DEN

CITY & COUNTY OF DENVER | MUNICIPAL AIRPORT SYSTEM

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018 AND 2017

DENVER INTERNATIONAL AIRPORT

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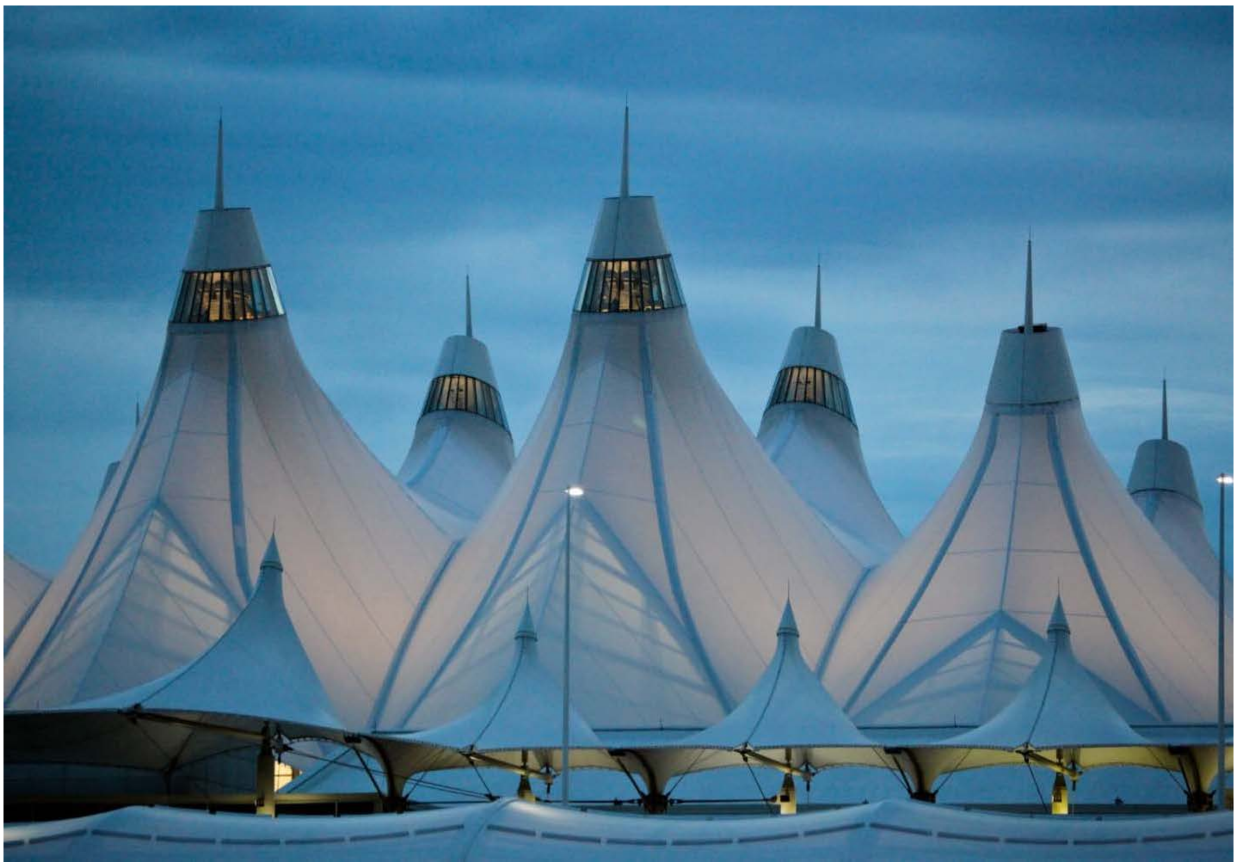
2018 ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION (UNAUDITED)



Introduction

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

The Airport is an enterprise fund of the City. Enterprise funds are defined as government-owned businesses authorized to issue their own revenue bonds and receive fewer than 10% of their annual revenues in grants from all State and Local governments combined. An enterprise fund is established to account for operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting, and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

Description of DEN

Situated approximately 24 miles northeast of downtown Denver, DEN is the primary air carrier airport serving the region. According to Airports Council International, in 2018, DEN was the fifth busiest airport in the United States and the twentieth busiest in the world, serving 64.5 million passengers. DEN comprises approximately 33,800 acres (53 square miles) of land, an area twice the size of the island of Manhattan and is the second largest physical airport in the world. The passenger terminal complex is reached via Peña Boulevard, a 12-mile dedicated access road which connects Interstate 70 and intersects with E-470 toll highway. DEN has six runways—four oriented north-south and two oriented east-west. Five runways are 12,000 feet long and 150 feet wide. The sixth runway is 16,000 feet long and 200 feet wide, providing unrestricted global access for any airline and the ability to accommodate fully loaded jumbo jets, including the Airbus A-380.

The Airport's passenger terminal complex has a landside terminal and three airside concourses, as well as cargo and general aviation facilities. The landside terminal accommodates passenger ticketing, baggage claim, concessions, and passenger screening and is flanked by roads and curbs for public and private vehicles. Automobile parking is available in public garages adjacent to the landside terminal and in surface parking lots. DEN has a total of 16,638 parking spaces in the public garages and 27,227 spaces in the surface parking lots. Spaces are also provided for employee parking. Additional passenger services include car rental facilities and ground transportation. On November 19, 2015, a new 519-room Westin hotel and conference center was opened to the public and is connected to the terminal via a public plaza. On April 22, 2016, passenger rail service to downtown Denver began via a train station in the same area.

Passengers travel between the landside terminal and three airside concourses (Concourses A, B, and C) via an underground Automated Guideway Transit System (AGTS). In addition, there is a pedestrian passenger bridge to Concourse A. The passenger terminal complex includes a landside terminal and three airside concourses with a total of 111 full-service contact gates and 24 ground loading positions.

Metro Area

The Denver Metropolitan Area (Metro Denver), with a population of more than 3.2 million, is the primary region served by DEN. Metro Denver is comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. Metro Denver is home to 10 Fortune 500 companies, and was ranked #4 in "Best Places for Business and Careers" by Forbes Magazine in 2018. U.S. News and World Report also ranked Denver #2 in "Best Places to Live" in 2019.

Metro Denver's diverse employment base across various industries, central location and transformation of its transportation network has positioned it to become a key distribution hub, fostering strong economic growth and development for the region/state. Metro Denver's unemployment rate was 2.9% as of December 2018.

Air Traffic

Located close to the geographic center of the United States mainland, the City has long been a major air transportation hub. DEN has airline service to more than 200 cities. Denver's natural geographic advantage as a connecting hub location has been enhanced by the Airport's ability to accommodate aircraft landings and takeoffs in virtually all weather conditions. Total passenger traffic at DEN was up 5.1% in 2018 from 2017, compared with a national average increase of 4.8% as reported by the Department of Transportation's Bureau of Transportation Statistics (BTS). In 2018, 64.5 million passengers traveled through DEN, with approximately 64.2% originating or terminating their air journeys at DEN, and 35.8% connecting to flights beyond DEN. Originating and destination traffic (O&D) increased by 5.6% in 2018 from 2017. As shown in Table 1, as of December 31, 2018, 27 airlines provided scheduled passenger service at DEN: 10 major/national airlines, seven regional/commuter airlines, and 10 foreign-flag airlines.

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

Table 1
Scheduled Passenger Airlines Serving Denver
(as of December 31, 2018)

Major/National	Regional/Commuter
Alaska Airlines	American Eagle
Allegiant Air	Boutique Air
American Airlines	California Pacific Airlines
Delta Air Lines	Denver Air Connection
Frontier Airlines	Delta Connection
JetBlue Airways	Elite Airways
Southwest Airlines	United Express
Spirit Airlines	
Sun Country Airlines	**Foreign Flag**
United Airlines	Aeromexico
	Air Canada
	British Airways
	Copa Airlines
	Edelweiss
	Icelandair
	Lufthansa German Airlines
	Norwegian Air Shuttle
	Volaris
	WestJet

Airline Use & Lease Agreements

On September 19, 2014, United Airlines and the Airport agreed to an additional 10-year lease commitment provided that the Airport restructure debt by December 31, 2014. The amendment became effective on January 1, 2015 and extends the lease to February 28, 2035. All other signatory airlines, including Southwest and Frontier, operate under two-year Use & Lease Agreements which expired on December 31, 2018. The agreements have been extended through December 31, 2019 with the exercise of the one-year option, with an additional one-year option to extend lease through December 31, 2020.

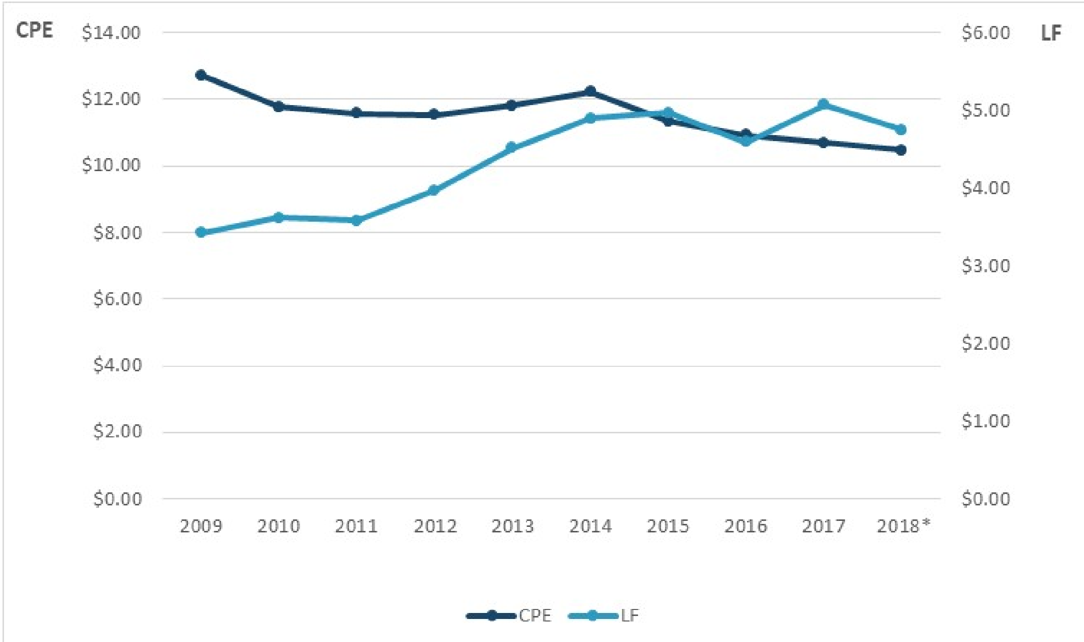
Airlines Rates, Fees, and Charges

The Airport has a hybrid rate structure that is established by the Use & Lease Agreements which is a combination of residual and compensatory rate methods based on cost recovery principles. Residual cost centers recover the full cost of operations from the airlines (e.g. airfield). Compensatory cost centers recover only the costs associated with the space that has been leased by the airlines (e.g. terminal buildings) and allows the Airport to lease vacant space to concessionaires and other tenants for non-airline revenue opportunities. These opportunities allow the Airport to generate free cash flow for reinvestment. In return, the Use & Lease Agreement has established a revenue share between the Airport and airlines, with the airlines receiving 50% of the net revenue up to a $40 million cap per year. In 2018, the Airport is estimated to deposit $113.0 million into the capital improvement account that can be used for any lawful airport purpose. The net revenue available for sharing for the years ended December 31, 2009 through 2018 is reflected in Table 2 below:

Table 2
Net Revenue Available for Sharing
(In thousands)

Year	Total	Airport share
2009	49,681	24,481
2010	87,188	47,188
2011	126,686	86,686
2012	121,695	81,695
2013	122,784	82,784
2014	134,612	94,612
2015	130,147	90,147
2016	112,091	72,091
2017	135,976	95,976
2018*	153,000	113,000

*Estimated amount
Source: Airport Management



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

LF = Landing Fee is based on cost per 1,000 lbs. landed weight.

Note: Airport Year-End Settlement Reports

*Landing Fee and CPE are not finalized until the year-end settlement is completed

During the time period shown above, the overall CPE has trended downward as a result of continued enplanement growth, the effective management of airline costs, as well as changes in leased space.

During the time period shown above, the landing fee has been impacted by changes in landed weight, as well as increases in airfield expenses and debt service requirements.

United Group

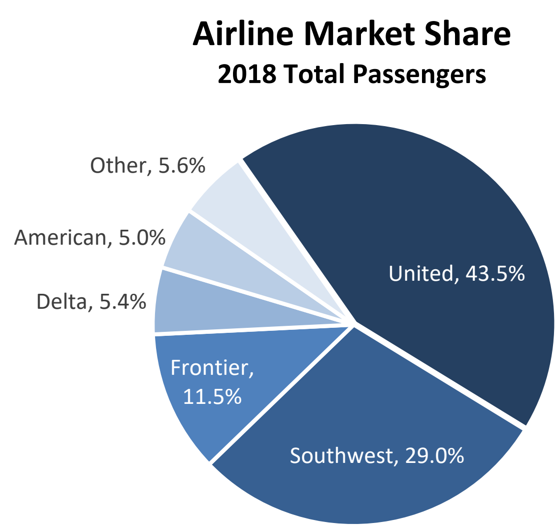
United Group (United) includes the operations of United Airlines, as well as regional affiliate airlines operating under the United Express brand. United is one of the world's largest airlines and is the principal air carrier operating at DEN. United operates a major connecting hub at DEN under a Use & Lease Agreement with the City that expires in 2035. United currently leases 54 full-service contact gates on Concourse B and 14 ground loading positions. At DEN, United accounted for 43.5% of total passengers in 2018.

Southwest Airlines

Southwest Airlines (Southwest) has the second largest market share at the Airport for 2018. Southwest began service at the Airport in January 2006 and since that time has experienced strong and continued growth at DEN, which is the airline's fourth busiest station in its system. Southwest leases 25 full-service contact gates on Concourse C. Southwest accounted for 29.0% of total passengers in 2018.

Frontier Airlines

Frontier Airlines (Frontier) has the third largest market share at DEN for 2018. DEN is Frontier's only hub and, in 2018, the busiest airport in the Frontier system. Frontier has transformed its business model from a low-cost carrier to an ultra-low-cost carrier. Frontier leases eight full-service contact gates on Concourse A. Frontier accounted for 11.5% of total passengers in 2018.



Cash Management

The Airport's cash is under the control of the City's Chief Financial Officer who invests the funds pursuant to the City's Investment Policy. As of December 31, 2018 and 2017, cash and investments totaled $4.0 billion and $1.7 billion, respectively. Current investment vehicles include municipal securities, corporate bonds, multi-national fixed income, structured products, U.S. Treasury securities, and U.S. Agency securities. In 2018 and 2017, the City charged fees of $0.5 million and $0.4 million, respectively, to the Airport for performing the cash management function.

Accounting and Internal Control

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

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

Acknowledgments

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

Respectfully Submitted,

Kim Day
Chief Executive Officer

Gisela Shanahan
Chief Financial Officer

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CPAs & Advisors

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Independent Auditor's Report

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying financial statements of the City and County of Denver, Colorado Municipal Airport System (the Airport System), an enterprise fund of the City and County of Denver, Colorado (the City), as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Airport System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of December 31, 2018 and 2017, and the respective changes in financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Airport System are intended to present the financial position and the changes in financial position and cash flows of only those portions of the business-type activities of the City that are attributable to the transactions of the Airport System. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2018, the Airport System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Denver, Colorado
June 18, 2019

2018 ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)

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

The following discussion and analysis of the financial performance and activities of the Municipal Airport System (Airport System) of the City and County of Denver (the City) provides an introduction and understanding of the basic financial statements of the Airport System as of and for the twelve months ended December 31, 2018, 2017 and 2016. The Airport System includes the Denver International Airport (the Airport) and the former Stapleton International Airport (Stapleton). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

Operating revenue at the Airport totaled $808.4 million, an increase of $39.4 million, or 5.1%, for the twelve-month period ended December 31, 2018, as compared to the twelve-month period ended December 31, 2017. Airline revenue totaled $358.0 million, up $5.9 million, or 1.7%, driven by higher facility rental rates. Non-airline revenue totaled $450.3 million, up $33.5 million, or 8.0%, primarily due to an increase in total passengers of 5.1%, which resulted in an incremental increase in non-airline operating revenues. Non-airline revenue represented 55.7% of total operating revenue.

Operating expenses, exclusive of depreciation and amortization, totaled $474.3 million for the twelve-month period ended December 31, 2018, an increase of $20.8 million, or 4.6%, as compared to the twelve-month period ended December 31, 2017. The increase compared to the prior year was primarily driven by increases in contractual services and repair and maintenance projects.

Overview of the Financial Statements

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

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

The Governmental Accounting Standards Board (GASB) allows the Airport to present comparative financial statements, but requires that the Airport's MD&A address both years presented in the comparative financial statements. Therefore, the Airport's MD&A presents three years of comparative data – current year, the prior year and the year preceding the prior year (i.e., 2018, 2017 and 2016). During 2018, the Airport adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This GASB was effective for fiscal years beginning after June 15, 2017. The implementation of the GASB 75 required the Airport to record beginning net Other Postemployment Benefits (OPEB) liability and deferred inflows and outflows of resources related to OPEB with the effect of a reduction of $18.7 million on the beginning of 2018 unrestricted net position. The 2017 financial statements were not restated as it was not practical to do so as the actuarial data required to restate was not available.

Additional information related to the Airport's OPEB plan can be found in note 17.

Summary of Revenues, Expenses, and Changes in Net Position

The following is a summary of the revenues, expenses, and changes in net position for the years ended December 31, 2018, 2017, and 2016 ($ in thousands):

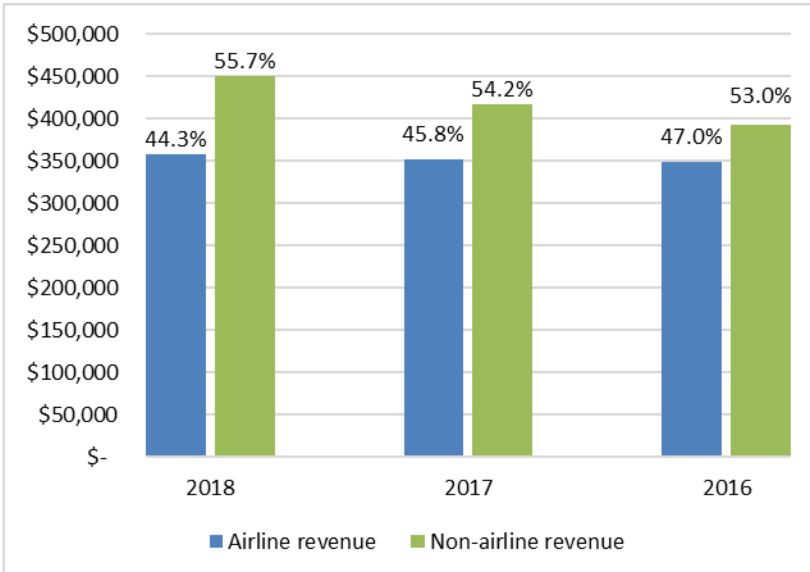
	2018	2017	2016	2018 / 2017 $ Change	2018 / 2017 % Change
Operating revenue	$ 808,360	$ 768,925	$ 742,529	$ 39,435	5.1%
Less: operating expenses	474,314	453,532	469,810	20,782	4.6%
Operating income before depreciation and amortization	334,046	315,393	272,719	18,653	5.9%
Less: depreciation and amortization	193,009	183,351	179,692	9,658	5.3%
Operating income	141,037	132,042	93,027	8,995	6.8%
Nonoperating revenues	233,844	189,763	174,074	44,081	23.2%
Less: nonoperating expenses	237,631	188,152	161,966	49,479	26.3%
Capital grants and contributions	26,730	55,879	3,553	(29,149)	(52.2%)
Increase in net position	163,980	189,532	108,688	(25,552)	(13.5%)
Net position, beginning of year, as previously reported	1,023,673	834,141	725,453	189,532	22.7%
Cumulative effect of change in accounting principle	(18,688)	-	-	(18,688)	(100.0%)
Net position, beginning of year, as adjusted	1,004,985	834,141	725,453	170,844	20.5%
Net position, end of year	$ 1,168,965	$ 1,023,673	$ 834,141	145,292	14.2%

The following is a summary of operating revenues for the years ended December 31, 2018, 2017, and 2016 ($ in thousands):

	2018	2017	2016	2018 / 2017 $ Change	2018 / 2017 % Change
Operating revenue:					
Airline revenue					
Facility rentals	$ 196,065	$ 180,443	$ 198,407	$ 15,622	8.7%
Landing fees	161,981	171,708	150,850	(9,727)	(5.7%)
Total airline revenue	358,046	352,151	349,257	5,895	1.7%
Non-airline revenue					
Parking	189,890	176,006	176,949	13,884	7.9%
Concession	83,297	68,269	67,408	15,028	22.0%
Car Rental	72,621	71,806	66,727	815	1.1%
Hotel	53,304	47,412	43,262	5,892	12.4%
Aviation fuel tax	25,039	25,993	18,892	(954)	(3.7%)
Ground transportation	17,313	12,449	10,594	4,864	39.1%
Other sales and charges	8,850	14,839	9,440	(5,989)	(40.4%)
Total non-airline revenue	450,314	416,774	393,272	33,540	8.0%
Total operating revenue	$ 808,360	$ 768,925	$ 742,529	$ 39,435	5.1%

Total Operating Revenues

(% of total)



2018/2017

Total airline revenues at the Airport were $358.0 million, an increase of $5.9 million, or 1.7%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017.

Facility rental revenue increased by $15.6 million, or 8.7%, resulting from an increase in the terminal complex rental rate in 2018, as well as an increase in the costs related to the Automatic Guideway Transit System (AGTS) due to increased passenger traffic growth and utilization of the airport.

Landing fee revenue decreased by $9.7 million, or 5.7%, driven by the decrease in airfield debt service requirements.

Total non-airline revenues at the Airport were $450.3 million, an increase of $33.5 million, or 8.0%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017.

Parking revenue increased by $13.9 million, or 7.9%, primarily due to rate increases in the garage and economy parking lots, which went into effect February 15, 2018. Garage rates increased to $25 per day (formerly $24), and economy lot rates increased to $16 per day (formerly $13) for the first three days then the rate reduces to $15 for subsequent days.

Concession revenue increased by $15.0 million, or 22.0%, due to a 5.0% increase in total enplaned passengers, as well as a 3.2% increase in sales per enplanement. Additional factors driving the year-over-year increase include the continued refresh of existing concession locations, and an increase in advertising revenues.

Car rental revenue increased by $0.8 million, or 1.1%, primarily due to an increase in O&D passengers.

Hotel revenue increased by $5.9 million, or 12.4%, primarily due to an increase in total occupancy from 69.9% to 75.7%, combined with a 5.2% increase in average room rates.

Aviation fuel tax revenue decreased by approximately $1.0 million, or 3.7%. Fuel tax revenues are comprised of both excise and sales tax collections. The Airport receives $0.02 per gallon from excise tax collections, and 65% of the 2.9% sales tax collections.

Ground Transportation revenue increased $4.9 million, or 39.1%, due to growth of transportation network companies, as well as an increase in O&D passenger traffic. In addition, approximately $1.0 million of the year-over-year increase is attributable to the result of a one-time adjustment to ground transportation revenue.

Other sales and charges revenue decreased by $6.0 million, or 40.4%, due to lower various operational and revenue sources, combined with a decrease in interest charged.

The Airport's activities changed as described below for the year ended December 31, 2018, as compared to 2017:

	2018	2017	Percentage Change
Passengers (in thousands)	64,495	61,379	5.1%
Enplanements (in thousands)	32,259	30,714	5.0%
Landed Weight (in millions)	35,216	33,884	3.9%
Aircraft Operations (in thousands)(1)	603	582	3.6%
Cargo (in thousand tons)	307	292	5.1%

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

2017/2016

Total airline revenues at the Airport were $352.1 million, an increase of $2.9 million, or 0.8%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016.

Facility rentals decreased by $18.0 million, or 9.1%, primarily driven by a reduction in the terminal complex rental rate.

Landing fees increased by $20.9 million, or 13.8%, driven by the increase in airfield debt service requirements.

Total non-airline revenues at the Airport were $416.8 million, an increase of $23.5 million, or 6.0%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016.

Parking revenue decreased by $0.9 million, or 0.5%, due to parking rates remaining unchanged vs. 2016. The offering of additional options and alternative methods of transportation (e.g. Uber, Lyft, RTD A-Line, Off-Site Parking) has also caused year-over-year growth to flatten.

Concession revenues between 2017 and 2016 increased $0.8 million, or 1.3%, due to the openings of new locations along with an increase in enplaned passengers.

Car rental revenue increased by $5.1 million, or 7.6%, due to an increase in O&D passengers.

Hotel revenues between 2017 and 2016 increased $4.1 million, or 9.6%, due to an increase in rooms sold as well as an increase in food and beverage sales.

Aviation fuel tax increased by $7.1 million, or 37.6%, due to an increase in operations, as well as increases in fuel prices. Total operations increased by 10 thousand, or 1.6%, year-over-year.

Ground Transportation increased $1.9 million, or 17.5%, due to an increase in Uber and Lyft growth as well as an increase in O&D passenger traffic.

Other sales and charges increased by $5.4 million, or 57.2%, primarily due to an increase in oil and gas revenue as well as an increase in interest charged on late payments.

The Airport's activities changed as described below for the year ended December 31, 2017, as compared to 2016:

	2017	2016	Percentage Change
Passengers (in thousands)	61,379	58,267	5.3%
Enplanements (in thousands)	30,714	29,140	5.4%
Landed Weight (in millions)	33,884	32,421	4.5%
Aircraft Operations (in thousands)[1]	582	573	1.6%
Cargo (in thousand tons)	292	276	5.8%

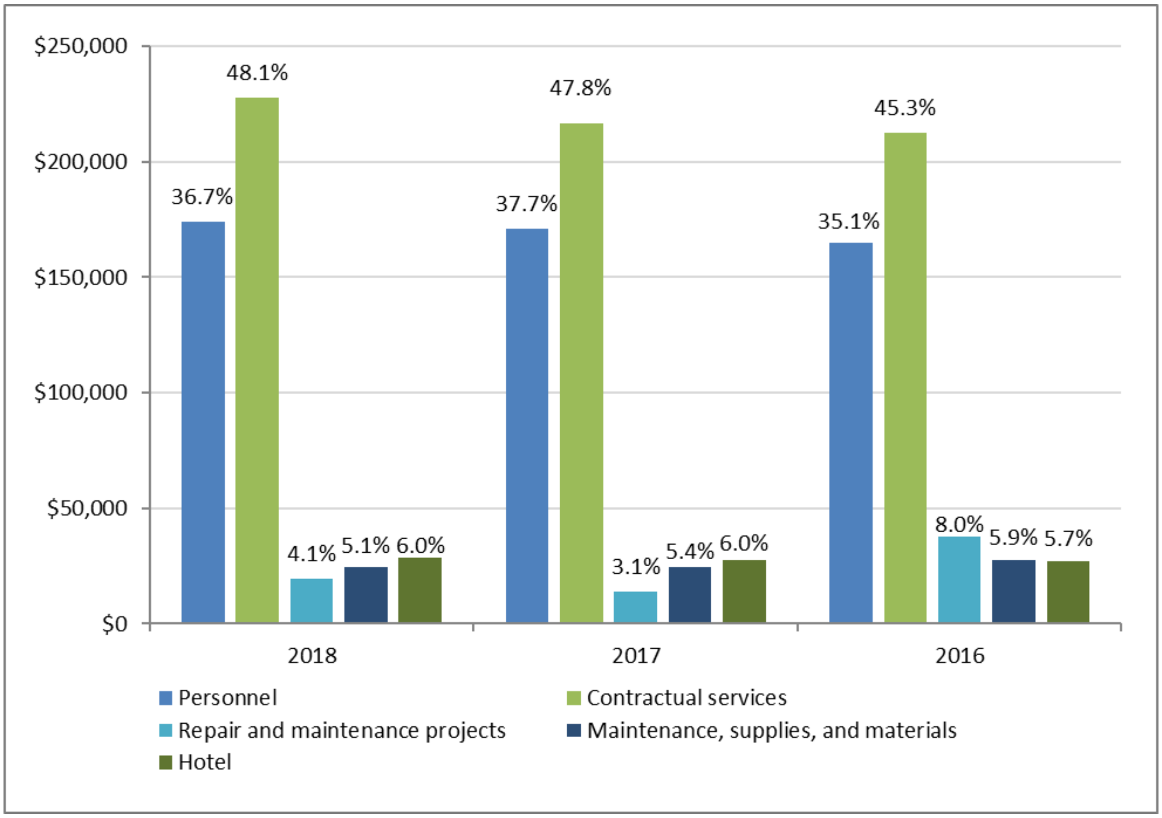
[1]Aircraft operations are takeoffs, landings, or other communications with the control tower.

The following is a summary of operating expenses before depreciation and amortization for the years ended December 31, 2018, 2017, and 2016 ($ in thousands):

	2018	2017	2016	2018 / 2017 $ Change	2018 / 2017 % Change
Personnel	$ 173,979	$ 171,151	$ 165,114	$ 2,828	1.7%
Contractual services	227,918	216,501	212,699	11,417	5.3%
Repair and maintenance projects	19,423	14,071	37,514	5,352	38.0%
Maintenance, supplies, and materials	24,378	24,452	27,547	(74)	(0.3%)
Hotel	28,616	27,357	26,936	1,259	4.6%
Total operating expenses before depreciation and amortization	$ 474,314	$ 453,532	$ 469,810	$ 20,782	4.6%

Operating Expenses before Depreciation and Amortization

(% of total)



2018/2017

Operating expenses, exclusive of depreciation and amortization, were $474.3 million for the year ended December 31, 2018, an increase of $20.8 million, or 4.6%, as compared to year ended December 31, 2017.

Personnel expenses increased by $2.8 million, or 1.7%, primarily driven by annual merit and benefit cost increases, as well as increases in police and fire salaries.

Contractual services expenses increased by $11.4 million, or 5.3%, primarily due to increased maintenance services and other key professional services contracts to support continued passenger growth.

Repair and maintenance expenses increased by $5.4 million, or 38.0%, due to more non-capitalizable project expenditures.

Maintenance, supplies, and materials expenses remained flat year-over-year.

Hotel expenses increased by $1.3 million, or 4.6%, due to an increase in occupancy over the prior year.

2017/2016

Operating expenses, exclusive of depreciation and amortization, were $453.5 million for the year ended December 31, 2017, a decrease of $16.3 million, or 3.5%, as compared to year ended December 31, 2016.

Personnel increased $6.0 million, or 3.7%, in 2017, primarily due to annual merit increases, as well as increases in police and fire compensation.

Contractual Services increased by $3.8 million, or 1.8%, driven by increased maintenance services, higher utility rates, and additional key professional services partially offset by snow removal savings.

Repair and Maintenance decreased by $23.4 million, or 62.5%, as more projects were deemed to extend asset lives and therefore were capitalized, primarily due to the types of capital in 2017 vs. 2016.

Maintenance, Supplies and Materials decreased by $3.1 million, or 11.2%, due to decreased spend on snow removal chemicals. 21.8 inches of snow fell during the 2017/2016 season compared to 72.8 inches during the 2016/2015 season.

Hotel expenses between 2017 and 2016 increased $0.4 million, or 1.6%, due to an increase in occupancy over prior year. 2017 occupancy rate was 69.9% compared to an occupancy rate of 61.8% for 2016.

Nonoperating Revenues and Expenses, Capital Grants and Capital Contributions

2018/2017

Total nonoperating revenues increased by $44.1 million, or 23.2%, primarily due to increases in passenger facility charges, as a result of increases in enplanements. In addition, investment income increased resulting from bond proceeds issued with the Airport System Subordinate Revenue Series 2018A (AMT) bonds (Series 2018A) and 2018B (Non-AMT) bonds (Series 2018B).

Total nonoperating expenses increased by $49.5 million, or 26.3%, primarily due to interest expense associated with the Series 2018A bonds and Series 2018B bonds.

In 2018 and 2017, capital grants totaled $26.7 million and $55.9 million, respectively. The decrease in 2018 from 2017 was driven by Transportation Security Administration grant funding for a capital project to improve the throughput of the checked baggage handling system. The majority of this capital contribution was based on costs incurred in 2017.

2017/2016

Total nonoperating revenues, net of nonoperating expenses, decreased by $10.5 million, or 86.7%, in 2017. This is primarily due to the reduction in capitalized interest in 2017, as well as losses in investment accounts.

In 2017 and 2016, capital grants totaled $55.9 million and $3.6 million, respectively. The increase in 2017 was driven by Transportation Security Administration grant funding for a capital project to improve the throughput of the checked baggage handling system, as well as Federal Aviation Administration grant funding to maintain and rehabilitate runways and taxiways.

Summary of Net Position

The following is a summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2018, 2017, and 2016 ($ in thousands):

	2018	2017	2016	2018 / 2017 $ Change	2018 / 2017 % Change
Assets:					
Current assets, unrestricted[1]	$ 346,850	$ 220,362	$ 146,040	$ 126,488	57.4%
Current assets, restricted	1,116,062	244,878	129,475	871,184	355.8%
Noncurrent investments, unrestricted	503,915	446,630	650,222	57,285	12.8%
Noncurrent Investments, restricted	2,168,124	926,510	703,670	1,241,614	134.0%
Long-term receivables	29,716	29,018	7,041	698	2.4%
Capital assets, net	3,826,587	3,651,252	3,538,597	175,335	4.8%
Bond insurance costs, net	384	439	1,725	(55)	(12.5%)
Interest rate swaps	13,226	27,686	33,206	(14,460)	(52.2%)
Total assets	8,004,864	5,546,775	5,209,976	2,458,089	44.3%
Deferred outflows of resources	119,394	156,426	197,481	(37,032)	(23.7%)
Liabilities:					
Current liabilities, unrestricted	215,707	196,299	159,341	19,408	9.9%
Current liabilities, restricted	257,538	244,343	215,149	13,195	5.4%
Bonds payable, noncurrent	6,215,968	3,941,423	3,865,703	2,274,545	57.7%
Interest rate payable swaps, noncurrent	78,388	119,484	154,486	(41,096)	(34.4%)
Notes payable, noncurrent	4,427	7,600	11,193	(3,173)	(41.8%)
Compensated absences payable, noncurrent	7,751	7,421	7,204	330	4.4%
Net pension liability	140,679	153,874	158,033	(13,195)	(8.6%)
Net OPEB liability	18,548	-	-	18,548	100.0%
Total liabilities	6,939,006	4,670,444	4,571,109	2,268,562	48.6%
Deferred inflows of resources	16,287	9,084	2,207	7,203	79.3%
Net position (deficit)					
Net investment in capital assets (deficit)	(29,619)	78,760	(141,151)	(108,379)	(137.6%)
Restricted	507,237	487,601	466,897	19,636	4.0%
Unrestricted	691,347	457,312	508,395	234,035	51.2%
Total net position	$ 1,168,965	$ 1,023,673	$ 834,141	$ 145,292	14.2%

[1] Accounts receivable net of allowance for doubtful accounts of $3,442, $2,151, and $236 respectively

2018/2017

Total assets increased by $2.5 billion, or 44.3%, compared to December 31, 2017. This was primarily due to an increase of $2.3 billion, or 134.5%, in total cash and investments, as well as an increase of $175.3 million, or 4.8%, in total capital assets. The increase in total cash and investments is due to the issuance of Series 2018A and Series 2018B bonds for $2.5 billion. The increase in total capital assets is due to additional capital assets entering service and additions to construction in progress related to the 2018-2022 capital program.

Total deferred outflows of resources decreased by $37.0 million, or 23.7%, due to the amortization of deferred losses on bond refundings, as well as pension adjustments as required under GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68) and the implementation of GASB 75.

Total liabilities increased by $2.3 billion, or 48.6%, compared to December 31, 2017. This was primarily due to a $2.3 billion, or 57.7%, increase in noncurrent bonds payable as a result of the issuance of Series 2018A and Series 2018B bonds, as well as a $18.5 million increase due to the implementation of GASB 75. This increase was partially offset by a $41.1 million, or 34.4%, decrease in interest rate swaps, a $13.2 million, or 8.6%, decrease in net pension liabilities, and a $9.8 million, or 75.8%, decrease in restricted vouchers payable.

Total deferred inflows of resources increased by $7.2 million, or 79.3%, due to pension adjustments as required under GASB 68 and the implementation of GASB 75.

The Airport's 2018 total net position is $1.2 billion, of which 43.4% is restricted for future debt service and capital construction. The bond reserve account and bond accounts that are externally restricted represent $496.0 million for debt service and $11.3 million for capital projects.

The remaining net position consist of unrestricted balance of $691.3 million which may be used to meet any of the Airport's ongoing operational needs. Management of the Airport has internally designated $65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt coverage requirements.

In addition, ($29.6) million represent the Airport's net investment in capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2017/2016

Total assets increased by $336.8 million, or 6.5%, compared to December 31, 2016. This was primarily due to an increase of $160.8 million, or 10.4%, in total cash and investments, as well as an increase of $112.7 million, or 3.2%, in total capital assets. The increase in total cash and investments is due to $300.0 million in proceeds received in December 2017 from the Series 2017C Bonds.

Total deferred outflows of resources decreased by $41.1 million, or 20.8%, due to the amortization of deferred losses on refundings.

Total liabilities increased by $99.3 million, or 2.2%, compared to December 31, 2016. This was primarily attributed to an increase in noncurrent bonds payable of $75.7 million, or 2.0%, as well as a $66.2million, or 17.7%, increase in total current liabilities. This was partially offset by a decrease of $35.0 million, or 22.7%, in interest rate swaps.

Total deferred inflows of resources increased by $6.9 million, or 311.6%, due to the amortization of deferred gains on refunding.

Of the Airport's 2017 total net position, 47.6% was restricted for future debt service and capital construction. The bond accounts that are externally restricted represent $484.9 million for debt service and $2.7 million for capital projects, respectively.

As of December 31, 2017, the remaining net position consist of unrestricted balance of $457.3 million. Unrestricted net position may be used to meet any of the Airport's ongoing operational needs, as such, management of the Airport has internally designated $65.8 million of its unrestricted net position amount, as allowed in the 1984 Airport System General Bond Ordinance as supplemented and amended, to help meet debt coverage requirements.

In addition, $78.8 million represents the Airport's net investment in capital assets.

Long-Term Debt

As of December 31, 2018, the Airport had approximately $6.0 billion in outstanding senior and subordinate bonded debt, bearing fixed and variable interest rates. The total annual debt service (principal and interest) was approximately $391.6 million in 2018.

As of December 31, 2018, the Airport's senior lien debt was rated by Standard & Poor's (S&P's), Moody's, and Fitch at A+, A1, and AA-, respectively, with each of the rating agencies giving the Airport a stable outlook.

The Airport's governing bond ordinances (the bond ordinance) require that the Airport's net revenues plus other available funds, as defined in the bond ordinance, be sufficient to provide debt service coverage of 125% of the annual debt service requirement on senior bonds and 110% of the aggregate annual debt service requirements on senior and subordinate bonds, and junior liens. The debt service coverage ratio on all bonds for the years ended December 31, 2018 and 2017 were 196% and 184% of total debt service, respectively.

On December 7, 2018, the Airport fully terminated the 2005 and 2006B Swap Agreements with Jackson Financial Products, LLC. There was no cost to the Airport for the terminations and yielded a net cash inflow of $1.16 million. Subsequent to December 31, 2018, the Airport fully terminated the 2005 and 2006B Swap Agreements with the Royal Bank of Canada and Piper Jaffray Financial Projects, LLC. These terminations were effective on March 13, 2019, with no cost to the Airport and yielded a net cash inflow of $1.19 million.

On August 28, 2018, the Airport issued Subordinate Bonds (i) $2.3 billion of Series 2018A (AMT) Bonds and (ii) $184.4 million of Series 2018B (Non-AMT) Bonds. Combined, these two transactions will be used to assist in funding the 2018-2022 Capital Program, pay off the Airport System Subordinate Revenue Bonds Series 2017C (AMT), the Subordinate Bond Reserve Requirement, provided funds for capitalized interest and pay cost of issuance.

On December 21, 2017, the City, for and on behalf of its Department of Aviation, issued $300.0 million, Airport System Subordinate Revenue Bonds Series 2017C – AMT (Series 2017C Bonds). The final maturity of the Series 2017C Bonds was November 15, 2050 with an initial term rate period ending on December 30, 2020. The Series 2017C Bonds, bore interest at a variable rate with interest initially due on July 1, 2018 and on the first business of the month thereafter. At the end of the initial term rate period, the Series 2017C Bonds were subject to mandatory redemption. The proceeds from the Series 2017C Bonds were available to fund Airport capital improvements and used to pay for issuance cost. The Series 2017C Bonds were paid in full with the proceeds from the Series 2018A (AMT) Bonds.

On December 7, 2017, the Airport issued (i) $254.2 million of Series 2017A Bonds (AMT) to refund all of the outstanding Series 2007A and Series 2007D Bonds and (ii) $21.3 million of Series 2017B Bonds (Non-AMT) to refund all of the outstanding Series 2007C Bonds, each through a negotiated sale with Raymond James as the lead underwriter. Combined, these two transactions will result in a net present value savings of $47.0 million through 2033.

On December 1, 2016, the Airport issued $256.8 million of Series 2016A Bonds in a Non-AMT fixed rate mode to current refund all of the outstanding Series 2006A Bonds and advance refund all outstanding 2007B and 2007E Bonds through a negotiated sale with RBC Capital Markets as the lead underwriter. On December 13, 2016, the Airport issued $108.7 million of Series 2016B Bonds in a Non-AMT index rate mode to current refund all of the outstanding Series 2014A Bonds through a negotiated sale with Bank of America Merrill Lynch. Combined, these two transactions will result in a net present value savings of $41.5 million through 2032.

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

Capital Assets

As of December 31, 2018 and 2017, the Airport had approximately $3.8 billion and $3.7 billion in total capital assets, respectively. These amounts are net of accumulated depreciation of approximately $3.4 billion in 2018 and $3.2 billion in 2017.

The Airport developed a new capital program for the Airport for the years 2018 through 2022 (the "2018-2022 Capital Program"). The prior capital program for the Airport was developed for the period 2013-2018. Major projects completed in 2013 through 2018 as part of the 2013-2018 Capital Program include the Hotel and Transit Center, the expansion of Concourse C to add gates, construction of a new parking garage, and airfield pavement rehabilitation and lighting projects.

The 2018-2022 Capital Program identifies capital projects with a total cost of approximately $3.5 billion in the following areas of the Airport:

	in billions
Concourse A, B, C	$ 1.8
Jeppesen Terminal	1.1
Airside	0.3
Landside	0.2
DEN Real Estate	0.1
TOTAL	**$ 3.5**

Concourse A, B, C:

Major projects include the concourse gate expansion, as well as signage and wayfinding upgrades, remodeling of the public restrooms and the conveyance replacement program. This includes the design and construction of new gates and associated apron, airfield, and roadway improvements on Concourse A, B and C, as well as increase the amount of airline and concessions space on each concourse. It is the Airport's current expectation that a majority of the additional gates and space would be revenue-producing in the near and longer term due to current airline demand.

Jeppesen Terminal:

Major projects include the Great Hall project, baggage system upgrades, additional AGTS train sets and the AGTS car replacement program. Major projects in connection with the baggage handling system improvements consist of the development of two new checked bag resolution areas that will replace the nine existing locations; installation of new conventional baggage conveyors and individual carrier system to move bags identified for additional screening between the screening areas to the new checked bag resolution areas; modifications to the run out belts and equipment in the airline use area of level 6 and associated rights of way to accommodate upgrades; and replacement and update of baggage handling system controls, automatic tag readers, and baggage handling reporting systems to meet the latest TSA requirements.

Great Hall Project:

The Great Hall project includes renovations to Jeppesen Terminal designed to, among other things, enhance security of the passengers and the Airport, improve passenger flow and increase and improve concessions areas.

Denver Great Hall LLC, a Delaware limited liability company (the "Great Hall Developer") was granted an exclusive right to design, construct, finance, operate and maintain certain specified areas within Jeppesen Terminal, including the renovation and reconfiguration of a portion of the Great Hall (the "Great Hall Project"), pursuant to the Development Agreement dated August 24, 2017 (the "Great Hall Agreement") between the City, for and on behalf of its Department of Aviation, and the Great Hall Developer. The Great Hall Developer is owned by Denver Great Hall Holdings LLC, which was formed by Ferrovial Airports International Ltd., Saunders Concessions, LLC, and JLC Infrastructure Fund I L.P.A. Financial Close (a key condition in the Great Hall Agreement in order for work to proceed) was reached on December 21, 2017 after the successful issuance of approximately $200.0 million in bonds by the Great Hall Developer.

The total design and construction costs of the Great Hall Project are valued at approximately $650 million, with the Great Hall Developer responsible for approximately $171.0 million and the City responsible for approximately $479.0 million, constituting Progress Payments. Under the Great Hall Agreement, the City also has agreed to fund an approximately additional $120.0 million in contingency costs, to the extent required.

Airside:

Major projects include rehabilitation of certain runways, taxiways, and apron areas as part of the Airport's pavement management system; improvements to airfield drainage, safety areas, and airfield service roads; rehabilitation and installation of lighting; certain safety area upgrades and airfield planning studies. Airside projects are partly funded through the Federal Aviation Administration's Airport Improvement Program.

Landside:

Major projects include the east bound Peña Boulevard reconstruction, realignment and various sections of roadway as well as annual pavement rehabilitation to replace deteriorating concrete. In addition, this includes the replacement of the revenue control system, which will improve parking services.

DEN Real Estate:

Major projects include the improvements and development of the Airport's real estate infrastructure. Additional information related to the Airport's capital assets can be found in note 5.

Other

PFC: In 1992, the PFC program authorized the imposition of a fee of $3.00 per enplaned passenger and the use of this funding for approved projects, with certain qualifying airports permitted to charge a maximum PFC of $4.50. In 2000, the Federal Aviation Administration (FAA) approved the Airport's application for an increase in the PFC fee from $3.00 to $4.50, the revenues from which are to be used for qualified costs of the Airport, including associated debt service and approved capital projects. The Airport increased the PFC rate from $3.00 to $4.50 effective April 1, 2001. As of December 31, 2018, a total of $2.1 billion has been remitted to the Airport (including interest earned), of which $106.2 million has been expended on approved projects. $2.0 billion has been used to pay debt service on the Airport's general airport revenue bonds, and $30.1 million is unexpended. The Airport's authorization to impose the PFC expires on the earlier of February 1, 2029, or upon collection of the authorized maximum PFC total of $3.2 billion. On May 2, 2019, the FAA approved through Final Agency Decision the City's application to impose additional PFC collections at DEN. Additional information related to this subsequent event can be found in note 24.

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

Budgetary Highlights

	2018 Budget	2018 Actual	% Over / (Under)	2017 Budget	2017 Actual	% Over / (Under)
Operating revenues						
Airline revenues	$ 376,460	$ 358,046	(4.9%)	$ 363,200	$ 352,151	(3.0%)
Non-airline revenues	416,715	450,314	8.1%	407,029	416,774	2.4%
Total operating revenues	793,175	808,360	1.9%	770,229	768,925	(0.2%)
Total operating expenses[1]	470,801	454,891	(3.4%)	463,517	439,461	(5.2%)
Total operating income	$ 322,374	$ 353,469	9.6%	$ 306,712	$ 329,464	7.4%

[1] Operating expenses exclusive of repair and maintenance of projects

2018

Actual operating revenues at the Airport were $808.4 million, which were $15.2 million, or 1.9% higher than the budget of $793.2 million, for the year ended December 31, 2018. The increase was primarily driven by non-airline revenue due to higher than anticipated passenger traffic along with general rate increases, partially offset by a decrease in airline revenues resulting from lower than expected operating expenses.

Similar to 2017, operating expenses were under budget primarily due to vacant positions, savings in contractual services, City indirect cost savings, as well as savings in snow removal chemicals.

2017

Actual operating revenues at the Airport were $768.9 million, which were $1.3 million, or 0.2% less than the budget of $770.2 million, for the year ended December 31, 2017. The decrease in revenue was primarily driven by airline revenue, due to operating expenses being under budget.

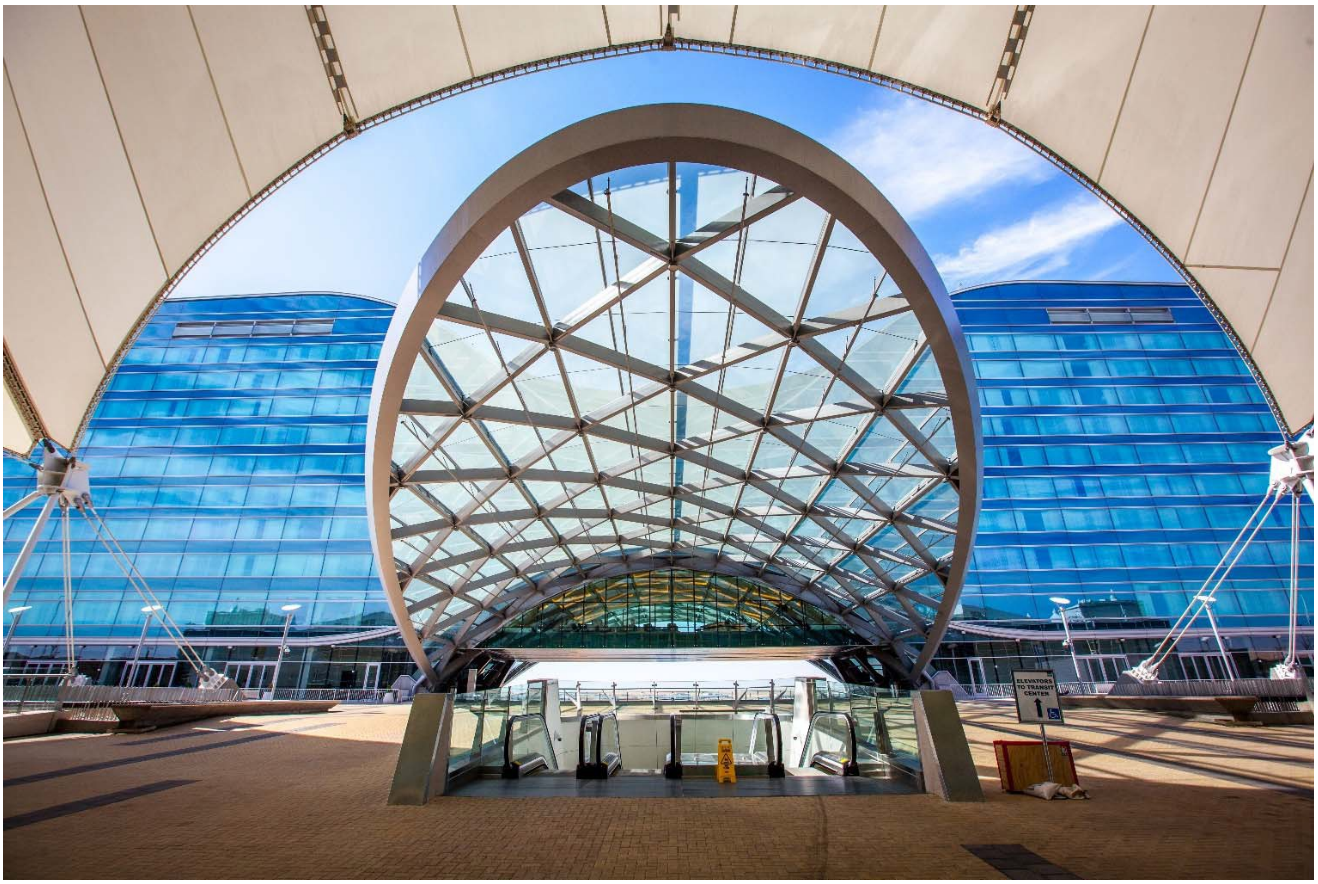
Operating expenses were under budget primarily due to vacant positions, savings in contractual services, City indirect cost savings, as well as savings in snow removal chemicals.

Request for Information

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

2018 ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS



Statements of Net Position

December 31, 2018 and 2017 ($ in thousands)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 21,763	$ 36,427
Investments	226,536	73,339
Accounts receivable, net of allowance of $3,442 and $2,151, respectively	66,839	52,033
Due from other City agencies	-	3,727
Accrued interest receivable	5,264	6,111
Grants receivable	9,423	30,779
Customer facility charges receivable	3,000	4,176
Inventories	11,538	12,397
Prepaid expenses and other	2,487	1,373
Total current unrestricted assets	346,850	220,362
Restricted assets:		
Cash and cash equivalents	104,402	70,396
Investments	974,686	152,139
Accrued interest receivable	11,218	2,425
Prepaid expenses and other	11,265	5,728
Passenger facility charges receivable	14,491	14,190
Total current restricted assets	1,116,062	244,878
Total current assets	1,462,912	465,240
Noncurrent assets:		
Investments - unrestricted	503,915	446,630
Long-term receivables, net of current portion	29,716	29,018
Capital assets (depreciable):		
Buildings and Improvements	5,580,138	5,466,947
Machinery and equipment	908,973	885,000
	6,489,111	6,351,947
Less: accumulated depreciation and amortization	3,400,441	3,242,642
	3,088,670	3,109,305
Capital assets (non-depreciable):		
Art	7,166	7,165
Capacity rights	12,400	12,400
Construction in progress	422,585	226,616
Land, land rights and air rights	295,766	295,766
Total capital assets	3,826,587	3,651,252
Prepaid bond insurance	384	439
Interest rate swaps	13,226	27,686
Investments - restricted	2,168,124	926,510
Total noncurrent assets	6,541,952	5,081,535
Total assets	8,004,864	5,546,775
Deferred outflows of resources	119,394	156,426

See accompanying notes to financial statements

Statements of Net Position

December 31, 2018 and 2017 ($ in thousands)

	2018	2017
Liabilities		
Current liabilities:		
Unrestricted:		
Vouchers payable	$ 92,724	$ 87,071
Due to other City agencies	24,360	8,418
Compensated absences payable	2,391	2,439
Other liabilities	15,599	12,618
Revenue credit payable	40,000	40,000
Advance rent	40,633	45,753
Total current unrestricted liabilities	215,707	196,299
Restricted:		
Vouchers payable	3,125	12,919
Retainages payable	15,573	11,890
Accrued interest and matured coupons	31,563	23,458
Notes payable and capital leases	3,173	3,593
Other liabilities	5,279	6,343
Revenue bonds	198,825	186,140
Total current restricted liabilities	257,538	244,343
Total current liabilities	473,245	440,642
Noncurrent liabilities:		
Bonds payable:		
Revenue bonds, net of current portion	5,806,690	3,779,440
Plus: net unamortized premiums	409,278	161,983
Total bonds payable, noncurrent	6,215,968	3,941,423
Interest rate swaps	78,388	119,484
Notes payable and capital leases	4,427	7,600
Compensated absences payable	7,751	7,421
Net pension liability	140,679	153,874
Net OPEB liability	18,548	-
Total noncurrent liabilities	6,465,761	4,229,802
Total liabilities	6,939,006	4,670,444
Deferred inflows of resources	16,287	9,084
Net Position		
Net investment in capital assets (deficit)	(29,619)	78,760
Restricted for:		
Capital projects	11,264	2,708
Debt service	495,973	484,893
Unrestricted	691,347	457,312
Total net position	$ 1,168,965	$ 1,023,673

See accompanying notes to financial statements.

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2018 and 2017 ($ in thousands)

	2018	2017
Operating revenues:		
Facility rentals	$ 196,065	$ 180,443
Parking	189,890	176,006
Landing fees	161,981	171,708
Concession	83,297	68,269
Car rental	72,621	71,806
Hotel	53,304	47,412
Aviation fuel tax	25,039	25,993
Ground transportation	17,313	12,449
Other sales and charges	8,850	14,839
Total operating revenues	808,360	768,925
Operating expenses:		
Personnel	173,979	171,151
Contractual services	227,918	216,501
Repair and maintenance projects	19,423	14,071
Maintenance, supplies and materials	24,378	24,452
Hotel	28,616	27,357
Total operating expenses	474,314	453,532
Operating income, before depreciation and amortization	334,046	315,393
Depreciation and amortization	193,009	183,351
Operating income	141,037	132,042
Nonoperating revenues (expenses):		
Passenger facility charges	123,907	118,333
Customer facility charges	20,019	19,492
Investment income	73,802	46,779
Interest expense	(214,799)	(188,152)
Grants	-	873
Other revenues (expenses)	(6,716)	4,286
Total nonoperating revenues (expenses), net	(3,787)	1,611
Change in net position before capital grants and contributions	137,250	133,653
Capital grants	26,730	55,879
Change in net position	163,980	189,532
Net position, beginning of year, as previously reported	1,023,673	834,141
Cumulative effect on change in accounting principle	(18,688)	-
Net position, beginning of year, as adjusted	1,004,985	834,141
Net position, end of year	$ 1,168,965	$ 1,023,673

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017 ($ in thousands)

	2018	2017
Cash flows from operating activities:		
Receipts from customers	$ 793,127	$ 768,885
Payments to suppliers	(275,556)	(260,829)
Interfund activity payments to other funds	(16,004)	(24,118)
Payments to employees	(165,067)	(149,906)
Net cash provided by operating activities	336,500	334,032
Cash flows from noncapital financing activities:		
Operating grants received	-	873
Net cash provided by noncapital financing activities	-	873
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	2,798,813	300,000
Principal paid on notes payable and capital leases	(3,564)	(3,552)
Principal paid on revenue bonds	(186,140)	(174,045)
Interest paid on revenue bonds	(214,139)	(171,672)
Bond insurance and issue costs paid	(9,561)	(1,836)
Interest paid on notes payable	(29)	(298)
Capital grant receipts	48,086	25,658
Passenger Facility Charges	123,606	122,354
Customer Facility Charges	21,194	18,443
Purchases of capital assets	(363,458)	(307,204)
Payments to escrow for current refunding of debt	-	(11,471)
Payments on current refundings of debt	(300,000)	-
Proceeds from sale of capital assets	874	451
Net cash provided by (used in) capital and related financing activities	1,915,682	(203,172)
Cash flows from investing activities:		
Purchases of investments	(2,408,129)	(2,208,135)
Proceeds from sales and maturities of investments	133,485	2,076,465
Proceeds from sales of assets held for dispostion	5,295	7,399
Proceeds from swap termination	1,161	-
Payments to maintain assets held for disposal	(8,965)	1,338
Interest and dividends on investments and cash equivalents	44,313	20,329
Net cash used in investing activities	(2,232,840)	(102,604)
Net increase in cash and cash equivalents	19,342	29,129
Cash and cash equivalents, beginning of year	106,823	77,694
Cash and cash equivalents, end of year	$ 126,165	$ 106,823

(continued)

Statements of Cash Flows

Years Ended December 31, 2018 and 2017 ($ in thousands)

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 141,037	$ 132,042
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	193,009	183,351
Miscellaneous income/(expense)	-	(473)
Changes in assets and liabilities:		
Receivables, net of allowance	(14,806)	(13,591)
Due from other City agencies	3,727	(3,727)
Inventories	860	(1,681)
Prepaid expenses and other	(880)	(135)
Deferred outflows - pension	12,969	12,945
Deferred outflows - OPEB	673	-
Vouchers and other payables	(10,133)	15,483
Deferred rent	(5,120)	14,023
Due to other City agencies	15,942	294
Compensated absences	281	358
Net pension liability	(13,194)	(4,159)
Net OPEB liability	(140)	-
Deferred inflows - pension	6,564	4,819
Deferred inflows - OPEB	1,251	-
Other operating liabilities	4,460	(5,517)
Net cash provided by operating activities	$ 336,500	$ 334,032

Noncash activities:

On December 7, 2017, the Airport issued (i) $254.2 million of Series 2017A Bonds (AMT) to refund all of the outstanding Series 2007A and Series 2007D Bonds and (ii) $21.3 million of Series 2017B Bonds (non-AMT) to refund all of the outstanding Series 2007C Bonds, each through a negotiated sale with Raymond James as the lead underwriter. Combined, these two transactions will result in a net present value savings of $47.0 million through 2033.

	2018	2017
Unrealized gain (loss) on investments	$ (6,673)	$ (9,869)
Unrealized gain on interest rate swaps	22,244	23,857
Amortization of bond premiums, deferred losses on bond refundings, and prepaid bond insurance	8,164	3,160
Refunding bond proceeds delivered directly to an irrevocable trust	-	275,505
Transfer of Capital Asset from other Government	4,235	-
Capital assets in vouchers payable and retainage payable	76,804	67,124
Net gain (loss) on disposal of capital assets	(16,355)	(20,799)

See accompanying notes to financial statements.

2018 ANNUAL FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Reporting Entity

(a) Nature of Operations

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

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Cash and Cash Equivalents

City investments attributed to the Airport that have original maturities of three months or less from the purchase date are classified as cash equivalents. See note 4 for further discussion.

(c) Investments

Investments, which the City manages, are reported at fair value, which is primarily determined based on significant other observable inputs at December 31, 2018 and 2017. The Airport's investments are maintained in pools at the City and include municipal securities, commercial paper, corporate bonds, multi-national fixed income, structured products, U.S. Treasury securities, and U.S. Agency securities.

(d) Inventories

Inventories consist of materials and supplies valued at cost.

(e) Capital Assets

Capital assets are recorded at historical cost and consist of buildings, roadways, airfield improvements, machinery and equipment, infrastructure, intangibles, land, and land rights at DEN. Donated capital assets are reported at their acquisition value as of the date of acquisition. Repairs and maintenance are expensed as incurred, unless they have the effect of improving or extending the life of an asset, in which case they are capitalized as part of the cost of the asset. Costs associated with ongoing construction activities of DEN are included in construction in progress. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalized interest incurred for 2018 and 2017 was $8.8 million and $9.3 million, respectively.

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

Buildings	20 - 40 years
Roadways	30 - 40 years
Runways/taxiways	30 - 40 years
Other improvements	15 - 40 years
Major system equipment	15 - 25 years
Vehicles and other equipment	5 - 10 years
Intangibles	3 - 5 years

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

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

(g) Compensated Absences Payable

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

(h) Advance Rent

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

(i) Pensions and Other Postemployment Benefits (OPEB)

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

(j) Net Position

2018

The Airport assets and deferred outflows exceeded liabilities and deferred inflows by $1.2 billion as of December 31, 2018, a $145.3 million increase in net position from the prior year-end. Of the Airport's 2018 net position, 43.4% are restricted for future debt services and capital construction. The bond accounts represent $496.0 million, including $44.5 million in unspent PFC funds, and are externally restricted for debt service. The net position restricted for capital projects represent $11.3 million.

The remaining net position included unrestricted net position of $691.3 million which may be used to meet any of the Airport's ongoing operations. Management of the Airport has internally designated $65.8 million of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, ($29.6) million represents the Airport's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets. A negative investment results because the outstanding indebtedness exceeds the net book value of the capital assets funded by the indebtedness.

2017

The Airport assets and deferred outflows exceeded liabilities and deferred inflows by $1.0 billion as of December 31, 2017, a $189.5 million increase in net position from the prior year-end. Of the Airport's 2017 net position, 47.6% are restricted for future debt services and capital construction. The bond accounts represent $484.9 million, including $44.9 million in unspent PFC funds, and are externally restricted for debt service. The net position restricted for capital projects represent $2.7 million.

The remaining net position included unrestricted net position of $457.3 million which may be used to meet any of the Airport's ongoing operations. Management of the Airport has internally designated $65.8 million of its unrestricted net position amount, as allowed for in the 1984 Airport System General Bond Ordinance, as supplemented and amended, to help meet debt covenant coverage requirements.

In addition, $78.8 million represents the Airport's net investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

(k) Restricted and Unrestricted Resources

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

(l) Operating Revenues and Expenses

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

(m) Nonoperating Revenues and Expenses

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

(n) Governmental Grants

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

(o) Rates and Charges

The Airport establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations (excluding certain debt service payments), maintenance, and debt service related to the airfield and the space rented by the airlines. Any differences between amounts collected from and actual costs allocated to the airlines' leased space are credited or billed to the airlines.

50% of Net Revenues (as defined by the bond ordinance) remaining at the end of the year with an annual cap of $40.0 million are to be credited in the following year to the airline rates and charges. The Net Revenues credited to the airlines totaled $40.0 million for both 2018 and 2017. Liabilities for these amounts were accrued as of December 31, 2018 and 2017, and are reported in the statements of net position as revenue credit payable.

(p) Use of Estimates

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

(q) Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net position.

(r) Change in Accounting Principle

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The adoption of GASB 75 resulted in a $18.7 million decrease in beginning net position as of January 1, 2018, comprised of $19.9 million net OPEB liability as of January 1, 2018 under GASB 75, net of deferred outflows of resources of $1.2 million as of January 1, 2018 under GASB 75. Refer to Note 17 for more information regarding DEN's OPEB. The 2017 financial statements were not restated as it was not practical to do so as the actuarial data required to restate 2017 was not available.

(s) Revisions

The statement of cash flows for the year ended December 31, 2017 has been revised. The presentation of capital assets added through the incurrence of vouchers and retainages payable in the non-cash activities section on the statement of cash flows. The revision increased this disclosure by $42.3 million. The revision had no impact on total cash flows used in capital and related financing activities.

(3) New Accounting Standards

Effective GASB statements impacting the Airport.

Issued in June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for other postemployment benefit (OPEB) that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement has been implemented in fiscal year 2018.

Issued in June 2017, GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2020.

Issued in April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is to improve he information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Implementation of this statement is effective fiscal year 2019.

Issued in June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Implementation of this statement is effective fiscal year 2020.

(4) Cash, Cash Equivalents, and Investments

(a) Deposits

As a department of the City and County of Denver (the City), the Airport System's deposits are pooled with the City's. Deposits are subject to, and are in accordance with, the State of Colorado's Public Deposit Protection Act (the PDPA). In addition, the City's Investment Policy (the Policy) requires that certificates of deposit be purchased from institutions that are certified as eligible public depositories. Under the PDPA, all uninsured deposits exceeding the amount insured by the FDIC, are to be fully collateralized with specific approved securities identified in the act valued at 102% of the deposits. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institution's trust department or agent in the "City's name." At December 31, 2018, the amount of the Airport's deposits was $32.6 million. At December 31, 2017, the amount of the Airport's deposits was $26.6 million.

(b) Investments

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

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

At December 31, 2018 and 2017, respectively, the Airport's cash, cash equivalents, and investment balances were as follows ($ in thousands):

	December 31, 2018	December 31, 2017
Cash and cash equivalents (including cash on hand)	$ 126,165	$ 106,823
Municipal securities	114,827	64,348
Commercial paper	47,143	74,403
Corporate bonds	497,015	242,327
Multinational fixed income	292,617	141,563
Structured products	304,766	204,429
U.S. treasury securities	1,561,057	327,675
U.S. agency securities	1,055,836	543,873
	$ 3,999,426	$ 1,705,441

Fair Value Measurement: The Airport categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2018, the Airport has the following recurring fair value measurements ($ in thousands):

	Fair Value Measurements			
Asset	Fair value	Level 1	Level 2	Level 3
Commercial paper	$ 47,143	$ -	$ 47,143	$ -
Corporate bonds	497,015	-	497,015	-
Multinational fixed income	292,617	-	292,617	-
Municipal securities	114,827	-	114,827	-
Structured products	304,766	-	304,766	-
U.S. agency securities	1,055,836	-	1,055,836	-
U.S. treasury securitities	1,561,057	-	1,561,057	-
Total investments	3,873,261	-	3,873,261	-
Net derivative instruments interest rate swaps	$ 65,162	$ -	$ 65,162	$ -

At December 31, 2017, the Airport has the following recurring fair value measurements ($ in thousands):

	Fair Value Measurements			
Asset	Fair value	Level 1	Level 2	Level 3
Commercial paper	$ 74,403	$ -	$ 74,403	$ -
Corporate bonds	242,327	-	242,327	-
Multinational fixed income	141,563	-	141,563	-
Municipal securities	64,348	-	64,348	-
Structured products	204,429	-	204,429	-
U.S. agency securities	543,873	-	543,873	-
U.S. treasury securitities	327,675	-	327,675	-
Total investments	1,598,618	-	1,598,618	-
Net derivative instruments interest rate swaps	$ 91,798	$ -	$ 91,798	$ -

The City invests in two Local Government Investment Pools, CSAFE and Colotrust. CSAFE and Colotrust are regulated by state statute so that the funds held are fully collateralized. As of December 31, 2018, the Airport has balances of $17.8 million and $75.8 million in CSAFE and Colotrust, respectively. At December 31, 2017, the Airport had balances of $31.3 million and $52.5 million in CSAFE and Colotrust, respectively. CSAFE measures all of its investments at amortized cost in accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants (GASB 79). Additionally, Colotrust adheres to FASB and reports its investments in accordance with ASC 820. Colotrust maintains a stable net asset value of $1 per share using the fair value method.

A reconciliation of cash, cash equivalents, and investment balances as shown in the basic financial statements as of December 31, 2018 and 2017, is as follows ($ in thousands).

	December 31, 2018	December 31, 2017
Unrestricted Cash and cash equivalents	$ 21,763	$ 36,427
Unrestricted Investments	730,451	519,969
Restricted cash and cash equivalents	104,402	70,396
Restricted investments	3,142,810	1,078,649
	$ 3,999,426	$ 1,705,441

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

At December 31, 2018, the Airport's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows ($ in thousands):

		Investments maturity in years		
Investment type	**Fair value**	**Less than 1**	**1-5**	**6-10**
Commercial paper	$ 47,143	$ 47,143	$ -	$ -
Municipal securities	114,827	15,410	93,183	6,234
U.S. treasury securities	1,561,057	884,594	572,706	103,757
U.S. agency securities	1,055,836	122,164	776,414	157,258
Corporate bonds	497,015	91,468	405,547	-
Multinational fixed income	292,617	28,231	231,114	33,272
Structured products	304,766	12,211	255,204	37,351
Total	$ 3,873,261	$ 1,201,221	$ 2,334,168	$ 337,872

At December 31, 2017, the Airport's investment balances and maturities, in years, for those investments subject to interest rate risk were as follows ($ in thousands):

		Investments maturity in years		
Investment type	**Fair value**	**Less than 1**	**1-5**	**6-10**
Commercial paper	$ 74,403	$ 74,403	$ -	$ -
Municipal securities	64,348	3,814	48,550	11,984
U.S. treasury securities	327,675	6,056	245,098	76,521
U.S. agency securities	543,873	68,000	353,780	122,093
Corporate bonds	242,327	40,484	201,843	-
Multinational fixed income	141,563	23,592	92,410	25,561
Structured products	204,429	9,126	142,837	52,466
Total	$ 1,598,618	$ 225,475	$ 1,084,518	$ 288,625

As of December 31, 2018, the Airport System's portfolio included callable U. S. Agency securities and Municipal Bonds with a total fair value of $9.6 million. 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.

Credit Quality Risk: Credit quality risk is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation to the City. Moody's, Standard & Poor's, and Fitch are the three primary Nationally Recognized Securities Rating Organizations (NRSRO) that assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are assigned credit quality ratings AAA or its equivalent. Of the City's investments at December 31, 2018, commercial paper, U.S. Agency securities and local government investment pools were subject to credit quality risk. The City's Policy requires that commercial paper be rated by at least two of the NRSRO's and have a minimum short-term rating of A-1, P-1, and or F-1 at the time of purchase. The Policy also requires the local government investment pools be in conformity with Title 24, Article 75 Part 7 of the Colorado Revised Statutes and have an office in Denver.

As of December 31, 2018, the Airport's investments were in compliance with the City's Policy. More than 5% of airport investments in U.S. Agency securities are in individual issuers: Federal Home Loan Bank (9.87%) and Federal National Mortgage Association (6.10%).

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

None of the Airport System's investments owned at December 31, 2018, were subject to custodial credit risk.

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

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 Policy does not allow for investments in foreign currency.

As of December 31, 2018, all investments were in compliance with this policy.

(5) Accounts Receivables

(a) Allowance for Doubtful Accounts

Management of the Airport reviews accounts receivables periodically and an allowance for doubtful accounts has been established based upon management's assessment of the probability of collection. As of December 31, 2018 and 2017, an allowance of $3.4 million and $2.2 million, respectively, had been established.

(b) Loan Receivable

Included in long-term receivable is approximately $23.7 million loans due from two districts. The Districts are reimbursing the Airport for funding the construction and infrastructure of the rail station at 61st Boulevard and Pena Boulevard for infrastructure work around the Airport property. Each loan bears interest at 5.0% with interest compounded and due semiannually on June 1st and December 1st with principal due annually on December 1st. The outstanding loan balance plus any accrued and unpaid interest will be repaid from ad valorem taxes. The loans are capped at $41.6 million. The projected future collections are as follows ($ in thousands):

	Amount
Year:	
2019	$ 66
2020	77
2021	210
2022	381
2023	570
2024-2028	5,785
2029-2033	11,406
2034-2038	14,381
2039-2041	8,724
Total	$ 41,600

(6) Capital Assets

Changes in capital assets for the years ended December 31, 2018 and 2017 were as follows ($ in thousands):

	2018				
	January 1, 2018	Additions	Transfers and reclassifications	Reductions	December 31, 2018
Depreciable:					
Buildings and improvements	$ 4,220,383	$ 170	$ 127,025	$ (9,825)	$ 4,337,753
Machinery and equipment	885,000	284	38,044	(14,355)	908,973
Infrastructure and land improvements	1,219,512	4,078	12,698	(22,027)	1,214,261
Intangibles	27,052	-	2,080	(1,008)	28,124
	6,351,947	4,532	179,847	(47,215)	6,489,111
Less accumulated depreciation and amortization	(3,242,642)	(193,581)	-	35,782	(3,400,441)
	3,109,305	(189,049)	179,847	(11,433)	3,088,670
Nondepreciable:					
Art	7,165	-	1	-	7,166
Capacity rights	12,400	-	-	-	12,400
Construction in progress	226,616	381,613	(179,848)	(5,796)	422,585
Land, land rights, and air rights	295,766	-		-	295,766
Total capital assets	$ 3,651,252	$ 192,564	$ -	$ (17,229)	$ 3,826,587

	2017				
	January 1, 2017	Additions	Transfers and reclassifications	Reductions	December 31, 2017
Depreciable:					
Buildings and improvements	$ 4,110,501	$ -	$ 125,311	$ (15,429)	$ 4,220,383
Machinery and equipment	810,181	5,266	84,175	(14,622)	885,000
Infrastructure and land improvements	1,176,258	-	43,254	-	1,219,512
Intangibles	22,642	-	5,414	(1,004)	27,052
	6,119,582	5,266	258,154	(31,055)	6,351,947
Less accumulated depreciation and amortization	(3,076,221)	(183,923)	-	17,502	(3,242,642)
	3,043,361	(178,657)	258,154	(13,553)	3,109,305
Nondepreciable:					
Art	6,841	-	324	-	7,165
Capacity rights	12,400	-	-	-	12,400
Construction in progress	180,693	312,562	(258,942)	(7,697)	226,616
Land, land rights, and air rights	295,302	-	464	-	295,766
Total capital assets	$ 3,538,597	$ 133,905	$ -	$ (21,250)	$ 3,651,252

(7) Disposal of Stapleton

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

The Airport reduced the carrying value of Stapleton by the amount of proceeds from sales of parcels each year. As of December 31, 2018 and 2017, the carrying value has been reduced to $0, but there are some parcels that have not been sold. All proceeds from sales received after the carrying amount became $0 are recorded as revenue. The current and anticipated costs accrued in restricted other liabilities for the environmental liability for Stapleton were $2.8 million and $4.9 million at December 31, 2018, and 2017, respectively. The Airport has accrued $4.5 million of insurance recoveries in accounts receivable at December 31, 2018 and 2017. The Airport has received payments for insurance recoveries totaling $0.0 million in 2018 and $0.2 million in 2017.

(8) Due to Other City Agencies

The City provides various services to the Airport, including data processing, investing, financial services, budgeting, engineering, and personnel (including airport police and fire salaries). Billings from the City, both direct and indirect, during 2018 and 2017 totaled $60.5 million and $59.1 million, respectively, and have been included in operating expenses. The outstanding liability to the City and its related agencies in connection with these services totaled $24.4 million and $8.4 million at December 31, 2018 and 2017, respectively.

The outstanding receivable from the City and its related agencies totaled $0.0 million and $3.7 million at December 31, 2018 and 2017, respectively.

(9) Bonds Payable

Changes in long-term debt for the years ended December 31, 2018 and 2017 were as follows ($ in thousands):

	2018					
	January 1, 2018	Additions	Refunded debt	Retirements	December 31, 2018	Amounts due within one year
Airport System revenue bonds	$ 3,925,500	$ 2,526,075	$ (300,000)	$ (186,140)	$ 5,965,435	$ 198,825
Economic defeasance	40,080	-	-	-	40,080	-
Plus unamortized net premiums	161,983	272,738	-	(25,443)	409,278	-
Total bond debt	$ 4,127,563	$ 2,798,813	$ (300,000)	$ (211,583)	6,414,793	$ 198,825
Less current portion					(198,825)	
Noncurrent portion					$ 6,215,968	

	2017					
	January 1, 2017	Additions	Refunded debt	Retirements	December 31, 2017	Amounts due within one year
Airport System revenue bonds	$ 3,850,815	$ 575,505	$ (326,775)	$ (174,045)	$ 3,925,500	$ 186,140
Economic defeasance	40,080	-	-	-	40,080	-
Plus unamortized net premiums	144,853	39,799	(4,010)	(18,659)	161,983	-
Total bond debt	$ 4,035,748	$ 615,304	$ (330,785)	$ (192,704)	4,127,563	$ 186,140
Less current portion					(186,140)	
Noncurrent portion					$ 3,941,423	

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

The maturity dates, interest rates, and principal amounts outstanding as of December 31, 2018 and 2017 are as follows ($ in thousands):

Bond	Maturity	Interest Rate	Amount Outstanding 2018	2017
Airport system revenue bonds				
Series 1992F, G*	November 15, 2031	2.149%	$ 34,900	$ 34,900
Series 2002C*	November 15, 2031	2.149%	26,200	26,200
Series 2007F1-F2**	November 15, 2025	1.5-1.6%	75,550	75,550
Series 2007G1-G2*	November 15, 2031	2.544%	119,400	130,600
Series 2008B*	November 15, 2031	2.48%	50,600	55,200
Series 2008C1-C3*	November 15, 2031	2.379-2.48%	286,800	292,600
Series 2009A	November 15, 2016 to 2036	5.00-5.25%	150,480	150,480
Series 2009B	November 15, 2039	6.414%	65,290	65,290
Series 2009C*	November 15, 2031	2.159%	100,955	104,655
Series 2010A	Annually November 15, 2019 to 2032	4.00-5.00%	150,050	160,690
Series 2011A	Annually November 15, 2019 to 2023	4.00-5.25%	182,420	232,165
Series 2011B	Annually November 15, 2019 to 2018, and 2024	4.00-5.00%	9,010	15,070
Series 2012A	Annually November 15, 2019 to 2043	3.00-5.00%	261,645	271,015
Series 2012B	Annually November 15, 2019 to 2043	4.00-5.00%	492,925	498,115
Series 2012C	November 15, 2026	3.592%	30,285	30,285
Series 2013A	Annually November 15, 2019 to 2043	4.00-5.50%	308,400	313,580
Series 2013B	Annually November 15, 2019 to 2043	3.00-5.25%	375,890	381,635
Series 2015A	November 15, 2019 to 2021, and 2023 to 2035	2.200%	148,175	174,870
Series 2016A	November 15, 2019 to 2021, 2023 to 2025, and 2031 to 2032	5.00%	223,735	232,275
Series 2016B*	December 1, 2019, and 2026 to 2031	2.504%	92,390	104,820
Series 2017A	Annually November 15, 2019 to 2030	4.00 - 5.00%	232,980	254,225
Series 2017B	November 15, 2033	5.00%	21,280	21,280
Series 2017C*	Annually November 15, 2021 to 2050	5.00%	-	300,000
Series 2018A	Annually December 1, 2019 to 2048	3.75-5.25%	2,341,710	-
Series 2018B	Annually December 1, 2019 to 2048	3.50-5.00%	184,365	-
LOI 1998/1999	November 15, 2024 and 2025	6.125%	40,080	40,080
Total revenue bonds			6,005,515	3,965,580
Less current portion			(198,825)	(186,140)
Net unamortized premiums			409,278	161,983
Total bonds payable noncurrent			$ 6,215,968	$ 3,941,423

* Variable rates are as of December 31, 2018

** Auction rates are as of December 31, 2018

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

(a) Economic Defeasances

On November 1, 1999, the Airport entered into an economic defeasance of $54.9 million of Airport Revenue Bonds through the use of certain 1998 and 1999 federal grant proceeds from the United States Department of Transportation under a 1990 Letter of Intent. These funds were set aside in special escrow accounts (Escrow A and Escrow B) held by the City. Escrow A proceeds will be used to pay principal and interest on $40.1 million of the Series 1992C Bonds maturing on November 15, 2025. Escrow B proceeds were used to pay principal and interest on $14.8 million of the Series 1991D Bonds which matured on November 15, 2013.

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

(b) Bond Issuances

On August 28, 2018, the Airport issued Subordinate Bonds (i) $2,341.7 million of Series 2018A (AMT) bonds and (ii) $184.4 million of Series 2018B (Non-AMT) bonds. Combined, these two transactions will be used to assist in funding the 2018-2022 Capital Program, pay off the Airport System Subordinate Revenue Bonds Series 2017C (AMT), the Subordinate Bond Reserve Requirement, capitalized interest and pay cost of issuance.

On December 7, 2017, the Airport issued (i) $254.2 million of Series 2017A Bonds (AMT) to refund all of the outstanding Series 2007A and Series 2007D Bonds and (ii) $21.3 million of Series 2017B Bonds (non-AMT) to refund all of the outstanding Series 2007C Bonds, each through a negotiated sale with Raymond James as the lead underwriter. Combined, these two transactions will result in a net present value savings of $47.0 million through 2033.

The difference between the reacquisition price of $326.8 million and the net carrying amount of the old debt of $327.1 million resulted in the recognition of a deferred gain on refunding in the amount of $.7 million. The deferred gain on refunding is being amortized over the remaining use of the old debt.

(c) Series 2017C

On December 21, 2017, the City, for and on behalf of its Department of Aviation, issued $300.0 million, Airport System Subordinate Revenue Bonds Series 2017C - AMT (Series 2017C Bonds). The final maturity of the Series 2017C Bonds was November 15, 2050 with an initial term rate period ending on December 30, 2020. The Series 2017C Bonds, bore interest at a variable rate with interest initially due on July 1, 2018 and on the first business of the month thereafter. At the end of the initial term rate period, the Series 2017C Bonds were subject to mandatory redemption. The proceeds from the Series 2017C Bonds were available to fund Airport capital improvements and used to pay for issuance cost. The 2017C series was paid off with the proceeds from the Series 2018A (AMT) bonds.

(d) Defeased Bonds

The Airport has defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2018 and 2017, respectively, $339.9 million and $430.6 million of bonds outstanding are considered defeased.

(e) Revolving Credit Agreement

On December 21, 2017, the City, for and on behalf of its Department of Aviation, entered into Revolving Credit Agreement ("Revolving Credit Agreement") with a lender for a maximum borrowing of a $150.0 million. On October 22, 2018, the City and the lender terminated the Revolving Credit Agreement. As of December 31, 2017 and through October 22, 2018, no amounts were borrowed under the Revolving Credit Agreement. Amounts borrowed under the Revolving Credit Agreement bear interest at a variable rate which is due on the first day business day of each month with a commitment term until December 18, 2020. Additionally, there was a commitment fee payable quarterly (in arrears) on the difference between the maximum borrowing amount and amounts actually borrowed under the Revolving Credit Agreement. The lien on the Revolving Credit was on parity with the Subordinate Bond Ordinance and any Subordinate Obligations of the Airport Net Revenue. The Revolving Credit Agreement was available as an interim source of funding for Airport capital improvements.

(10) Bond and Notes Payable Debt Service Requirements

(a) Bonds Payable

Bond debt service requirements of the Airport for bonds payable to maturity as of December 31, 2018 are as follows ($ in thousands):

Airport System Bonds Payable

	Principal	Interest
Year:		
2019	$ 198,825	$ 267,213
2020	209,935	259,762
2021	214,920	251,253
2022	249,730	242,811
2023	264,625	233,089
2024-2028	1,291,345	1,000,853
2029-2033	1,218,125	726,345
2034-2038	853,195	479,600
2039-2043	817,940	269,268
2044-2048	646,795	95,139
Total	$ 5,965,435	$ 3,825,333

Debt service requirements for the economic defeasance LOI of the Airport to maturity as of December 31, 2018, are as follows ($ in thousands):

	Principal	Interest
Year:		
2019	$ -	$ 2,455
2020	-	2,455
2021	-	2,455
2022	-	2,455
2023	-	2,455
2024-2025	40,080	3,436
Total	$ 40,080	$ 15,711

(b) Notes Payable and Capital Lease

The Airport entered into a $20.5 million Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.9595% based on a 30/360 calculation for 2012.

The payment schedule relating to note requirements as of December 31, 2018 is as follows ($ in thousands):

	Principal	Interest
Year:		
2019	$ 2,149	$ 113
2020	2,192	71
2021	2,235	27
Total	$ 6,576	$ 211

The Airport is obligated under leases for equipment that are accounted for as capital leases. The Airport entered into an Installment Purchase Agreement on January 5, 2016 with Santander for $4.1 million to finance various capital equipment purchases at a rate of 1.19%. Payments are due annually. Assets under capital leases at December 31, 2018 and 2017, totaled $1.2 million and $2.4 million, respectively, net of accumulated depreciation of $4.7 million and $3.5 million, respectively.

The payment schedule relating to capital lease requirements as of December 31, 2018 is as follows ($ in thousands):

	Principal	Interest
Year:		
2019	$ 1,024	$ 12
Total	$ 1,024	$ 12

Changes in notes payable and capital lease for the years ended December 31, 2018 and 2017 were as follows ($ in thousands):

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Amounts due within one year
Notes payable	$ 8,684	$ -	$ (2,108)	$ 6,576	$ 2,149
Capital Lease payable	2,509	-	(1,485)	1,024	1,024
Total	$ 11,193	$ -	$ (3,593)	$ 7,600	$ 3,173
Less current portion				(3,173)	
Noncurrent portion				$ 4,427	

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Amounts due within one year
Notes payable	$ 10,751	$ -	$ (2,067)	$ 8,684	$ 2,108
Capital Lease payable	3,995	-	(1,486)	2,509	1,485
Total	$ 14,746	$ -	$ (3,553)	11,193	$ 3,593
Less current portion				(3,593)	
Noncurrent portion				$ 7,600	

(11) Demand Bonds

Included in long-term debt are $34.9 million of Series 1992F, G; $26.2 million of Series 2002C, $50.6 million of Series 2008B, $86.8 million of Series 2008C1, $200.0 million of Series 2008C2-C3, $101.0 million of Series 2009C and $119.4 million of Series 2007G1-G2 of Airport Revenue Bonds Series. These Bonds are currently Credit Facility Bonds which bear interest at rates indexed to 1-month LIBOR and are subject to mandatory redemption when the credit facilities and reimbursement agreements supporting them expire and upon the occurrence of certain other events of default. These agreements will either be extended, replaced, or the bonds will be refunded prior to the expiration date.

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

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

On October 1, 2012, the Airport entered into a credit facility and reimbursement agreement with U.S. Bank National Association, who purchased the Series 2009C bonds at a floating rate indexed to 1-month LIBOR. This agreement was to expire on April 30, 2017. On April 28, 2017, the Airport entered into a credit facility and reimbursement agreement with Bank of America, N.A., who purchased the Series 2009C bonds at a floating indexed to 1-month LIBOR. This agreement expires on April 28, 2020.

On October 24, 2014, the Airport entered into credit facility and reimbursement agreements with Bank of America Preferred Funding Corporation who purchased the Series 1992F, G Bonds at a floating rate indexed to 1-month LIBOR. These agreements expired on September 25, 2017. These agreements were extended to expire on September 25, 2020.

On September 25, 2014, the Airport entered into credit facility and reimbursement agreements with Bank of America Preferred Funding Corporation, who purchased the Series 2002C Bonds at a floating rate indexed to 1-month LIBOR. This agreement expired on September 25, 2017. These agreements were extended to expire on September 25, 2020.

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

(12) Bond Ordinance Provisions

(a) *Additional Bonds*

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

(b) *Airport Revenue Bonds*

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

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

(13) Swap Agreements

The Airport has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999, and 2009A swap agreements all pay fixed–receive variable rate cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport's swap agreements are considered investment derivatives in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments.

On December 7, 2018, the Airport fully terminated the 2005 and 2006B Swap Agreements with Jackson Financial Products, LLC. There was no cost to the Airport for the terminations and yielded a net cash inflow of $1.16 million. Additionally, subsequent to December 31, 2018, the Airport fully terminated the 2005 and 2006B Swap Agreements with the Royal Bank of Canada and Piper Jaffray Financial Projects, LLC. These terminations were effective on March 13, 2019, with no cost to the Airport and yielded a net cash inflow of $1.19 million.

The fair value balances and notional amounts of the swaps outstanding at December 31, 2018 and 2017 and the changes in the fair value of such swaps for the years then ended, are as follows ($ in thousands):

Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value 12/31/2018
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 90.076	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	$ (1,145)	$ (9,978)
							Investment Income	(2,473)	
Societe Generale, New York Branch	10/4/2000	90.076	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	(1,145)	(9,837)
							Investment Income	(2,436)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	91.778	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	(1,471)	(7,730)
							Investment Income	(2,744)	
Merrill Lynch Capital Services, Inc.	10/4/2001	45.889	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	(735)	(3,801)
							Investment Income	(1,342)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	91.778	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(212)	321
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	41.992	11/15/2025	2016A,(3)	3.6560%	70% LIBOR	Investment Income	(1,261)	(3,703)
JP Morgan Chase Bank, N.A.	11/15/2006	41.992	11/15/2025	2016A,(3)	3.6874%	70% LIBOR	Investment Income	(1,274)	(3,762)
Jackson Financial Products, LLC	11/15/2006	-	12/7/2018				Investment Income	(3,175)	- (4)
Piper Jaffray Financial Products, Inc.	11/15/2006	41.992	11/15/2025	2016A,(3)	3.6560%	70% LIBOR	Investment Income	(1,261)	(3,703)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	113.700	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(3,982)	(10,051)
GKB Financial Services Corp.	11/15/2007	37.900	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(1,327)	(3,350)
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	41.992	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,238	4,297
JP Morgan Chase Bank, N.A.	11/15/2006	41.992	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,216	4,310
Jackson Financial Products, LLC	11/15/2006	-	12/7/2018				Investment Income	3,086	- (4)
Piper Jaffray Financial Products, Inc.	11/15/2006	41.992	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,218	4,298
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	75.800	11/15/2025	2007F-G(2), 2016B	4.0085%	70% LIBOR	Investment Income	(2,653)	(6,700)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	90.076	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	(3,823)	(11,908)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	45.888	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	(1,057)	(3,865)
							Investment Income	(1,038)	
Total									$ (65,162)

(1) Swaps associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps
(3) Previously associated with 2007D. Swaps currently associated with Series 2017A
(4) Swaps were terminated 12/7/2018.

							Changes in Fair Value		
Counterparty	Effective Date	Notional Amount (in millions)	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Classification	Amount	Fair Value 12/31/2017
1998 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2000	$ 100	11/15/2025	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred Outflow	$ (1,172)	$ (13,595)
							Investment Income	(2,447)	
Societe Generale, New York Branch	10/4/2000	100	11/15/2025	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred Outflow	(1,172)	(13,418)
							Investment Income	(2,411)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/2001	100	11/1/2022	(1)	5.6179%	SIFMA	Deferred Outflow	(1,480)	(11,945)
							Investment Income	(2,721)	
Merrill Lynch Capital Services, Inc.	10/4/2001	50	11/1/2022	(1)	5.5529%	SIFMA	Deferred Outflow	(740)	(5,878)
							Investment Income	(1,330)	
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/2002	100	11/1/2022	(1)	SIFMA	76.33% LIBOR	Investment Income	(624)	108
2005 Swap Agreements									
Royal Bank of Canada	11/15/2006	49.578	11/15/2025	2016A,(3)	3.6560%	70% LIBOR	Investment Income	(1,347)	(4,964)
JP Morgan Chase Bank, N.A.	11/15/2006	49.578	11/15/2025	2016A,(3)	3.6874%	70% LIBOR	Investment Income	(1,361)	(5,036)
Jackson Financial Products, LLC	11/15/2006	99.156	11/15/2025	2016A,(3)	3.6560%	70% LIBOR	Investment Income	(2,694)	(9,928)
Piper Jaffray Financial Products, Inc.	11/15/2006	49.578	11/15/2025	2016A,(3)	3.6560%	70% LIBOR	Investment Income	(1,347)	(4,964)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/2007	139.450	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(4,411)	(14,033)
GKB Financial Services Corp.	11/15/2007	46.483	11/15/2025	2007F-G(2)	4.0085%	70% LIBOR	Investment Income	(1,470)	(4,677)
2006B Swap Agreements									
Royal Bank of Canada	11/15/2006	49.578	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,112	5,535
JP Morgan Chase Bank, N.A.	11/15/2006	49.578	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,120	5,527
Jackson Financial Products, LLC	11/15/2006	99.156	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	2,287	11,000
Piper Jaffray Financial Products, Inc.	11/15/2006	49.578	11/15/2025	2016A	SIFMA	4.0855%	Investment Income	1,109	5,516
2008A Swap Agreement									
Royal Bank of Canada	12/18/2008	92.967	11/15/2025	2007F-G(2), 2016B	4.0085%	70% LIBOR	Investment Income	(2,940)	(9,354)
2008B Swap Agreement									
Loop Financial Products I LLC	1/8/2009	100	11/15/2025	2008C1(2)	4.7600%	70% LIBOR + 0.1%	Investment Income	(3,361)	(15,731)
2009A Swap Agreement									
Loop Financial Products I LLC	1/12/2010	50	11/15/2022	(1)	5.6229%	SIFMA	Deferred Outflow	(1,062)	(5,961)
							Investment Income	(1,021)	
Total									$ (91,798)

(1) Swaps associated with Series 2009C, 2008B and a portion of the 2002C Bonds
(2) A portion of the Series 2002C bonds are additionally associated with these swaps
(3) Previously associated with 2007D. Swaps currently associated with Series 2017A

Payments by the Airport to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport's Senior Bonds, and on parity with the Airport's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and SIFMA swap curves as of December 31, 2018 and 2017. 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, 2018. When the present value of payments to be made by the Airport exceeds the present value of payments to be received, the swap has a negative value to the Airport. When the present value of payments to be received by the Airport exceeds that of payments to be made, the swap has a positive value to the Airport.

(a) Risks Associated with the Swap Agreements

The following risks are generally associated with swap agreements:

Credit Risk – All of the Airport's swap agreements rely upon the performance of swap counterparties. The Airport is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport. The Airport 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 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 Investor Service or Fitch; or under certain circumstances, provide collateral. The Airport is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport'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, 2018, the ratings of the Airport's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a stable outlook) and AA- by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport. Failure of either the Airport 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, 2018 are as follows:

	Ratings of the counterparty or its credit support provider		
Counterparty (credit support provider)	**S&P**	**Moody's**	**Fitch**
Goldman Sachs Capital Markets, L.P.			
(Goldman Sachs Group, Inc.)	BBB+	A3	A
JP Morgan Chase Bank, N.A.	A+	Aa2	AA
LOOP Financial Products, LLC	BBB+	A3	BBB+
(Deutsche Bank, AG, New York Branch)			
Merrill Lynch Capital Services, Inc.	NR	A2	A+
(Merrill Lynch & Co., Inc.)			
Royal Bank of Canada	AA-	Aa2	AA
Societe Generale, New York Branch	A	A1	A+
GKB Financial Services Corporation II, Inc.	A	A1	A+
(Societe Generale New York Branch)			
Piper Jaffray Financial Products, Inc.			
(Morgan Stanley Capital Services, Inc.)	BBB+	A3	A

As of December 31, 2018, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivatives' fair value.

Termination Risk – Any party to the Airport's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport 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 could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport'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 is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.

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

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

(b) Swap Payments and Associated Debt

Interest Rate Swap Profile (all rates as of December 31, 2018):

Swaps	1999, 2009A	2002	2005, 2006B	2006A, 2006B	1998	2008B
Associated Debt	1992F, 2002C, 2008B, 2009C	1992F, 2002C, 2008B, 2009C	2016A	2007F, 2007G, 2016B	2008C2-C3	1992F, 1992G, 2008C1
Payment to Counterparty:	5.6029%	1.7100%	5.3765%	4.0085%	4.7395%	4.7600%
Payment from Counterparty:	1.7100%	1.9103%	5.8374%	1.7519%	1.8519%	2.0653%
Net Swap Payment:	3.8929%	-0.2003%	-0.4609%	2.2566%	2.8876%	2.6947%
Associated Bond Interest Rate:	2.2455%	0.0000%	5.0000%	2.4974%	2.3790%	2.4660%
Net Swap & Bond Payment:	6.1384%	-0.2003%	4.5391%	4.7540%	5.2666%	5.1607%

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2018, debt service requirements of the related variable rate debt and net swap payments for the Airport's cash flow hedges (1998, 1999, and 2009A Swap Agreements), assuming current interest rates remain the same, for their terms, were as follows ($ in thousands):

	Principal	Interest	Interest rate swaps net	Total
Year:				
2019	$ 43,190	$ 8,407	$ 12,348	$ 63,945
2020	46,415	7,412	9,868	63,695
2021	48,345	6,344	7,184	61,873
2022	53,675	5,232	4,278	63,185
2023	8,290	3,984	2,136	14,410
2024-2028	118,782	11,601	3,147	133,530
2029-2031	45,010	2,032	-	47,042
Total	363,707	45,012	38,961	447,680

*Note: the amortization of the notional amounts on the swaps no longer match the amortization on the bonds (the duration of the bonds is longer than the swaps)

Bond principal reflects the hedged portion on 12/31/2018

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2018.

(13) Denver International Airport Special Facility Revenue Bonds

To finance the acquisition and construction of various facilities at DEN, 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, and accordingly, have not been reported in the accompanying financial statements. In October 2017, the City issued Special Facility Revenue Bonds (Series 2017) on a current refunding of the Special Facilities Airport Revenue Bonds (Series 2007A). The Series 2017 proceeds were used to pay off the outstanding balance of the Series 2007A series and closing costs. At December 31, 2018 and 2017, Special Facility Revenue Bonds outstanding totaled to $250.6 million.

(14) Compensated Absences

Employees may accumulate earned but unused benefits up to specified maximum. The changes in compensated absences for 2018 and 2017 are as follows ($ in thousands):

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Amounts due within one year
Compensated absences payable	$ 9,860	$ 8,700	$ (8,418)	$ 10,142	$ 2,391
Less current				(2,391)	
Noncurrent portion				$ 7,751	

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Amounts due within one year
Compensated absences payable	$ 9,503	$ 7,000	$ (6,643)	$ 9,860	$ 2,439
Less current				(2,439)	
Noncurrent portion				$ 7,421	

(15) Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Airport that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the Airport that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues and expenses until the period to which they relate. Deferred outflows of resources of the Airport consist of accumulated decreases in fair value of hedging derivatives, deferred losses on refunding and certain pension and OPEB related deferrals. Deferred inflows of resources are comprised of deferred gain on refundings, and certain pension and OPEB related deferrals. The composition of deferred outflows and inflows are as follows as of December 31 ($ in thousands):

	December 31, 2018	December 31, 2017
Accumulated decrease in fair value of hedging activities	$ 5,303	$ 10,857
Deferred loss on refunding of debt	91,202	109,142
GASB 68 pension deferred outflow	21,407	36,427
GASB 75		
DERP OPEB	751	-
DERP Implicit Rate	731	-
Total deferred outflows	$ 119,394	$ 156,426
Deferred gain on refunding of debt	$ 3,549	$ 4,265
GASB 68 pension deferred inflow	11,383	4,819
GASB 75 deferred inflow		
DERP OPEB	1,014	-
DERP Implicit Rate	341	-
Total deferred inflows	$ 16,287	$ 9,084

(16) Pension Plan

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

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

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

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

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

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

Funding Policy. The City contributes 11.5% of covered payroll and employees make a pre-tax contribution of 8.0% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2018 and 2017, were $75.1 million and $64.4 million, respectively, which equaled the required contributions. The Airport's share of the total contributions is $10.9 million and $9.5 million for the years ended December 31, 2018 and 2017 respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2018 and 2017, DEN reported a liability of $140.7 million and $153.9 million, respectively, for its proportionate share of the net pension liability related to DERP. The net pension liabilities were measured as of December 31, 2017 and 2016, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of those respective dates. Member census data for the year preceding the measurement period was used in developing each actuarial valuation. Standard actuarial roll forward techniques were then used to project the total pension liability to the measurement date. The Airport's proportion of the net pension liability was based on contributions to DERP relative to the total contributions of participating employers to DERP.

At December 31, 2017, the Airport's proportion was 11.99493%, which was a decrease of 0.6234% from its proportion measured as of December 31, 2016. As of December 31, 2016 the Airport's proportion was 12.61833%, which was a decrease of 0.78234% from its proportion measured as of December 31, 2015.

The components of the Airport's net pension liability related to DERP as of December 31, 2018 and 2017, respectively, are presented below ($ in thousands):

	2018	2017
Total pension liability	$ 407,617	$ 407,712
Plan fiduciary net position	(266,938)	(253,838)
Net pension liability	$ 140,679	$ 153,874

The change in net pension liability for the year ended December 31, 2018 was ($ in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 153,874	$ 20,675	$ (33,870)	$ 140,679

The change in net pension liability for the year ended December 31, 2017 was ($ in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 158,033	$ 5,017	$ (9,176)	$ 153,874

For the years ended December 31, 2018 and 2017, pension expense recognized by the Airport was $19.3 million and $22.5 million, respectively. At December 31, 2018, DEN reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources ($ in thousands):

	Denver International Airport	
Sources	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 2,710	$ -
Changes of assumptions or other inputs	7,451	-
Net difference between projected and actual earnings on pension plan investments	-	4,450
Changes in proportion and differences between contributions recognized and proportionate share of contributions	373	6,933
Contributions subsequent to the measurement date	10,873	-
Total	$ 21,407	$ 11,383

At December 31, 2017, DEN reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources ($ in thousands):

	Denver International Airport	
Sources	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 3,163	$ -
Changes of assumptions or other inputs	4,069	-
Net difference between projected and actual earnings on pension plan investments	17,359	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,324	4,819
Contributions subsequent to the measurement date	9,512	-
Total	$ 36,427	$ 4,819

At December 31, 2018 and 2017, the Airport reported $10.9 million and $9.5 million, respectively, as deferred outflows of resources related to pensions resulting from Airport contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized within pension expense as presented below ($ in thousands):

Year Ended December 31,		Denver International Airport
2019	$	4,518
2020		1,323
2021		(2,943)
2022		(3,747)
2023		-
Thereafter		-
	$	(849)

The total pension liability in the December 31, 2017 and 2016 actuarial valuations were determined using the actuarial assumptions as follows:

2017	DERP
Investment Rate of Return	7.50%
Salary Increases	3.00% to 7.00%
Inflation	2.50%

2016	DERP
Investment Rate of Return	7.75%
Salary Increases	3.25% to 7.25%
Inflation	2.75%

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2017 and 2016 these best estimates are summarized in the following table:

Asset Allocation
2017

Asset Class	Target Allocation	Long-Term Expected Real Rate
US Equities	**22.50%**	
Large Cap	12.00%	4.90%
Large Cap Value	3.50%	5.30%
Large Cap Growth	3.50%	4.70%
Small Cap Value	2.20%	5.50%
Small Cap Growth	1.30%	5.00%
International Equity	**23.50%**	
International Large Cap	2.00%	5.80%
International Large Cap Value	4.00%	6.30%
International Large Cap Growth	4.00%	5.50%
International Small Cap Value	5.50%	6.00%
Emerging Markets	8.00%	7.80%
Fixed Income	**20.50%**	
Governments	5.00%	0.60%
Core Fixed Income	6.50%	1.10%
Emerging Market Debt	2.50%	4.60%
Private Debt	4.00%	7.50%
Distress Debt	2.50%	7.50%
Real Estate	**8.00%**	
Non-Core Real Estate	3.20%	5.90%
Core Real Estate	4.80%	4.10%
Alternatives	**25.50%**	
Hedge Funds	5.00%	2.60%
MLP	7.00%	7.20%
Private Equity	7.00%	7.50%
Private Energy	5.50%	7.30%
Timber	1.00%	3.60%
Total	**100.00%**	

Asset Allocation
2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	22.50%	5.70%
Non-U.S. Developed Markets	15.50%	6.70%
Emerging Markets	8.00%	11.60%
Total Public Equity	**46.00%**	
Core Fixed Income	11.50%	1.00%
Debt	2.50%	5.50%
Private Debt	6.50%	7.50%
Total Fixed Income	**20.50%**	
Real Estate	8.00%	6.00%
Absolute Return	5.00%	3.10%
Energy MLP's	7.00%	9.00%
Private Equity/Other	13.50%	8.90%
Cash	0.00%	0.30%
Total	**100.00%**	

Discount Rate. A single discount rate of 7.50% and 7.75% was used to measure the total pension liability at December 31, 2017 and 2016, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7.50% and 7.75%, respectively. The projection of cash flows used to determine this single rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher ($ in thousands):

	1 % Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of net pension liability	$ 183,367	$ 140,679	$ 104,453

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

(17) Postemployment Healthcare Benefits under GASB Statement No. 75, as of and for the year ended December 31, 2018

The Airport has two Other Postemployment Healthcare Benefit (OPEB) plans: Denver Employees Retirement Plan (DERP) and DERP Implicit Rate Subsidy.

	Denver International Airport
DERP OPEB Plan Net OPEB Liability	$ 10,855
DERP Implicit Rate Subsidy OPEB Plan Total OPEB Liability	7,693
Total/Net OPEB Liability	$ 18,548

DERP OPEB Plan Description. The Denver Employees Retirement Plan (the Plan) administers a cost-sharing multiple-employer defined benefit plan providing pension and postemployment health benefits to eligible members. The Plan was established in 1963 by the City. During 1996, the Denver Health and Hospital Authority (DHHA) was created and joined the Plan as a contractual entity. In 2001, the Plan became closed to new entrants from DHHA. All risks and costs are shared by the City and DHHA. There is a single actuarial evaluation performed annually that covers both the pension and postemployment health benefits. All assets of the Plan are funds held in trust by the Plan for its members for the exclusive purpose of paying pension and postemployment health benefits.

Sections 18-401 through 18-430.7 of the City's Revised Municipal Code should be referred to for complete details of the Plan. DERP issues a publicly available comprehensive annual financial report that can be obtained at https://www.derp.org.

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

For members who were hired on or after July 1, 2011, they must be age 60 and have combined credited service of at least 85 in order to receive a normal retirement prior to age 65. Final average salary is based on the member's highest salary during a consecutive 60 month period of credited service. Five year vesting is required for all employees in order to qualify for a benefit, regardless of their age at the time of termination of employment. Annual cost of living adjustments are granted on an ad hoc basis. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the Plan's Board, and enacted into ordinance by the Denver City Council.

The health benefits account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, post-employment health care benefits in the form of a premium reduction to retired members, their spouses and dependents, spouses and dependents of decreased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2017, the monthly health insurance premium reduction was $12.50 per year of service for retired participants not yet eligible for Medicare, and $6.25 per year of service for retirees eligible for Medicare. The health insurance premium reduction can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

Contributions. The Airport is required to contribute at a rate of 1.26% of annual covered payroll. The contribution requirements for the Airport are established under the City's Revised Municipal Code. For the year ended December 31, 2018, contributions to the DERP OPEB plan were $0.7 million.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At December 31, 2018, the Airport reported a liability of $10.9 million for its proportionate share of the net OPEB liability. The net OPEB liability for DERP was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Airport's proportion of the net OPEB liability was based on contributions to DERP for the calendar year 2017 relative to the total contributions of participating employers to the DERP.

At December 31, 2017, the Airport's proportion was 12.35% percent for OPEB, which was a decrease of 0.662% from its proportion measured as of December 31, 2016.

The components of the Airport's proportionate share of the net OPEB liability related to DERP as of December 31, 2018, are presented below ($ in thousands).

OPEB Plan	Denver International Airport
Total OPEB Liability	$ 20,095
Plan fiduciary net position	9,240
Net OPEB Liability	$ 10,855

For the year ended December 31, 2018, the Airport recognized OPEB expense for the DERP plan of $0.5 million.

A summary of the Airport's deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2018, is presented below ($ in thousands).

Sources	Denver International Airport	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Plan:		
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 535
Changes in proportion	77	479
Contributions subsequent to the measurement date	674	-
Total	$ 751	$ 1,014

The $0.7 million reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as presented below ($ in thousands).

	Year Ended December 31,	Denver International Airport
OPEB Plan:		
	2019	$ (243)
	2020	(243)
	2021	(243)
	2022	(208)
	2023	-
	Thereafter	-
		$ (937)

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs presented below.

OPEB Plan	DERP
Valuation Date	January 1, 2017
Measurement Date	December 31, 2017
Experience Study	Conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012.
Actuarial Method	Entry Age Normal
Long-term Investment Rate of Return	7.50%
Real wage growth	1.10%
Discount Rate	7.50%
Projected Salary Increases	3.00% to 7.00%
Inflation	2.50%
Mortality	Scale AA to 2020, with Multipliers Specific to Gender and Paymenbt Status of Employee

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The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below.

Asset Allocation
2017

Asset Class	Target Allocation	Long-Term Expected Real Rate
US Equities	**22.50%**	
Large Cap	12.00%	4.90%
Large Cap Value	3.50%	5.30%
Large Cap Growth	3.50%	4.70%
Small Cap Value	2.20%	5.50%
Small Cap Growth	1.30%	5.00%
International Equity	**23.50%**	
International Large Cap	2.00%	5.80%
International Large Cap Value	4.00%	6.30%
International Large Cap Growth	4.00%	5.50%
International Small Cap Value	5.50%	6.00%
Emerging Markets	8.00%	7.80%
Fixed Income	**20.50%**	
Governments	5.00%	0.60%
Core Fixed Income	6.50%	1.10%
Emerging Market Debt	2.50%	4.60%
Private Debt	4.00%	7.50%
Distress Debt	2.50%	7.50%
Real Estate	**8.00%**	
Non-Core Real Estate	3.20%	5.90%
Core Real Estate	4.80%	4.10%
Alternatives	**25.50%**	
Hedge Funds	5.00%	2.60%
MLP	7.00%	7.20%
Private Equity	7.00%	7.50%
Private Energy	5.50%	7.30%
Timber	1.00%	3.60%
Total	**100.00%**	

Discount rate. A single discount rate of 7.50% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.50%. The projection of cash flows used to determine this single rate assumed that plan member and employer contributions will be made at the current contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Airport's proportionate share of the net OPEB liability to changes in the Discount Rate. Below presents the net OPEB liability using the current discount rate applicable to the DERP benefit structure, as well as if it were calculated using a discount rate that is one percentage point lower or one percentage point higher ($ in thousands).

	1 % Decrease	Current Discount Rate	1% Increase
DERP OPEB Plan			
Discount Rate	6.50%	7.50%	8.50%
Proportionate share of net liability	$ 12,758	$ 10,855	$ 9,222

As the Plan is paid at a fixed dollar value, there is not an actuarially adjusted value for healthcare costs and thus Health Cost Trend Rates are not applicable to this Plan.

OPEB plan fiduciary net position. Detailed information about the DERP's fiduciary net position is available in DERP's comprehensive annual financial report which can be obtained at https://www.derp.org.

DERP Implicit Rate Subsidy OPEB Plan

DERP Implicit Subsidy Plan Description. The City acts in a single-employer capacity by providing health insurance to eligible Career Service retirees and their qualified dependents through the City's group insurance plans. The claims experience of active employees and pre-Medicare retirees is co-mingled in setting premium rates for the plans in which City employees and retirees participate. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with 5 years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicate age.

Benefit Payments. DERP retirees are responsible for 100.00% of the blended premium rate the Airport's required contribution toward the implicit rate subsidy is based on a pay-as-you-go financing. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay benefits. For the year ended, December 31, 2018, benefit payments were $0.6 million.

Participation Rate DERP Implicit Subsidy Plan. As authorized by section 18-412 of the City's Revised Municipal Code, DERP retirees are allowed to participate in the health insurance programs offered to active employees.

Participating active employees: 50% of active DERP employees currently covered in the City's medical plans are assumed to continue their current medical plan election in retirement.

Actives not currently participating: 25% of active DERP employees not currently covered by a City healthcare plan are assumed to elect coverage in the Kaiser DHMO plan at or before retirement.

Vested terminated employees: 40% of vested terminated employees with 16 or more years of City/County service are assumed to elect coverage in the Kaiser DHMO plan when they retire and begin their pension benefits.

Retired participants: Existing medical plan elections are assumed to be continued through retirement until the earlier of the retiree's death or the date he or she becomes eligible for Medicare.

Spouse Coverage

Active participants: 25% of those assumed to elect coverage in retirement are assumed to be married participants electing coverage for their spouse until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to be maintained through retirement. Actual spouse information is used where available; otherwise the assumptions for spouses of active employees are applied.

Excise tax on high-cost plans

The expected value of excise taxes for high cost plan coverage for retirees is expected to be effective in the year 2022. Annual threshold amounts under the Affordable Care Act (ACA) are shown below. A 40% excise tax rate is applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	**Ages 55-64**	**All Other Ages**
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits

The actual limits may be higher, depending on cost increases prior to the effective date. The thresholds are scheduled to increase by CPI plus 1.0% in 2019 and CPI annual thereafter this report assumes that 100.0% of any excise tax liability for high cost retiree coverage will be borne by the City.

Employees covered by benefit terms at December 31, 2016, the date of the latest actuarial valuation:

Inactive employees currently receiving benfit payments	1,107
Inactive employees entitled to but not yet receiving benefit payments	323
Active employees	8,422
Total	9,852

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.

The Airport's proportionate share is determined by the Airport's contributions for the measurement period divided by total contributions of all employer entities for the measurement period. The Airport's proportionate share of the implicit rate subsidy total OPEB liability related to DERP as of December 31, 2018 is as follows ($ in thousands):

Implicit Rate Subsidy	**Denver International Airport**
Total OPEB Liability	$ 7,693

For the year ended December 31, 2018, the Airport recognized OPEB expense of $0.5 million for the implicit rate subsidy. A summary of the Airport's deferred outflows of resources and deferred inflow of resources related to OPEB as of December 31, 2018, is presented below ($ in thousands):

	Denver International Airport	
Sources	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Implicit Rate Subsidy:		
Changes of assumptions - future economic or demographic factors	$ 113	$ -
Changes in proportion	26	341
Benefit payments subsequent to the measurement date	592	-
Total	$ 731	$ 341

The $0.6 million reported as deferred outflows of resources related to the implicit rate subsidy, resulting from benefit payments subsequent to the measurement date, will be recognized as a reduction of the total implicit rate subsidy OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of recourses and deferred inflows of resources related to OPEB for the implicit rate subsidy will be recognized as presented below ($ in thousands):

Year Ended December 31,	**Denver International Airport**
Implicit Rate Subsidy:	
2019	$ (28)
2020	(28)
2021	(28)
2022	(28)
2023	(28)
Thereafter	(62)
	$ (202)

The implicit rate subsidy liability in the December 31, 2016 actuarial valuation was determine during the following actuarial cost method, actuarial assumptions and other inputs presented below:

Implicit Rate Subsidy	**DERP**
Valuation Date	December 31, 2016, rolled forward to the measurement date
Measurement Date	December 31, 2017
Actuarial Method	Entry Age Normal
Asset valuation method	Market value of assets
Discount Rate	3.78% as of December 31, 2016, 3.56% as of December 31, 2017
Participants Valued	Only current active employees under age 65, non-medicare retired participants and covered spouses are valued. No future entrants are considered in this valuation
Projected Salary Increases	3.25% per year
Inflation	2.75%
Mortality	RP-2000 MacLeod Watts Scale 2017 projected generationally from 2000
Healthcare cost trend rates	Medical plan premiums and claims costs by are assumed to increase 1.05% each January 1 of 2017-2021. On January 1, 2022 and later the rate is 5%
Medicare eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicate Parts A and B at age 65.
Demographic Assumptions	Based on most recent (January 2016) actuarial valuation of the Denver Employees Retirement Plan, except for a different basis used to project future mortality improvements (rates of retirement, termination, disability and mortality).

Discount rate. When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). As such, a 3.56% discount was used to measure the implicit rate liability, based on the published rates of the applicable municipal bond index.

Sensitivity of the Airport's proportionate share of the implicit rate subsidy OPEB total liability to changes in the discount rate. Below presents total OPEB liability using the discount rate applicable to the DERP benefit structure, as well as if it were calculated using a discount rate that is one percentage point lower or one percentage point higher ($ in thousands):

	1 % Decrease	Current Discount Rate	1% Increase
Implicit Rate Subsidy			
Discount Rate	2.56%	3.56%	4.56%
Proportionate share of total liability	$ 8,313	$ 7,693	$ 7,131

Sensitivity of the total implicit rate subsidy OPEB liability to changes in the healthcare cost trend rates presented below ($ in thousands):

Change in Healthcare Cost Trend Rates	1 % Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 6,943	$ 7,693	$ 8,633

(18) Postretirement Healthcare Benefits under GASB Statement No. 45, as of year ended December 31, 2017

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992 postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2017, the monthly health insurance premium supplement was $12.50 per year of service for retired participants under the age of 65, and $6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

(a) Other Postemployment Benefit Plan – Implicit Rate Subsidy under GASB 45, as of and for the year ended December 31, 2017

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

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the City's retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with five years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purpose of calculating the implicit rate subsidy, it was estimated there were 1,107 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on a pay-as-you-go financing.

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

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

For the December 31, 2016, actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 2.75% general inflation rate, 4.00% investment rate of return, 3.25% salary increase, and health care cost trend grading from 8.5% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.

Contributions made by the Airport toward the implicit rate subsidy were $0.8 million and $0.8 million for the years ended December 31, 2017 and 2016, respectively, based on a pay-as-you-go financing.

(19) Deferred Compensation Plan

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust by the City for the exclusive benefit of the participants and their beneficiaries. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

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

(20) Commitments and Contingencies

(a) Commitments

As of December 31, 2018 the Airport had remaining construction project contract capacity totaling $2.0 billion, of which $222.8 million has been committed but not yet incurred, with the remaining $1.8 billion expected to be committed and incurred to complete current approved capital projects.

(b) Noise Litigation

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

There are no noise penalties due for 2018 or 2017.

(c) Claims and Litigation

On July 2, 2018, the Board of County Commissioners of Adams County filed a civil complaint against the City, related to the Airport, in the Jefferson County District Court of Colorado, which was amended on July 20, 2018 to include the City of Aurora and the City of Brighton as plaintiffs (the Complaint). The Complaint seeks, among other things, a declaration from the Court that the City is in breach of the Adams County Intergovernmental Agreement (IGA) as a result of the City's continued use of noise modeling system known as ARTSMAP, which the Complaint alleges is not sufficient to measure compliance with Noise Standards agreed to under the IGA. In conjunction with this declaratory relief, the Complaint seeks an injunction of the City's continued use of ARTSMAP and specific performance including, among other things, (i) use of an alternative noise monitoring system and for the City to recalculate and re-report the annual calculation of compliance with the Noise Standards for 2014 through 2018 and future years using such alternative noise monitoring system, (ii) installation of additional noise monitoring terminals in and around the Airport to sufficiently measure compliance with the Noise Standards under the IGA; and (iii) supply of a terminal at the Adams County offices to allow real-time, continuous monitoring of such alternative noise monitoring system data. On May 21, 2019, Adams County, the City of Thornton, the City of Aurora and the City of Brighton (the "Plaintiffs") filed a Third Amended Complaint (the "Amended Complaint") which, in addition to allegations made in the Original Complaint, alleges between 93 and 108 Class II violations in 2014 through 2016 that remained uncured in the succeeding calendar year and, in addition to the relief sought in the Original Complaint, seeks (i) a mandatory Court order requiring the City to implement reasonable, non-discriminatory rules and regulations concerning airport operations to achieve and maintain compliance with the Noise Standards and (ii) if the Court does not make such order, an award of liquidated damages of $500,000 for each Class II violation that occurred during 2014, 2015 and 2016 that remained uncured in the succeeding calendar year.

The City intends to vigorously defend against all claims alleged in the Complaint. However, if the Court grants the relief sought, the City may be required to make changes to the operations of the Airport and flight procedures that could materially adversely affect Net Revenues and may be required to make noise mitigation payments to the Claimants, which payments could be substantial. No assurance can be given regarding the outcome of this litigation or whether the Claimants will file additional claims in the future alleging new violations.

(d) Denver International Assets under Operating Leases

The Airport leases portions of its buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases with the concession tenants require rental payments equal to the greater of a fixed minimum amount per square foot or percentage of gross receipts. Rental income under operating leases for 2018 and 2017 was $91.7 million and $90.1 million, respectively.

Minimum future rentals due from concession tenants are as follows for the years ending December 31 ($ in thousands):

2019	$	52,679
2020		39,297
2021		35,728
2022		31,138
2023		24,563
2024-2028		57,462
2029-2032		1,337
Total	$	242,204

The United lease provides that it can be terminated by the airline if the airline's cost per enplaned passenger exceeds $20 in 1990 dollars. Current costs per enplaned passenger did not approach this limit for either 2018 or 2017. Rental rates for airlines are established under a ratemaking methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet the rate maintenance covenant per the Bond Ordinance.

(e) Federal Grants

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

(21) Insurance

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

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

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

In 2011, the Department of Aviation established an Owner Controlled Insurance Program (OCIP) to insure all contractors and subcontractors working on the Hotel Transit Center Project. The program included general liability, worker's compensation, builder's risk, contractor's pollution and Owners Protection Professional Liability. In 2013, the airport established a Rolling Owner Controlled Insurance Program (ROCIP) for selected Capital Improvement Projects from 2013- 2015. In 2016, ROCIP II was established for selected Capital Improvement Projects from 2016-2018. In 2017, ROCIP III was established for selected Capital Improvement Projects from 2018-2022. Combined ROCIP program experience has generated cost savings to the Department of Aviation.

(22) Significant Concentration of Credit Risk

The Airport derives a substantial portion of its operating revenues from airlines' landing fees and facility rental fees (airline operating revenue). For the years ended December 31, 2018 and 2017, United Airlines group represented approximately 43.8% and 43.2% of the Airport's airline operating revenue, respectively. Southwest Airlines represented 24.4% and 24.4% in 2018 and 2017, respectively. No other airline represented more than 10% of the Airport's airline operating revenues. The Airport requires performance bonds to support airlines and concession accounts receivables.

(23) United Airlines

The dominant air carrier at DEN is United Airlines, one of the world's largest airlines. Pursuant to the United Use & Lease Agreement, United currently leases 54 full-service contact gates on Concourse B and 14 ground loading positions. In addition, United together with its United Express commuter affiliates, accounted for 43.5% and 42.2% of enplaned passengers at the Airport in 2018 and 2017, respectively.

(24) Subsequent Events

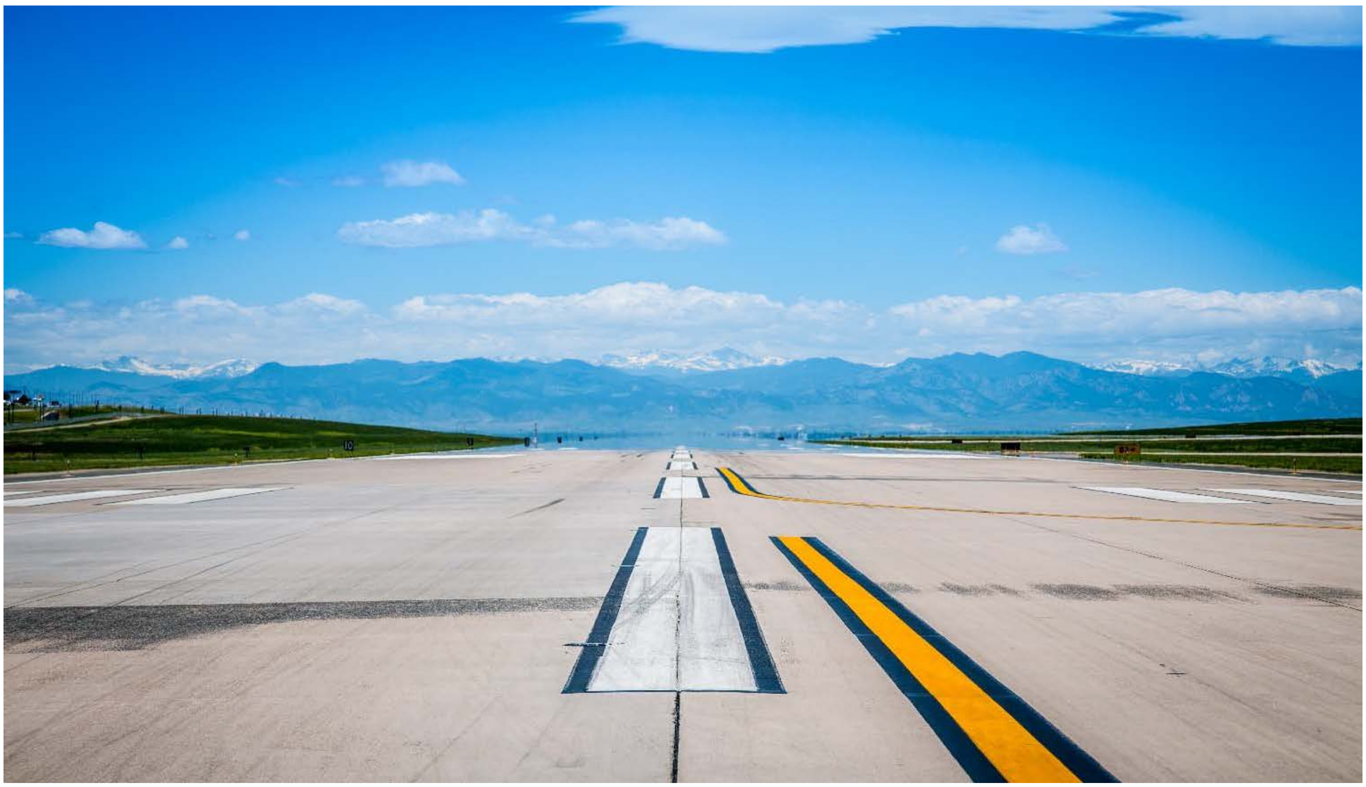
On January 29, 2019, with updates on May 16, 2019 and May 28, 2019, the City on behalf of the Airport filed a Voluntary Event Notice Relating to Construction of the Great Hall Project and Relating to Airport Terminal Concrete Testing Results. These disclosures are available at https://emma.msrb.org/ES1237977-ES967193-ES1368125.pdf, https://emma.msrb.org/EP1036367-EP802986-EP1204505.pdf, and https://emma.msrb.org/ES1398194.pdf respectively.

On May 2, 2019, the FAA approved through Final Agency Decision the City's application to impose PFC at DEN. The PFC rate will remain the same, at $4.50, but the authorized maximum PFC collection total increased by $244.4 million to $3.5 billion through February 1, 2029. The Final Agency Decision is to fund approved capital projects.

On March 13, 2019, the Airport fully terminated the 2005 and 2006B Swap Agreements with Royal Bank of Canada and Piper Jaffray Financial Products, LLC. There was no cost to the Airport for the terminations and yielded a net cash inflow of $1.2 million.

2018 ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY
SCHEDULE OF THE AIRPORT'S PROPORTIONATE SHARE (UNAUDITED)
DECEMBER 31, 2018 AND 2017 ($ IN THOUSANDS)

	2018	2017	2016	2015
DEN proportionate share of the net pension liability	11.994930%	12.618330%	13.400670%	13.13003%
DEN proportionate share of the net pension liability	$ 140,679	$ 153,869	$ 158,033	$ 115,000
DEN covered payroll	$ 88,612	$ 85,209	$ 84,601	$ 75,901
DEN proportionate share of the net pension liability as a percentage of its covered payroll	158.76%	180.58%	186.80%	151.51%
Plan fiduciary net position as a percentage of the total pension liability	65.49%	62.26%	62.26%	70.11%

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

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

Changes in assumptions: Discount rate changed from 7.75% to 7.5%

Note: There were no benefit changes during the year.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AIRPORT CONTRIBUTIONS - NET PENSION LIABILITY (UNAUDITED)
DECEMBER 31, 2018 AND 2017 ($ IN THOUSANDS)

	2018	2017	2016	2015
Contractually required contribution	$ 10,873	$ 9,513	$ 9,176	$ 9,109
Contributions in relation to the contractually required contribution	10,873	9,513	9,176	9,109
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
DEN covered payroll	$ 92,132	$ 88,612	$ 85,209	$ 84,601
Contributions as a percentage of covered payroll	11.80%	10.74%	10.77%	10.77%

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

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

Changes in assumptions: None

Changes in benefits: None

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS, AS REQUIRED UNDER GASB NO. 45
(UNAUDITED)
DECEMBER 31, 2018 AND 2017 ($ IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2012	$ -	$ 88,704	$ 88,704	0.0%	$ 446,182	19.9%
12/31/2014	-	73,713	73,713	0.0%	487,408	15.1%
12/31/2016	-	76,610	76,610	0.0%	526,301	14.6%

The Schedule of Funding Progress was a requirement under GASB No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and is presented for comparative financial statement presentation.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF AIRPORT CONTRIBUTIONS, AS REQUIRED UNDER GASB NO.45
(UNAUDITED)

DECEMBER 31, 2018 AND 2017 ($ IN THOUSANDS)

Year Beginning January 1	Annual Actuarially Required Contribution	Percentage Contributed
	Implicit Rate Subsidy	
2015	$ 5,048	112.5%
2016	$ 5,479	95.0%
2017	$ 5,578	109.3%

The Schedule of Funding Progress was a requirement under GASB No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and is presented for comparative financial statement presentation.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN – NET OPEB LIABILITY
SCHEDULE OF AIRPORT'S PROPORTIONATE SHARE (UNAUDITED)
DECEMBER 31, 2018 ($ IN THOUSANDS)

	2018 OPEB
DEN proportion of the net liability	12.346330%
DEN proportionate share of the net liability	$ 10,855
DEN covered payroll	$ 70,981
DEN proportionate share of the net liability as a percentage of its covered payroll	15.29%
Plan fiduciary net position as a percentage of the total liability	46.0%

Notes: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

Information present in this schedule has been determined as of Denver International's measurement date (December 31, one year prior to the most recent fiscal year-end) of the collective net OPEB liabilities in accordance with Governmental Accounting Standards Board Statement No. 75.

Notes to Required Supplementary Information:
There were no benefit changes during the year. The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2018 to December 31, 2012. At this time, the recommended mortality table was expected to produce a margin of 8% on the male mortality experience and 7% on the retired female epxerience (Source: Denver Employees Retirement Plan 2013 Actuarial Experience Study for the period ending December 31, 2012, page 24.)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN – NET OPEB LIABILITY
SCHEDULE OF AIRPORT CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2018 ($ IN THOUSANDS)

	2018 OPEB
Actuarially required contribution	$ 539
Contributions in relation to the actuarially required contribution	674
Contribution deficiency (excess)	(135)
DEN covered payroll	$ 92,132
Contributions as a percentage of covered payroll	0.7%

Notes: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

Information presented in this schedule has been determined as of Denver International's most recent fiscal year-end (December 31) in accordance with Governmental Accounting Standards Board Statement No. 75.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN – IMPLICIT RATE SUBSIDY
SCHEDULE OF AIRPORT'S PROPORTIONATE SHARE (UNAUDITED)
DECEMBER 31, 2018 ($ IN THOUSANDS)

	2018 Implicit Rate Subsidy
DEN proportion of the total liability	9.788102%
DEN proportionate share of the total liability	$ 7,693
DEN covered-employee payroll	$ 57,996
DEN proportionate share of the total liability as a percentage of its covered-employee payroll	13.26%

Notes: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

Information present in this schedule has been determined as of Denver International's measurement date (December 31, one year prior to the most recent fiscal year-end) of the collective total implicit rate subsidy OPEB liabilities in accordance with Governmental Accounting Standards Board Statement No. 75.

Notes to Required Supplementary Information:
There were no benefit changes during the year.

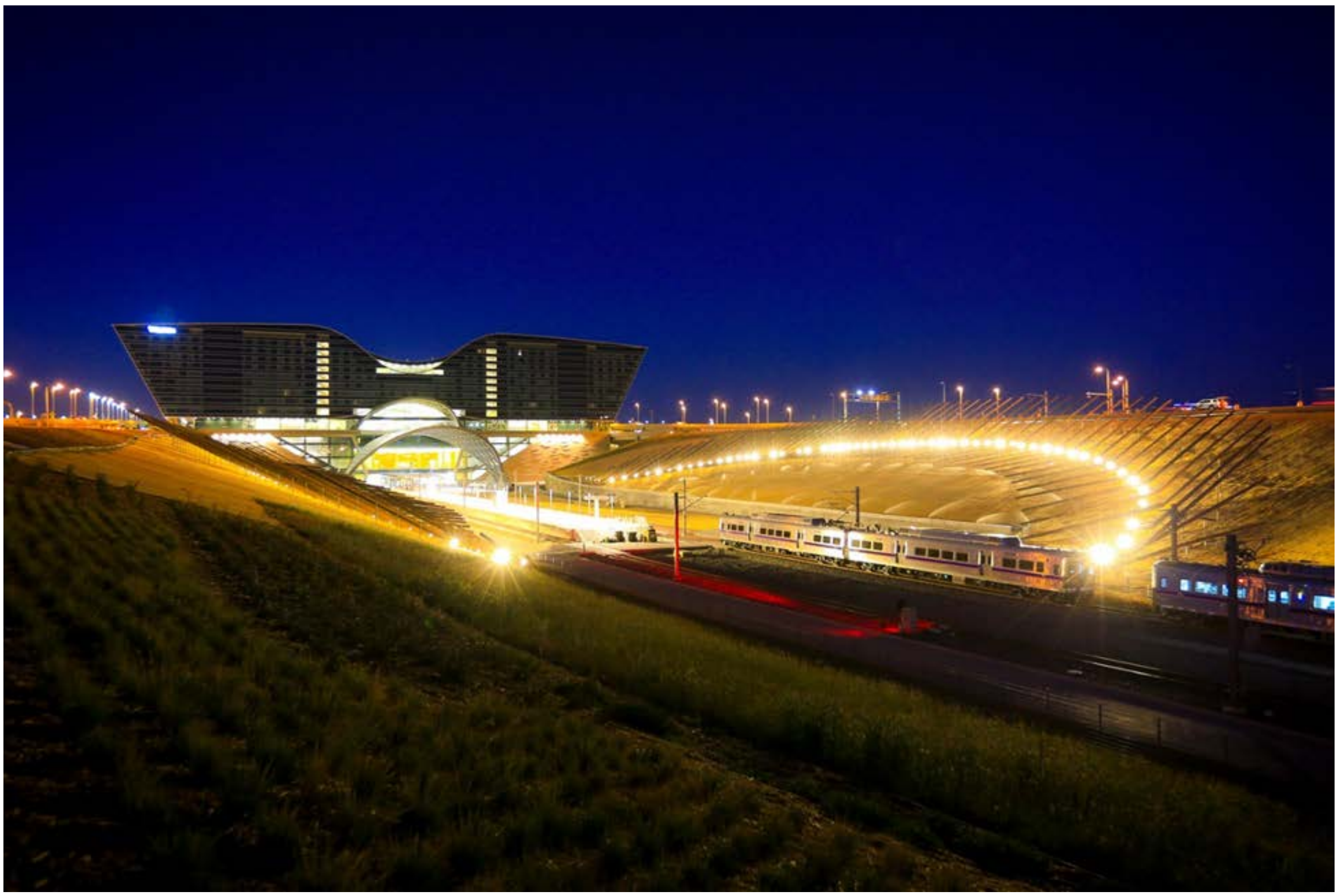
The latest experience study was conducted in 2013 covering the 5-year period of January 1, 2018 to December 31, 2012.

At this time, the recommended mortality table was expected to produce a margin of 8% on the male mortality experience and 7% on the retired female experience (Source: Denver Employees Retirement Plan 2013 Actuarial Experience Study for the period ending December 31, 2012, page 24.)

The discount rate changed from 3.78% at December 31, 2016 to 3.56% at December 31, 2017. No Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

2018 ANNUAL FINANCIAL REPORT

OTHER INFORMATION (UNAUDITED)



SCHEDULE OF COMPLIANCE WITH RATE MAINTENANCE COVENANT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE
AIRPORT REVENUE ACCOUNT
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2018 ($ IN THOUSANDS)

Gross Revenues	
Facility Rentals	$ 236,066
Concession Income	83,297
Parking Income	189,878
Car Rental Income	72,621
Landing Fees	166,671
Aviation Fuel Tax	25,039
Other Sales and Charges	25,174
Customer Facility Fee Revenue	20,019
Interest Income	28,191
Designated Passenger Facility Charges	40,851
Hotel	53,304
Miscellaneous Income	4,095
Total Gross Revenues	**$ 945,206**
Operation and Maintenance (O&M) Expenses	
Personnel services	$ 164,889
Contractual services	227,918
Maintenance, supplies, and materials	24,378
Hotel	28,616
Total O&M Expenses	**$ 445,801**
Net Revenues	$ 499,405
Other Available Funds	43,901
Net Revenues plus Other Available Funds	**$ 543,306**
Debt Service Coverage - Senior Bonds	
Debt Service Requirements - Senior Bonds	$ 258,545
Less: Committed Passenger Facility Charges	82,940
Net Debt Service Requirements - Senior Bonds	**$ 175,605**
Debt Service Coverage - Senior Bonds	**309%**
Debt Service Coverage - All Bonds	
Debt Service Requirements - Subordinate Bonds	$ 101,344
Net Debt Service Requirements - Senior Bonds	175,605
Net Debt Service Requirements - All Bonds	**$ 276,949**
Debt Service Coverage - All Bonds	**196%**

Note: Debt Service Requirements are net of capitalized interest.

See accompanying independent auditor's report

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATIONAL AND MAINTENACE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

(1) Bond Account

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

(a) Interest Account

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

Bond series	Interest payment date	Balance interest due	Required Interest Acct. balance at 12/31/2018
Series 1992F-G	01/01/19	$ 61	$ 61
Series 2002C	01/01/19	46	46
Series 2007F1-F2	01/01/19	141	141
Series 2007G1-G2	01/01/19	270	270
Series 2008B	01/01/19	98	98
Series 2008C1	01/01/19	170	170
Series 2008C2-C3	01/01/19	388	388
Series 2009A	05/15/19	3,931	983
Series 2009B	05/15/19	2,094	523
Series 2009C	01/01/19	173	173
Series 2010A	05/15/19	3,718	930
Series 2011A	05/15/19	4,823	1,206
Series 2011B	05/15/19	225	56
Series 2012A	05/15/19	6,150	1,538
Series 2012B	05/15/19	11,705	2,926
Series 2012C	05/15/19	544	136
Series 2013A	05/15/19	8,163	2,041
Series 2013B	05/15/19	9,581	2,395
Series 2015A	05/15/19	1,645	411
Series 2016A	05/15/19	5,593	1,398
Series 2016B	01/01/19	197	197
Series 2017A	05/15/19	5,750	1,437
Series 2017B	05/15/19	532	133
Series 2018A	06/01/19	56,694	9,449
Series 2018B	06/01/19	4,410	735
			$ 27,841

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATIONAL AND MAINTENACE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

YEAR ENDED DECEMBER 31, 2018

(b) Principal Account

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

Bond series	Principal payment date	Balance principal due	Required principal account balance at 12/31/2018
Series 1992F-G	11/15/19	$ 2,900	$ 363
Series 2002C	11/15/19	2,800	350
Series 2007G1-G2	11/15/19	10,300	1,288
Series 2008B	11/15/19	5,000	625
Series 2008C1	11/15/19	7,700	963
Series 2008C2-C3	11/15/19	21,300	2,663
Series 2009C	11/15/19	13,600	1,700
Series 2010A	11/15/19	16,045	2,006
Series 2011A	11/15/19	44,430	5,554
Series 2012A	11/15/19	1,025	128
Series 2012B	11/15/19	5,565	696
Series 2013A	11/15/19	4,180	523
Series 2013B	11/15/19	5,985	748
Series 2015A	11/15/19	16,320	2,040
Series 2016A	11/15/19	4,160	520
Series 2016B	11/15/19	10,920	1,365
Series 2017A	11/15/19	22,870	2,859
Series 2018A	12/01/19	3,490	291
Series 2018B	12/01/19	235	20
			$ 24,702

(c) Sinking Account

The required monthly deposit to the Bond Sinking Account, commencing on the first day of the 12th calendar month prior to the date on which the City is required to pay any Term Bonds, is one-twelfth of the amount necessary to pay the redemption price or principal of such Term Bonds scheduled to be retired in any year by mandatory redemption, at fixed maturity or otherwise, except to the extent any other monies, including without limitation, monies in any escrow account, are available therefore.

SCHEDULE OF REQUIRED DEPOSITS TO THE BOND ACCOUNT, BOND RESERVE ACCOUNT, AND THE OPERATIONAL AND MAINTENACE RESERVE ACCOUNT AS DEFINED IN THE 1984 AIRPORT SYSTEM GENERAL BOND ORDINANCE (UNAUDITED)

YEAR ENDED DECEMBER 31, 2017

(d) Redemption Account

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

As of December 31, 2018, the redemption account had a balance of $29.4 million for the sixth runway and baggage system.

(e) Bond Account Summary

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

BOND ACCOUNT SUMMARY

Bond account balance at December 31, 2018	$	58,083
Aggregate required bond account balance		52,543
Overfunded	$	5,540

(2) Bond Reserve Account

The City is required, after making required monthly deposits to the Interest, Principal, Sinking Account, and Redemption accounts of the Bond Account, to apply Net Revenues to fund the Bond Reserve Account, in an amount equal to the maximum annual interest and principal payable on all outstanding Senior Bonds of the Airport, as defined in the General Bond Ordinance. The amount deposited to the Bond Reserve Account at December 31, 2018 is $563.8 million. The minimum Bond Reserve Account requirement for both Senior and Subordinate Lien Bonds is $554.0 million.

(3) Operation and Maintenance Reserve Account

The operation and maintenance reserve account balance must be funded at an amount equal to no less than two months and no more than four months of the prior year operating expenses. Airport management funds the reserve based on three months of the prior year operating expenses. The operation and maintenance expenses noted below is presented as defined within the 1984 Airport System General Bond Ordinance ($ in thousands).

2017 Operation and Maintenance expenses	$	425,005
Minimum operations and maintenance reserve requirement for 2018	$	70,834
Operation and maintenance reserve account balance at December 31, 2018		107,255
Overfunded	$	36,421

2018 ANNUAL FINANCIAL REPORT

STATISTICAL SECTION (UNAUDITED)

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

	2009 *	2010	2011	2012 **	2013	2014	2015	2016	2017	2018 ***
Operating revenues	$ 564,490	$ 601,402	$ 602,769	$ 624,673	$ 661,637	$ 711,491	$ 687,536	$ 742,529	$ 768,925	$ 808,360
Operating expenses	379,517	409,865	392,862	388,171	431,935	413,563	436,803	469,810	453,532	474,314
Operating income before depreciation and amortization	184,973	191,537	209,907	236,502	229,702	297,928	250,733	272,719	315,393	334,046
Depreciation and amortization	177,583	181,496	179,070	178,567	184,721	183,560	163,714	179,692	183,351	193,009
Operating income	7,390	10,041	30,837	57,935	44,981	114,368	87,019	93,027	132,042	141,037
Nonoperating revenues (expenses)	(59,749)	(87,795)	(75,488)	(46,259)	(55,906)	(9,013)	9,106	12,108	1,611	(3,787)
Capital contributions, grants and transfers	38,621	30,200	34,702	22,996	31,412	20,533	20,483	3,553	55,879	26,730
Change in net position	$ (13,738)	$ (47,554)	$ (9,949)	$ 34,672	$ 20,487	$ 125,888	$ 116,608	$ 108,688	$ 189,532	$ 163,980

* Restated for GASB 53
** Restated for GASB 65
*** Implementation of GASB 75

(2) Passenger Data (amounts in thousands)

(a) Enplaned Passengers by Major Airline Category

Year	Major International Airlines	% Change	Regional Commuter Airlines	% Change	Charter Miscellaneous Airlines	% Change	Total	% Change
2009	20,646,529	(4.0%)	4,239,139	7.4%	242,365	27.3%	25,128,033	(2.0%)
2010	21,032,064	1.9%	4,666,047	10.1%	326,811	34.8%	26,024,922	3.6%
2011	21,709,430	3.2%	4,439,841	(4.8%)	306,494	(6.2%)	26,455,765	1.7%
2012	21,984,133	1.3%	4,323,837	(2.6%)	289,021	(5.7%)	26,596,991	0.5%
2013	21,618,114	(1.7%)	4,436,819	2.6%	230,374	(20.3%)	26,285,307	(1.2%)
2014[1]	21,962,984	1.6%	4,767,207	7.4%	6,493	(97.2%)	26,736,684	1.7%
2015	22,713,090	3.4%	4,296,830	(9.9%)	9,009	38.7%	27,018,929	1.1%
2016	24,979,910	10.0%	4,155,887	(3.3%)	4,407	(51.1%)	29,140,204	7.9%
2017	26,758,785	7.1%	3,953,656	(4.9%)	1,570	(64.4%)	30,714,011	5.4%
2018	27,951,205	4.5%	4,306,957	8.9%	1,055	(32.8%)	32,259,217	5.0%

[1] In 2014, the airport adjusted the methodology of classifying the airlines between each category based on the type of operation. This primarily included adjusting United Express international operations from Miscellaneous to Regional.

(b) Enplaned Passengers by Airline

Airline	2018	% of Total	2017	% of Total
United	9,963,481	30.9%	9,428,550	30.7%
United Express	4,064,288	12.6%	3,548,333	11.6%
Total United	14,027,769	43.5%	12,976,883	42.3%
Southwest	9,386,197	29.1%	9,137,172	29.7%
Frontier	3,696,254	11.5%	3,501,127	11.4%
Delta	1,728,487	5.4%	1,635,708	5.3%
American	1,619,744	5.0%	1,682,943	5.5%
Other	1,800,766	5.5%	1,780,178	5.8%
Totals	32,259,217	100.0%	30,714,011	100.0%

(c) Originating and Connecting Enplaned Passengers for the Year Ended December 31, 2018

Airline	Originating	Connecting	Total
United	5,060,643	4,902,838	9,963,481
United Express	1,220,160	2,844,128	4,064,288
Total United	6,280,803	7,746,966	14,027,769
Southwest	6,810,997	2,575,200	9,386,197
Frontier	2,716,015	980,239	3,696,254
Delta	1,646,669	81,818	1,728,487
American	1,619,744	-	1,619,744
Other	1,672,016	128,750	1,800,766
Totals	20,746,244	11,512,973	32,259,217
Percent of total	64.3%	35.7%	100.0%

(d) Domestic and International Enplaned Passengers

Enplaned Passengers	2018	2017
Domestic	95.4%	95.8%
International	4.6%	4.2%
Total	100.0%	100.0%

(3) Aircraft Operations

(a) Historical Aircraft Operations

Year	Air Carrier	Commuter	Taxi/Gen Aviation	Military	Total	Percent change
2009	456,675	151,659	3,513	130	611,977	(2.2%)
2010	468,962	162,646	3,721	116	635,445	3.8%
2011	452,223	178,742	3,628	87	634,680	(0.1%)
2012	443,389	170,809	3,900	159	618,257	(2.6%)
2013	420,073	162,719	3,988	80	586,860	(5.1%)
2014	422,178	148,436	4,021	526	575,161	(2.0%)
2015	424,930	118,147	4,464	107	547,648	(4.8%)
2016	445,019	122,982	4,376	143	572,520	4.5%
2017	461,992	116,305	4,120	69	582,486	1.7%
2018	462,276	137,027	3,979	121	603,403	3.6%

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

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

Year	Amount	Year	Amount
2009	96,865	2014	103,959
2010	102,595	2015	106,007
2011	103,210	2016	114,230
2012	105,472	2017	118,333
2013	103,032	2018	123,907

(5) Enplaned Cargo Operations (in tons)

Year	Air Mail	Freight and Express	Total	% Change
2009	6,459	104,262	110,721	(10.8%)
2010	9,831	111,024	120,855	9.2%
2011	9,306	111,939	121,245	0.3%
2012	8,687	105,180	113,867	(6.1%)
2013	6,909	104,477	111,386	(2.2%)
2014	7,963	106,766	114,729	3.0%
2015	11,885	107,447	119,332	4.0%
2016	11,017	103,688	114,705	(3.9%)
2017	13,675	105,749	119,424	4.1%
2018	11,754	117,377	129,131	8.1%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gross revenue	$ 631,592	$ 668,885	$ 702,157	$ 713,279	$ 743,101	$ 803,620	$ 808,781	$ 863,126	$ 895,963	$ 945,206
Operation and maintenance expenses	309,270	302,881	312,278	318,394	349,987	355,769	381,445	417,140	425,005	445,801
Net revenue	322,322	366,004	389,879	394,885	393,114	447,851	427,336	445,986	470,958	499,405
Other available funds	49,288	57,449	57,528	51,685	50,409	54,834	56,908	51,574	47,090	43,901
Total amount available for debt service requirements	$ 371,610	$ 423,453	$ 447,407	$ 446,570	$ 443,523	$ 502,685	$ 484,244	$ 497,560	$ 518,048	$ 543,306
Debt service requirements	$ 237,905	$ 235,244	$ 235,356	$ 247,563	$ 242,816	$ 268,422	$ 262,516	$ 294,914	$ 282,251	$ 276,949
Debt service coverage	156%	180%	190%	180%	183%	187%	184%	169%	184%	196%

(7) Summary of Insurance Coverage

Policy number	Company	Item covered	Expiration date	Annual premium	Coverage
AP-086448700-59	AIG	Airport Owner's Liability	5/1/2019	$ 443,791	$ 500,000,000
ERAG93E16	Aspen	Environmental Liability	5/1/2019	$ 75,190	$ 10,000,000
1038092	FM Global	Property	5/1/2019	$ 1,592,670	$ 4,000,000,000
LHR763372	Landmark	Professional Liability (CDL)	5/1/2019	$ 2,500	$ 1,000,000
106510089 (primary)	Travelers	Cyber Liability	5/1/2019	$ 186,612	$ 20,000,000
B1262F10987418 (excess)	Ptarmigan				