67% based on a 30/360 calculation for 2007. The Airport System entered into a \$15.3 million master installment purchase agreement with Chase Equipment Leasing

Inc. in August, 2008, to finance capital equipment purchases, at a rate of 3.329% based on 30/360 calculation for 2008. Wastewater Management entered into an intergovernmental agreement with the City and County of Denver Board of Water Commissioners whereby Wastewater Management has agreed to pay Denver Water a monthly supplemental service fee in an amount sufficient for Denver Water to recover costs it incurred in the development of a Customer Information System (CIS). The payment schedule relating to the loan requirements as of December 31, 2009, are shown in **Table 31** (dollars in thousands):

Table 31

Year	Denver International Airport		Wastewater Management	
	Principal	Interest	Principal	Interest
2010	\$ 17,053	\$ 4,356	\$ 1,108	\$ 277
2011	14,937	3,617	1,163	222
2012	9,517	3,078	1,222	163
2013	8,592	2,627	1,284	101
2014	6,730	2,257	1,348	36
2015 - 2019	21,244	6,701	-	-
2020 - 2024	10,071	1,727	-	-
2025	692	25	-	-
Total	\$ 88,836	\$ 24,388	\$ 6,125	\$ 799

The City has a note payable with JP Morgan Chase Bank of New York in the amount of \$14,656,000 as of December 31, 2009. This represents Housing and Urban Development (HUD) loans that are due regardless of amounts received from borrowers.

6. Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2009, is shown in **Table 32** and **33** (dollars in thousands):

Table 32

Governmental Activities	January 1	Additions	Deletions	December 31	Due within one year
Legal liability	\$ -	\$ 3,427	\$ 1,592	\$ 1,835	\$ -
Pollution remediation	-	159	-	159	159
Line of credit	770	-	770	-	-
Special incentive payments	-	4,234	-	4,234	1,743
Compensated absences:					
Classified service employees - 3,166	67,233	29,369	20,859	75,743	5,078
Career Service employees - 5,398	43,344	31,213	32,956	41,601	3,753
Claims payable	33,024	8,959	7,762	34,221	9,896
General obligation bonds ¹	554,215	119,613	54,385	619,443	41,595
Commercial paper notes	38,000	37,000	53,000	22,000	22,000
GID general obligation bonds	2,215	2,215	2,215	2,215	260
Excise tax revenue bonds	290,930	107,570	120,050	278,450	11,810
Capitalized lease obligations ²	435,306	15,279	14,039	436,546	16,862
Unamortized premium	46,672	16,123	6,968	55,827	7,293
Deferred amount on refunding	2,432	690	6,025	(2,903)	1,971
Other governmental funds - note payable	14,532	894	770	14,656	-
Total Governmental Activities	\$ 1,528,673	\$ 376,745	\$ 321,391	\$ 1,584,027	\$ 122,420

¹Additions and deletions to general obligation bonds include accretion of \$698.

²Deletions include \$74 paid by an internal service fund.

The legal liability, compensated absences, and other accrued liabilities in the governmental activities are generally liquidated by the General Fund. The other governmental funds include a note payable liquidated by the Community Development special revenue fund and a claims payable liquidated by the Workers' Compensation internal service fund. The amount available for long-term debt in the debt service funds for bonds payable and in the special revenue fund was \$74,627,000.

Table 33

	January 1	Additions	Deletions	December 31	Due within one year
Business-type Activities					
Wastewater Management					
Revenue bonds	\$ 24,250	\$ -	\$ 1,235	\$ 23,015	\$ 1,300
Unamortized premium	68	-	5	63	-
Notes payable	-	6,125	-	6,125	1,108
Special incentive payments	-	188	-	188	77
Compensated absences	2,419	107	64	2,462	594
Total Wastewater Management	26,737	6,420	1,304	31,853	3,079
Denver Airport System:					
Revenue bonds	4,099,775	340,135	303,770	4,136,140	112,395
Unamortized premium	63,518	3,618	7,928	59,208	-
Deferred amount on refunding	(295,179)	931	21,545	(274,565)	-
Notes payable	84,748	22,100	18,012	88,836	17,053
Special incentive payments	-	596	-	596	245
Compensated absences	7,818	786	1,019	7,585	2,010
Total Denver Airport System	3,960,680	368,166	352,274	4,017,800	131,703
Nonmajor enterprise funds:					
Revenue bonds	6,110	-	385	5,725	400
Unamortized premium	50	-	9	41	-
Capitalized lease obligations	-	617	-	617	131
Special incentive payments	-	31	-	31	13
Compensated absences	769	10	129	650	25
Total nonmajor enterprise funds	6,929	658	523	7,064	569
Total Business-type Activities	\$ 3,994,346	\$ 375,244	\$ 354,101	\$ 4,056,717	\$ 135,351
Major Component Units:					
Revenue bonds ¹	\$ 637,686	\$ 44,429	\$ 16,099	\$ 666,016	\$ 24,160
General obligation bonds ²	42,564	-	11,549	31,015	3,080
Capitalized lease obligations	23,731	-	1,423	22,308	1,519
Certificates of participation	33,805	-	5,970	27,835	6,205
Increment bonds and notes payable ³	334,249	-	14,458	319,791	13,472
Customer advances	46,536	20,339	48,438	18,437	-
Compensated absences	7,187	4,661	3,533	8,315	3,278
Other post employment benefits	4,857	1,728	-	6,585	-
Other long term liabilities	2,596	851	56	3,391	-
Total Major Component Units	\$ 1,133,211	\$ 72,008	\$ 101,526	\$ 1,103,693	\$ 51,714

¹Includes unamortized premium of \$11,024; and deferred loss on refunding of (\$7,963).

²Includes unamortized discount of (\$155).

³Includes deferred amount on refunding of (\$4,523).

7. **Swap Agreements.** The Denver Airport System has entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. **Table 34** provides a profile of the terms of the Airport's swap agreements (all rates as of December 31, 2009):

Table 34

SWAP	1999 2002 ¹	2005 2006B	2006A 2008A	1998	2008B
Associated Debt	CP, 2002C 2008B, 2009C ²	2006A	2007F-G 2002C ³	2008C2-3	2008C1 2002C ⁴
Payment to counterparty	5.853%	3.912%	4.008%	4.740%	4.760%
Payment from counterparty	(0.426%)	(4.247%)	(0.162%)	(0.280%)	(0.275%)
Net swap interest rate	5.427%	(0.335%)	3.846%	4.460%	4.485%
Associated bond interest rate	0.269%	4.950%	0.554%	0.280%	0.345%
Net swap and bond rate	5.696%	4.615%	4.400%	4.740%	4.830%

¹Associated 1999 Swap with RFPC LTD was terminated and replaced with a 2010 Swap Agreement, and associated 2002 Swap with RFPC LTD was terminated on January 12, 2010; the effect of this termination, and the termination and replacement, are not reflected here. The 2007A Swaps were terminated on February 5, 2010. Because these swaps were not scheduled to be effective until May 1, 2010, the effect of these swaps is not included.

²Swaps currently associated by the Airport with \$104,655,000 Series 2009C, \$75,700,000 million Series 2008B, and a portion of the Series 2002C Bonds.

³Swaps currently associated by the Airport with \$207,025,000 Series 2007F1-F4, \$147,800,000 Series 2007G1-G2, and a portion of the Series 2002C Bonds.

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

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2009, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, are reflected in **Table 35** (dollars in thousands).

Table 35

Year	Principal	Interest	Interest Rate Swaps Net	Total
2010	\$ 900	\$ 17,275	\$ 37,158	\$ 55,333
2011	1,500	17,271	37,116	55,887
2012	1,600	17,264	37,073	55,937
2013	7,320	17,256	37,027	61,603
2014	32,450	17,232	36,981	86,663
2015 - 2019	340,740	75,674	168,518	584,932
2020 - 2024	619,590	46,541	73,818	739,949
2025	135,185	2,364	3,788	141,337
Total	\$ 1,139,285	\$ 210,877	\$ 431,479	\$ 1,781,641

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2009.

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

Table 36

Counterparty	Trade Date	Effective Date	Notional Amount	Bond/Swap		Payable Swap Rate	Variable Swap Rate	Fair Values 12/31/09
				Termination Date	Associated Debt Series			
1998 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	1/22/98	10/4/00	\$ 100,000	11/15/25	2008C2-C3	4.7600%	Bond Rate	\$ (18,777)
Societe Generale, New York Branch	1/22/98	10/4/00	\$ 100,000	11/15/25	2008C2-C3	4.7190%	Bond Rate	(17,825)
1999 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	7/22/99	10/4/01	\$ 100,000	11/1/22	¹	5.6179%	SIFMA	(23,725)
Merrill Lynch Capital Services, Inc.	7/22/99	10/4/01	\$ 50,000	11/1/22	¹	5.5529%	SIFMA	(11,562)
RFPC, LTD.	7/22/99	10/4/01	\$ 50,000	11/1/22	¹	5.6229%	SIFMA	(11,886)
2002 Swap Agreements								
Goldman Sachs Capital Markets, L.P.	4/11/02	4/15/02	\$ 100,000	11/1/22	¹	SIFMA	76.33% LIBOR	(181)
RFPC, LTD.	4/11/02	4/15/02	\$ 100,000	11/1/22	¹	SIFMA	76% LIBOR	(302)
2005 Swap Agreements								
Royal Bank of Canada	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6560%	70% LIBOR	(4,653)
JP Morgan Chase Bank, N.A.	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6874%	70% LIBOR	(4,825)
Jackson Financial Products, LLC	4/14/05	11/15/06	\$ 111,834	11/15/25	2006A	3.6560%	70% LIBOR	(9,305)
Piper Jaffray Financial Products, Inc.	4/14/05	11/15/06	\$ 55,917	11/15/25	2006A	3.6560%	70% LIBOR	(4,653)
2006B Swap Agreements								
Royal Bank of Canada	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	SIFMA	4.0855%	5,223
JP Morgan Chase Bank, N.A.	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	SIFMA	4.0855%	5,223
Jackson Financial Products, LLC	8/9/06	11/15/06	\$ 111,834	11/15/25	2006A	SIFMA	4.0855%	10,447
Piper Jaffray Financial Products, Inc.	8/9/06	11/15/06	\$ 55,917	11/15/25	2006A	SIFMA	4.0855%	5,223
2006A Swap Agreements								
JP Morgan Chase Bank, N.A.	6/1/06	11/15/07	\$ 179,850	11/15/25	2007F-G ²	4.0085%	70% LIBOR	(20,548)
GKB Financial Services Corp.	6/1/06	11/15/07	\$ 59,951	11/15/25	2007F-G ²	4.0085%	70% LIBOR	(6,849)
2007A Swap Agreements								
JP Morgan Chase Bank, N.A.	12/21/07	5/1/10	\$ 150,000	11/1/22	²	76.165% 1M LIBOR	65.55% 10Y LIBOR	5,888
Royal Bank of Canada	12/21/07	5/1/10	\$ 50,000	11/1/22	²	76.165% LIBOR	65.55% 10Y LIBOR	1,963
2008A Swap Agreements								
Royal Bank of Canada	12/18/08	12/18/08	\$ 119,900	11/15/25	2007F-G ²	4.0080%	70% LIBOR	(13,691)
2008B Swap Agreements								
Loop Financial Products I, LLC	1/8/09	1/8/09	\$ 100,000	11/15/25	2008C1 ²	4.7600%	70% LIBOR + 0.1%	(17,535)
TOTAL								\$ (132,350)

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2009. 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, 2009. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

The following risks are generally associated with swap agreements:

- Credit Risk** – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2009, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a stable outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below). The ratings of the counterparties, or their credit support providers, as of December 31, 2009, are shown in

Table 37:

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A+	Aa2	A+
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A	A1	A+
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A	A2	A+
JP Morgan Chase Bank, N.A.	AA-	Aa1	AA-
Loop Financial Products I, LLC (Deutsche Bank, AG, New York Branch)	A+	Aa1	AA-
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	A	A2	A+
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A	A2	A
Royal Bank of Canada	AA-	Aaa	AA
Societe Generale, New York Branch	A+	Aa2	A+
RFPC Ltd (Ambac Assurance Corporation)	R	Caa2	NR

As of December 31, 2009, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivative's fair value.

- **Termination Risk** – Any party to the Airport System's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport System may terminate any of its swap agreements at any time at its sole discretion. Further, certain credit events can lead to a termination event under the swap agreements (see Credit Risk above). If, at the time of termination, the swap has a negative fair value, the Airport System could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport System's swap agreements are terminated, the associated variable rate bonds would either no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. The Airport System is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.
- **Basis Risk** – Each of the Airport System's swap agreements are associated with certain debt obligations or other swaps. The Airport System pays interest at variable interest rates on some of the associated debt obligations and associated swaps. The Airport System receives variable payments under some of its swap agreements. To the extent the variable rate on the associated debt or the associated swap paid by the Airport System is based on an index different than that used to determine the variable payments received by the Airport System under the swap agreement, there may be an increase or decrease in the synthetic interest rate intended under the swap agreement.

The Denver Urban Renewal Authority (DURA) has entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. **Table 38** provides the swap rates as of December 31, 2009.

Table 38

	2006	2008A-1	2008A-2
Fixed payment to counterparty	3.816%	5.259%	4.598%
Variable payment from counterparty (USD-SIFMA Municipal Swap Index)	(0.25)	(0.25)	(0.25)
Net interest rate swap payments	3.567%	5.009	4.348
Variable-rate bond coupon payment	0.7	0.23	0.23
Synthetic interest rate on bonds	4.266%	5.239%	4.578%

As of December 31, 2009, debt service requirements of the variable-rate debt under swap agreements and net swap payments, assuming current interest rates remain the same, for their term are summarized in **Table 39** (dollars in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Table 39

	Principal	Interest	Interest Rate Swaps, Net	Total
2010	10,300	679	9,696	20,675
2011	12,255	622	8,654	21,531
2012	13,920	559	8,231	22,710
2013	25,185	489	7,718	33,392
2014	9,580	1,119	21,511	32,210
2015 - 2019	54,280	1,345	26,989	82,614
2020 - 2024	58,815	171	3,283	62,269
2025 - 2029	35,580	75	1,418	37,073
Total	\$ 219,915	\$ 5,059	\$ 87,500	\$ 312,474

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

Table 40

Counterparty	Trade Date	Effective Date	Notional Amount	Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Fair Values 12/31/09
2006 Swap Agreements								
Royal Bank of Canada	10/25/06	10/25/06	\$ 37,135	9/11/13	2006A,B,C,D	3.816%	SIFMA	\$ (2,207)
2008A-1 Swap Agreements								
Merrill Lynch Capital Services, Inc.	5/11/04	5/1/07	32,221	12/1/24	2008A-1	5.259%	SIFMA	(5,679)
Lehman Brothers	5/11/04	5/1/07	18,417	12/1/24	2008A-1	5.259%	SIFMA	(3,247)
Bank of America, N.A.	5/11/04	5/1/07	18,417	12/1/24	2008A-1	5.259%	SIFMA	(3,247)
2008A-2 Swap Agreements								
Merrill Lynch Capital Services, Inc.	1/28/05	6/1/08	56,863	12/1/25	2008A-2	4.598%	SIFMA	(15,696)
Merrill Lynch Capital Services, Inc.	1/28/05	6/1/08	56,863	12/1/25	2008A-2	4.598%	SIFMA	(15,696)
Total			\$ 219,916					\$ (45,772)

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

The year-end fair values were calculated using the mid-market BMA swap curve as of December 31, 2009. 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, 2009.

The following risks are generally associated with the swap agreements:

- Credit Risk** – All of DURA's swap agreements rely upon the performance of the respective swap counterparties. DURA is exposed to the risk of these counterparties being unable to fulfill their financial obligations to DURA. DURA measures the extent of this risk based upon the credit ratings of each counterparty (or, with respect to a swap agreement for which the counterparty's payment obligations are guaranteed by another entity, the credit ratings of such guarantor) and the fair value of the swap agreement. The credit risk with respect to the Series 2008A-1 Lehman swap has been realized by its bankruptcy, as discussed below. The ratings of the other counterparties, or their credit support providers, as of December 31, 2009, are shown in **Table 41**:

Table 41

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
Royal Bank of Canada	AA-	Aaa	AA
Merrill Lynch Capital Services, Inc.	A	A2	A+
Bank of America, N.A.	A	A2	A+

In September 2008, Lehman Brothers Holdings Inc., the guarantor of the obligations of Lehman Brothers Special Financing, Inc. (LBSF) under the 2008A-1 swap, filed for federal bankruptcy protection. The bankruptcy constituted an event of default, and gave DURA the authority to terminate the swap. As of December 31, 2009, DURA had not exercised this right. The fair value of the swap as of December 31, 2009 was \$3,247,488, and had DURA terminated the swap on such date, it would have been required to make a termination payment to LBSF of approximately such amount to complete the termination. The event of default gave DURA the right to suspend making regularly-scheduled payments under the swap agreement, provided that the unpaid amounts would be required to be paid, with interest, upon

any termination of the swap, along with any termination payment. DURA has exercised its right to suspend making payments and has collected and accounted for the amounts of such payments. As of December 31, 2009, \$1,031,595 has been accrued for the suspended payments to LBSF. LBSF has also suspended making regularly scheduled payments to DURA; any amounts owed to DURA upon termination of the swap would be netted against the amounts owed by DURA.

As of December 31, 2009, for the other swaps, there was no risk of loss to DURA since the fair values of the swap agreements are negative.

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

If any of DURA's swap agreements are terminated, and the associated bonds are then in variable rate mode, such bonds would no longer have the benefit of the interest rate risk hedge represented by such swap agreement. DURA is not aware of any current circumstances that would lead to a termination event with respect to the 2006 and the 2008A-2 swap agreements.

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

IV. OTHER NOTE DISCLOSURES

Note A – Risk Management

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

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

With respect to matters expecting to be settled subsequent to 2009, the City Attorney estimates the amount of liability determined as probable (in accordance with FASB Statement No. 5) and incurred but not reported claims and judgments at December 31, 2009, to be approximately \$1,835,000, which has been recorded at the government-wide level of reporting as a current liability. The City Attorney also estimates that pending cases having a reasonably possible likelihood of resulting

in an additional liability aggregating approximately \$11,700,000 at December 31, 2009. This amount is not recorded in the accompanying financial statements since, in the opinion of management and the City Attorney; it is not probable that a loss has been incurred.

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

Table 42

	2009	2008
Beginning balance - January 1	\$ -	\$ 1,520
Current year claims and changes in estimates	3,427	4,441
Claims paid	(1,592)	(5,961)
Ending Balance - December 31	<u>\$ 1,835</u>	<u>\$ -</u>

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

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

NOTE B – POLLUTION REMEDIATION

The City has four underground storage tanks that leaked and are under remediation. Funds spent on remediation are partially reimbursed up to 50 percent of the cost by the Colorado Petroleum Storage Tank Trust. As of December 31, 2009, the City accrued a liability, measured at its expected amount, using the expected cash flow technique, of \$407,000 for its share of remediation costs related to these underground storage tanks. The City determined the liability amount by estimating a reasonable range of potential outlays, with no amount within the range considered a better estimate than any other amount.

In 2009, the City performed asbestos abatement in the McNichols Building located at 144 W. Colfax Avenue. As of December 31, 2009, the City accrued a liability of \$159,000 for the remaining estimated costs to complete the abatement.

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

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

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

PRP at the site. ASARCO, Inc. filed bankruptcy and the City filed a contingent claim for environmental remediation costs and reached a settlement with ASARCO for \$640,000, for which payment has been received. Of this amount, \$248,000 has been allocated to the site.

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

Additionally, the Denver Airport System has accrued a liability of \$25,496,960 as of December 31, 2009, in connection with its remediation of friable asbestos in the soil at the City's Stapleton International Airport property. Under an insurance policy with American International Specialty Lines Insurance, Denver Airport System has recorded a receivable of \$34,437,389 as of December 31, 2009, for insurance recoveries from past and future remediation of the Stapleton International Airport property.

In 2009, the City's Wastewater Department purchased a 23-acre parcel of land at 1271 West Bayaud Avenue. This land was formerly a General Chemical Company manufacturing site. The sellers negotiated a voluntary clean-up plan (VCUP) with the Colorado Department of Public Health and Environment and completed the VCUP prior to Denver's acquisition of the property. The seller remains contractually responsible for monitoring and obtaining a no-further-action determination on the City's behalf. The City has paid the seller \$940,000 for a one-time groundwater injection treatment and for monitoring remedial progress. These costs have been capitalized with the land. The City will continue to pay the seller until 2013 for monitoring remedial progress and site closure activities with total anticipated costs ranging from \$128,000 to \$211,000 depending on the scope required. These costs will be capitalized as payments are made.

NOTE C – WORKERS' COMPENSATION

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

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

The Department of Labor and Employment of the State of Colorado establishes the amount of funding required each year for the City to maintain its self-insured permit. The requirement is calculated using the average amount of claims paid over the previous three years plus the outstanding liability for claims as of the end of the previous year. This requirement at December 31, 2009, for 2010, was \$17,813,000. The Workers' Compensation internal service fund has current assets and appropriations set aside in 2009 to satisfy this requirement. These funds may only be used for payment of worker's compensation benefits and administrative costs.

The City has purchased reinsurance coverage in order to reduce its risk. For the period from January 1, 2009 through December 31, 2009, the self-retention amount was \$2,500,000 for all employees. The City had no settlements in the past three years that exceeded its self-retention levels.

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

Table 43

	2009	2008
Beginning balance, undiscounted - January 1	\$ 33,024	\$ 32,496
Current year claims and changes in estimates	17,614	18,374
Claims paid	<u>(7,762)</u>	<u>(8,863)</u>
Ending balance undiscounted	42,876	42,007
Less discount	(8,655)	(8,983)
Ending Balance - December 31	<u>\$ 34,221</u>	<u>\$ 33,024</u>

NOTE D – WATER BOARD RISK MANAGEMENT

The Water Board is exposed to various risks of losses including general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence), property damage, and employee life, medical, dental, and accident benefits. The Water Board has a risk management program that includes self-insurance for liability, employee medical, long-term disability, dental, and vision. The Water Board carries commercial property insurance for catastrophic losses, including flood, fire, earthquakes, and terrorism for scheduled major facilities including the Westside Complex, Marston Treatment Plant and Lab, Moffat Treatment Plant, Foothills Water Treatment Plant, and the Recycling Plant and water turbines. The Water Board carries limited insurance for other nonscheduled miscellaneous locations. The Water Board also carries commercial insurance for employee life, accident, short-term disability, and worker's compensation. Workers' compensation insurance is under a retrospectively rated policy whereby the initial premiums are adjusted based on actual experience during the period of coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Premiums on retrospectively rated policies are accrued based on the ultimate cost of the experience to date. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2009, claims liabilities consisting of medical, dental, and vision benefits were \$6,567,000. Changes in the balances of these liabilities are shown in **Table 44** (dollars in thousands):

Table 44

	2009	2008
Beginning balance - January 1	\$ 2,659	\$ 1,452
Current year claims and changes in estimates	17,380	11,635
Claims paid	<u>(13,472)</u>	<u>(10,428)</u>
Ending Balance - December 31	<u>\$ 6,567</u>	<u>\$ 2,659</u>

NOTE E – SUBSEQUENT EVENTS

- 1. Denver Airport System.** On May 3, 2010, United and Continental Airlines announced that they have reached a merger agreement that will form the world's largest airline by total passenger traffic. The transaction must still be approved by each airline's labor unions, and it must also meet the approval of federal regulators within the U. S. Department of Justice. Both companies have said that they hope to close the merger transaction by December 31, 2010.

On March 9, 2010, the Airport System issued \$171,360,00 of the Airport System Revenue Bonds Series 2010A in a fixed rate mode to current refund all of the 2008A2 term rate bonds (Subseries 2008A2 Bonds) and a portion of the 2008A3 and 2008A4 (Subseries 2008A3 and 2008A4) term rate bonds.

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

On March 4, 2010 the Airport System entered into a loan agreement, with Airport Solar I LLC, for \$4 million to be repaid together with interest at the rate of 5.5%, over twenty years. The principal and interest shall be due and payable in annual installments of \$334,717 commencing on January 1, 2011. The loan proceeds will be used for the acquisition of the completed commissioned 1.6MWDC photovoltaic solar electrical generation plant.

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

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

- 2. Commercial Paper Notes.** On January 11, 2010, the City issued an additional \$36 million in commercial paper notes, and an additional \$34 million on April 11, 2010. The currently outstanding \$92 million of commercial paper notes mature June 9, 2010, at an interest rate of 0.3%. All funds from the commercial paper notes are being used for the Better Denver Bond Projects and it is anticipated that the entire amount will be redeemed with a general obligation bond issue in June 2010.

The City anticipates issuing up to \$375,000,000 of general obligation bonds the first week of June 2010, \$92,000,000 of which will be used to redeem commercial paper notes outstanding and the balance used to provide new money for the Better Denver Bond Projects.

3. **DURA.** On February 23, 2010, in anticipation of terminating the Series 2008A-1 Lehman Swap Agreement, DURA paid to Lehman Brothers Special Financing, Inc. (LBSF) the suspended regularly-scheduled payment of \$1,031,595, which was accrued at December 31, 2009. On March 1, 2010, DURA paid the 2010 regularly-scheduled payment to LBSF. On March 9, 2010, DURA and LBSF terminated the Series 2008A-1 Lehman Swap Agreement and DURA paid a termination payment of \$2,810,401 to LBSF from DURA's capital projects fund. DURA intends to reimburse itself for such amount from certain tax-exempt obligations expected to be issued by DURA during 2010.

Simultaneously with the termination of the 2008A-1 Lehman Swap Agreement, DURA and Royal Bank of Canada entered into a replacement Series 2008A-1 Swap Agreement to maintain the interest rate hedge with respect to the previously hedged portion of the Series 2008A-1 bonds. This replacement swap agreement contains substantially identical terms to the terminated swap agreement, except the fixed rate payable by DURA is set at 3.059%.

NOTE F – CONTINGENCIES

1. **Legal Debt Margin.** Per the City Charter, the City's indebtedness for general obligation bonds shall not exceed three percent of actual value as determined by the last final assessment of the taxable property within the City. At December 31, 2009, the City's general obligation debt outstanding was \$676,130,000 and the City's legal debt margin was \$1,835,635.
2. **Prior Years' Defeased Bonds.** At various dates in prior years, the City and certain component units have placed proceeds from bond issues and cash contributions in irrevocable refunding escrow accounts. The amounts deposited in the irrevocable escrow accounts are invested in U. S. Treasury obligations that, together with interest earned thereon, would provide amounts sufficient for payment of all principal and interest of the bond issues on each remaining payment date. The likelihood of the earnings and principal maturities of the U. S. Treasury obligations not being sufficient to pay the defeased bond issues appears remote. Accordingly, the escrow accounts and outstanding defeased bonds are not included in the accompanying financial statements. Defeased bonds principal outstanding at December 31, 2009, for the City and Water Board component unit was \$227,100,000 and \$9,455,000, respectively.
3. **Grants and Other.** Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial to its financial position and activities.

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

Table 45 lists Denver County electronic benefit transfers (EBT) authorizations, warrant expenditures, and total expenditures associated with the Human Services special revenue fund for the year ended December 31, 2009 (dollars in thousands):

Table 45

Program	City EBT	City Share of	Expenditures by	City EBT	Total
	Authorizations	Authorizations	City Warrant	Authorized Plus Expenditures by City Warrant	Expenditures
Adoption Incentive Recruitment Activities	\$ -	\$ -	\$ 34,000	\$ 34,000	\$ 34,000
Adoption Incentives Grant	-	-	98,000	98,000	98,000
ADP Pass Thru	-	-	322,000	322,000	322,000
Adult Foster Care	27,000	1,000	-	27,000	1,000
Aid to Needy and Disabled	4,146,000	829,000	-	4,146,000	829,000
Aid to the Blind	(1,000)	-	-	(1,000)	-
Child Care	14,226,000	1,349,000	9,132,000	23,358,000	10,481,000
Child Support Enforcement	-	-	11,584,000	11,584,000	11,584,000
Child Support Grants	-	-	209,000	209,000	209,000
Child Welfare	37,423,000	8,190,000	31,034,000	68,457,000	39,224,000
CHP	-	-	5,000	5,000	5,000
Colorado Refugee Services	-	-	94,000	94,000	94,000
Colorado Works	18,296,000	6,131,000	21,209,000	39,505,000	27,340,000
Core Services	2,992,000	58,000	3,325,000	6,317,000	3,383,000
County Administration	-	-	15,380,000	15,380,000	15,380,000
County Only Pass Thru	-	-	8,866,000	8,866,000	8,866,000
Federal Grants	-	-	7,326,000	7,326,000	7,326,000
Food Assistance Benefits	108,127,000	-	-	108,127,000	-
Food Assistance Job Search	153,000	153,000	1,512,000	1,665,000	1,665,000
HB 1414 Activities	-	-	339,000	339,000	339,000
Home Care Allowance	2,170,000	109,000	-	2,170,000	109,000
Low Income Energy Assistance	8,290,000	-	838,000	9,128,000	838,000
Old Age Pension	22,677,000	-	585,000	23,262,000	585,000
State Exchange for Fraud-FS Training	-	-	2,000	2,000	2,000
TANF Collects-EBT	(179,000)	(36,000)	-	(179,000)	(36,000)
Title IV-B Sub Part 2 - PSSF	10,000	-	354,000	364,000	354,000
Title IV-E Independent Living	16,000	-	152,000	168,000	152,000
Title XX Caseworker Training	-	-	11,000	11,000	11,000
Total	\$ 218,373,000	\$ 16,784,000	\$ 112,411,000	\$ 330,784,000	\$ 129,195,000 ¹

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

- 4. Conduit Debt Obligations.** From time to time, the City issues industrial revenue bonds, single-family mortgage revenue bonds, multi-family mortgage revenue bonds, construction loan revenue bonds, and special obligation revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of private, industrial, and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Not the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, the aggregate principal amount payable for the bonds was approximately \$242,689,000.

To finance the acquisition and construction of various facilities at Denver International Airport, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2009 Special Facility Revenue Bonds outstanding totaled \$304,260,000.

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

There is no noise penalty due for 2009.

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

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

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

Effective October 1, 1997, the City renegotiated its contract with Waste Management of Colorado, Inc. (WMC), the current operator of DADS. As a result, the City assigned its responsibility for all closure and postclosure costs to WMC. To cover these costs, WMC has provided a performance bond of \$3,000,000, provided a corporate guarantee from their parent company, Waste Management, Inc (WMI), and posted a financial assurance plan with the State of Colorado (including an insurance certificate of \$16,940,297 as of April 2010). Due to this assignment of closure and postclosure costs to WMC, the City no longer recognizes the related closure and post-closure costs liability in its financial statements.

7. **Denver Urban Renewal Authority.** In connection with DURA's development of the Denver Dry Building, DURA has guaranteed certain loans made to the Denver Building Housing, Ltd. by the Colorado Housing and Finance Authority with an outstanding balance of \$2,831,016 at December 31, 2009. In addition, DURA has guaranteed all obligations of the Denver Dry Development Corporation as general partner, under the terms and conditions of the limited partnership agreement of the Denver Building Housing, Ltd. No amounts have been recorded as a liability in the financial statements, as DURA management believes the possibility of having to make payments under these guarantees is remote.

8. **Tabor.** At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution limiting the ability of the State and local governments, such as the City, to increase revenues, debt and spending, and restricting property, income and other taxes. In addition, the amendment requires that the State and local governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years." The amendment excludes from its restrictions the borrowings and fiscal operations of "enterprises." Enterprises are defined to include government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their revenues in grants from all Colorado State and local governments combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service for all years subsequent to 1994. The City has established an emergency reserve of \$30,854,000. The amendment is also applicable to several component units, which have established emergency reserves of \$240,000.

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

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

NOTE G – DEFERRED COMPENSATION PLAN

1. **Description of the Plan.** The Deferred Compensation Plan (Plan) was adopted by the City to provide a means by which public employees could defer a portion of their current income and related income taxes to future years. Under Section 457 of the Internal Revenue Code, amounts deferred and income earned on those funds are not taxed until made available to the participant. The Plan's publicly available financial report can be obtained by contacting the City of Denver Controller's Office at 201 West Colfax Avenue, Department 1109, Denver, Colorado, 80202.
2. **Administration of the Plan.** The Deferred Compensation Governing Committee of the City manages the Plan. The Committee has designated two third-party administrators for the Plan to account for all deferred compensation, withdrawals, interest income credited, and the individual balance for each participant. In addition, the administrators execute individual participant agreements and provide Plan information and counseling to all eligible employees.
3. **Investments.** Investments are recorded at fair value. In compliance with the City Charter, the Deferred Compensation Governing Committee has approved certain options for investment. All investments are transferred to mutual investment funds offered by the Hartford Variable Annuity Life Insurance Company, to an annuity contract program with the Prudential Insurance Company of America, or to a retirement trust investment fund with ICMA Retirement Trust. The Plan provides for self-directed investments by the participants.
4. **Contributions.** Participation in the Plan is voluntary and is open to all City employees. The City does not make any contributions. The maximum deferral in any one year is generally limited to 100 percent of a participant's pre-deferred taxable income or \$16,500 for 2009. Those who are age 50 and older may save an additional \$5,500 per year. However, special provisions, applicable during the last three taxable years before a participant attains normal retirement age under the Plan, or any year thereafter prior to the participants' separation from service, may increase the annual maximum up to \$33,000 for 2009.

5. **Withdrawals.** Withdrawals from the Plan may be made upon retirement, termination of employment with the City, or in hardship cases as approved by the Administrator. Upon death, amounts credited to the participant are paid to the beneficiary designated by the participant.

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

6. **Assets.** All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust by the City for the exclusive benefit of the participants and their beneficiaries. The assets of the Plan are reported as an other employee benefit trust fund of the City.

7. **Plan Termination and Amendments.** The City can at any time elect to amend, modify, or terminate the Plan. However, notice must be given to all participants at least 45 days prior to the effective date of an amendment. No amendments will deprive the participants of any benefits they were entitled to prior to the change. If the Plan is terminated, all amounts then credited to the participants are to be paid out by the administrators under the normal withdrawal requirements and procedures.

8. **Component Units.** Several component units offer plans similar to the City's which are also qualified under Section 457 of the Internal Revenue Code.

NOTE H – PENSION PLANS

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

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

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

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

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and post-retirement health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan's assets. As of January 1, 2009, the date of the last actuarial valuation, the plan was under-funded; however, there is no net pension obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

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

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

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

- 2. Pension Plans' Funding Policy and Annual Pension Cost.** For DERP, the City contributes 8.50% of covered payroll and employees make a pre-tax contribution of 2.50% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2009, 2008, and 2007 were \$41,006,000, \$41,313,000, and \$38,862,000, respectively, which equaled the required contributions each year.

For FPPA, covered employees contribute at the rate of at least 8% of base salary. The City is required to provide level dollar funding at a minimum of \$27,894,000 each year until there is no longer any unfunded actuarial liability for police officers and fire fighters hired before April 8, 1978. As of January 1, 2008, the actuarial report stated that the plan was funded at 96% and the actuarial required contribution to the State Assistance Program for Firefighters was \$0 for 2009, therefore City contributions to the FPPA was significantly less than in prior years. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2009, 2008 and 2007 were \$16,417,000, \$30,135,266, and \$30,353,579, respectively, which was over 100% of the required contributions. The City also made contributions for the years ended December 31, 2009, 2008, and 2007 for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$13,387,000, \$12,443,683, and \$11,728,730, respectively. There are no long-term contracts for contributions to the State Plan.

The City's annual pension cost for the current year and related contribution information for DERP (plan totals) is shown in **Table 46, 47 and 48** (dollars in thousands):

Table 46

	DERP	DERP Health Benefits
Actuarially determined contribution rates (percentage of covered payroll):		
Employer	9.27%	0.81%
Plan members	2.72%	0.24%
Annual pension costs	\$67,717	\$5,948
Total contributions made	\$55,976	\$5,843
Actuarial valuation date	1/1/09	1/1/09
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	30 years	30 years
Asset valuation methods	5-year smoothed mkt.	5-year smoothed mkt.
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.0-6.3%	3.0-6.3%
Includes inflation at	3.00%	0%
Cost of living adjustment	None	None

Table 47

Three-year Trend Information

December 31, 2009 (dollars in thousands)

	Year		Annual Actuarial Required Contribution (ARC) ¹	Percentage of ARC Contributed		Net Pension Obligation
DERP	2007	\$	50,536	100.0%	\$	-
	2008		54,668	100.0%		-
	2009		67,717	82.7%		-
DERP Health Benefits	2007	\$	5,475	100.0%	\$	-
	2008		5,211	100.0%		-
	2009		5,948	98.2%		-

¹Employers made contributions based on the legally required rates.

Table 48

Defined Benefit Pension Plans Schedule of Funding Progress

December 31, 2009 (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit	Unfunded (Excess) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Excess) Actuarial Accrued Liab. as a % of Covered Payroll
DERP						
January 1, 2007	1,837,476	1,862,773	25,297	98.6%	499,463	5.1%
January 1, 2008	1,950,011	1,985,651	35,640	98.2%	545,835	6.5%
January 1, 2009	1,924,991	2,095,887	170,896	91.8%	564,987	30.2%
DERP Health Benefits						
January 1, 2007	93,089	127,133	34,044	73.2%	499,463	6.8%
January 1, 2008	96,457	128,607	32,150	75.0%	545,835	5.9%
January 1, 2009	92,682	134,001	41,318	69.2%	564,987	7.3%

* * *

Required Supplementary Information Budgetary Comparison Schedule - General Fund and Human Services Special Revenue Fund

December 31, 2009 (dollars in thousands)

	General Fund			Variance with Final Budget
	Budget Original	Final	Actual	
Revenues				
Taxes	\$ 593,333	\$ 536,527	\$ 524,357	\$ (12,170)
Licenses and permits	21,582	15,341	23,229	7,888
Intergovernmental revenues	27,334	26,988	31,955	4,967
Charges for services	8,239	6,735	138,563	131,828
Investment and interest income	8,268	5,042	4,512	(530)
Fines and forfeitures	43,233	44,039	41,389	(2,650)
Contributions	-	-	14	14
Other revenue	167,048	152,443	11,849	(140,594)
Total Revenues	869,037	787,115	775,868	(11,247)
Budget Basis Expenditures				
General government	201,752	200,565	167,802	32,763
Public safety	435,594	437,829	429,884	7,945
Public works	85,080	85,290	79,506	5,784
Human services	-	-	-	-
Health	44,906	44,906	43,750	1,156
Parks and recreation	50,713	50,738	46,183	4,555
Cultural activities	32,308	33,651	32,222	1,429
Community development	17,868	17,890	16,343	1,547
Total Budget Basis Expenditures	868,221	870,869	815,690	55,179
Excess (deficiency) of revenues over budget basis expenditures	816	(83,754)	(39,822)	43,932
Other Financing Sources (Uses)				
Insurance recoveries	-	-	287	287
Capital leases	-	-	1,307	1,307
Proceed from sale of asset	-	-	-	-
Transfers in	27,340	30,847	30,577	(270)
Transfers out	(43,216)	(47,637)	(50,578)	(2,941)
Total Other Financing Sources (Uses)	(15,876)	(16,790)	(18,407)	(1,617)
Excess of revenues and other financing sources over budget basis expenditures and other financing uses	<u>\$ (15,060)</u>	<u>\$ (100,544)</u>	(58,229)	<u>\$ 42,315</u>
Add grantor expenditures			-	
Net change in fund balances			(58,229)	
Fund balance - January 1			171,449	
Fund Balance - December 31			<u>\$ 113,220</u>	

See notes to required supplementary information.

Human Services Special Revenue Fund				
Budget		Actual	Variance with	
Original	Final		Final Budget	
\$ -	\$ -	\$ 47,448	\$	47,448
-	-	-	-	-
-	-	96,040	-	96,040
-	-	2,735	-	2,735
-	-	-	-	-
-	-	827	-	827
-	-	1,694	-	1,694
-	-	148,744	-	148,744
-	-	-	-	-
-	-	-	-	-
173,425	180,504	149,788	-	30,716
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
173,425	180,504	149,788	-	30,716
-	-	(1,044)	-	1,044
-	-	5	-	(5)
-	-	-	-	-
-	-	-	-	-
-	-	2,862	-	(2,862)
(75)	(75)	(75)	-	-
(75)	(75)	2,792	-	(2,867)
\$ (75)	\$ (75)	1,748	\$	(1,823)
		-		
		1,748		
		8,426		
		\$ 10,174		

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The City adheres to the following procedures in establishing the budgetary data for governmental fund types reflected in the financial statements:

1. Formal budgetary integration for expenditures is employed during the year for the general, special revenue, and capital projects funds except for certain special assessment projects and general improvement district funds. Formal budgetary integration is not employed for debt service funds, and certain special assessment projects and general improvement district funds included in capital projects and debt service funds, because effective budgetary control is alternatively achieved through bond and general obligation bond indenture provisions.
2. Budgets for appropriation in the General, Human Services special revenue, and capital projects funds are adopted on a basis consistent with GAAP. The General Fund and Human Services special revenue fund legally adopt budgets on an annual basis for expenditures. All other special revenue funds and the capital projects funds adopt budgets on a project length basis.
3. On or before July 1, heads of all City departments and agencies submit requests for appropriations to the budget officer who compiles the requests and submits a comprehensive budget request document to the Mayor. Thereafter, on or before September 15 of each year, the Mayor briefs the City Council on the tentative revenue and expenditure plans for the ensuing year. After receiving and considering City Council's recommendations, the Mayor prepares and submits to the City Council, on or before the third Monday in October of each year, a proposed budgetary report which includes all projected revenues and expenditures, the amount to be raised by taxation to pay interest on general obligation bonded indebtedness, and the amounts to be expended during the ensuing year for capital improvement projects identifying the sources of revenue for financing such projects. Upon receipt of the proposed budget, the City Council publishes a notice that the budget is open for inspection by the public and that a public hearing on the proposed budget will be held by no later than the fourth Monday in October. After the public hearing and consideration is given to the input by the public, the City Council, not later than the second Monday in November, adopts the budget by passage of an ordinance.
4. Authorization to transfer budgeted amounts between departments (appropriations) within any fund or revisions that alter the total expenditures of any fund must be approved by the City Council. Management can transfer budgeted amounts between line items within departments (appropriations). The legal level of budgetary control is established and maintained at the funded project level for special revenue and capital projects funds and at the department level for all other funds. Budgeted amounts are as originally adopted and as amended by the City Council throughout the year.
5. Unencumbered appropriations in the General Fund and Human Services special revenue fund lapse at year-end. The unencumbered appropriations in the remaining special revenue funds and capital projects funds do not lapse at year-end, but terminate upon expiration of the grant or project fiscal year or term.



GOVERNMENTAL FUNDS

NonMajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are restricted for specific purposes other than special assessments or major capital projects.

- **General Government** - to account for the proceeds of restricted revenue not specifically accounted for in another special revenue fund.
- **Public Safety** - to account for the proceeds of restricted revenue to be used for public safety purposes.
- **Health** - to account for the proceeds of restricted revenue to be used for expenditures in connection with health related purposes and activities.
- **Culture and Recreation** - to account for the proceeds of restricted revenue to be used in providing culture and recreation services.
- **Community Development** - to account for the proceeds of restricted revenue to be used for community development purposes and activities.
- **Economic Opportunity** - to account for the proceeds of restricted revenue to be used in providing economic opportunity services.
- **Special Funds** - to account for resources restricted by agreement for various purposes.

DEBT SERVICE FUNDS

Debt service funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

- **Bond Principal** - to account for resources used for the payment of principal on governmental long-term debt.
- **Bond Interest** - to account for resources used for the payment of interest on governmental long-term debt.
- **Excise Tax Revenue Bond** - to account for the accumulation of funds for the payment of principal and interest on the Excise Tax Revenue bonds.
- **General Improvement District** - to account for the financial activities associated with the payment of principal and interest on General Improvement District general obligation bonds.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- **Winter Park Capital Fund** - to account for financial resources from the Winter Park Trust.
- **Capital Improvements** - to account for financial resources segregated for the acquisition of major capital projects of the City other than those financed by bond projects, other capital projects, enterprise funds, and internal service funds.
- **Conservation Trusts** - to account for the proceeds from State Lottery Funds, investment earnings, and refunds; all used for parks and recreation capital improvements.
- **Other Capital Projects** - to account for financial resources segregated for the financing of major capital projects for which grant or other funds will be used.
- **Entertainment and Culture** - to account for the financing of improvements and maintenance deemed to benefit properties against which special assessments are levied.
- **Special Assessments** - to account for the financing of improvements and maintenance deemed to benefit properties against which special assessments are levied.
- **General Improvement District** - to account for the financial resources segregated for the financing of improvements of properties within the general improvement district.

PERMANENT FUND

- **Cableland Trust** - to account for resources restricted by ordinance to be used to maintain the residence known as Cableland.

Governmental Individual Fund Schedules and Statements

- **General Fund and Human Services Special Revenue Fund** - Schedules of Expenditures Compared with Authorizations.
- **General Fund** - comparative Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2009 (dollars in thousands)

	Special Revenue	Debt Service	Capital Projects	Cableland Trust	Total
Assets					
Cash on hand	\$ 5,307	\$ -	\$ -	\$ -	\$ 5,307
Cash and cash equivalents	82,421	65,389	75,325	485	223,620
Receivables (net of allowances for uncollectibles of \$60,066):					
Taxes	32,976	90,212	55,474	-	178,662
Notes	81,454	-	-	-	81,454
Accounts	44,681	-	38	-	44,719
Accrued interest	364	337	352	42	1,095
Interfund receivable	2,513	-	-	-	2,513
Due from other governments	34,041	-	7,272	-	41,313
Prepaid items and other assets	28	-	1	-	29
Restricted assets:					
Cash and cash equivalents	34,233	340	61	3,000	37,634
Assets held for disposition	6,195	-	-	-	6,195
Total Assets	\$ 324,213	\$ 156,278	\$ 138,523	\$ 3,527	\$ 622,541
Liabilities and Fund Balances					
Liabilities:					
Vouchers payable	\$ 16,337	\$ -	\$ 13,721	\$ -	\$ 30,058
Accrued liabilities	12,474	-	-	-	12,474
Due to taxing units	551	-	-	-	551
Interfund payable	11,786	-	98	-	11,884
Deferred revenue	73,597	87,040	54,765	-	215,402
Advances	2,993	-	-	-	2,993
Total Liabilities	117,738	87,040	68,584	-	273,362
Fund Balances:					
Reserved for:					
Notes receivable	81,454	-	-	-	81,454
Prepaid items and other assets	28	-	1	-	29
Assets held for disposition	6,195	-	-	-	6,195
Emergency use	28,844	-	10	-	28,854
Debt service:					
Long-term debt	5,389	46,690	52	-	52,131
Interest	-	22,548	-	-	22,548
Unreserved:					
Designated for subsequent years' expenditures	-	-	67,541	-	67,541
Undesignated:					
Special revenue funds	84,565	-	-	-	84,565
Capital projects funds	-	-	2,335	-	2,335
Permanent fund	-	-	-	3,527	3,527
Total Fund Balances	206,475	69,238	69,939	3,527	349,179
Total Liabilities and Fund Balances	\$ 324,213	\$ 156,278	\$ 138,523	\$ 3,527	\$ 622,541

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Special Revenue	Debt Service	Capital Projects	Cableland Trust	Total
Revenues					
Taxes:					
Facilities development admission	\$ -	\$ 2,930	\$ 4,152	\$ -	\$ 7,082
Lodgers	12,620	19,441	-	-	32,061
Occupational privilege	-	-	17	-	17
Property	22,091	76,834	49,194	-	148,119
Sales	10,969	23,031	-	-	34,000
Specific ownership	-	-	47	-	47
Telephone	6,835	-	-	-	6,835
Special assessments	-	-	1,342	-	1,342
Licenses and permits	1,326	-	-	-	1,326
Intergovernmental revenues	75,350	-	21,124	-	96,474
Charges for services	49,394	-	248	-	49,642
Investment and interest income	2,693	1,120	1,190	-	5,003
Fines and forfeitures	3,241	-	233	-	3,474
Contributions	4,700	-	200	-	4,900
Other revenue	34,878	-	2,243	-	37,121
Total Revenues	224,097	123,356	79,990	-	427,443
Expenditures					
Current:					
General government	59,983	-	21,278	-	81,261
Public safety	58,119	-	543	-	58,662
Public works	8,786	-	35,855	-	44,641
Health	8,187	-	797	-	8,984
Parks and recreation	43,374	-	7,521	-	50,895
Cultural activities	7,415	-	2,640	-	10,055
Community development	24,897	-	11	-	24,908
Economic opportunity	31,885	-	-	-	31,885
Debt service:					
Principal retirement	7,681	51,626	2,935	-	62,242
Interest	11,478	44,186	2,046	160	57,870
Bond issuance cost	-	2,549	-	-	2,549
Capital outlay	-	-	23,099	-	23,099
Total Expenditures	261,805	98,361	96,725	160	457,051
Excess (deficiency) of revenues over expenditures	(37,708)	24,995	(16,735)	(160)	(29,608)
Other Financing Sources (Uses)					
Sale of capital assets	46	-	100	-	146
General obligation bonds issued	-	69,630	-	-	69,630
Excise tax revenue bonds issued	-	107,570	-	-	107,570
Capital leases	4,765	-	9,207	-	13,972
Payment to escrow	-	(178,024)	-	-	(178,024)
Bond premium	-	8,006	-	-	8,006
Insurance recoveries	622	-	161	-	783
Repayment of developer advance	-	-	-	-	-
Transfers in	54,673	4,603	21,570	-	80,846
Transfers out	(27,450)	(27,994)	(7,389)	(249)	(63,082)
Total Other Financing Sources (Uses)	32,656	(16,209)	23,649	(249)	39,847
Net change in fund balances	(5,052)	8,786	6,914	(409)	10,239
Fund balances - January 1	211,527	60,452	63,025	3,936	338,940
Fund Balances - December 31	\$ 206,475	\$ 69,238	\$ 69,939	\$ 3,527	\$ 349,179

Combining Balance Sheet - Nonmajor Special Revenue Funds

December 31, 2009 (dollars in thousands)

	General Government	Public Safety	Health
Assets			
Cash on hand	\$ -	\$ 1,039	\$ -
Cash and cash equivalents	37,573	11,523	-
Receivables (net of allowances for uncollectibles of \$59,137)			
Taxes	1,868	31,108	-
Notes	14,922	-	-
Accounts	1,006	2,664	1
Accrued interest	218	17	-
Interfund receivable	170	2	-
Due from other governments	3,367	3,348	3,256
Prepaid items and other assets	-	-	-
Restricted assets:			
Cash and cash equivalents	28,844	-	-
Assets held for disposition	-	-	-
Total Assets	<u>\$ 87,968</u>	<u>\$ 49,701</u>	<u>\$ 3,257</u>
Liabilities and Fund Balances			
Liabilities:			
Vouchers payable	\$ 3,317	\$ 1,833	\$ 593
Accrued liabilities	11,483	233	10
Due to taxing units	-	551	-
Interfund payable	21	176	1,907
Deferred revenue	820	34,180	65
Advances	-	30	-
Total Liabilities	<u>15,641</u>	<u>37,003</u>	<u>2,575</u>
Fund Balances:			
Reserved for:			
Notes receivable	14,922	-	-
Prepaid items and other assets	-	-	-
Assets held for disposition	-	-	-
Emergency use	28,844	-	-
Debt service:			
Long-term debt	-	-	-
Unreserved - undesignated (deficit)	28,561	12,698	682
Total Fund Balances (Deficit)	<u>72,327</u>	<u>12,698</u>	<u>682</u>
Total Liabilities and Fund Balances	<u>\$ 87,968</u>	<u>\$ 49,701</u>	<u>\$ 3,257</u>

Culture and Recreation	Community Development	Economic Opportunity	Special Funds	Total
\$ 4,266	\$ -	\$ 2	\$ -	\$ 5,307
18,372	-	-	14,953	82,421
-	-	-	-	32,976
-	66,532	-	-	81,454
1,862	1	-	39,147	44,681
2	4	-	123	364
-	-	2,339	2	2,513
269	21,214	2,587	-	34,041
28	-	-	-	28
-	1,919	-	3,470	34,233
-	6,195	-	-	6,195
\$ 24,799	\$ 95,865	\$ 4,928	\$ 57,695	\$ 324,213
\$ 4,556	\$ 3,900	\$ 1,545	\$ 593	\$ 16,337
280	66	402	-	12,474
-	-	-	-	551
327	6,222	3,066	67	11,786
227	200	4	38,101	73,597
2,963	-	-	-	2,993
8,353	10,388	5,017	38,761	117,738
-	66,532	-	-	81,454
28	-	-	-	28
-	6,195	-	-	6,195
-	-	-	-	28,844
-	1,919	-	3,470	5,389
16,418	10,831	(89)	15,464	84,565
16,446	85,477	(89)	18,934	206,475
\$ 24,799	\$ 95,865	\$ 4,928	\$ 57,695	\$ 324,213

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	General Government	Public Safety	Health
Revenues			
Taxes:			
Lodgers	\$ 12,620	\$ -	\$ -
Property	5,647	16,444	-
Sales	10,969	-	-
Telephone	-	-	-
Licenses and permits	1,325	-	-
Intergovernmental revenues	9,097	23,641	7,893
Charges for services	923	5,860	3
Investment and interest income	757	-	-
Fines and forfeitures	-	3,240	-
Contributions	1,093	163	314
Other revenue	10,106	316	20
Total Revenues	52,537	49,664	8,230
Expenditures			
Current:			
General government	46,408	1,024	-
Public safety	150	52,795	-
Public works	8,786	-	-
Health	-	-	8,168
Parks and recreation	-	-	-
Cultural activities	-	-	-
Community development	1,244	-	-
Economic opportunity	169	-	-
Debt service:			
Principal retirement	653	395	-
Interest	72	159	-
Total Expenditures	57,482	54,373	8,168
Excess (deficiency) of revenues over expenditures	(4,945)	(4,709)	62
Other Financing Sources (Uses)			
Sale of capital assets	-	-	-
Capital leases	4,765	-	-
Insurance recoveries	408	-	-
Transfers in	8,561	3,972	-
Transfers out	(3,190)	(1,173)	(39)
Total Other Financing Sources (Uses)	10,544	2,799	(39)
Net change in fund balances	5,599	(1,910)	23
Fund balances - January 1	66,728	14,608	659
Fund Balances (Deficit) - December 31	\$ 72,327	\$ 12,698	\$ 682

Cultural and Recreation	Community Development	Economic Opportunity	Special Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 12,620
-	-	-	-	22,091
-	-	-	-	10,969
-	-	-	6,835	6,835
1	-	-	-	1,326
1,533	19,305	13,881	-	75,350
21,792	216	17,210	3,390	49,394
11	1,454	-	471	2,693
1	-	-	-	3,241
3,129	-	-	1	4,700
19,904	776	-	3,756	34,878
46,371	21,751	31,091	14,453	224,097
5	-	-	12,546	59,983
-	-	-	5,174	58,119
-	-	-	-	8,786
-	-	-	19	8,187
43,374	-	-	-	43,374
7,415	-	-	-	7,415
-	23,653	-	-	24,897
-	-	31,716	-	31,885
-	-	-	6,633	7,681
189	-	-	11,058	11,478
50,983	23,653	31,716	35,430	261,805
(4,612)	(1,902)	(625)	(20,977)	(37,708)
-	46	-	-	46
-	-	-	-	4,765
214	-	-	-	622
9,970	149	456	31,565	54,673
(16,499)	-	-	(6,549)	(27,450)
(6,315)	195	456	25,016	32,656
(10,927)	(1,707)	(169)	4,039	(5,052)
27,373	87,184	80	14,895	211,527
\$ 16,446	\$ 85,477	\$ (89)	\$ 18,934	\$ 206,475

Combining Balance Sheet - Nonmajor Debt Service Funds

December 31, 2009 (dollars in thousands)

	Bond Principal	Bond Interest	Excise Tax Revenue Bond	General Improvement District	Total
Assets					
Cash and cash equivalents	\$ 26,220	\$ 22,188	\$ 16,981	\$ -	\$ 65,389
Receivables (net of allowances for uncollectibles of \$738):					
Taxes	51,346	35,723	2,790	353	90,212
Accrued interest	-	194	143	-	337
Restricted assets:					
Cash and cash equivalents	-	-	-	340	340
Total Assets	\$ 77,566	\$ 58,105	\$ 19,914	\$ 693	\$ 156,278
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue	\$ 51,130	\$ 35,557	\$ -	\$ 353	\$ 87,040
Total Liabilities Balance	51,130	35,557	-	353	87,040
Fund Balances:					
Reserved for debt service:					
Long-term debt	26,436	-	19,914	340	46,690
Interest	-	22,548	-	-	22,548
Total Fund Balances	26,436	22,548	19,914	340	69,238
Total Liabilities and Fund Balances	\$ 77,566	\$ 58,105	\$ 19,914	\$ 693	\$ 156,278

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Bond Principal	Bond Interest	Excise Tax Revenue Bond	General Improvement District	Total
Revenues					
Taxes:					
Facilities development admission	\$ -	\$ -	\$ 2,930	\$ -	\$ 2,930
Lodgers	-	-	19,441	-	19,441
Property	44,990	31,345	-	499	76,834
Sales and use	-	-	23,031	-	23,031
Investment and interest income	-	763	357	-	1,120
Total Revenues	44,990	32,108	45,759	499	123,356
Expenditures					
Principal retirement	40,305	-	11,321	-	51,626
Interest	-	30,319	13,655	212	44,186
Bond issuance cost	-	82	2,467	-	2,549
Total Expenditures	40,305	30,401	27,443	212	98,361
Excess of revenues over expenditures	4,685	1,707	18,316	287	24,995
Other Financing Sources (Uses)					
General obligation bonds issued	67,080	335	-	2,215	69,630
Excise tax revenue bonds issued	-	-	107,570	-	107,570
Payment to escrow	(67,080)	-	(108,729)	(2,215)	(178,024)
Bond premium	-	390	7,616	-	8,006
Transfers in	-	381	4,198	24	4,603
Transfers out	-	-	(27,994)	-	(27,994)
Total Other Financing Sources (Uses)	-	1,106	(17,339)	24	(16,209)
Net change in fund balances	4,685	2,813	977	311	8,786
Fund balances - January 1	21,751	19,735	18,937	29	60,452
Fund Balances - December 31	\$ 26,436	\$ 22,548	\$ 19,914	\$ 340	\$ 69,238

Combining Balance Sheet - Nonmajor Capital Projects Funds

December 31, 2009 (dollars in thousands)

	Winter Park Capital Fund	Capital Improvements	Conservation Trusts
Assets			
Cash and cash equivalents	\$ 2,765	\$ 54,198	\$ 10,791
Receivables (net of allowances for uncollectibles of \$191):			
Taxes	-	53,893	-
Accounts	-	-	-
Accrued interest	4	259	52
Due from other governments	-	-	-
Prepaid items and other assets	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Total Assets	\$ 2,769	\$ 108,350	\$ 10,843
Liabilities and Fund Balances			
Liabilities:			
Vouchers payable	\$ 143	\$ 5,733	\$ 1,707
Interfund payable	-	24	-
Deferred revenue	-	53,655	-
Total Liabilities	143	59,412	1,707
Fund Balances:			
Reserved for:			
Prepaid items and other assets	-	-	-
Emergency use	-	-	-
Long-term debt	-	-	-
Unreserved:			
Designated for subsequent years' expenditures	2,616	48,758	8,872
Undesignated	10	180	264
Total Fund Balances	2,626	48,938	9,136
Total Liabilities and Fund Balances	\$ 2,769	\$ 108,350	\$ 10,843

Other Capital Projects	Entertainment and Culture	Special Assessments	General Improvement District	Total
\$ 3,466	\$ 3,263	\$ 690	\$ 152	\$ 75,325
-	477	884	220	55,474
34	-	-	4	38
12	23	2	-	352
7,272	-	-	-	7,272
-	-	-	1	1
52	-	-	9	61
<u>\$ 10,836</u>	<u>\$ 3,763</u>	<u>\$ 1,576</u>	<u>\$ 386</u>	<u>\$ 138,523</u>
\$ 5,601	\$ 532	\$ -	\$ 5	\$ 13,721
74	-	-	-	98
5	-	884	221	54,765
<u>5,680</u>	<u>532</u>	<u>884</u>	<u>226</u>	<u>68,584</u>
-	-	-	1	1
-	-	-	10	10
52	-	-	-	52
5,104	1,958	148	85	67,541
-	1,273	544	64	2,335
<u>5,156</u>	<u>3,231</u>	<u>692</u>	<u>160</u>	<u>69,939</u>
<u>\$ 10,836</u>	<u>\$ 3,763</u>	<u>\$ 1,576</u>	<u>\$ 386</u>	<u>\$ 138,523</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Winter Park Capital Fund	Capital Improvements	Conservation Trusts
Revenues			
Taxes:			
Facilities development admission	\$ -	\$ -	\$ -
Occupational privilege	-	17	-
Property	-	48,956	-
Specific ownership	-	-	-
Special assessments	-	-	-
Intergovernmental revenues	-	23	5,895
Charges for services	-	55	-
Fines and forfeitures	-	-	-
Investment and interest income	15	922	133
Contributions	-	-	-
Other revenue	-	2,209	-
Total Revenues	15	52,182	6,028
Expenditures			
Current:			
General government	-	20,963	-
Public safety	-	543	-
Public works	-	31,319	-
Health	-	797	-
Parks and recreation	987	2,214	3,307
Cultural activities	-	195	-
Community development	-	11	-
Debt service:			
Principal retirement	-	617	-
Interest	-	126	-
Capital outlay	820	9,361	2,371
Total Expenditures	1,807	66,146	5,678
Excess (deficiency) of revenues over expenditures	(1,792)	(13,964)	350
Other Financing Sources (Uses)			
Sale of capital assets	-	100	-
Capital leases	-	9,207	-
Insurance recoveries	-	-	-
Repayment of developer advance	-	-	-
Transfers in	2,017	18,453	-
Transfers out	-	(6,064)	(869)
Total Other Financing Sources (Uses)	2,017	21,696	(869)
Net change in fund balances	225	7,732	(519)
Fund balances - January 1	2,401	41,206	9,655
Fund Balances - December 31	\$ 2,626	\$ 48,938	\$ 9,136

Other Capital Projects	Entertainment and Culture	Special Assessments	General Improvement District	Total
\$ -	\$ 4,152	\$ -	\$ -	\$ 4,152
-	-	-	-	17
-	-	-	238	49,194
-	-	-	47	47
390	-	952	-	1,342
15,206	-	-	-	21,124
193	-	-	-	248
233	-	-	-	233
39	68	10	3	1,190
200	-	-	-	200
34	-	-	-	2,243
16,295	4,220	962	288	79,990
315	-	-	-	21,278
-	-	-	-	543
3,292	86	914	244	35,855
-	-	-	-	797
809	204	-	-	7,521
27	2,418	-	-	2,640
-	-	-	-	11
413	1,905	-	-	2,935
108	1,812	-	-	2,046
9,189	1,358	-	-	23,099
14,153	7,783	914	244	96,725
2,142	(3,563)	48	44	(16,735)
-	-	-	-	100
-	-	-	-	9,207
-	159	2	-	161
-	-	-	-	-
1,100	-	-	-	21,570
(432)	-	-	(24)	(7,389)
668	159	2	(24)	23,649
2,810	(3,404)	50	20	6,914
2,346	6,635	642	140	63,025
\$ 5,156	\$ 3,231	\$ 692	\$ 160	\$ 69,939

Schedule of Expenditures Compared with Authorizations - General Fund

For the Year Ended December 31, 2009 (dollars in thousands)

	2009 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
General Government:			
Mayor's Office	\$ 1,881	\$ 1,554	\$ 327
Civic Events	955	943	12
Education/Advocacy Initiatives	1,012	969	43
Employee Assistance	443	417	26
City Council	4,504	4,269	235
Telecommunications	331	297	34
Board of Ethics	106	101	5
Career Service Authority	6,665	6,461	204
Career Service Authority Hearing Office	390	379	11
City Attorney	13,851	12,747	1,104
Airport Legal Services	1,985	1,700	285
Human Service Legal Services	5,002	4,582	420
Clerk and Recorder	6,062	4,999	1,063
Board of Adjustment	253	248	5
Human Rights and Community Relations	1,214	1,070	144
General Services:			
Administration	1,552	1,370	182
Facilities and Planning	17,647	16,268	1,379
Purchasing	2,025	1,695	330
Public Office Buildings Utilities	30,153	22,410	7,743
Auditor	5,358	4,937	421
Auditor - Airport	1,154	1,087	67
Department of Finance	49,904	37,959	11,945
Adams Mark Tax Increment	900	701	199
Annual Rental Payments	2,821	874	1,947
Downtown Historical District	210	207	3
Payments to Elderly and Disabled	1,500	1,106	394
Excise and Licenses	1,577	1,330	247
Technology Services	37,080	33,406	3,674
Office of Economic Development	3,505	3,309	196
Office of Economic Development - Airport	525	407	118
Total General Government	\$ 200,565	\$ 167,802	\$ 32,763
Public Safety			
911 Call Center	\$ 8,962	\$ 8,971	\$ (9)
Civil Service Commission	1,575	1,212	363
Collective Bargaining	40	10	30
County Court	21,975	21,031	944
District Attorney	17,831	17,075	756
Emergency Management	576	535	41
Fire	102,526	102,367	159
Independent Monitor	676	643	33
Mayor's Youth Program	-	-	-
Police	179,020	175,489	3,531
Police Recruits	2,019	1,360	659

continued

Schedule of Expenditures Compared with Authorizations - General Fund - continued

For the Year Ended December 31, 2009 (dollars in thousands)

	2009 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
Police Photo Radar	2,324	2,282	42
Safe City Initiative	1,328	1,288	40
Safety Administration	3,798	3,672	126
Undersheriff	95,179	93,949	1,230
Total Public Safety	\$ 437,829	\$ 429,884	\$ 7,945
Public Works			
Administration	\$ 5,482	\$ 4,979	\$ 503
Operations	46,699	43,497	3,202
Transportation	33,109	31,030	2,079
Total Public Works	\$ 85,290	\$ 79,506	\$ 5,784
Health			
Environmental Health	\$ 10,624	\$ 9,758	\$ 866
City Payments to Health Authority	2,612	2,527	85
Clinic	208	113	95
Denver C.A.R.E.S.	3,387	3,278	109
Poison Center	97	97	-
Medically Indigent	27,978	27,977	1
Total Health	\$ 44,906	\$ 43,750	\$ 1,156
Parks and Recreation			
Administration	\$ 3,275	\$ 2,964	\$ 311
General Parks	26,925	24,463	2,462
Recreation	20,538	18,756	1,782
Total Parks and Recreation	\$ 50,738	\$ 46,183	\$ 4,555
Cultural Activities			
Art, Culture, and Film	\$ 1,293	\$ 1,195	\$ 98
Denver Public Library	32,358	31,027	1,331
Total Cultural Activities	\$ 33,651	\$ 32,222	\$ 1,429
Community Planning/Development	\$ 17,890	\$ 16,343	\$ 1,547
Total Community Planning/Development	\$ 17,890	\$ 16,343	\$ 1,547
Total	\$ 870,869	\$ 815,690	\$ 55,179

Schedule of Expenditures Compared with Authorizations - Human Services Special Revenue Fund

For the Year Ended December 31, 2009 (dollars in thousands)

	2009 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
Grants - Currently Active			
13001 HSOA Human Services Grant	\$ 3,404	\$ 3,404	\$ -
13007 Community Service Block Grant	257	257	-
13007 Community Service Block Grant 2009-2010	815	815	-
13009 Emergency Shelter 2008	3	3	-
13009 Emergency Shelter 2009	348	348	-
13012 Shelter Plus Care Anchor 2009-2010	41	41	-
13012 Shelter Plus Care Anchor	13	13	-
13012 Shelter Plus Care Collab-Homelessness 2003-2004	150	150	-
13012 Shelter Plus Care Dave's Place	14	14	-
13012 Shelter Plus Care Dave's Place	36	36	-
13012 Shelter Plus Care Durkin	165	165	-
13012 Shelter Plus Care Durkin	19	19	-
13012 Shelter Plus Care Ex-offenders	33	33	-
13012 Shelter Plus Care Homeless Veterans 2007-2012	11	11	-
13012 Shelter Plus Care Housing	507	507	-
13012 Shelter Plus Care Mariposa Housing	62	62	-
13012 Shelter Plus Care Rental Assistance	329	329	-
13012 Shelter Plus Care Rowan Gard	59	59	-
13012 Shelter Plus Care Rowan Gard	66	66	-
13012 Shelter Plus Care Scattered Sites	29	29	-
13012 Shelter Plus Care Seniors	63	63	-
13012 Shelter Plus Care Seniors	65	65	-
13012 Shelter Plus Care STAR 2008-2009	55	55	-
13012 Shelter Plus Care STAR 2009-2010	49	49	-
13012 Shelter Plus Care Woman 2009-2010	30	30	-
13012 Shelter Plus Care Woman 2008-2009	253	253	-
13012 Shelter Plus Care Women	-	(1)	1
13012 Shelter Plus Care Xenia	108	108	-
13012 Shelter Plus Care Xenia 2008-2009	110	110	-
13017 Child Care	6,361	2,773	3,588
13019 Homeless Vets Reintegration 2008-2009	112	112	-
13019 Homeless Vets Reintegration 2009-2010	159	159	-
13217 ARRA Americorp 2009	3	3	-
13217 ARRA Child Support Incentive Match 2009-2010	671	671	-
13217 ARRA Community Partnership Americorp 2009	100	100	-
13217 ARRA Community Service Block Grant 2009	190	190	-
13217 ARRA Emergency Food and Shelter 2009	38	38	-
13217 ARRA Food Assistance 2009	283	283	-
13217 ARRA Food Assistance 2009-2010	36	36	-
13217 ARRA Homeless Prevention Rehab Program 2009-2012	97	97	-
13601 Casey Child Welfare Initiative 2009	451	451	-
13601 Drug Treatment and Assessments 2009-2010	2	2	-
13601 Family to Family	228	228	-
State/County Welfare			
13005 Child Welfare	43,837	38,441	5,396
13008 County Public Welfare	98,299	78,230	20,069
13302 Aid to the Blind	1	-	1
13303 Aid to the Needy Disabled	1,150	873	277
13304 Board for Developmentally Disabled	11,562	11,081	481
13305 General Assistance	1,450	1,304	146
13306 Local Funded Community Service	3,185	2,385	800
13308 Denver Senior	198	198	-
13501 County Veterans Service Office	13	13	-
13501 County Veterans Service Office 2009-2010	8	8	-
13501 Expelled at Risk Student Services 2009	25	25	-
13501 Family to Family Anchor Site	36	36	-
City and Other Projects			
13502 Integrated Care Management Incentive	236	236	-
13701 Americorp - Donations	48	48	-
13703 Drug Strategy Donations	7	7	-
13704 Homeless Services Donations	3,252	3,252	-
13802 Family Crisis Project	10	53	(43)
13806 Youth Transitional Housing	31	31	-
13808 Energy Assistance	921	921	-
13809 Excess Federal Title IV-E Reimbursement 2008-2009	149	149	-
13810 HS Operations & Admin	261	261	-
Total	\$ 180,504	\$ 149,788	\$ 30,716

¹ Includes grantor expenditures of \$16,408 reported in the Economic Opportunity Special Revenue Fund

Comparative Balance Sheets - General Fund

December 31, 2009 and 2008 (dollars in thousands)

	Totals	
	December 31,	
	2009	2008
Assets		
Cash on hand	\$ 34	\$ 30
Cash and cash equivalents	28,021	94,089
Receivables (net of allowances for uncollectibles of \$23,897 and \$22,306):		
Taxes	116,253	117,668
Notes	23	25
Accounts	19,760	13,737
Accrued interest	542	781
Interfund receivable	44,001	31,596
Due from other governments	224	215
Prepaid items and other assets	-	861
Restricted assets:		
Cash and cash equivalents	20,207	21,001
Total Assets	\$ 229,065	\$ 280,003
Liabilities and Fund Balances		
Liabilities:		
Vouchers payable	\$ 10,639	\$ 10,672
Accrued liabilities	21,781	19,160
Due to taxing units	34	30
Interfund payable	3,839	3,408
Deferred revenue	79,552	75,272
Advances	-	-
Compensated absences	-	12
Total Liabilities	115,845	108,554
Fund Balance:		
Reserved for:		
Notes receivable	23	25
Prepaid items and other assets	-	861
Emergency use	-	-
Debt service:		
Long-term debt	20,207	21,001
Unreserved-undesignated	92,990	149,562
Total Fund Balance	113,220	171,449
Total Liabilities and Fund Balance	\$ 229,065	\$ 280,003

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance - General Fund

For the Year Ended December 31, 2009 and 2008 (dollars in thousands)

	Totals	
	Year ended December 31,	
	2009	2008
Revenues		
Taxes:		
Lodgers	\$ 11,921	\$ 14,626
Motor Vehicle ownership	17,907	19,514
Occupational privilege	39,534	43,040
Property	64,396	62,703
Sales and use	387,838	430,928
Telephone	2,761	3,104
Licenses and permits	23,229	27,763
Intergovernmental revenues	31,955	32,107
Charges for services	138,563	137,160
Investment and interest income	4,512	11,692
Fines and forfeitures	41,389	38,416
Contributions	14	11
Other revenue	11,849	8,652
Total Revenues	775,868	829,716
Expenditures		
Current:		
General government	165,897	173,300
Public safety	429,718	424,718
Public works	79,506	81,710
Health	43,750	42,514
Parks and recreation	46,183	50,375
Cultural activities	32,222	32,531
Community development	16,343	17,209
Principal retirement	276	378
Interest	1,795	4,047
Total Expenditures	815,690	826,782
Excess (deficiency) of revenues over expenditures	(39,822)	2,934
Other Financing Sources (Uses)		
Capital leases restructured	1,307	260,000
Payment to escrow	-	(250,290)
Insurance recoveries	287	74
Transfers in	30,577	30,731
Transfers out	(50,578)	(67,591)
Total Other Financing Sources (Uses)	(18,407)	(27,076)
Net change in fund balance	(58,229)	(24,142)
Fund balance - January 1	171,449	195,591
Fund Balance - December 31	\$ 113,220	\$ 171,449



PROPRIETARY FUNDS

Proprietary Funds

Proprietary funds are a group of funds that account for activities that are often seen in the private sector and are operated in a similar manner as in the private sector.

ENTERPRISE FUNDS

- **Environmental Services** - to account for the operation and activity of the City's chemical waste disposal, phase out of hazardous materials disposal sites, and litter prevention.
- **Golf Course** - to account for the administration, operation, maintenance and improvement of City-owned golf facilities.

INTERNAL SERVICE FUNDS

- **Central Services** - to account for providing paper and printing goods and services to departments of the City and other users on a cost reimbursement basis.
- **Fleet Maintenance** - to account for the financing of automotive repairs and services provided to departments of the City or to other governmental units on a cost reimbursement basis.
- **Asphalt Plant** - to account for the expenditures and revenues of the City's Asphalt Plant that provides a service to the metropolitan Denver area and is an essential element in the street resurfacing program of the City's Street Maintenance division.
- **Workers Compensation** - to account for the City's workers compensation self insurance activities.

Combining Statement of Net Assets - Nonmajor Enterprise Funds

December 31, 2009 (dollars in thousands)

	Environmental Services	Golf Course	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 14,268	\$ 2,134	\$ 16,402
Receivables:			
Accounts	1,169	31	1,200
Accrued interest	58	12	70
Inventories	-	112	112
Interfund receivable	14	-	14
Restricted assets:			
Cash and cash equivalents	3,094	-	3,094
Accrued interest receivable	378	-	378
Other receivables	12	-	12
Total Current Assets	18,993	2,289	21,282
Capital assets:			
Land and construction in progress	3,168	4,806	7,974
Buildings and improvements	672	8,659	9,331
Improvements other than buildings	131	15,981	16,112
Machinery and equipment	172	4,815	4,987
Accumulated depreciation	(916)	(15,251)	(16,167)
Net capital assets	3,227	19,010	22,237
Bond issue costs and other assets	-	151	151
Total Noncurrent Assets	3,227	19,161	22,388
Total Assets	22,220	21,450	43,670
Liabilities			
Current liabilities:			
Vouchers payable	515	463	978
Revenue bonds payable	-	400	400
Accrued liabilities	482	225	707
Interfund payable	1,068	418	1,486
Special incentive payments	-	13	13
Compensated absences	-	25	25
Deferred revenue	-	138	138
Capital lease obligations	-	131	131
Total Current Liabilities	2,065	1,813	3,878
Noncurrent liabilities:			
Revenue bonds payable	-	5,325	5,325
Unamortized premiums	-	41	41
Capital lease obligations	-	486	486
Special incentive payments	-	18	18
Compensated absences	220	405	625
Total Noncurrent Liabilities	220	6,275	6,495
Total Liabilities	2,285	8,088	10,373
Net Assets			
Invested in capital assets, net of related debt	3,227	13,395	16,622
Restricted for capital projects	3,288	-	3,288
Unrestricted	13,420	(33)	13,387
Total Net Assets	\$ 19,935	\$ 13,362	\$ 33,297

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Environmental Services	Golf Course	Total
Operating Revenues			
Charges for services	\$ 5,898	\$ 8,325	\$ 14,223
Other revenue	1,197	28	1,225
Total Operating Revenues	7,095	8,353	15,448
Operating Expenses			
Personnel services	2,579	4,335	6,914
Contractual services	1,916	206	2,122
Supplies and materials	47	869	916
Depreciation	21	1,045	1,066
Other operating expenses	1,346	1,168	2,514
Total Operating Expenses	5,909	7,623	13,532
Operating income	1,186	730	1,916
Nonoperating Revenues (Expenses)			
Investment and interest income	134	29	163
Interest expense	-	(275)	(275)
Total Nonoperating Revenues (Expenses)	134	(246)	(112)
Income before transfers	1,320	484	1,804
Transfers in	1,188	-	1,188
Transfers out	(250)	-	(250)
Change in Net Assets	2,258	484	2,742
Net assets - January 1	17,677	12,878	30,555
Net Assets - December 31	\$ 19,935	\$ 13,362	\$ 33,297

Combining Statement of Cash Flows - Nonmajor Enterprise Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Environmental Services	Golf Course	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 7,095	\$ 8,407	\$ 15,502
Payments to suppliers	(1,738)	(2,791)	(4,529)
Payments to employees	(2,576)	(4,389)	(6,965)
Other payments	(1,518)	28	(1,490)
Net Cash Provided by Operating Activities	1,263	1,255	2,518
Cash Flows From Noncapital Financing Activities			
Transfers in	1,188	-	1,188
Transfers out	(250)	-	(250)
Net Cash Provided by Noncapital Financing Activities	938	-	938
Cash Flows From Capital and Related Financing Activities			
Principal payments	-	(385)	(385)
Acquisition of capital assets	(16)	(3,285)	(3,301)
Interest paid on capital debt	-	(275)	(275)
Net Cash Used by Capital and Related Financing Activities	(16)	(3,945)	(3,961)
Cash Flows from Investing Activities			
Interest received	121	36	157
Net increase (decrease) in cash and cash equivalents	2,306	(2,654)	(348)
Cash and cash equivalents - January 1	15,056	4,788	19,844
Cash and Cash Equivalents - December 31	\$ 17,362	\$ 2,134	\$ 19,496
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,186	\$ 730	\$ 1,916
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	21	1,045	1,066
Accounts receivable	5	18	23
Interfund receivable	(4)	25	21
Inventories	-	16	16
Vouchers payable	103	199	302
Unearned revenue	-	(90)	(90)
Accrued liabilities	2	(617)	(615)
Interfund payable	(50)	(71)	(121)
Net Cash Provided by Operating Activities	\$ 1,263	\$ 1,255	\$ 2,518
Noncash Activities			
Amortization of bond premium	\$ -	\$ 9	\$ 9
Assets acquired through capital lease	0	617	617

Combining Statement of Net Assets - Internal Service Funds

December 31, 2009 (dollars in thousands)

	Central Services	Fleet Maintenance	Asphalt Plant	Workers' Compensation	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ -	\$ 3,527	\$ 3,102	\$ 32,150	\$ 38,779
Receivables:					
Accounts	5	3	-	101	109
Accrued interest	-	-	-	181	181
Interfund receivable	1,126	2,989	23	-	4,138
Inventories	137	2,198	152	-	2,487
Restricted cash and cash equivalents	-	-	-	-	-
Total Current Assets	1,268	8,717	3,277	32,432	45,694
Capital Assets:					
Buildings and improvements	715	-	3,392	-	4,107
Improvements other than buildings	-	15	67	-	82
Machinery and equipment	793	5,289	1,274	-	7,356
Accumulated depreciation	(760)	(4,326)	(3,698)	-	(8,784)
Net capital assets	748	978	1,035	-	2,761
Total Assets	2,016	9,695	4,312	32,432	48,455
Liabilities					
Current Liabilities:					
Vouchers payable	224	448	92	217	981
Accrued liabilities	5	219	16	32	272
Interfund payable	1,786	7	13	131	1,937
Capital lease obligations	77	-	-	-	77
Special incentive payments	7	13	-	-	20
Compensated absences	-	315	9	6	330
Claims reserve	-	-	-	9,896	9,896
Total Current Liabilities	2,099	1,002	130	10,282	13,513
Noncurrent Liabilities:					
Capital lease obligations	166	-	-	-	166
Special incentive payments	9	18	-	-	27
Compensated absences	14	700	46	103	863
Other accrued liabilities	-	-	-	-	-
Claims reserve	-	-	-	24,325	24,325
Total noncurrent liabilities	189	718	46	24,428	25,381
Total Liabilities	2,288	1,720	176	34,710	38,894
Net Assets					
Invested in capital assets, net of related debt	505	978	1,035	-	2,518
Unrestricted (deficit)	(777)	6,997	3,101	(2,278)	7,043
Total Net Assets (Deficit)	\$ (272)	\$ 7,975	\$ 4,136	\$ (2,278)	\$ 9,561

Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Central Services	Fleet Maintenance	Asphalt Plant	Workers' Compensation	Total
Operating Revenues					
Charges for services	\$ 4,342	\$ 20,173	\$ 7,138	\$ 16,784	\$ 48,437
Other revenue	7	(16)	-	684	675
Total Operating Revenues	4,349	20,157	7,138	17,468	49,112
Operating Expenses					
Personnel services	400	7,284	589	1,185	9,458
Contractual services	203	188	22	348	761
Supplies and materials	1,009	9,783	5,192	450	16,434
Depreciation	124	357	292	-	773
Claims payments	-	-	-	7,762	7,762
Change in claims reserve	-	-	-	1,197	1,197
Other operating expenses	2,757	615	459	1,622	5,453
Net Operating Expenses	4,493	18,227	6,554	12,564	41,838
Operating income (loss)	(144)	1,930	584	4,904	7,274
Nonoperating Revenues (Expenses)					
Investment and interest income	-	-	-	1,148	1,148
Interest expense	(14)	-	-	-	(14)
Total Nonoperating Revenues (Expenses)	(14)	-	-	1,148	1,134
Change in net assets	(158)	1,930	584	6,052	8,408
Net assets (deficit) - January 1	(114)	6,045	3,552	(8,330)	1,153
Net Assets (Deficit) -December 31	\$ (272)	\$ 7,975	\$ 4,136	\$ (2,278)	\$ 9,561

Combining Statement of Cash Flows - Internal Service Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Central Services	Fleet Maintenance	Asphalt Plant	Workers' Compensation	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,475	\$ 19,149	\$ 7,128	\$ 16,592	\$ 47,344
Payments to suppliers	(3,986)	(10,561)	(5,427)	(5,411)	(25,385)
Payments to employees	(425)	(7,156)	(571)	(1,168)	(9,320)
Other receipts (payments)	-	(15)	-	404	389
Claims paid	-	-	-	(3,244)	(3,244)
Net Cash Provided by Operating Activities	64	1,417	1,130	7,173	9,784
Cash Flows from Capital and Related Financing Activities					
Principal payments	(74)	-	-	-	(74)
Acquisition of capital assets	(14)	(93)	(317)	-	(424)
Gain on disposal of assets	10	-	-	-	10
Net Cash Used by Capital and Related Financing Activities	(78)	(93)	(317)	-	(488)
Cash Flows From Investing Activities					
Interest received	-	-	-	1,065	1,065
Net increase (decrease) in cash and cash equivalents	(14)	1,324	813	8,238	10,361
Cash and cash equivalents - January 1	14	2,203	2,289	23,912	28,418
Cash and Cash Equivalents - December 31	\$ -	\$ 3,527	\$ 3,102	\$ 32,150	\$ 38,779
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ (144)	\$ 1,930	\$ 584	\$ 4,904	\$ 7,274
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	124	357	292	-	773
Accounts receivable	11	56	-	49	116
Interfund receivable	115	(1,079)	(10)	1,101	127
Inventories	(21)	(57)	251	-	173
Vouchers payable	(273)	170	(4)	(97)	(204)
Accrued liabilities	(14)	38	9	17	50
Interfund payable	266	2	8	2	278
Claims reserve	-	-	-	1,197	1,197
Net Cash Provided by Operating Activities	\$ 64	\$ 1,417	\$ 1,130	\$ 7,173	\$ 9,784



FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are trust and agency funds which account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include expendable trust funds, non-expendable trust funds, pension trust funds, and agency funds.

PENSION, HEALTH, AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

- **Pension Benefits Trust Funds - Denver Employees Retirement Plan** - to account for the pension assets of the Denver Employees Retirement Plan.
- **Health Benefits Trust Funds - Denver Employees Retirement Plan** - to account for the health benefits assets of the Denver Employees Retirement Plan.
- **Deferred Compensation** - to account for City employees' voluntary deferrals of current income to future years and the investment income earned.

AGENCY FUNDS

- **Employee Salary Redirect Plan** - to account for employees' income tax-exempt voluntary salary deductions used to pay for dependent childcare, medical expense reimbursement, and medical insurance premium payments.
- **Agency** - to account for the consolidation of payroll activity in one fund after the recording of expenditures in the appropriate funds. Also, collected receipts are temporarily held here in unapportioned accounts until a proper allocation is determined. Additionally, property taxes collected for all the taxing entities in the County of Denver are transferred here from the trust fund where they are initially recorded.

Combining Statement of Fiduciary Net Assets - Pension, Health, and Other Employee Benefit Trust Funds

December 31, 2009 (dollars in thousands)

	Pension Benefits Trust Fund	Health Benefits Trust Fund	Other Employee Benefit Trust Fund	
	Denver Employees Retirement Plan	Denver Employees Retirement Plan	Deferred Compensation Plan	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 41,765	\$ 1,942	\$ -	\$ 43,707
Securities lending collateral	198,806	9,245	-	208,051
Receivables:				
Accounts	1,040	48	-	1,088
Accrued interest	5,113	238	-	5,351
Investments:				
U.S. government obligations	136,331	6,340	-	142,671
Domestic stocks and bonds	896,863	41,709	-	938,572
International stocks	328,469	15,276	-	343,745
Annuity	-	-	408,064	408,064
Mutual funds	-	-	45,219	45,219
Real estate	103,094	4,794	-	107,888
Other	82,384	3,831	9,163	95,378
Total Investments	<u>1,547,141</u>	<u>71,950</u>	<u>462,446</u>	<u>2,081,537</u>
Total Current Assets	1,793,865	83,423	462,446	2,339,734
Capital assets, net of accumulated depreciation	2,718	127	-	2,845
Total Assets	1,796,583	83,550	462,446	2,342,579
Liabilities				
Vouchers payable	6,944	323	-	7,267
Securities lending obligations	204,279	9,500	-	213,779
Total Liabilities	211,223	9,823	-	221,046
Net Assets Held in Trust for Pension and Other Employee Benefit Trust Funds	\$ 1,585,360	-	\$ 462,446	
Net Assets Held in Trust for OPEB Benefits		\$ 73,727		
Net Assets Held in Trust for Benefits				\$ 2,121,533

Combining Statement of Changes in Fiduciary Net Assets - Pension, Health, and Other Employee Benefit Trust Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Pension Benefits Trust Fund Denver Employees Retirement Plan	Health Benefits Trust Fund Denver Employees Retirement Plan	Other Employee Benefit Trust Fund Deferred Compensation Plan	Total
Additions				
Contributions:				
City and County of Denver	\$ 37,114	\$ 3,892	\$ -	\$ 41,006
Denver Health and Hospital Authority	6,013	659	-	6,672
Plan members	12,849	1,292	31,427	45,568
Total contributions	55,976	5,843	31,427	93,246
Investment earnings:				
Net appreciation in fair value of investments	156,737	7,299	-	164,036
Interest and dividends	47,085	2,228	70,720	120,033
Total investment earnings	203,822	9,527	70,720	284,069
Less investment expense	(6,644)	(314)	-	(6,958)
Net gain from investments	197,178	9,213	70,720	277,111
Securities lending earnings	1,368	65	-	1,433
Securities lending expenses:				
Borrower rebates	(246)	(12)	-	(258)
Agent fees	(281)	(13)	-	(294)
Net earnings from securities lending	841	40	-	881
Total net investment gain	198,019	9,253	70,720	277,992
Total Additions	253,995	15,096	102,147	371,238
Deductions				
Benefits	121,192	11,004	23,719	155,915
Refunds of contributions	430	20	-	450
Administrative expenses	2,558	121	18	2,697
Total Deductions	124,180	11,145	23,737	159,062
Change in net assets	129,815	3,951	78,410	212,176
Net assets - January 1	1,455,545	69,776	384,036	1,909,357
Net assets - December 31	\$ 1,585,360	\$ 73,727	\$ 462,446	\$ 2,121,533

Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the Year Ended December 31, 2009 (dollars in thousands)

	Balance January 1	Additions	Deductions	Balance December 31
Employee Salary Redirect Plan				
Assets				
Cash and cash equivalents	\$ 82	\$ 4,537	\$ 4,533	\$ 86
Accrued Interest	1	1	1	1
Total Assets	\$ 83	\$ 4,538	\$ 4,534	\$ 87
Liabilities				
Vouchers payable	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	83	4,521	4,517	87
Total Liabilities	\$ 83	\$ 4,521	\$ 4,517	\$ 87
Agency				
Assets				
Cash on hand	\$ 3,614	\$ 1,533	\$ 1,384	\$ 3,763
Cash and cash equivalents	16,321	467,600	461,286	22,635
Receivables (net of allowances for uncollectibles of \$4,558):				
Taxes	500,790	1,127,948	1,072,513	556,225
Accounts	24	11	16	19
Total Assets	\$ 520,749	\$ 1,597,092	\$ 1,535,199	\$ 582,642
Liabilities				
Vouchers payable	\$ 779	\$ 31,684	\$ 31,761	\$ 702
Other accrued liabilities	5,153	430,401	428,310	7,244
Due to taxing units	514,817	1,172,358	1,112,479	574,696
Total Liabilities	\$ 520,749	\$ 1,634,443	\$ 1,572,550	\$ 582,642
Total - All Agency Funds				
Assets				
Cash on hand	\$ 3,614	\$ 1,533	\$ 1,384	\$ 3,763
Cash and cash equivalents	16,403	472,137	465,819	22,721
Receivables (net of allowances for uncollectibles of \$4,558):				
Taxes	500,790	1,127,948	1,072,513	556,225
Accounts	24	11	17	18
Accrued interest	1	1	-	2
Total Assets	\$ 520,832	\$ 1,601,630	\$ 1,539,733	\$ 582,729
Liabilities				
Vouchers payable	\$ 779	\$ 31,684	\$ 31,761	\$ 702
Other accrued liabilities	5,236	434,922	432,827	7,331
Due to taxing units	514,817	1,172,358	1,112,479	574,696
Total Liabilities	\$ 520,832	\$ 1,638,964	\$ 1,577,067	\$ 582,729

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COMPONENT UNITS

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Combining Statement of Net Assets - Nonmajor Component Units

December 31, 2009 (dollars in thousands)

	Cherry Creek Subarea BID	Cherry Creek North BID	Colfax BID	Denver Art Museum	Denver Metro Convention and Visitor's Bureau, Inc.
Assets					
Cash and cash equivalents	\$ 19	\$ 1,030	\$ 315	\$ 1,115	\$ 1,191
Investments	-	-	-	7,039	178
Receivables:					
Taxes	-	3,372	395	-	-
Accounts	-	38	-	360	1,955
Other	-	145	-	8,343	-
Inventories	-	-	-	333	-
Prepaid items and other assets	-	79	-	865	496
Restricted Assets:					
Cash and cash equivalents	-	16,223	-	1,693	4,910
Net assets held by third party	-	-	-	97,421	-
Long-term receivables	-	-	-	5,002	-
Other assets	-	252	-	-	-
Capital Assets:					
Land and construction in progress	-	2,400	-	4,600	-
Buildings and improvements	-	15	-	37,858	750
Machinery and equipment	-	217	-	1,827	1,618
Accumulated depreciation	-	(165)	-	(29,540)	(1,809)
Net Capital Assets	-	2,467	-	14,745	559
Total Assets	19	23,606	710	136,916	9,289
Liabilities					
Vouchers payable	-	299	22	1,365	722
Accrued liabilities	-	122	-	815	986
Deferred revenue	-	3,372	395	1,956	720
Due to other governments	-	-	-	-	-
Noncurrent liabilities:					
Due within one year	-	318	-	1,387	-
Due in more than one year	-	17,982	-	5,825	-
Total Liabilities	-	22,093	417	11,348	2,428
Net Assets					
Invested in capital assets, net of related debt	-	416	-	-	559
Restricted for:					
Emergency use	-	72	10	-	-
Debt service	-	6	-	-	-
Donor restrictions:					
Expendable	-	-	-	15,422	-
Nonexpendable	-	-	-	94,318	-
Unrestricted (deficit)	19	1,019	283	15,828	6,302
Total Net Assets (Deficit)	\$ 19	\$ 1,513	\$ 293	\$ 125,568	\$ 6,861

Denver Museum of Nature and Science	Denver Preschool Program, Inc.	Denver Union Station Project Authority	Downtown Denver BID	Downtown Denver Development Authority	Old South Gaylord BID	West Colfax BID	Total
\$ 20,130	\$ 9,282	\$ 3,977	\$ 1,495	\$ -	\$ 14	\$ 63	\$ 38,631
-	-	-	-	-	-	3	7,220
-	-	-	4,494	727	-	-	8,988
2,629	-	-	175	-	-	-	5,157
2,111	-	397	-	-	-	-	10,996
292	-	-	-	-	-	-	625
890	15	19	30	-	-	-	2,394
-	-	-	-	-	-	-	22,826
70,315	-	-	-	-	-	-	167,736
-	-	-	-	-	-	-	5,002
-	-	940	-	-	-	-	1,192
-	-	-	-	-	-	-	7,000
-	-	-	-	-	-	-	38,623
8,110	19	-	681	-	19	-	12,491
(6,850)	(6)	-	(275)	-	(19)	-	(38,664)
1,260	13	-	406	-	-	-	19,450
97,627	9,310	5,333	6,600	727	14	66	290,217
1,187	3,446	-	477	-	-	-	7,518
572	8,704	13,290	-	-	10	-	24,499
2,270	-	397	4,494	-	-	-	13,604
-	-	-	-	727	-	-	727
-	-	1,000	-	-	-	-	2,705
-	-	22,492	-	-	-	-	46,299
4,029	12,150	37,179	4,971	727	10	-	95,352
1,260	-	-	405	-	-	-	2,640
-	-	-	155	-	-	3	240
-	-	-	-	-	-	-	6
69,565	-	-	-	-	-	-	84,987
3,530	-	-	-	-	-	-	97,848
19,243	(2,840)	(31,846)	1,069	-	4	63	9,144
\$ 93,598	\$ (2,840)	\$ (31,846)	\$ 1,629	\$ -	\$ 4	\$ 66	\$ 194,865

Combining Statement of Activities - Nonmajor Component Units

For the Year Ended December 31, 2009 (dollars in thousands)

	Cherry Creek Subarea BID	Cherry Creek North BID	Colfax BID	Denver Art Museum	Denver Metro Convention and Visitor's Bureau, Inc.
Expenses	\$ 14	\$ 2,847	\$ 332	\$ 24,938	\$ 14,145
Program Revenues					
Charges for services	-	191	-	4,842	3,013
Operating grants and contributions	-	-	-	14,431	-
Total Program Revenues	<u>-</u>	<u>191</u>	<u>-</u>	<u>19,273</u>	<u>3,013</u>
Net expenses	(14)	(2,656)	(332)	(5,665)	(11,132)
General Revenues					
Taxes:					
Lodgers	-	-	-	-	-
Property	18	2,847	323	-	-
Sales and use	-	-	-	5,232	11,207
Specific ownership	-	184	21	-	-
Investment and interest income	-	165	5	(6,365)	214
Other revenues	-	-	-	509	19
Total General Revenues	<u>18</u>	<u>3,196</u>	<u>349</u>	<u>(624)</u>	<u>11,440</u>
Change in net assets	4	540	17	(6,289)	308
Net Assets - January 1	<u>15</u>	<u>973</u>	<u>276</u>	<u>131,857</u>	<u>6,553</u>
Net Assets (Deficit) - December 31	<u>\$ 19</u>	<u>\$ 1,513</u>	<u>\$ 293</u>	<u>\$ 125,568</u>	<u>\$ 6,861</u>

	Denver Museum of Nature and Science	Denver Preschool Program, Inc.	Denver Union Station Project Authority	Downtown Denver BID	Downtown Denver Development Authority	Old South Gaylord BID	West Colfax BID	Total
\$	40,829	\$ 20,366	\$ 31,847	\$ 5,716	\$ -	\$ 24	\$ 96	\$ 141,154
	12,093	-	-	-	-	-	-	20,139
	21,577	24	-	301	-	-	-	36,333
	33,670	24	-	301	-	-	-	56,472
	(7,159)	(20,342)	(31,847)	(5,415)	-	(24)	(96)	(84,682)
	-	-	-	-	-	-	-	-
	-	-	-	4,372	-	20	103	7,683
	6,076	10,818	-	-	-	-	-	33,333
	-	-	-	-	-	-	-	205
	10,402	157	1	-	-	-	-	4,579
	1,455	-	-	917	-	-	-	2,900
	17,933	10,975	1	5,289	-	20	103	48,700
	10,774	(9,367)	(31,846)	(126)	-	(4)	7	(35,982)
	82,824	6,527	-	1,755	-	8	59	230,847
\$	93,598	\$ (2,840)	\$ (31,846)	\$ 1,629	\$ -	\$ 4	\$ 66	\$ 194,865

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this "Disclosure Undertaking") is delivered by the CITY AND COUNTY OF DENVER, COLORADO (the "City") and ZIONS FIRST NATIONAL BANK, DENVER, COLORADO (the "Trustee"), in connection with the execution and delivery of \$ _____* in aggregate principal amount of Refunding Certificates of Participation, Series 2010B (the "Series 2010B Certificates"), pursuant to a Declaration and Indenture of Trust (Wastewater/Roslyn Properties Leasing Trust 2010B) to be dated its date of execution and delivery (the "2010B Indenture"), executed by the Trustee, as trustee thereunder. The Series 2010B Certificates evidence assignments of proportionate interests in the rights to receive certain amounts payable by the City pursuant to an annually renewable Lease Purchase Agreement No. 2010B (Wastewater/Roslyn Properties) to be dated its date of execution and delivery (the "2010B Lease"), between the Trustee, as lessor, and the City, as lessee.

In consideration of the purchase of the Series 2010B Certificates by the Participating Underwriters (defined below), the City, as an "obligated person" with respect to the Series 2010B Certificates within the meaning of Rule 15c2-12 (the "Rule") adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time, and the Trustee hereby covenant, agree and undertake as follows:

Section 1. Definitions. The definitions set forth in the 2010B Lease and the 2010B Indenture shall apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined herein. In addition to such terms and the terms defined above, as used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the City delivered at least annually pursuant to Section 2 hereof, substantially similar to the type set forth in the Official Statement as described in Schedule 1 hereto. Annual Financial Information may, but is not required to, include Audited Financial Statements and may be provided in any format deemed convenient by the Trustee.

"Audited Financial Statements" means the annual financial statements for the City prepared in accordance with generally accepted accounting principles as in effect from time to time and audited by a firm of certified public accountants.

"Dissemination Agent" means the dissemination agent or any successor dissemination agent that has been designated in writing by the City.

"EMMA" means the MSRB's Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.

"Events" means any of the events listed in Section 3(a) of this Disclosure Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

* Preliminary, subject to change.

“*Official Statement*” means the final Official Statement dated _____, 2010, together with any supplements thereto prior to the date on which the Series 2010B Certificates are initially executed and delivered.

“*Owner(s)*” means the registered owner(s) of the Series 2010B Certificates, and so long as the Series 2010B Certificates are subject to the book-entry system, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Series 2010B Certificates, which includes the power to dispose or direct the disposition of the Series 2010B Certificates.

“*Participating Underwriters*” has the meaning given thereto under the Rule, or any successors to such Participating Underwriters known to the City.

“*Treasurer*” means the Manager of Finance of the Department of Finance, *ex officio* Treasurer of the City, or his or her designee, and successors in functions, if any.

Section 2. Provision of Annual Financial Information.

(a) Commencing with the Fiscal Year ended December 31, 2010, and annually thereafter while the Series 2010B Certificates remain outstanding, the City shall provide or cause to be provided to EMMA Annual Financial Information and Audited Financial Statements with respect to the City. The Annual Financial Information shall include the written representation of the Treasurer that the Annual Financial Information is the Annual Financial Information required under this Disclosure Undertaking.

(b) The Annual Financial Information shall be provided to EMMA not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements shall be provided to EMMA when available, but in no event later than 270 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements shall be provided as soon as they are available.

(c) The Annual Financial Information and Audited Financial Statements may be provided by the City by specific cross reference to other documents that have been submitted to EMMA or filed with the SEC. If the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available from the MSRB. The Treasurer shall clearly identify each such other document provided by cross reference.

Section 3. Reporting of Events.

(a) This Section 3 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2010B Certificates, if material:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on the Base Rentals Reserve Fund created under the 2010B Indenture or any surety bond relating thereto reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement relating to the Series 2010B Certificates reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or other events affecting the tax-exempt status of the Series 2010B Certificates;
- (vii) modifications to rights of the Owners;
- (viii) notice of optional or unscheduled redemption of any Series 2010B Certificates;
- (ix) defeasance of the Series 2010B Certificates or any portion thereof;
- (x) release, substitution or sale of property securing repayment of the Series 2010B Certificates; and
- (xi) rating changes.

(b) Whenever the Trustee obtains actual knowledge of the occurrence of an Event, the Trustee shall contact the Treasurer as soon as possible to request that the Treasurer determine if such Event would constitute material information for Owners. For the purpose of this Disclosure Undertaking, “actual knowledge” by the Trustee of the occurrence of such Events shall mean actual knowledge by the officer at the officer(s) of the Trustee with regular responsibility for the administration of matters related to the 2010B Indenture.

(c) Whenever the Treasurer obtains knowledge of the occurrence of an Event, including notice from the Trustee pursuant paragraph (b) of this Section, the Treasurer shall as soon as possible determine if such Event would constitute material information for Owners; provided, however, that any Event under subsection (a)(viii), (ix) or (xi) shall always be deemed to be material.

(d) If the Treasurer determines that knowledge of the occurrence of an Event would be material, the Treasurer shall file, in a timely manner, a notice of such occurrence with EMMA; provided, however, that notice of Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the affected Owners pursuant to the Indenture.

(e) The City shall provide or cause to be provided, in a timely manner, to EMMA notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2 hereof.

Section 4. Term. This Disclosure Undertaking shall be in effect from and after the initial execution and delivery of the Series 2010B Certificates and shall extend to the earlier of (a) the date all principal and interest on the Series 2010B Certificates shall have been deemed paid pursuant to the terms of the 2010B Indenture; (b) the date that the City shall no longer constitute an “obligated person” within the meaning of the Rule; and (c) the date on which those portions of the Rule that require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action have been repealed retroactively or otherwise do not apply to the Series 2010B Certificates, which determination shall be evidenced by an opinion of nationally recognized municipal bond counsel selected by the Treasurer. The City shall file a notice of any termination of this Disclosure Undertaking with EMMA.

Section 5. Use of a Dissemination Agent. The City may, from time to time, appoint or engage a dissemination agent to assist the City in carrying out its obligations under Sections 2 and 3 of

this Disclosure Undertaking, and may discharge such dissemination agent with or without appointing a successor dissemination agent.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if such amendment or waiver is otherwise consistent with the Rule. Written notice of any such amendment or waiver shall be provided by the City to EMMA, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financing statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The City shall provide notice of any such amendment or waiver to EMMA.

Section 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided, however, that the City shall not be required to do so. If the City chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or notice of occurrence of an Event.

Section 8. Default and Enforcement. If the City or the Trustee fails to comply with any provision of this Disclosure Undertaking, any Owner may take action to seek specific performance by court order to compel such party to comply with its obligations under this Disclosure Undertaking; provided, however, that any Owner seeking to require compliance with this Disclosure Undertaking shall first provide to the City at least 30 days' prior written notice of the City's failure, giving reasonable details of such failure, following which notice the City shall have 30 days to comply; and, provided further, that only the Owners of not less than a majority in aggregate principal amount of the outstanding Series 2010B Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State of Colorado. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE 2010B LEASE, THE 2010B INDENTURE OR THE SERIES 2010B CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

Section 9. Beneficiaries. This Disclosure Undertaking is made for the benefit of the Owners and in order to allow the Participating Underwriters to comply with the Rule, shall inure solely to the benefit of the Participating Underwriters and Owners from time to time of the Series 2010B Certificates and shall create no rights in any other person or entity.

Date: October , 2010

CITY AND COUNTY OF DENVER,
a Colorado municipal corporation

STEPHANIE Y. O'MALLEY, Clerk and
Recorder, Ex-Officio Clerk of the
City and County of Denver

Mayor

RECOMMENDED AND APPROVED:

Manager of Finance

Manager of Public Works

APPROVED AS TO FORM:

DAVID R. FINE, Attorney for the
City and County of Denver

REGISTERED AND COUNTERSIGNED:

Auditor _____

By: _____
City Attorney

Manager of Finance _____

ZIONS FIRST NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

* * *

SCHEDULE 1

ANNUAL FINANCIAL INFORMATION

“Annual Financial Information” means the financial information and operating data with respect to the City substantially similar to the type set forth in APPENDIX C to the Official Statement under the heading “FINANCIAL INFORMATION CONCERNING THE CITY – General Fund” and data concerning certain outstanding lease obligations included under the heading “DEBT STRUCTURE – Capital Leases and Lease Purchase Agreements” and any material financial information similar to the foregoing contained in the Audited Financial Statements.

* * *