

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATING: Moody's: "Aa3"
See "RATING"**

In the opinion of Butler Snow LLP, Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rent which is designated in the Lease and paid as interest on the 2015B Certificates is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2015B Certificates (the "Tax Code"), is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the 2015B Certificates as described herein. In the opinion of Special Counsel, the portion of the Base Rentals which is designated in the Lease and paid as interest on the 2015A Certificates is includible in gross income for federal and State of Colorado income tax purposes. See "TAX MATTERS."

\$8,930,000

**CERTIFICATES OF PARTICIPATION, SERIES 2015
evidencing undivided interests in the right to receive certain revenues
payable by SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
under a Lease Purchase Agreement dated as of October 5, 2015
Consisting of:**

\$360,000

**Taxable Certificates of Participation
Series 2015A**

\$8,570,000

**Tax-Exempt Certificates of Participation
Series 2015B**

Dated: Date of Delivery

Due: December 15, as shown herein

The Taxable Certificates of Participation, Series 2015A and the Tax-Exempt Certificates of Participation, Series 2015B (together, the "Certificates") evidence undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado (the "District"), as lessee under a Lease Purchase Agreement (the "Lease") by and between the District and Wells Fargo Bank, National Association, solely in its capacity as trustee (the "Trustee") under the Indenture (defined below). The Certificates are being executed and delivered pursuant to an Indenture of Trust dated as of October 5, 2015 (the "Indenture"), executed and delivered by the Trustee.

The Certificates will be executed and delivered as fully registered certificates and are initially to be registered in the name of "Cede & Co." as nominee for The Depository Trust Company ("DTC"), which is acting as the securities depository for the Certificates. Purchases are to be made in book-entry form in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates evidencing their interest in the Certificates. The principal and interest on the Certificates are payable to DTC, which will remit such payments to DTC Participants (defined herein), who in turn will remit such payments to Beneficial Owners of the Certificates. See "THE CERTIFICATES--Book-Entry Only System." Interest on the Certificates will be payable semiannually on June 15 and December 15, commencing on December 15, 2015. Principal on the Certificates is payable on the dates shown in the maturity schedule unless the Certificates are redeemed prior thereto as more fully described in this Official Statement.

The maturity schedule for each series of the Certificates appears on the inside cover page of this Official Statement.

The 2015A Certificates are not subject to redemption prior to maturity at the option of the District. The 2015B Certificates are subject to redemption prior to maturity at the option of the District and are also subject to mandatory sinking fund redemption. See "THE CERTIFICATES--Redemption Provisions." The Certificates of each series are subject to extraordinary mandatory redemption upon the occurrence of certain events, including an Event of Nonappropriation, as described in "THE CERTIFICATES--Redemption Provisions - Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default."

The proceeds from the issuance of the Certificates will be used to: (i) finance the acquisition of a parking garage and the land on which it is located and to address identified renovations and repairs to the garage; and (ii) pay the costs of issuing the Certificates. See "SOURCES AND USES OF FUNDS."

The Certificates will be payable solely from the Trust Estate, which includes, among other things (a) annually appropriated Base Rent and any Purchase Option Price paid by the District under the Lease; (b) moneys held by the Trustee under the Indenture; and (c) following an Event of Nonappropriation or a Lease Default (each as defined herein), any moneys received by the Trustee from the exercise of the remedies under the Lease and the Indenture. The District will pay Base Rent from any legally available amounts annually appropriated by the Board for such payment.

None of the Lease, the Certificates or the interest thereon constitutes a general obligation or other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory debt limitation. None of Lease, the Indenture or the Certificates directly or indirectly obligates the District to make any payments beyond those appropriated for any fiscal year in which the Lease is in effect. All financial obligations of the District under the Lease, including the District's obligation to pay Base Rent, are subject to annual appropriation by the Board. The Lease is subject to annual termination by the District and will be terminated upon the occurrence of an Event of Nonappropriation or a Lease Default. Upon the occurrence of an Event of Nonappropriation or a Lease Default, the only sources available for payment of the Certificates will be moneys, if any, held in the Certificate Fund created under the Indenture and moneys received by the Trustee from the sale or lease of the Leased Property and the exercise of other remedies available under the Lease and the Indenture. There is no assurance that the Trustee will receive any moneys from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture following the occurrence of an Event of Nonappropriation or a Lease Default.

This cover page contains certain information for quick reference only. It is *not* a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

The Certificates are offered when, as, and if executed and delivered, subject to the approval of legality by Butler Snow LLP, Denver, Colorado, Special Counsel, and certain other conditions. Butler Snow LLP also has acted as special counsel to the District in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. Fiscal Strategies Group, Inc., Berkeley, California, and Public Resources Advisory Group, Los Angeles, California, are acting as the District's Financial Advisors. It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 5, 2015.

MATURITY SCHEDULES
(CUSIP® 6-digit issuer number: 24919P)

\$8,930,000

CERTIFICATES OF PARTICIPATION, SERIES 2015
evidencing undivided interests in the right to receive certain revenues
payable by SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
under a Lease Purchase Agreement dated as of October 5, 2015,

\$360,000

Taxable Certificates of Participation
Series 2015A

Maturing (December 15)	Principal Amount	Interest Rate	Price	CUSIP® Issue Number
2016	\$ 165,000	1.25%	100	HU1
2017	165,000	1.60	100	HV9
2018	30,000	2.00	100	HW7

\$8,570,000

Tax-Exempt Certificates of Participation
Series 2015B

Maturing (December 15)	Principal Amount	Interest Rate	Yield	CUSIP® Issue Number	Maturing (December 15)	Principal Amount	Interest Rate	Yield	CUSIP® Issue Number
2018	\$ 135,000	2.000%	1.28%	HX5	2025	\$ 220,000	5.000%	2.73	JE5
2019	170,000	2.500	1.57	HY3	2026	230,000	5.000	2.88	JF2
2020	170,000	4.000	1.87	HZ0	2027	240,000	3.000	3.08	JG0
2021	180,000	5.000	2.08	JA3	2028	250,000	5.000	3.10	JH8
2022	190,000	5.000	2.27	JB1	2029	260,000	3.250	3.35	JJ4
2023	200,000	5.000	2.46	JC9	2030	270,000	3.375	3.44	JK1
2024	210,000	5.000	2.61	JD7					

\$1,535,000 5.00% Term Certificate due December 15, 2035. Priced to Yield: 3.47%. CUSIP® Issue No. JL9.

\$1,925,000 4.00% Term Certificate due December 15, 2040. Price: 100. CUSIP® Issue No. JM7.

\$2,385,000 5.00% Term Certificate due December 15, 2045. Priced to Yield: 3.71%. CUSIP® Issue No. JN5.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the District. The District maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

The information set forth in this Official Statement has been obtained from the District and from the sources referenced throughout this Official Statement, which the District believes to be reliable. No representation is made by the District, however, as to the accuracy or completeness of information provided from sources other than the District. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws, as applied to the facts and circumstances of this transaction, but does not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE CERTIFICATES, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

Board of Education

Allegra Haynes, President
Anne Rowe, Vice President
Rosemary Rodriguez, Secretary
Michael Johnson, Treasurer
Arturo Jimenez, Member
Barbara O'Brien, Member
Landri Taylor, Member

Administrative Officials

Tom Boasberg, Superintendent
David Suppes, Chief Operating Officer
Mark Ferrandino, Chief Financial Officer
Kathleen Rinkel, Executive Director of Finance

General Counsel to the District

Alex J. Martinez, Esq.
Denver, Colorado

FINANCIAL ADVISORS TO THE DISTRICT

Fiscal Strategies Group, Inc.
Berkeley, California

Public Resources Advisory Group
Los Angeles, California

SPECIAL COUNSEL

Butler Snow LLP
Denver, Colorado

UNDERWRITER

George K. Baum & Company
Denver, Colorado

TRUSTEE

Wells Fargo Bank, National Association
Denver, Colorado

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OFFICIAL STATEMENT

\$8,930,000

CERTIFICATES OF PARTICIPATION, SERIES 2015
evidencing undivided interests in the right to receive certain revenues
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under a Lease Purchase Agreement dated as of October 5, 2015

Consisting of:

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Taxable Certificates of Participation
Series 2015A

\$8,570,000
Tax-Exempt Certificates of Participation
Series 2015B

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and appendices, is furnished in connection with the execution, delivery and sale of (i) \$360,000 aggregate principal amount of Taxable Certificates of Participation, Series 2015A (the “2015A Certificates”); and (ii) \$8,570,000 aggregate principal amount of Tax-Exempt Certificates of Participation, Series 2015B (the “2015B Certificates,” and together with the 2015A Certificates, the “Certificates”). The Certificates evidence undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado (the “District”), under an under an annually renewable Lease Purchase Agreement dated as of October 5, 2015 (the “Lease”), between Wells Fargo Bank, National Association, Denver, Colorado, solely in its capacity of trustee under the Indenture (the “Trustee”), as lessor, and the District, as lessee. The Certificates will be executed and delivered pursuant to the terms of an Indenture of Trust executed by the Trustee dated as of October 5, 2015 (the “Indenture”). Certain of the capitalized terms used herein and not otherwise defined are defined in Appendix B to this Official Statement.

The offering of the Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Certificates. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized.

The District

The District is a political subdivision of the State of Colorado (the “State”) and a body corporate which was organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District is the only public school district serving the City and County of Denver, Colorado (the “County” or “Denver”) and

encompasses approximately 155 square miles. The District is the largest school district in the State with a fall 2014 headcount enrollment of 90,150. See “THE DISTRICT.” The District’s preliminary certified assessed valuation for 2015 (for collection of taxes in 2016) is \$13,447,403,203 (net of the assessed valuation attributable to certain tax increment districts located within the District’s boundaries); that preliminary valuation remains subject to change until December 2015. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT.”

Purpose

The proceeds from the issuance of the Certificates will be used to: (i) finance the acquisition of a parking garage and the land on which it is located (the “Leased Property Project”) and to address identified renovations and repairs to the Leased Property; and (ii) pay the costs of issuing the Certificates. See “INTRODUCTION--The Leased Property” and “SOURCES AND USES OF FUNDS--The Leased Property Project.”

The Certificates; Prior Redemption

General. The Certificates are issued solely as fully registered certificates in the denomination of \$5,000, or any integral multiple thereof. The Certificates mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the Certificates is described in “THE CERTIFICATES--Payment Provisions.”

The Certificates initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which is acting as the securities depository for the Certificates. Purchases of the Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Certificates. See “THE CERTIFICATES--Book-Entry Only System.”

Redemption Provisions. The 2015A Certificates are not subject to optional redemption prior to maturity. See “THE CERTIFICATES--Redemption Provisions.”

The 2015B Certificates are subject to optional redemption prior to maturity at the direction of the District and are also subject to mandatory sinking fund redemption as described in “THE CERTIFICATES--Redemption Provisions.”

The Certificates of each series are subject to extraordinary mandatory redemption upon the occurrence of certain events, including an Event of Nonappropriation, as described in “THE CERTIFICATES--Redemption Provisions - Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default.”

Security for the Certificates; Termination of Lease

General. At the time of execution and delivery of the Certificates, the Trustee will use a portion of the proceeds of the Certificates to purchase the Acquired Property and the Improvements. The District will lease the Leased Property from the Trustee pursuant to the Lease.

The Leased Property consists of (i) the Acquired Property described in Exhibit A to the Lease, which consists of the real property located at 1855 Lincoln Street in Denver (the “Site”), and (ii) the parking garage and other improvements situated on the Site as such buildings, site improvements and other real property may be modified in the future (the “Improvements,” as more particularly described in Appendix B).

The Trustee will own fee title to the Leased Property and the District will have a leasehold interest in the Leased Property, subject to the terms and provisions of the Lease and the Indenture.

Sources of Payment for the Certificates. The Certificates will be payable solely from the Trust Estate, which includes, among other things: (a) the Lease Revenues as, when and if the same are received by the Trustee pursuant to the Lease, which include (i) Base Rent payable under the Lease, (ii) the Purchase Option Price, if any, paid by the District under the Lease; (iii) any Net Proceeds payable under the Lease, (iv) any portion of the proceeds of the Certificates deposited with or by the Trustee in the Certificate Fund to pay capitalized interest on the Certificates, (v) any earnings on moneys on deposit in the Certificate Fund, (vi) all other revenues derived from the Lease, excluding Additional Rent, and (vii) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the Certificates; and (b) following an Event of Nonappropriation or an event of default under the Lease (a “Lease Default”), any moneys received by the Trustee from the exercise of the remedies under the Lease and the Indenture.

The Lease Revenues are comprised primarily of Base Rent, which are payments by the District for and in consideration of the right to use the Leased Property (as described below under “The Leased Property”) during the Lease Term. Pursuant to the Lease, Base Rent includes an amount equal to the principal of and interest on the Certificates in the then-current Fiscal Year as well as other specified fees and items discussed in more detail in “SECURITY FOR THE CERTIFICATES--Base Rent, Additional Rent and Purchase Option Price.” The Lease Revenues are to be held in trust by the Trustee in the manner and to the extent provided in the Indenture.

The District may pay Base Rent under the Lease from any legally available amounts annually appropriated by the Board for such payment. Although the District currently intends to budget, appropriate and pay the Base Rent and any Additional Rent payable under the Lease and may do so from any of the District’s legally available funds in the future, the execution and delivery of the Certificates does not directly or contingently obligate the District to make any payments beyond those funds budgeted and appropriated for the District’s then current Fiscal Year.

The major sources of District revenues are State equalization payments and ad valorem property tax revenues. See “DISTRICT FINANCIAL OPERATIONS--Primary Sources of General Fund Revenue” for a discussion of each of those sources of revenue. Certain statutory and constitutional limitations limit the amount of property taxes the District can levy. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Taxes” and “LEGAL MATTERS--Certain Constitutional Limitations” for a discussion of those limitations. State educational funding, including equalization payments, is governed by State law, which is subject to change. See “DISTRICT FINANCIAL OPERATIONS--The School Finance Act and Total Program Funding.”

Neither the Lease nor the Certificates constitute a general obligation or other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory limitation. Neither the Certificates nor the Lease will directly or indirectly obligate the District to make any payments other than those which may be appropriated by the District for each fiscal year.

The Trustee does not have any obligation to and will not make any payments on the Certificates pursuant to the Lease or otherwise.

Termination of Lease; Annual Appropriation. The Lease constitutes a one-year lease of the Leased Property which is annually renewable for additional one-year terms as described in the Lease. The District may determine to continue or to terminate its obligations under the Lease on an annual basis. However, upon any decision of the District not to appropriate and thereby terminate the Lease, the District is required to vacate the Leased Property within 90 days and the District will relinquish its right to use all of the Leased Property subject to the Lease. In such an event, the Trustee will be permitted to sell or otherwise dispose of the Leased Property or re-enter and re-let the Leased Property or exercise any other remedy under the Lease. Upon the sale, re-letting or other disposition of the Leased Property, the amount of proceeds from such disposition remaining after the payment of the fees and expenses incurred by the Trustee to sell or re-let the Leased Property and the payment to the District of the General Obligation Debt Proceeds expended on the Leased Property (both of which are payable prior to any payments to Owners of the Certificates) may not be sufficient to pay the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon and the other amounts, if any, payable on parity with the Certificates pursuant to the Indenture. See “THE CERTIFICATES--Redemption Provisions - Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default.”

Purchase Option Price. The District has the option to purchase the Trustee’s leasehold interest in the Leased Property and terminate the Lease by paying the Purchase Option Price, which is equal to the amount necessary to pay all principal and interest due on all Outstanding Certificates and any other amounts necessary to defease and discharge the Indenture, as provided in the Lease. See Appendix B - Forms of the Lease and the Indenture - The Lease - District’s Purchase Option. The Trustee is required to use the Purchase Option Price to pay the principal, interest, and any premium on the Certificates. See “THE CERTIFICATES--Redemption Provisions.” The Lease also provides that upon payment in full of all Base Rent or payment or defeasance of all outstanding Certificates, the Leased Property will be released from the provisions of the Lease.

The Leased Property

The Leased Property is comprised of (i) a parking garage located at 1855 Lincoln Street, on the corner of 19th and Lincoln Street in downtown Denver, and (ii) the Site upon which it is located. The garage is located directly across the street from the District’s Emily Griffith Campus at 1860 Lincoln Street. The garage has 4-½ parking levels (half of which are underground) of approximately 22,000 square feet per level with a current capacity of 318 rentable spaces. All parking levels are covered with exception of the top floor. The District purchased the Site and the Improvements on August 5, 2015, for a purchase price of \$8,675,000.

Tax Matters

2015A Certificates. In the opinion of Butler Snow LLP, Special Counsel, the portion of the Base Rentals which is designated in the Lease and paid as interest on the 2015A Certificates is includible in gross income for federal and State of Colorado income tax purposes. See “TAX MATTERS.”

In the opinion of Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rent which is designated in the Lease and paid as interest on the 2015B Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2015B Certificates (the “Tax Code”), is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the 2015B Certificates. See “TAX MATTERS.”

Notwithstanding the foregoing, Special Counsel has disclaimed any opinion regarding the tax status of the 2015B Certificates after termination of the Lease. See “CERTAIN RISK FACTORS--Effect of Termination on Exemption from Taxation and on Exemption from Registration, “TAX MATTERS” and Appendix E.

Professionals

Butler Snow LLP, Denver, Colorado, has acted as Special Counsel to the District in connection with execution and delivery of the Certificates and also has acted as special counsel to the District in connection with preparation of this Official Statement. The fees of Butler Snow LLP will be paid only from Certificate proceeds at closing. Fiscal Strategies Group, Inc., Berkeley, California, and Public Resources Advisory Group, Los Angeles, California, are acting as the District’s Financial Advisors. The District’s General Counsel will pass upon certain legal matters for the District. BKD, LLP, independent certified public accountants, Denver, Colorado, have audited the District’s basic financial statements which are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” Wells Fargo Bank, National Association, Denver, Colorado, will act as the Trustee, paying agent and registrar for the Certificates (the “Registrar” and “Paying Agent”). George K. Baum & Company, Denver, Colorado, will act as the Underwriter for the Certificates. See “UNDERWRITING.”

Continuing Disclosure Undertaking

The District will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Certificates and the District will covenant in the Lease to comply with its terms. The Disclosure Certificate will provide that so long as the Certificates remain outstanding, the District will provide the following information to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain material events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D.

Certain Risks to Owners of the Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Lease and could affect the market price of the Certificates to an extent that cannot be determined at this time. Each prospective investor should read this Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled “CERTAIN RISK FACTORS.”

Forward-Looking Statements

This Official Statement, including the appendices hereto, contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Additional Information

This introduction is only a brief summary of the provisions of the Certificates, the Lease and the Indenture; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Certificates, the Lease, the Indenture, the Leased Property Project and the District are included in this Official Statement. All references to those documents and any other documents referred to herein are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referred to above are available from the District or the Underwriter:

School District No. 1 (Denver Public Schools)
Attn: Chief Financial Officer
1860 Lincoln Street
Denver, Colorado 80203
Telephone: (720) 423-3225

George K. Baum & Company
Attn: Mr. Todd Snidow
1400 Wewatta Street, Suite 800
Denver, CO 80202
Telephone: 303-292-1600.

CERTAIN RISK FACTORS

Investment in the Certificates involves certain risks. Each prospective investor in the Certificates is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below which could affect the payment of rentals under the Lease and could affect the market price of the Certificates to an extent that cannot be determined at this time. The factors set forth below are not intended to provide an exhaustive list of the risks associated with the purchase of the Certificates.

Nonappropriation

Prospective purchasers of the Certificates should look to the ability of the District to pay Base Rent pursuant to the Lease; such Base Rent will provide funds for payment of principal and interest on the Certificates. The District is not obligated to pay Base Rent or Additional Rent under the Lease unless funds are budgeted and appropriated for such rentals by the District each year. If, by the last date of each Fiscal Year, the District does not specifically budget and appropriate amounts sufficient to pay all Base Rent due in the next Fiscal Year, and to pay such Additional Rent as are estimated to become due in the next Fiscal Year, an “Event of Nonappropriation” occurs. If an Event of Nonappropriation occurs, the District is deemed to have terminated its obligations under the Lease, and the District will not be obligated to make payment of the Base Rent or Additional Rent which accrue after the last day of the fiscal year during which such Event of Nonappropriation occurs (except for any period for which the District continues to retain possession of the Leased Property). See Appendix B - Forms of the Lease and the Indenture--The Lease - Event of Nonappropriation.

Various political, legal and economic factors could lead to the nonappropriation of sufficient funds to make the required payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Board will appropriate sufficient funds each year, and the District has no obligation to do so. In addition, the ability of the District to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the District’s control, such as the general economy, tax collections and amendments or revisions to the School Finance Act (see “DISTRICT FINANCIAL OPERATIONS--The School Finance Act and Total Program Funding”). It is impossible to predict whether current economic conditions will continue or to predict how such conditions will affect the District’s finances in general or the Board’s decision each year to appropriate funds to pay Base Rent and Additional Rent. See “LEGAL MATTERS--Certain Constitutional Limitations,” “SECURITY FOR THE CERTIFICATES” and “DISTRICT FINANCIAL OPERATIONS.”

Sources of Base Rent are Limited to Specifically Appropriated Funds

The obligation of the District to pay Base Rent and Additional Rent is limited to those District funds that are specifically budgeted and appropriated annually by the Board for such purpose. The Lease directs the officer of the District charged at any time with the responsibility of formulating budget proposals with respect to the Leased Property to include, in the annual budget proposals submitted to the Board, items for all payments required under the Lease for the ensuing Fiscal Year, until such time (if any) as the District determines not to renew the Lease. The Lease provides that it is the intention of the District that any decision not to

renew the Lease is to be made solely by the Board and not by any other official or employee of the District.

Effect of a Termination of the Lease Term

In the event of termination of the District's obligations under the Lease upon the occurrence of an Event of Nonappropriation or a Lease Default, the District is required to vacate the Leased Property within 90 days and the Trustee may exercise its rights and remedies available as provided under the Indenture and the Lease.

If a Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the District to immediately vacate the Leased Property in the manner provided in the Lease; (ii) sell or otherwise dispose of or reenter and re-let all or any portion of the Leased Property; (iii) recover from the District: (a) the portion of Base Rent and Additional Rent payable pursuant to the Lease; and (b) the balance, if any, in the Leased Property Project Account, subject to the provisions of the Indenture; (iv) enforce any provision of the Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under the Lease by specific performance, writ of mandamus or other injunctive relief; and (v) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Lease, subject, however, to the limitations on the obligations of the District and the Trustee set forth in the Lease.

A potential purchaser of the Certificates should not assume that it will be possible for the Trustee to sell or otherwise dispose of its leasehold interest in the Leased Property, or any portion thereof, after a termination of the Lease Term, for an amount equal to the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon. See "BASE RENT SCHEDULE."

IF THE CERTIFICATES ARE REDEEMED SUBSEQUENT TO A TERMINATION OF THE LEASE TERM FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF AND ACCRUED INTEREST THEREON, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES PURSUANT TO THE INDENTURE; AND UPON SUCH A PARTIAL PAYMENT, NO OWNER OF ANY CERTIFICATE WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT UPON THE TRUSTEE OR THE DISTRICT.

Factors that Could Impact Value of Property if Lease is Terminated

Current Valuation. The purchase price of the Leased Property on August 5, 2015, was \$8,675,000. However, no appraisals of the Leased Property have been completed. The Leased Property may depreciate in value each year; it is not possible to predict whether the depreciated value of the Leased Property will be equal to the aggregate principal amount of Certificates outstanding, plus accrued interest thereon, at any particular future point in time.

There is no assurance that the current level of value of the Leased Property will continue in the future and there is no guarantee that the Trustee will be able to lease, sell or dispose of its interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.

Title Restrictions and Zoning. The Leased Property is subject to certain pre-existing title restrictions which may make the Leased Property less attractive to potential users if the Trustee must lease, sell or otherwise dispose of the Leased Property.

The Leased Property is subject to a parking lease with The Trinity United Methodist Church (“Trinity”) which owns property adjacent to the Leased Property. Pursuant to the terms of that lease, Trinity has 8 dedicated parking spots in the parking garage. Trinity also has the right to use the Leased Property to provide parking to its members each Sunday and also has the right to use up to 64 parking spots for church events on Saturdays and evenings after 6 p.m. The Trinity parking lease term extends beyond the maturing of the Certificates. The existence of the Trinity parking lease may make the Leased Property less attractive to third parties in the event the Trustee must exercise its remedies under the Lease.

Further, Trinity has constructed an underground church annex adjacent to the Leased Property. A 2015 survey noted that the underground annex may encroach on the Leased Property, but it was unable to ascertain the extent of the encroachment.

IF THE CERTIFICATES ARE REDEEMED SUBSEQUENT TO A TERMINATION OF THE LEASE TERM FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF AND ACCRUED INTEREST THEREON, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES PURSUANT TO THE INDENTURE; AND UPON SUCH A PARTIAL PAYMENT, NO OWNER OF ANY CERTIFICATE WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT UPON THE TRUSTEE OR THE DISTRICT.

Enforceability of Remedies; Liquidation Delays

Under the Indenture, the Trustee has the right to take possession of and dispose of the Trustee’s leasehold interest in the Leased Property upon an Event of Nonappropriation or a Lease Default and a termination of the Lease. However, the enforceability of the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, and the police powers of the District. Because of the use of the Leased Property by the District for the public education purposes, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay such possession for an indefinite period, even though the District may have terminated the Lease or be in default thereunder. As long as the Trustee is unable to take possession of the Leased Property or any other projects or property which may subsequently be approved in connection with the issuance of Additional Certificates, it will be unable to sell or otherwise dispose of its interest in the Leased Property as permitted under the Lease or to redeem or pay the Certificates except from funds otherwise available to the Trustee under the Indenture. See “SECURITY FOR THE CERTIFICATES.”

Reimbursement of General Obligation Debt Proceeds; Payment of Fees

Upon the occurrence of an Event of Nonappropriation or Lease Default, the Indenture requires the Trustee to pay the District the amount of any General Obligation Debt Proceeds allocable to the Leased Property prior to making any payments to the Owners of the Certificates. As a result, the rights of the Owners of the Certificates with respect to the proceeds from the sale, re-letting or other disposition of all or any portion of the Leased Property are subordinate to the rights of the District with respect to payments of all amounts relating to the

General Obligation Debt Proceeds expended on the Leased Property. No General Obligation Debt Proceeds are currently allocable to the Leased Property; however, the District could determine to apply General Obligation Debt Proceeds to the Leased Property in the future.

Furthermore, the rights of the Owners of the Certificates with respect to such proceeds of sale or re-letting are subordinate to certain fees and expenses of the Trustee, if any, with respect to selling or re-letting the Leased Property (and the costs of maintaining such Leased Property prior to such sale or re-letting).

Risks Related to Nonappropriation under Other District Leases

The District has entered into several other lease-purchase agreements under which its obligation to pay base rent supports the payment of certificates of participation. These include: (a) a 1997 lease purchase agreement and related Taxable Pension Certificates of Participation Series 1997 (the “1997 Certificates”); (b) a 2011 lease purchase agreement and related Taxable Certificates of Participation in a Lease with Denver Public Schools, Fixed Rate Refunding Series 2011B (the “2011B Certificates”); (c) a 2013 lease purchase agreement and related Certificates of Participation, Series 2013A (the “2013A Certificates”); (d) a 2013 lease purchase agreement and related Certificates of Participation, Series 2013B (the “2013B Certificates”); and (e) a 2013 lease purchase agreement and related Certificates of Participation, Series 2013C (the “2013C Certificates”). The 1997 Certificates, the 2011B Certificates, the 2013A Certificates, the 2013B Certificates and the 2013C Certificates (together, the “Prior Certificates”) are each secured by separate land and buildings, primarily school campuses. Information regarding the outstanding amounts of the Prior Certificates and the cumulative base rent payable under the associated leases can be found in “DISTRICT DEBT AND OTHER OBLIGATIONS--Other Obligations of the District - Lease Purchase Obligations.”

Any loss of the use of the land and buildings securing the Prior Certificates could have a significant impact on the District’s operations and financial status. Alternatively, if the District is unable or determines not to appropriate funds sufficient to pay base rentals under any of the prior leases, it may conclude that the land and buildings securing the one or more series of the Prior Certificates are more essential to the District than the Leased Property. Such a determination may lead to an Event of Nonappropriation under the Lease.

No Reserve Fund

No debt service reserve fund secures the Certificates.

Effect of Termination on Exemption from Taxation and on Exemption from Registration

Special Counsel has specifically disclaimed any opinion as to the effect that termination of the Lease may have upon the treatment for federal or State income tax purposes of amounts received by the registered owners of the Certificates. There is no assurance that any amounts representing interest received by the registered owners of the Certificates after termination of the Lease as a consequence of an Event of Nonappropriation or an Event of Default will be excludable from gross income under federal or State laws. In view of past private letter rulings by the United States Department of Treasury, registered owners of the Certificates should not assume that payments allocable to interest received from the Certificates would be excludable from gross income for federal or State income tax purposes.

Special Counsel also has disclaimed any opinion as to the transferability of the Certificates under the federal securities laws after a termination of the Lease, and, upon such termination, there is no assurance that registered owners of the Certificates would be able to transfer their interests without compliance with federal securities laws.

Condemnation Risk

In the mid-1990's, the City of Sheridan, Colorado ("Sheridan") exercised its eminent domain powers to acquire property it previously had leased under an annually terminable lease purchase agreement. By condemnation, Sheridan sought to acquire the property at a fraction of the remaining lease payments (which would be paid to owners of certificates of participation in Sheridan's lease). Sheridan's condemnation suit was successful; however, Sheridan was unable to pay the court-determined amount representing the value of the property and eventually vacated the building in favor of the trustee. Sheridan eventually reached a settlement with the trustee and reacquired possession of the administration building from the trustee. Pursuant to this settlement, certificate holders reportedly received less than half of the amounts due them under the certificates. The District considers the occurrence of a situation such as the one described above to be unlikely because, unlike Sheridan, the District's tax base is not heavily dependent upon a single taxpayer; however, there is no assurance that the Leased Property (or portions thereof) would not be condemned in the future.

Casualty Risk

If all, substantially all or any portion of the Leased Property is damaged or destroyed by any casualty, there is no assurance that casualty insurance proceeds and other available moneys of the District will be sufficient either to repair or replace the damaged or destroyed property or to pay the Certificates, if the Certificates are called for mandatory redemption as a result of such casualty. Delays in the receipt of casualty insurance proceeds pertaining to the Leased Property or delays in the repair, restoration or replacement of such property damaged or destroyed could have an adverse effect upon the ability of the District to make timely rental payments under the Lease.

Insurance Risk

The Lease requires that the District procure commercial property insurance for the Leased Property in an amount equal to the lesser of (a) the principal amount of the Certificates then outstanding, or (b) the full replacement value of the Improvements. Pursuant to the Lease, such commercial property insurance may be provided by one or more private or public insurance companies or organizations, by the Colorado School Districts Self Insurance Pool, or through a self-insurance program. Any self-insurance program (if established) would likely be funded annually by appropriation, and there is no assurance that, in the event the Lease is terminated as a result of damage or destruction or condemnation of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. The District currently has a blanket property and casualty insurance policy covering its existing property (which will include the Leased Property); however, such policy is subject to annual renewal.

Future Changes in Laws

Various Colorado laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes and other revenues and the operation and finances of the District. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of its revenues.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Revenues.

Secondary Market

No guarantee can be made that a secondary market for the Certificates will be maintained by the Underwriter or by others. Owners of Certificates should be prepared to bear the risks of holding their Certificates to maturity.

SOURCES AND USES OF FUNDS

Sources and Uses of Proceeds

The following are the estimated sources and uses of the proceeds of the Certificates:

Sources and Uses of Proceeds

	2015A <u>Certificates</u>	2015B <u>Certificates</u>
<u>Source of Proceeds</u>		
Proceeds of the Certificates	\$360,000	\$8,570,000
Plus: net original issue premium	<u>--</u>	<u>750,591</u>
Total:.....	<u>\$360,000</u>	<u>\$9,320,591</u>
 <u>Uses of Proceeds</u>		
The Leased Property Project	\$351,769	\$9,123,231
Costs of issuance (including Underwriter's discount).....	<u>8,231</u>	<u>197,360</u>
Total:.....	<u>\$360,000</u>	<u>\$9,320,591</u>

Source: The Underwriter.

The Leased Property Project

The net proceeds of the Certificates will be used by the Trustee to acquire the Leased Property from the District and to address identified renovations and repairs to the Leased Property. See "INTRODUCTION--The Leased Property."

THE CERTIFICATES

General

The Certificates will be dated the date of delivery and will mature in the principal amounts and in the years and bear interest at the respective rates of interest per annum, all as set forth on the inside front cover page hereof.

The Certificates will be executed and delivered in denominations of \$5,000 and integral multiples thereof. The Certificates will be executed and delivered in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Certificates.

So long as Cede & Co. is the registered owner of the Certificates, the principal and redemption price, if any, of and interest on the Certificates will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “Book-Entry Only System” below.

Payment Provisions

Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on June 15 and December 15 of each year, commencing on December 15, 2015.

So long as Cede & Co. is the registered owner of the Certificates, the principal and redemption price, if any, of and interest on the Certificates will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “Book-Entry Only System” below.

Redemption Provisions

No Optional Redemption of 2015A Certificates. The 2015A Certificates are not subject to optional redemption prior to their respective maturity dates.

Optional Redemption - 2015B Certificates.* The 2015B Certificates are subject to optional redemption prior to their respective maturity dates as described below.

Redemption of 2015B Certificates in Whole or in Part Upon Payment of Purchase Option Price From Moneys Derived From a Financing. The 2015B Certificates maturing on or before December 15, 2025, are not subject to redemption prior to maturity at the option of the District. the 2015B Certificates maturing on and after December 15, 2026, may be called for redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$5,000, and if in part, in such order of maturities as the District shall determine and randomly within a maturity, at a Redemption Price equal to the principal amount of the 2015B Certificates so redeemed, plus accrued interest to the Redemption Date (without any premium), on any date on and after December 15, 2025, in the event of, and to the extent that moneys are

actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from either (a) moneys borrowed by the District, or (b) moneys made available to the District from a lease-purchase financing or refinancing with respect to the Leased Property.

Redemption of 2015B Certificates in Whole Upon Payment of Purchase Option Price From Moneys Other Than Moneys Derived From a Financing. The 2015B Certificates will be called for redemption, in whole, at a redemption price equal to the principal amount of the Certificates, plus accrued interest to the redemption date (without any premium), on any date, in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from any source other than (a) moneys borrowed by the District, or (b) moneys made available to the District from a lease-purchase financing or refinancing with respect to the Leased Property.

Mandatory Sinking Fund Redemption - 2015B Certificates. The 2015B Certificates maturing on December 15, 2035, December 15, 2040, and December 15, 2045 (the “Term Certificates”), are subject to mandatory sinking fund redemption, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

As a sinking fund for the Term Certificates maturing on December 15, 2035, the Trustee will deposit moneys in the Certificate Fund on December 15 of the years shown below, in an amount sufficient to redeem the principal amounts specified below, plus accrued interest.

Redemption Date	Amount
<u>(December 15)</u>	<u>Redeemed</u>
2031	\$ 280,000
2032	290,000
2033	305,000
2034	320,000
2035(maturity)	340,000

As a sinking fund for the Term Certificates maturing on December 15, 2040, the Trustee will deposit moneys in the Certificate Fund on December 15 of the years shown below, in an amount sufficient to pay the principal amounts specified below, plus accrued interest.

Redemption Date	Amount
<u>(December 15)</u>	<u>Redeemed</u>
2036	\$ 355,000
2037	370,000
2038	385,000
2039	400,000
2040 (maturity)	415,000

As a sinking fund for the Term Certificates maturing on December 15, 2045, the Trustee will deposit moneys in the Certificate Fund on December 15 of the years shown below, in an amount sufficient to pay the principal amounts specified below, plus accrued interest.

Redemption Date <u>(December 15)</u>	Amount <u>Redeemed</u>
2041	\$ 430,000
2042	455,000
2043	475,000
2044	500,000
2045 (maturity)	525,000

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the District may (i) purchase and cancel any Certificates with the same maturity date as the Certificates subject to such mandatory sinking fund redemption, and receive a credit in respect of its mandatory sinking fund redemption obligation for any Certificates with the same maturity date as the Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Certificate so purchased and cancelled or previously redeemed will be credited at the principal amount thereof to the obligation of the District on such mandatory sinking fund redemption date, and the principal amount of Certificates to be redeemed by operation of such mandatory sinking fund redemption on such date will be accordingly reduced.

Extraordinary Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default. The Certificates of each series will be subject to mandatory redemption in whole, on any date set by the Trustee, after all of the following have occurred:

- (i) the occurrence of an Event of Nonappropriation or the occurrence and continuation of a Lease Default;
- (ii) the Trustee's determination pursuant to the Indenture whether or not the funds then available to it for such redemption are sufficient to pay the sum of (A) the principal amount of the Certificates plus accrued interest to the redemption date, (B) the amount of General Obligation Debt Proceeds expended on the Leased Property payable to the District, and (C) the amount of the fees and expenses incurred by the Trustee to sell or re-let the Leased Property (including the costs of maintaining the Leased Property prior to such sale or re-letting) (the amounts described in (B) and (C) being payable prior to any payments to Owners of the Certificates); and
- (iii) if the Trustee determines that such funds then available to it are insufficient to pay the sum of all the amounts described in clause (ii) above, it shall have exercised the remedies set forth in the Lease and the Indenture.

The redemption price for the Certificates subject to redemption as a result of an Event of Nonappropriation or a Lease Default will be determined pursuant to the provisions of the Lease, which is more particularly described in Appendix B - Forms of the Lease and the Indenture--The Indenture - Redemption of the Certificates in Whole Following Exercise of Remedies Upon an Event of Nonappropriation or Event of Default. Also see "SECURITY THE CERTIFICATES--Exercise of Remedies Under Lease and Indenture" and "CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term."

If an Event of Nonappropriation or a Lease Default occurs, and the Trustee is required to exercise remedies as described in clause (iii) above, the moneys derived by the Trustee from the exercise of such remedies may be less than the total of the amounts described in clause (ii) above. In such a case, the Certificates will be redeemed as described above under this caption for an amount less than the aggregate principal amount of the then outstanding Certificates and accrued interest thereon, and such partial payment will be deemed to constitute a redemption in full of the Certificates pursuant to the Indenture. Following such payment, no owner of a Certificate will have any further claims for payment upon the District of the Trustee. See “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term - Risks Associated With Value of Leased Property.”

Notice of Redemption. Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, will be given by the Trustee by facsimile or electronic mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books (DTC, so long as the Certificates are held in the book-entry system with DTC); provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

Any notice mailed as described under this caption will be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

If at the time of mailing of notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of such Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Redemption Payments. On or prior to the date fixed for redemption, the Trustee will apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture (which, in the case of redemption pursuant to an Event of Nonappropriation or a Lease Default as described in “Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default” above, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof called for redemption will no longer accrue after the date fixed for redemption.

Tax Covenants

In the Lease, the District covenants that it not use or permit others to use the Leased Property in a manner that would cause the portion of the Base Rent payments that is designated and paid as interest on the 2015B Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted

current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations).

Book-Entry Only System

The Certificates will be available only in book-entry form in the principal amount of \$5,000 or any integral multiple thereof. DTC will act as the initial securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity of each series as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C--Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR REGISTERED OWNERS OF THE CERTIFICATES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the Trustee will have any responsibility or obligation to DTC’s Participants or Indirect Participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the beneficial owners of the Certificates as further described in Appendix C to this Official Statement.

SECURITY FOR THE CERTIFICATES

General

Each Certificate will represent a proportionate and undivided interest in the right to receive Lease Revenues pursuant to the Lease and will be payable solely from the Trust Estate in accordance with, and subject to, the terms of the Indenture.

The rights of the Owners of the Certificates with respect to the proceeds from the sale, disposition or re-entering and re-letting of all or any portion of the Leased Property are subordinate to the payment of certain fees and expenses to the Trustee, if any, with respect to the selling or re-letting of the Leased Property (and the costs of maintaining the Leased Property prior to such sale or re-letting of the Leased Property).

None of the Lease, the Certificates or the interest thereon constitutes a general obligation of the District within the meaning of any constitutional or statutory debt limitation. None of the provisions of the Certificates, the Indenture or the Lease are to be construed or interpreted (i) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (iii) as a delegation of governmental powers by the District; (iv) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (v) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

The Trust Estate; Annual Appropriation

The Certificates will be payable solely from the Trust Estate, which includes, among other things, (a) the Lease Revenues as, when and if the same are received by the Trustee pursuant to the Lease, which include (i) Base Rent payable under the Lease, (ii) the Purchase Option Price, if any, paid by the District under the Lease; (iii) any Net Proceeds payable under the Lease, (iv) any portion of the proceeds of the Certificates deposited with or by the Trustee in the Certificate Fund to pay capitalized interest on the Certificates, (v) any earnings on moneys on deposit in the Certificate Fund, (vi) all other revenues derived from the Lease, excluding Additional Rent, and (vii) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the Certificates; and (b) following an Event of Nonappropriation or a Lease Default, any moneys received by the Trustee from the exercise of the remedies under the Lease and the Indenture. The Lease Revenues are comprised primarily of annually appropriated Base Rent, which are payments by the District for and in consideration of the right to use the Leased Property during the Lease Term. The District will pay any Base Rent from any legally available amounts annually appropriated by the Board for such payment.

As more fully described under the caption "CERTAIN RISK FACTORS," the Lease is subject to annual termination at the option of the District. The District may not terminate the Lease without terminating as to all of the Leased Property subject to the Lease. The term of the Lease and the schedule of payments of Base Rent thereunder are designed to produce moneys sufficient to pay the principal of and interest on the Certificates and all other amounts

included in Base Rents under the Lease when due (if the District elects not to terminate the Lease prior to the end of the Lease Term).

In addition to the Lease Revenues and the other funds described above, the Certificates will be secured by the Leased Property. The District may determine to continue or to terminate its obligations under the Lease on an annual basis. However, upon any decision of the District not to appropriate and thereby terminate the Lease, the District is required to vacate the Leased Property within 90 days and the District will relinquish its right to use all of the Leased Property subject to the Lease. In such an event, the Trustee will be permitted to sell or otherwise dispose of the Leased Property or re-enter and re-let the Leased Property or exercise any other remedy under the Lease.

All payment obligations of the District under the Lease, including, without limitation, the District's obligation to pay Base Rent, are from year-to-year only and do not constitute a multiple-fiscal year direct or indirect debt or other financial obligation of the District. The Lease is subject to annual termination at the option of the District. Upon such termination, all payments from the District under the Lease will terminate, and the Certificates will be payable from such moneys, if any, as may be held by the Trustee under the Indenture and any moneys made available from the disposition of the Leased Property after the reimbursement of the fees and expenses of the Trustee as described in the Indenture and to the District of the General Obligation Debt Proceeds expended on the Leased Property. Upon the occurrence of an Event of Nonappropriation or a Lease Default under the Lease, there is no assurance of any payment of the Certificates, all as more fully described herein.

Base Rent, Additional Rent and Purchase Option Price

Base Rent. The Trustee will hold in trust, for the benefit of the Owners of the Certificates, the right to receive Base Rent payable by the District under the Lease. The amount and timing of Base Rent payments are designed to provide sufficient moneys to the Trustee to pay the principal of and interest on the Certificates when due. Pursuant to the Lease, the District is entitled to a credit against the Base Rent payable on any payment date for the amounts on deposit in the Certificate Fund representing (a) earnings from the investment of moneys in the Certificate Fund, (b) moneys transferred to the Certificate Fund from the Leased Property Project Account pursuant to the Indenture, and (c) any moneys delivered to the Trustee by the District or any other Person that are accompanied by instructions to apply the same to the payment of Base Rent or to deposit the same in the Certificate Fund. See "Certificate Fund" below.

The Lease requires the District to pay to the Trustee all Base Rent due in each Fiscal Year on or before June 1 and December 1 of such Fiscal Year (assuming the District does not terminate the Lease, which it has an annual option to do), and the Trustee is required to deposit an amount from such payment to the Certificate Fund to pay the principal of and interest on the Certificates coming due on December 15 and June 15 of such Fiscal Year. See "CERTAIN RISK FACTORS--Sources of Base Rent and Additional Rent Payments."

Each payment of Base Rent under the Lease is paid as, and represents payment of, the following: (i) principal of the Certificates due in the Fiscal Year in which the Base Rent Payment is due; and (ii) interest due on the Certificates in such Fiscal Year.

Upon receipt by the Trustee of each payment of Base Rent, the Trustee will apply the amount of such Base Rent in the following manner and order: (1) first, the amount of such payment of Base Rent paid as interest will be deposited in the Interest Account of the Certificate Fund; and (2) second, the remaining portion of such payment of Base Rent will be deposited in the Principal Account of the Certificate Fund.

The Base Rent will be recalculated by the District and confirmed by the Trustee in the event of any partial redemption of the Certificates prior to maturity.

Additional Rent. The Lease generally requires the District to pay, from funds legally available for such purpose, Additional Rent directly to the Persons to which they are owed in immediately available funds in the amounts and on the dates on which they are due. “Additional Rent” is defined generally to mean all costs and expenses (but not including Base Rent or the Purchase Option Price) incurred by the District in performing its obligations under the Lease.

Purchase Option Price. The Lease grants the District the option to purchase the Leased Property by paying to the Trustee: (a) an amount (the “Purchase Option Price”) to the Trustee, which, together with other amounts then on deposit in the Certificate Fund and the Leased Property Project Account that are available for such purpose, is sufficient to (i) pay all of the Outstanding Certificates at maturity, (ii) redeem all of the Outstanding Certificates in accordance with the redemption provisions of the Indenture, or (iii) defease all of the Outstanding Certificates in accordance with the defeasance provisions of the Indenture; and (b) all Additional Rent payable through the date of conveyance of the Leased Property to the District or its designee, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Certificates.

The District may exercise its option to purchase the Leased Property pursuant to the Lease by (i) giving written notice to the Trustee prior to the end of the Scheduled Lease Term (A) stating that the District intends to purchase the Leased Property pursuant to the Lease, (B) identifying the source of funds it will use to pay the Purchase Option Price and (C) specifying a closing date for such purpose, which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) paying the Purchase Option Price to the Trustee in immediately available funds on the closing date.

The Certificate Fund

Pursuant to the Indenture, the Trustee will establish the Certificate Fund (defined in Appendix B), which will include an Interest Account and a Principal Account.

The Trustee is required to deposit into the Interest Account of the Certificate Fund: (i) all capitalized interest received at the time of the execution and delivery of the Certificates; (ii) that portion of each payment of Base Rent made by the District which is designated and paid as the interest component thereof under the Lease; (iii) any moneys transferred to the Interest Account of the Certificate Fund from the Leased Property Project Account; and (iv) all other moneys received by the Trustee under the Indenture accompanied by directions that such moneys are to be deposited into the Interest Account of the Certificate Fund.

The Trustee is required by the Indenture to deposit into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rent made by the District which is designated and paid as the principal component thereof under the Lease; (ii) any moneys transferred to the Principal Account of the Certificate Fund from the Leased Property Project Account; and (ii) all other moneys received by the Trustee under the Indenture accompanied by directions that such moneys are to be deposited into the Principal Account of the Certificate Fund.

Moneys in the Interest Account of the Certificate Fund are to be used solely for the payment of interest on the Certificates and moneys in the Principal Account of the Certificate Fund are to be used solely for the payment of the principal of the Certificates; provided that (i) in the event that there are any remaining moneys in the Interest Account of the Certificate Fund upon payment of the interest due on the Certificates, such moneys may be used for the payment of principal of the Certificates; (ii) moneys representing capitalized interest received at the time of the initial delivery of the Certificates will be used solely to pay the first interest due on the Certificates; (iii) the Purchase Option Price and any other moneys transferred to the Certificate Fund with specific instructions that such moneys be used to pay the redemption price of the Certificates will be used solely to pay the redemption price of the Certificates; and (iv) any moneys transferred from the Leased Property Project Account following the completion date of the Project which are not used to prepay Base Rent and redeem the Certificates will be used to pay the principal of the Certificates; provided, further, that all moneys in the Certificate Fund will be available to pay the redemption price of the Certificates in connection with a redemption of the Certificates and to pay the principal of and interest on the Certificates following a Lease Default or Event of Nonappropriation

Lease Termination

The District may determine to continue or to terminate its obligations under the Lease on an annual basis. **However, upon any decision of the District not to appropriate and thereby terminate the Lease, the District is required to vacate the Leased Property within 90 days and the District will relinquish its right to use all of the Leased Property subject to the Lease (a partial termination of the Lease is not permitted).** In such an event, the Trustee will be permitted to sell or otherwise dispose of the Leased Property or re-enter and re-let the Leased Property or exercise any other remedy under the Lease.

If all or any portion of the Leased Property is sold or otherwise disposed of or re-entered and re-let pursuant to the terms of the Lease, then the Trustee is required to pay from the proceeds of any such sale, disposition or re-letting of the Leased Property certain fees and expenses of the Trustee with respect to selling or re-letting the Leased Property (and the costs of maintaining the Leased Property prior to such sale or re-letting) and to pay the District the amount of General Obligation Debt Proceeds, if any, relating to the Leased Property, prior to paying any Owners of the Certificates. See "Appendix B - Certain Definitions and Document Summaries--The Indenture - Defaults and Remedies." Upon the sale, re-letting or other disposition of the Leased Property, the amount of proceeds from such disposition remaining after the payment of the fees and expenses incurred by the Trustee to sell or re-let the Leased Property (and the costs of maintaining the Leased Property prior to such sale or re-letting) and the payment to the District of General Obligation Debt Proceeds expended on the Leased Property (both payable prior to any payments to Owners of the Certificates), may not be sufficient to pay the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon

and the other amounts, if any, payable on parity with the Certificates pursuant to the Indenture. “THE CERTIFICATES--Redemption Provisions - Mandatory Redemption of Certificates in the Event of Nonappropriation or a Lease Default,” and “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term.”

General Obligation Debt Proceeds

From time to time, the District issues general obligation indebtedness to fund improvements to property that is owned and/or used by the District. The District has not expended the proceeds of any general obligation bonds on the Leased Property and has no current plans to do so. However, it may determine to do so in the future. Should that occur, in order to comply with State law and federal tax law applicable to the District’s general obligation debt, the District must recoup General Obligation Debt Proceeds (defined below) before proceeds of the Leased Property can be paid to Owners of the Certificates in the Event of Nonappropriation or an event of a Lease Default.

“General Obligation Debt Proceeds” are defined in the Lease to mean, as of any date, the dollar amount of proceeds of District general obligation debt outstanding as of such date that has been expended on the Leased Property or any portion thereof, as set forth in the most recent certificate delivered by the District pursuant to the Lease. The General Obligation Debt Proceeds relating to the Leased Property will increase whenever the District issues additional general obligation indebtedness and expends the proceeds of such indebtedness on the Leased Property and will decrease as payments are made by the District on any general obligation indebtedness related to the Leased Property. See “CERTAIN RISK FACTORS--Effect of a Termination of the Lease - Reimbursement of General Obligation Debt Proceeds; Payment of Fees.”

On or before December 31 of each Fiscal Year, the District will provide the Trustee a certificate setting forth, as of June 30 of the preceding Fiscal Year (the “Certification Date”): (a) the total General Obligation Debt Proceeds expended on the Leased Property; (b) the amount amortized or repaid on the debt from which such expended General Obligation Debt Proceeds are derived; and (c) the amount of decrease or increase in General Obligation Debt Proceeds which occurred as a result of any defeasances or refundings of the general obligation debt from which the General Obligation Debt Proceeds are derived. The amount of General Obligation Debt Proceeds expended on the Leased Property that is set forth in the most recent certificate delivered by the District to the Trustee will be dispositive, absent manifest error, as to the amount of General Obligation Debt Proceeds that have been expended on the Leased Property as of the Certification Date.

Modification and Substitution of Leased Property

The District, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions become part of the Leased Property; (b) the Net Value of the Leased Property after such remodeling, substitutions, additions, modifications and additions, in the reasonable judgment of the District, is at least as great as the Net Value of the Leased Property prior thereto; (c) the Leased Property or such portions thereto, after such substitutions, remodeling, additions, modifications and additions, continue to be used as provided in, and otherwise be subject to the terms of, the Lease; and (d) to the extent such

remodeling, additions, modifications or improvements are paid for from General Obligation Debt Proceeds, the District will add the amount of such General Obligation Debt Proceeds to the total thereof set forth in the certificate relating thereto next delivered to the Trustee pursuant to the Lease. See “Appendix B - Forms of the Lease and the Indenture Certain Definitions and Document Summaries--The Lease -Ownership, Encumbrances, Modifications or Additions to Leased Property; Damage or Condemnation of Leased Property - Modification and Substitution of Leased Property.”

Exercise of Remedies under Lease and Indenture

Upon the occurrence of an Event of Nonappropriation or a Lease Default, the Trustee is permitted to sell or lease the Leased Property or exercise its other remedies under the Lease and the Indenture. See “Appendix B - Forms of the Lease and the Indenture.” Also see “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term” for descriptions of the limited sources of payment of the Certificates after a termination of the Lease.

If an Event of Nonappropriation or a Lease Default has occurred, the moneys derived by the Trustee from the exercise of the remedies under the Lease and the Indenture may be less than the sum of (a) the fees and expenses incurred by the Trustee to sell or re-let the Leased Property (including the costs of maintaining the Leased Property prior to such sale or re-letting), (b) the General Obligation Debt Proceeds relating to the Leased Property (the amounts described in (a) and (b) being payable prior to any payments to Owners of the Certificates), and (c) the aggregate principal amount of the outstanding Certificates plus accrued interest thereon. **If the Certificates are redeemed subsequent to a termination of the Lease Term under the Indenture for an amount less than the aggregate principal amount of the then outstanding Certificates and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of Certificates pursuant to the Indenture; and upon such a partial payment, no owner of a Certificate will have any further claims for payment upon the District or the Trustee.** See “THE CERTIFICATES--Redemption Provisions - Mandatory Redemption of Certificates In the Event of Nonappropriation or a Lease Default” and “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term - Risks Associated With Value of Leased Property.”

No Additional Certificates

The Indenture does not authorize the issuance of Additional Certificates.

BASE RENT SCHEDULE

The following table sets forth the Base Rent due pursuant to the Lease, including the Principal Component and the Interest Component. The District has other capital lease-purchase agreements which are also payable from legally available revenues. See “DEBT AND OTHER FINANCIAL OBLIGATIONS--Other Obligations of the District - Lease Purchase Obligations.”

Schedule of Base Rent⁽¹⁾⁽²⁾

Fiscal Year	2015A Certificates		2015B Certificates		Total Base Rent
	Principal Component	Interest Component	Principal Component	Interest Component	
2015	--	\$ 3,682	--	\$ 267,717	\$ 271,399
2016	\$ 165,000	4,271	--	385,513	554,784
2017	165,000	1,920	--	385,513	552,433
2018	30,000	300	\$ 135,000	384,163	549,463
2019	--	--	170,000	380,688	550,688
2020	--	--	170,000	375,163	545,163
2021	--	--	180,000	367,263	547,263
2022	--	--	190,000	358,013	548,013
2023	--	--	200,000	348,263	548,263
2024	--	--	210,000	338,013	548,013
2025	--	--	220,000	327,263	547,263
2026	--	--	230,000	316,013	546,013
2027	--	--	240,000	306,663	546,663
2028	--	--	250,000	296,813	546,813
2029	--	--	260,000	286,338	546,338
2030	--	--	270,000	277,556	547,556
2031	--	--	280,000	266,000	546,000
2032	--	--	290,000	251,750	541,750
2033	--	--	305,000	236,875	541,875
2034	--	--	320,000	221,250	541,250
2035	--	--	340,000	204,750	544,750
2036	--	--	355,000	189,150	544,150
2037	--	--	370,000	174,650	544,650
2038	--	--	385,000	159,550	544,550
2039	--	--	400,000	143,850	543,850
2040	--	--	415,000	127,550	542,550
2041	--	--	430,000	108,500	538,500
2042	--	--	455,000	86,375	541,375
2043	--	--	475,000	63,125	538,125
2044	--	--	500,000	38,750	538,750
2045	--	--	<u>525,000</u>	<u>13,125</u>	<u>538,125</u>
Total	\$360,000	\$10,174	\$8,570,000	\$7,686,198	\$16,626,372

(1) Totals may not add due to rounding.

(2) The Base Rent is due semi-annually on June 1 and December 1 (i.e., 15 days prior to the payment dates for the Certificates) of each year that the Lease remains in effect. Amounts available in the Certificate Fund will be credited against Base Rent amounts due as provided in the Lease. The Trustee will use the Base Rent to pay the principal and interest due on the Certificates on June 15 (interest) and December 15 (principal and interest) of each year.

Source: The Underwriter.

THE DISTRICT

Organization and Description

The District is a body corporate and a political subdivision of the State which was originally organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 155 square miles with its boundaries coterminous with the boundaries of the County. The District's fall 2014 student enrollment was 90,150, making it the largest of the 178 school districts in the State.

The District is fully accredited by the Colorado Department of Education ("CDE").

School District Powers

The District has all rights and powers delegated under the laws of the State for exercise by school districts, including the right to hold property for any purpose authorized by law, to sue and be sued, and to be a party to contracts for any purpose authorized by law. State statutes grant to the Board the power to govern the District. General duties which the Board must perform include the following: to adopt policies and prescribe rules and regulations necessary and proper for the administration of the District; to employ all personnel required to maintain the operations and carry out the educational programs of the District; to fix and pay personnel compensation; to determine the educational programs to be provided by the District; to prescribe the textbooks for any course of instruction or study in such programs; to adopt written policies, rules and regulations relating to the study, discipline, conduct, safety and welfare of all pupils; and to comply with all the rules and regulations adopted by the State Board of Education.

The Board is also granted specific powers to be exercised in its judgment. Notable among these are the powers to purchase, lease or rent undeveloped or improved property located within or outside District boundaries as the Board deems necessary for use as school sites, buildings or structures, or for any school purpose authorized by law; to sell District properties which may not be needed in the foreseeable future for any purpose authorized by law, upon such terms and conditions as the Board may approve; to determine the location of each school site, building, or structure; to construct, erect, repair, alter, and remodel buildings and structures; to provide furniture, equipment, library books, and such other items as may be needed to carry out the District's educational programs; to discharge or otherwise terminate the employment of any personnel; to procure group life, health or accident insurance covering employees of the District; to fix attendance boundaries; to procure appropriate property damage casualty, public liability, and accident insurance; and to contract for the transportation of pupils enrolled in the District's public schools.

The Board of Education

The seven members of the Board are elected at successive biennial elections to staggered four-year terms of office. Two of the members of the Board are elected at-large by the registered electors of the entire District; the remaining five members of the Board are elected by the registered electors residing within their respective director-districts. The Board is a policy-making body; its primary functions are to establish policies for the District, provide for the general operation and personnel of the District and oversee the property, facilities and financial

affairs of the District. Members of the Board serve without compensation. The Colorado constitution limits Board members to two consecutive terms. District voters may vote to eliminate, extend or change the term limits imposed by the constitution, but to date this has not been done.

The present Board members, their offices on the Board, principal occupations, their approximate lengths of service on the Board and terms of office are as follows:

<u>Name and Position</u>	<u>Principal Occupation</u>	<u>Length of Service</u>	<u>Term Expires</u>
Allegra Haynes, President	Executive Director, Denver Department of Parks and Recreation	3.5 years	2015
Anne Rowe, Vice President	Publisher	3.5 years	2015
Rosemary Rodriguez, Secretary	State Director, Senator Michael Bennet	1.5 years	2017
Michael Johnson, Treasurer	Attorney	1.5 year	2017
Arturo Jimenez, Member	Attorney	7.5 years	2015
Barbara O'Brien, Member	President, education nonprofit	1.5 years	2017
Landri Taylor, Member	Diversity director	2.5 years	2017

The Colorado constitution limits Board members to two consecutive terms. District voters may vote to eliminate, extend or change the term limits imposed by the constitution. The District has not requested that its voters change the existing term limits.

Administrative Staff and Management

Certain information concerning the background and experience of the District's Superintendent, Chief Operating Officer, Chief Financial Officer and Executive Director of Finance is set forth below.

Superintendent - Tom Boasberg. The Board of Education is empowered to employ a chief executive officer, the Superintendent, who is responsible to the Board for the daily operations of the District. The Superintendent is charged with the responsibility for the overall operational management and instructional program of the District, all within the human and financial resources available, as well as being responsible for the philosophical position of the District. The Superintendent works collaboratively with the Board to provide effective leadership for all District personnel in their efforts to accomplish the District mission: "To provide all students the opportunity to achieve the knowledge and skills necessary to become contributing citizens in our diverse society."

Mr. Boasberg was appointed Superintendent in January 2009, after having served as the District's Chief Operating Officer since April 2007. Prior to joining the District, he worked in senior management for Level 3 Communications, a global telecommunications provider, for eight years, most recently as Group Vice President for Corporate Development. Mr. Boasberg also has served as legal advisor to Reed Hundt, Chairman of the Federal Communications Commission, and as Chief of Staff to Martin Lee, Chairman of Hong Kong's largest political party. Mr. Boasberg graduated summa cum laude with a Bachelor of Arts in History from Yale University and received his Juris Doctorate degree with distinction from Stanford Law School.

Chief Operating Officer - David Suppes. Mr. Suppes was appointed Chief Operating Officer for the District in March 2009, after having served as the Interim Chief Operating Officer since January 2009. He previously served as the District's Chief Strategy Officer for 18 months. Prior to joining the District, he spent seven years at Level 3 Communications, a global telecommunications provider, in several senior financial and business management positions, including Senior Vice President and Chief of Staff for the Wholesale Services Market Group and Senior Vice President of Finance. Before Level 3, Mr. Suppes worked for Corporate Express in several leadership roles, including Director of International Information Technology. Prior to Corporate Express, Mr. Suppes spent eight years at Andersen Consulting (Accenture). Mr. Suppes tutors in the District's WhizKids program and he currently sits on the board and is Treasurer of Metro CareRing, a non-profit organization providing food and other essential services to clients in Denver. Mr. Suppes received his Bachelor of Science in Finance from Arizona State University.

Chief Financial Officer - Mark Ferrandino. Mr. Ferrandino was appointed Chief Financial Officer of the District effective July 21, 2014. While attending the University of Rochester, he earned a bachelor's degree in political science and economics in 1999 and a master's degree in public policy analysis in 2000. In Washington D.C. he worked as a policy analyst for the White House Office of Management and Budget. After relocating to Colorado he worked as program analyst for the United State Department of Justice and as senior budget analyst for the Colorado Department of Health Care Policy and Financing until 2007 when he was appointed to the Colorado House of Representatives where he served until December 2014. While in the Colorado House of Representatives, he was elected by his peers to be Speaker of the House of Representatives in 2013. The Chief Financial Officer has general oversight of general accounting and accounts payable, budgeting, disbursement, cash management, financial planning, debt management and risk management.

Controller – Stephen Clawson. Mr. Clawson joined the District in September 2011 as Controller. Prior to joining the District, he was Senior Audit Manager with the CPA firm Clifton Gunderson LLP for four years. His experience includes 15 years of auditing with primary focus on governmental entities including Denver Public Schools, Cherry Creek School District, Aurora Public Schools, Colorado Housing and Finance Authority, Colorado Department of Labor and Employment among others. Mr. Clawson also has experience working with clients in banking and non-profit industries and worked for 6 years with Money Line Financial Services, a national mortgage lender, progressing to Chief Financial Officer. Mr. Clawson is a Certified Public Accountant licensed in the state of Colorado since 1992. He received his Bachelor of Science in Accounting from the University of Utah.

District Employees; Benefits and Pension Matters; Labor Relations

Employees. In order to provide the variety of services required by law, as of July 2015, the District employed 14,535 personnel, comprised of 12,404 full-time and 2,131 part-time employees. The total number of employees includes 7,781 certificated/licensed employees and 6,754 classified employees. Licensed employees include teachers, nurses (RN), psychologists and social workers. Classified employees include administrators, nurses (LPN), health aides, professional/technical staff, secretaries, clerks, counselors, bus drivers, custodians, mechanics, food service, warehouse staff and other non-affiliated staff.

As of July 2015, the District's certified/licensed employees held the following degrees:

<u>Highest Degree Held</u>	<u>Percent of Certified/ Licensed Staff</u>
Bachelor's	37.39%
Master's	50.35%
Doctorate	1.82%
Other	10.44%
Total	100.00%

Approximately 63.81% of the District's teachers are non-probationary, and the average annual salary for teachers is approximately \$52,162.

Employee Benefits. The District has developed a comprehensive compensation package for its employees. Available benefits include health, dental and vision, group life and accident, and disability insurance plans to which the District contributes a fixed amount. The District also offers sick leave benefits and other optional benefits. Workers' compensation and unemployment insurance are provided in accordance with State law.

Labor Relations. Teachers are employed by the District pursuant to contracts established by the Board. Approximately 50% of the District's teachers are members of the Denver Classroom Teachers Association (the "DCTA"), the local chapter of the Colorado Education Association and the collective bargaining agent for the District's teachers. In addition, approximately 31% of the District's classified office staff are members of the Denver Association of Educational Office Professionals (the "DAEOP"), an affiliate of the Colorado Education Association. Other District employees are members of several other collective bargaining organizations. Labor relations for the District are accomplished through a process of meeting and conferring by representatives of the Board and representatives of the various employee groups. Recommendations which emanate from this process are then presented to the Board for consideration and decisions on final policy. According to District officials, management/employee relations are currently stable. The current DCTA and DAEOP contracts expire on August 31, 2016.

Pension Matters. All of the District's employees are members of the Public Employees Retirement Association ("PERA") as a result of the merger and transfer of assets, liabilities, and obligations of the Denver Public Schools Retirement System ("DPSRS") into PERA as of January 1, 2010. The merger was authorized and implemented pursuant to the terms of Senate Bill 09-282 ("SB 09-282") adopted by the State Legislature in 2009. See Note 9 to the District's audited financial statements attached hereto as Appendix A for additional information regarding the merger of DPSRS into PERA and other matters with respect to the District's pension plan. At the time of the merger, all of the assets, liabilities and obligations of the DPSRS were transferred into a separate newly created division within PERA known as the Denver Public Schools Division of PERA (the "DPS Division"). SB 09-282 also established a separate District division within PERA for health care benefits (the "DPS HCTF").

PERA is a cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability, post-retirement annual increases and death benefits for members or other beneficiaries. The District is required by law to contribute to PERA at rates

established by State statute. The contribution rates may be changed by the State legislature from time to time. The District's prior and current contribution rates (excluding contributions to the DPS HCTF) are: 17.33% for 2011, 18.23% for 2012, 19.13% for 2013, 20.03% for 2014, 20.93% for 2015, 21.73% for 2016, 22.23% for 2017, and 22.73% for 2018 and thereafter. In addition to the District's contributions to the DPS Division, each member employee contributes 8% of his or her salary. These gross contribution rates are reduced to account for payments made by the District on certain outstanding certificates of participation; the calculation of those credits is discussed below.

SB 09-282 established DPS Division's pension contributions at a rate 3.6% higher than the PERA division that covers all other school districts (the "School Division"). The rate differential was intended to ensure that the DPS Division would reach full funding status after 30 years (as of January 1, 2040). According to PERA's 2013 audited financial statements, the DPS Division's funding status as of December 31, 2013 was 81.2% (assuming an investment rate of return of 7.5%, which was reduced from 8% effective January 1, 2014), which exceeds that of the School Division (60.3%), and is projected to reach full-funding status (i.e., 100% funding) prior to January 1, 2040. The School Division existed prior to the merger of PERA and DPSRS and the creation of the DPS Division. The assets and liabilities of the DPS Division and the School Division are separate and distinct from each other. The DPS Division is not obligated or responsible to contribute any monies to the School Division; and the School Division is not obligated or responsible to contribute any monies to the DPS Division. However, SB 09-282 does allow for the portability of benefits between the DPS Division and the School Division.

Beginning January 1, 2015, and every fifth year thereafter, the statute provides for a "true-up" to determine if the DPS Division and the School Division are both on track to reach equal funding status at the end of the 30-year period, and provides for an adjustment to the DPS Division contribution rate as needed after each true-up to ensure this will occur. At the time of any true-up, the District's annual pension contributions could increase or decrease. The true up mechanism requires legislative action. Accordingly, at this time, the District cannot predict the timing or effective date of the required true-up or the level of any contribution increases or decreases. As a result of the District's ability to reduce its statutorily required pension contributions by the amount of the PCOPs Credit (described below), it is expected that the District's actual contributions to PERA will be less than the District's annual required contributions ("ARC") for the next several years.

Since 1997, the District has issued several series of certificates of participation to fund its then-existing unfunded actuarial accrued liability and to refund certain of its pension-related certificates of participation. As illustrated in "DEBT AND OTHER FINANCIAL OBLIGATIONS--Other Financial Obligations - Certificates of Participation," the District currently has outstanding the 1997 Pension Certificates of Participation (the "1997 Certificates"), the 2011 Certificates of Participation (the "2011 Certificates") and the 2013B Certificates of Participation (the "2013B Certificates"). Pursuant to SB 09-282, the District's required annual pension contributions are reduced by the amount of principal and interest (assumed to be fixed at 8.5% per annum) the District pays each year with respect to the 1997 Certificates, the 2011 Certificates and 2013B Certificates, and any other obligations incurred to refund such obligations (collectively, the "PCOPs Credit"). The District's required annual pension contributions will continue to be reduced by the amount of the PCOPs Credit until the 1997 Certificates, the 2011 Certificates, the 2013B Certificates and any other obligations incurred to refund such obligations are no longer outstanding.

The statute also provides that if the District is in arrears in its payments to PERA, all State funds due to the District are to be reduced by 10%. The District's pension contributions for fiscal years 2013 and 2014 were \$22,906,447 and \$25,354,917, respectively. The PERA contribution for fiscal year 2015 was \$18,120,036 (unaudited).

The following table sets forth the funding status for the DPS Division of PERA for calendar years 2010 to 2013 and the funding status of the DPSRS for calendar year 2009.

Schedule of Funding Progress (in 000's)

<u>Years Ended December 31,</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013(1)</u>	<u>2014</u>
Actuarial valuation date	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Actuarial value of assets (a)	\$2,961,720	\$2,804,706	\$2,936,695	\$3,075,895	\$3,151,456
Actuarial accrued liability (b)	<u>3,332,814</u>	<u>3,442,527</u>	<u>3,495,549</u>	<u>3,785,895</u>	<u>3,816,094</u>
Total unfunded actuarial accrued liability ("UAAL") (b-a)	371,094	637,821	558,854	709,977	664,639
Funded ratio (a/b)	88.9%	81.5%	84.0%	81.2%	82.3
Covered payroll	\$470,774	\$491,646	\$510,872	\$547,660	584,319
UAAL as a % of covered payroll	78.8%	129.7%	109.4%	129.6%	113.7%

- (1) Effective January 1, 2014, PERA changed its assumed investment return rate from 8.0% to 7.5% (among other assumption changes used to calculate actuarial values). The change in assumed investment return rate resulted in a decrease in funded ratio for all PERA trust funds, including the DPS Division. Had the assumed investment rate remained at 8.0%, the funded ratio would have been 85.5%.

Source: PERA Comprehensive Annual Financial Reports for the years ended December 31, 2010-2014.

PERA adopted Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans* ("GASB 67"), effective for the year ending December 31, 2014. GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability. GASB 67 requires a different approach for determining the net pension liability ("NPL") as opposed to the previously disclosed UAAL.

The following table sets forth the DPS Division funding status using GASB 67. Comparative information is provided for 2013. Implementation of GASB 67 requires the inclusion of this information in the Required Supplementary Information section of PERA's CAFR; as a result, it is considered to be unaudited information.

Schedule of Net Pension Liability - DPS Division (in 000's)

<u>Years Ended December 31,</u>	<u>2013</u>	<u>2014</u>
Actuarial valuation date	12/31/13	12/31/14
Total pension liability	\$3,792,543	\$3,888,361
Plan fiduciary net position ("PFNP")	<u>3,272,439</u>	<u>3,253,791</u>
Net Pension Liability ("NPL")	\$ 520,204	\$ 624,570
PFNP as a % of the total PL	86.29%	83.94
Covered employee payroll	\$547,660	\$584,319
NPL as a % of covered employee payroll	94.97%	106.89%

- (1) Effective January 1, 2014, PERA changed its assumed investment return rate from 8.0% to 7.5% (among other assumption changes used to calculate actuarial values).

Source: PERA Comprehensive Annual Financial Report for the year ended December 31, 2014.

Actuarially determined contributions ("ADC") have replaced annual required contributions ("ARC") as the gauge of the adequacy of the State's statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the Board's Funding policy (currently 7.5%). An ADC deficiency arises when contributions are less than the ADC. For 2014, the DPS Division's ADC deficiency was \$40.7 million; over the past five years, the ACD cumulative shortfall in funding (without adjustment for investment earnings) was been \$226.1 million. The following table provides a history of employer contributions.

Schedule of Employer Contributions - DPS Division (in 000's)

<u>Years Ended December 31,</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013(1)</u>	<u>2014</u>
Actuarially Determined Contribution rate (a)	41.61%	11.85%	9.60%	11.53%	9.67%
Covered employee payroll (b)	\$470,774	\$491,646	\$510,872	\$547,660	\$584,319
Annual Increase Reserve contribution (c)	--	--	--	--	<u>2,633</u>
Actuarially Determined Contribution (a) x (b) + (c)	67,780	58,260	49,044	63,145	59,137
Contributions in relation to the ADC	<u>5,733</u>	<u>11,722</u>	<u>13,145</u>	<u>23,104</u>	<u>18,478</u>
Annual contribution deficiency	<u>\$63,047</u>	<u>\$46,538</u>	<u>\$35,899</u>	<u>\$40,041</u>	<u>\$40,659</u>
Actual contribution as a % of covered payroll	1.22%	2.38%	2.57%	4.22%	3.16%

- (1) Effective January 1, 2014, PERA changed its assumed investment return rate from 8.0% to 7.5% (among other assumption changes used to calculate actuarial values).

Source: PERA Comprehensive Annual Financial Report for the years ended December 31, 2014.

According to PERA's CAFR for the year ended December 31, 2014, the market value of the assets in the DPS Division was approximately \$3.254 billion \$3.266 billion (a decrease from the \$3.266 billion as of December 31, 2013; the market value of assets was \$2.992 billion as of December 31, 2012, and \$2.818 billion as of December 31, 2011). PERA employs a four-year smoothing technique to value assets in order to reduce the volatility in contribution rates. The impact of this results in 'smoothed' assets that are lower or higher than the market

value of the assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. Using the market value of the assets in the DPS Division for the year ended December 31, 2014 (instead of the Actuarial Value of Assets), the funded ratio of the DPS Division would increase from approximately 82.62% to 85.3%.

Effective with fiscal year 2015, the District will be required to apply GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (“GASB 68”), to its audited financial statements. Among other requirements, the District will be required to report its proportionate share of the total PERA net pension liability in its government-wide financial statements. Fund level statements, including the General Fund statements, will not be impacted by the GASB 68 reporting. PERA has estimated the net pension liability for the DPS Division at \$624.6 million as of December 31, 2014. The DPS Division includes the District as the primary government and its charter school component units. The Divisions net pension liability is allocable to the District and component units based on the percentage of contributions from each employer. The District’s contributions represent approximately 91% of the total contributions to the plan in calendar year 2014.

The statute also provides that if the District is in arrears in its payments to PERA, all State funds due to the District are to be reduced by 10%. The District reports that it is current in its payments to PERA. In the fiscal years ended June 30, 2013 and 2014, the District contributed \$4,936,973 and \$5,513,651, respectively, to PERA (excluding HCTF).

Further information regarding PERA and the DPS Division, including its funding status, can be found at the PERA website: <http://www.copera.org>. *The reference to the PERA website is included herein for informational purposes only, and information available at such website is not incorporated herein by reference. The District makes no representations regarding the accuracy of the information available at such website.*

Other Post-Employment Benefits. In addition to pension benefits, the School District provides post-retirement life insurance benefits in accordance with the Board of Education Resolution 1643. These benefits constitute other post-retirement benefits (“OPEB”) for purposes of Governmental Accounting Standards Board Statement No. 45 (“GASB 45”). The benefit is administered in a non-revocable trust by an independent trustee as a single-employer defined benefit OPEB plan. A separate, audited GAAP-basis OPEB plan report is not available for the plan. A closed group of approximately 4,000 retired employees are eligible for a fully insured life insurance benefit under the Retiree Life Insurance Trust.

Post-employment health insurance is provided under PERA’s retiree health program, PERACare.

The District established two trust funds to account for its OPEB liabilities: a Retiree Health Benefit Trust (established in 2005) and a Retiree Life Insurance Trust (established in 2007); and has provided pay-as-you go funding each year. SB 09-282 created a separate Denver Public Schools Health Care Trust Fund (“HCTF”) and mandated the transfer of the balance of the Retiree Health Benefit Trust on January 1, 2010, to provide a premium subsidy for health care to benefit recipients choosing to enroll in PERACare. A portion of the School District’s PERA contribution (1.02% percent of covered salary) is allocated to the HCTF. Additional information for the HCTF can be found in Note 9 to the audited financial statements attached of the District hereto as Appendix A.

The District's annual required contribution ("ARC") to the Retiree Life Insurance Trust represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Detailed descriptions of the assumptions, post-retirement benefits offered as well as actuarial information with respect to the District's OPEB liabilities can be found in Note 9 and the Required Supplementary Information to the audited financial statements attached of the District hereto as Appendix A.

Facilities and Enrollment

Enrollment. The following table sets forth, for the current school year and the past four school years, the District's total student enrollment (headcount) for Early Childhood Education (pre-kindergarten) through 12th grade. The District currently projects that its headcount enrollment for fall 2015 will be approximately 94,346 (an increase of approximately 4,196 students); however, the official count day for fall 2015 will be October 1, 2015, and official enrollment figures for fall 2015 will not be available until mid-November 2015.

The District continues to be the fastest-growing urban district in the country with growth of almost 15,000 students since 2008. The growth is attributable to several key factors, the largest being improved schools offerings that have drawn back an increasing percentage of students residing in Denver to attend Denver Public Schools. Additionally, between the 2008-09 school year and the 2012-13 school year (the most recent school year for which figures are available), the District's dropout rate decreased from 7.4% to 5.0% resulting in roughly 1,000 more students attending per year. Finally, strong residential development in the city has contributed additional students and projects to continue over the next 5 years.

District Enrollment(1)

School Year	Enrollment	Percent Change
2009-10	78,352	--
2010-11(2)	79,423	1.4%
2011-12	81,870	3.1
2012-13	84,424	3.1
2013-14	87,595	3.8
2014-15	90,150	2.9

(1) Total student enrollment (headcount) for Early Childhood Education through 12th grade.

(2) Enrollment for 2010-11 reflects the loss of Connections Academy, an online charter school with 1,060 students, which moved to a neighboring school district.

Source: The District.

The District's current enrollment forecast predicts continued growth through school year 2020 and beyond. The forecast, which is based on statistical modeling by the District, reflects an expected increase over the five-year period of approximately 4,700 students (for K-12 only; excludes preschool/Early Childhood Education numbers). These forecasts are updated annually and are subject to change based upon numerous factors, including population shifts, changes in housing or economic conditions, birth rates, and other unforeseen factors.

In 2008-09, the District began receiving funds from a 0.12% sales tax rate increase approved by Denver voters in 2006 for the purpose of defraying the costs of expanded preschool programs within Denver. The sales tax is administered by The Denver Preschool Program, Inc. (“DPPI”), an independent, non-profit organization created to operate the program under a contract with the City and County of Denver. DPPI allocates sales tax funds to entities operating qualifying preschool programs (including the District) pursuant to annual memoranda of understanding. In fiscal year 2013, District revenue from the sales tax was capped at \$5,650,000, fiscal year 2014 was capped at \$5,400,000, and for fiscal year 2015 District revenue was capped at \$6,000,000. At the November 2014 election, Denver voters approved the extension of the existing tax (through 2026) and an increase in the rate of the tax by 0.03%. For fiscal year 2016, District revenue from the sales tax is capped at \$7,700,000. There is no guarantee that the District’s cap will continue to increase in the future or that the district will receive realize the full amount of the cap in any year as the amount received is based on monthly enrollment, attendance and approval of parent applications.

Facilities. The District operates and maintains a variety of facilities in meeting its obligation to provide an educational program for the school-age children residing within its boundaries. The District’s major fixed assets are its school buildings.

For the 2015-16 school year, there are 199 schools, including district-run and charter. This includes 86 elementary schools, 20 K-8 schools, 22 middle schools, 31 high schools (note that some middle and high schools may operate as a combined 6-12), 19 schools serving grades 6-12, 3 Dedicated Early Childhood Centers, an expeditionary learning school housed in a District building but operated by neighboring districts and seven other support buildings (two transportation complexes, a service center, a data center, food service, educational support and administration facilities). Of the 199 total schools, 51 [are](#) charter schools (covering a variety of grades) authorized and overseen by the District are operating in 2015-16. See “Charter Schools” below.

The District opens new schools (including district schools and charter schools) from time to time. New schools are evaluated against standard quality criteria of having a solid research-based educational model, proven school leadership, highly qualified design teams, strong board governance and demonstrated community support.

The District owns or leases 190 facilities spanning 15.9 million square feet of buildings and approximately 2,102 acres of land. The District also owns numerous vehicles, including a fleet of school buses and maintenance and food service vehicles.

The District has closed several low attendance schools since 2005, including eight schools in 2007 and one school in 2008 based upon recommendations from a citizen advisory group. Since 2008, all but one of the schools has been re-opened to support the enrollment growth. In 2012, the District closed a bus terminal. Additionally, a facilities study was completed in 2008 concerning the usage of all District properties; the study contained recommendations regarding the possible sale of certain properties.

The District’s staff has recommended that the Board consider changes to how low-performing and charter schools operate. These discussions are ongoing with the Board as a variety of school improvement strategies are considered to create additional high performance seats across the District.

Charter Schools. Under State law, the District may contract with individuals and organizations for the operation of charter schools within the District. For purposes of the School Finance Act, pupils enrolled in a charter school authorized by the District are included in the pupil enrollment of the District. Charter schools are financed in part from a portion of the District's revenues received under the School Finance Act and amounts derived from the District's mill levy override property taxes, each as discussed herein. The District is required to pay a charter school a certain percentage of per pupil revenues for each pupil enrolled in such charter school, less certain central administrative overhead costs. Charter schools have separate governing boards, but the District's Board must approve all charter school applications. The District currently has 52 operating charter schools for school year 2015-16.

For accounting purposes, the charter schools are component units of the District; however, the District is not financially responsible for their operations or outstanding obligations. See Note 16 in the audited financial statements attached hereto as Appendix A for a further description of the finances of the charter schools, including their long-term obligations.

Each charter school is responsible for its own operation, including but not limited to, preparation of a budget, contracting for services and personnel matters. Services for which a charter school contracts with the District are negotiated and provided by the District at cost. No rent may be charged by the District for use of District facilities which are available for use by the charter school.

State law created the Charter School Institute as an alternative mode of authorizing charter schools. No charter schools have been authorized by the Charter School Institute within the District. By statute, the District has sole chartering authority for charter schools seeking to operate within the District.

District Capital Plans

Strategic Regional Analysis. The District continually assesses its capital needs. Each spring and fall, the DPS Planning & Analysis department provides a Strategic Regional Analysis (SRA), an in-depth analysis specifically looking at trends in school and program quality, specific program needs in particular regions (e.g. preschool, intensive pathways, etc.), and growth and demand for programming. This analysis, along with guidance from parents and communities, drives strategies and staff recommendations to the Board regarding school quality improvements, new school approval and placement, allocation of capital funding for facility improvements, and enrollment and boundary decisions.

2012 Ballot Issue. The District's most recent capital plan is a four-year capital improvement program based on recommendations to the Board by the Community Planning Advisory Committee, as modified by the Board. The capital projects contemplated by the plan were included in the ballot issue approved at an election held on November 6, 2012 (the "2012 Election").

Future Plans. The District does not have any voter approved authorization remaining from the 2012 Election. Due to continued growth in the District and other factors, the District expects to request voter approval for the issuance of additional general obligation bonds in November 2016. The expectation is that this request would cover critical capital needs over a three to five year timeframe. Key priorities will be continuing to meet capacity needs in fast growing areas of the District, critical capital maintenance needs throughout the District, and

continuing to enhance and upgrade technology capabilities districtwide. Accordingly, in addition to the SRA work previously described, District facility and technology assessments are underway. Early in 2016, the District will engage its Community Planning Advisory Committee to help identify and prioritize capital funding needs of the District. After a thorough capital planning and citizen advisory process, the District anticipates that in August 2016, the Board will make the final determination to place a referendum on the ballot, in what amount, and the projects to be included.

Redevelopment of Stapleton and Lowry Sites. In June 2004, the District entered into agreements with the Denver Urban Renewal Authority (“DURA”) and other entities involved in the redevelopment of the former Lowry Air Force Base and Stapleton International Airport sites. Pursuant to those agreements, DURA and such other entities agreed to reimburse the District from tax increment revenues for costs incurred in connection with the construction of an elementary school at Lowry and one elementary school at Stapleton; those reimbursements amount to \$1 million per year for each school and began in calendar year 2006. DURA made the final reimbursement for payment of the construction of Lowry Elementary School under the original funding agreement in March 2015, and continues to make reimbursement payments related to the elementary school at Stapleton. In September 2014, the District entered into a supplemental agreement with DURA to reimburse the District for costs incurred in the connection with the expansion of the same Lowry Elementary School that was made necessary by the continued development near the Lowry redevelopment site.

The agreements also require that DURA or other entities provide sites and fund the costs of constructing three additional elementary schools and a middle school or four K-8 schools at the Stapleton site from tax increment revenues derived by DURA from the redevelopment of the respective sites. DURA funded the second Stapleton school with the proceeds of tax increment bonds; that K-8 school opened in August 2006. The District subsequently determined that the capacity of District facilities in Stapleton would not be sufficient to accommodate continued growth as of 2010-11. In May 2010, the District entered into agreements with DURA and Forest City Enterprises (“Forest City”), the Stapleton master redeveloper, providing that a third school would be built in Stapleton using up to \$9 million in bond proceeds from the 2008 ballot issue to be advanced by the District, approximately \$5.4 million previously contributed by Forest City and an additional \$5 million advance from Forest City. DURA was to repay the amounts advanced by the District and Forest City from tax increment revenues derived within Stapleton. The third Stapleton school opened in August 2011. DURA finished repaying DPS for the amounts advanced for the third school, Swigert-McAuliffe in December 2014.

In August 2013, the District, DURA, the City of Denver and Park Creek Metropolitan District entered into an additional agreement in connection with the construction and equipping of one elementary school and one K-8 school, certain street improvements and athletic fields to be located in Stapleton. These projects were funded with the proceeds of the Certificates of Participation, Series 2013C (the “2013C COPS”). Conservatory Green is an ECE-8 school with a capacity of 950 students. Conservatory Green opened in August 2014 housing two separate programs - High Tech Elementary School and one campus of the Denver School of Technology Middle School. Isabella Bird Community School Elementary, a new ECE-5 school opened in August 2014; the school has a capacity of 650 and is designed to expand to an ECE-8 school in the future. DURA is required to reimburse the District from available tax increment

revenues, if any, for specified costs incurred in connection with these improvements. DURA's authority to collect tax increment revenues derived within Stapleton will terminate in 2025.

The District is currently finalizing agreements with DURA to provide for the payment of costs incurred by the District due to the increased demand for and needs of schools in two new urban renewal areas of the city. Development in east Denver at the former location of the University of Colorado Health Sciences Center and northwest Denver at the site of the former St. Anthony's Medical Center is underway.

District Insurance Coverage

The Board acts to protect the District against loss and liability by maintaining combined liability and property insurance coverage through the Colorado School Districts Self Insurance Pool (the "Pool"). Pool assets consist primarily of direct obligations of the United States government or funds collateralized by such obligations. For more information, see Note 11 of the District's financial statements attached hereto as Appendix A. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage. The District also has a self-funded workers' compensation program with the State. This program requires the District to pay the first \$550,000 of each loss; Arch Insurance Company is the insurance carrier for excess coverage. In addition to the insurance coverage described above, the Colorado Governmental Immunity Act provides the District with substantial protection from liability. See "LEGAL MATTERS--Sovereign Immunity." In the opinion of the District, the insurance coverage described above provides adequate insurance protection for the District.

DISTRICT FINANCIAL OPERATIONS

The School Finance Act and Total Program Funding

General. School districts in Colorado are funded pursuant to the terms of the Public School Finance Act of 1994, as amended (the “School Finance Act”). The School Finance Act requires that all school districts operate under the same financing formula. The School Finance Act has been amended every year since its adoption.

In recent years, the State Legislature (the “Legislature”) has made amendments to the various formulas embedded in the School Finance Act in response to severe State budget difficulties; those amendments have negatively impacted the amount of State funding available to districts pursuant to the School Finance Act. It is possible that future legislative amendments to the School Finance Act will further erode State support of public education. It also is possible that future legislative amendments will take the form of more substantial modifications or even the complete revamping the school finance system in the State, rather than changes to the existing embedded funding formulas. Any such actions could have a detrimental effect on the District’s future operations.

Sources of Total Program Funding. Total Program Funding is provided by (a) local sources of revenue consisting of property taxes and specific ownership taxes (a State-imposed tax on motor vehicles which is shared with local governments), and (b) if necessary to fund any shortfall, State funds in the form of State “equalization” payments.

The District’s share of the cost of its Total Program Funding is derived from its property tax mill levy (imposed in compliance with Article X, Section 20 of the State constitution (“TABOR”)) and specific ownership tax receipts. The State’s share of the cost of the District’s Total Program Funding each year is equal to the amount by which the Total Program Funding calculation exceeds the District’s local revenue amounts for that year, assuming 100% collection of the local revenues.

Total Program Funding Formula. The amount of annual Total Program Funding revenue allowed under the School Finance Act is determined by a statutory formula. Every school district in the State is allocated the same “base” dollar amount of per-pupil funding. In addition, the Statewide base per-pupil funding amount and the funding for categorical programs are required to increase by at least the rate of inflation pursuant to a State constitutional amendment adopted in 2000 and implemented in 2001 (the “School Amendment”). The School Amendment is funded from all revenues collected from 1/3 of 1% of the State’s existing income tax. The Legislature may appropriate funds only to increase funding in preschool through twelfth-grade education or for purposes specifically stated in the School Amendment. The funds may not be used to reduce the previous level of General Fund appropriations for Total Program Funding and categorical programs.

The School Finance Act “base” amounts per pupil for the past five years and the current year are shown below.

Historical Base Per Pupil Funding

<u>Fiscal Year</u>	<u>Per-Pupil Funding Amount</u>			<u>Addition Due To: (1)</u>
	<u>Base</u>	<u>Amount</u>	<u>Addition</u>	
2010-11	\$5,508	\$ 22	\$5,530	Inflation (-0.6%) plus School Amendment (1%)
2011-12	5,530	105	5,635	Inflation (1.9%)
2012-13	5,635	208	5,843	Inflation (3.7%)
2013-14	5,843	111	5,954	Inflation (1.9%)
2014-15	5,954	167	6,121	Inflation (2.8%)
2015-16	6,121	171	6,292	Inflation (2.8%)

(1) In fiscal year 2010-11 and prior years, the School Amendment required funding increases of inflation plus 1%.

Each school district's base per-pupil amount is adjusted pursuant to a formula set forth in the School Finance Act to account for differences among school districts. Adjustments are made for cost of living, school district size and personnel costs. Upward adjustments are also made for on-line students and "at risk" students (generally defined as students who qualify for the federal free lunch program). A downward adjustment is made by the State to all K-12 funding in an amount sufficient to balance the State budget (the "negative factor"). Notwithstanding these adjustments, in past years the Legislature has established a minimum amount of per pupil funding each year. Currently, the minimum amount is 95% of the "minimum per pupil funding base" calculated in accordance with State law.

In 2010, the Legislature enacted House Bill 10-1318 ("HB 1318"). Under HB 1318, the requirement that no school district shall receive less in State aid than an amount established by the Legislature in the annual general appropriation act was suspended from fiscal years 2010-11 to 2014-15. Additionally, HB 1318 changed the procedure by which the negative factor is calculated by reducing each district's State aid by a proportional amount even if the reduction resulted in an allocation less than the minimum required State aid (through fiscal year 2014-15). The result of HB 1318 was to decrease the State share of the Total Program Funding and increase the local share.

The per pupil amount of funding is multiplied by each school district's "funded pupil count" to arrive at the school district's Total Program Funding. "Funded pupil count" consists of the sum of a school district's (a) pupil enrollment as calculated in October of the applicable school year (or, if the school district's enrollment is declining, the pupil enrollment may be determined by using average October pupil counts as specified by law), (b) on-line pupil enrollment, (c) preschool enrollment and kindergarten enrollment as specified by statute, and (d) supplemental kindergarten enrollment as specified by statute.

The School Finance Act restricts each school district's annual Total Program Funding per pupil funding to no more than 125% of its prior year Total Program Funding per pupil before the negative factor. TABOR also may restrict overall school district revenues to no more than 100% of the prior year revenue, adjusted for inflation and for pupil growth.

Funding of the State's Share of Total Program Funding. The Legislature is to make annual appropriations to fund the State's share of the Total Program Funding of all school districts. The availability of State funds to school districts may be affected by actions of the

Legislature and by the cash position of the State itself. The ability of the State to fund the Total Program Funding of all State school districts may be impacted by numerous factors beyond the control of the State and the District, including general economic conditions, other State program increases, unemployment, the rate of economic growth, and tourism. In the event that the State's appropriation for its share of the Total Program Funding of all school districts is not sufficient to fully fund such share, the State Department of Education must submit a request for a supplemental appropriation in an amount which will fully fund the State's share during the fiscal year in which such insufficiency occurs. If a supplemental appropriation is not made, the School Finance Act states that a percentage reduction in State aid to all school districts receiving State aid is to be made.

In 2003, the State Office of Legislative Legal Services issued an opinion stating that the School Amendment does not limit or restrict the Legislature's ability to set the level of appropriations for public education or rescind a portion of the General Fund appropriation for Total Program Funding for public schools. This opinion is not binding and represents only the legal advice currently being provided to the Legislature; however, it could be relied upon by the Legislature to decrease the amount of State aid to public education in the future.

Uses of Total Program Funding. The Board has the discretion to determine how the District's Total Program Funding will be expended. In prior years, State law required districts to set aside specific amounts for instructional supplies and materials and for capital and risk management (insurance) reserves. Those funding requirements were eliminated for fiscal years 2010 and thereafter. However, any balances remaining in the accounts from previous allocations must be budgeted for those specific purposes. The District has continued to fund the capital and risk management reserves as well as setting aside amounts for instructional supplies and materials as allowed by available funds.

Changes to State Laws. Colorado's public school finance laws are subject to review and examination through the judicial process, and are subject to legislative changes as well. Appropriation decisions regarding the State's share of Total Program Funding are made on an annual basis by the Legislature.

All school districts in Colorado were severely impacted by cuts in State funding for the School Finance Act in recent years, beginning with a State budget shortfall in excess of \$1.4 billion for fiscal year 2010. Various mandated rescissions and the introduction of the negative factor were implemented to deal with the State's budget difficulties. The Legislature included the negative factor in the Total Program Funding formula beginning in fiscal year 2010-11 in order to assist the State in balancing its budget due to the economic downturn. The total amount of the negative factor was approximately \$1 billion. As a result of these actions, the District's per-pupil funding under the School Finance Act declined in fiscal years 2010 through 2012 before beginning to increase again in fiscal year 2013. For fiscal year 2014-15, the State appropriated approximately \$110 million against the negative factor; the 2015 Legislature adopted legislation authorizing an additional \$14 million in negative factor "buydown" during fiscal year 2014-15. In addition, for fiscal year 2015-16, an additional \$25 million had been appropriated for "buydown" of the negative factor.

There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws (including but not limited to the School Finance Act), provisions,

and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

Other Sources of School District Revenue

Additional Property Taxes. In addition to property taxes levied to fund a school district's portion of Total Program Funding, school districts may impose certain other levies with the approval of local voters. The proceeds of these mill levies are not included in the Total Program Funding calculation.

Override Levy. School districts are permitted to receive additional property taxes for general operating uses pursuant to a separate mill levy (an "override levy"). For override levies approved prior to 2009, a school district's override revenues cannot exceed, generally, 20% of its Total Program Funding, or \$200,000, whichever is greater. Override levies voted in 2009 or later cannot exceed, generally, 25% of the district's Total Program Funding or \$200,000, whichever is greater, if specified information is filed with the State Department of Education prior to the election. Override mill levies also increase a district's share of the specific ownership tax.

The District's electors have approved numerous override levies for various specified purposes, most recently at the 2012 Election. Approved mill levy overrides include: November 2003 (\$20 million beginning calendar year 2004) to support various programs; November 2005 (\$25 million in calendar year 2006, growing by inflation to \$27,587,957 in calendar year 2011) to support the professional compensation system for teachers; and November 2012 (up to \$49 million in calendar year 2013 and whatever is raised from a 4.86-mill levy in each year thereafter) to support early childhood education, enrichment programs such as art, music and physical education, and technology.

Bond Redemption Levy. School districts also may impose a separate mill levy for purposes of generating revenues for the Bond Redemption Fund. Property taxes imposed for the repayment of general obligation debt are received and accounted for separately from property taxes imposed to finance the Total Program and pursuant to override authorization. The District currently imposes a bond redemption mill levy for purposes of paying debt service on its general obligation bonds.

Other Authorized Levies. Additional property tax levies authorized by law include special building and technology levies, transportation levies, and full-day kindergarten levies. Each of those mill levies must be imposed in amounts authorized by law and must be used for specific purposes. The District does not currently impose any of these additional levies.

Other State Revenue - Categorical Programs. In addition to the State equalization payments made pursuant to the School Finance Act, school districts may receive State funding to pay for specific programs designed to serve particular groups of students or particular student needs, such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education. Such programs are known as "categorical" programs. The District receives various levels of State funding to pay for such programs.

Fees. Pursuant to the School Finance Act, any fee collected by a school district for a specific purpose to be spent only for that purpose. For example, if a district imposes a \$100

fee for athletics, all money collected from that fee must be used for athletics. In addition, school districts must disclose whether a fee is voluntary or mandatory and what activities a child will be excluded from for failure to pay the fee. The District imposes various such fees.

Miscellaneous Revenue Sources. The District also receives General Fund revenues from specific ownership taxes (levied by the State on owners of motor vehicles), interest income, tuition, other charges for services and other miscellaneous sources.

District Funds and Accounts

Funds and Accounts Mandated by State Law. The basic format for the financial operation of Colorado school districts is provided by State law, which creates the following funds: the General Fund, the Bond Redemption Fund, the Capital Reserve Fund, the Insurance Reserve Fund (which may be an internal service fund or an account in the General Fund to satisfy generally accepted accounting principles (“GAAP”)), the Special Building and Technology Fund, the Transportation Fund and the Full Day Kindergarten Fund. Interpretive regulations of the State Board of Education also authorize the use of additional funds. Some school districts also maintain certain Special Revenue Funds, Enterprise Funds and Internal Service Funds. The bulk of the financial operations of most school districts, including the District, are conducted through the General Fund.

General Fund. The bulk of the financial operations of most school districts, including the District, are conducted through the General Fund. The General Fund contains all revenues of the District not attributable to its other established funds. The majority of these revenues are derived from the District’s general property tax levy and from State aid. TABOR requires each school district to establish emergency reserves constituting 3% of fiscal year spending. See “LEGAL MATTERS--Certain Constitutional Limitations.”

Pursuant to State law, the District’s budget must ensure that the TABOR reserve requirement is met by holding unrestricted General Fund or cash fund emergency reserves; except that a district may designate property owned by the district as all or a portion of the required reserve subject to certain statutory requirements.

Bond Redemption Fund. The Bond Redemption Fund contains the revenues from property tax levies for the purpose of satisfying, when due, the principal and interest obligations on any debt of a school district. The Bond Redemption Fund may also include certain other voter-approved tax revenues imposed to pay long-term obligations authorized by law. In accordance with State law, the District has designated Wells Fargo Bank, National Association in Denver, Colorado, as the custodian of its Bond Redemption Fund. The Custodian is responsible for making debt service payments on the District’s general obligation bonds from the Bond Redemption Fund.

Capital Reserve Fund and Risk Management Reserves. The Capital Reserve Fund and the Insurance Fund (which may be an internal service fund or an account of the General Fund) receive the majority of funding from an allocation of a portion of the District’s Total Program Funding. Beginning in fiscal year 2009-10, the School Finance Act eliminated required minimum allocations to these funds; however, school districts may continue to make allocations to the funds as determined by the annual budget.

Primary Sources of General Fund Revenue

Local and State Shares of General Fund Revenues. The percentage of revenues derived from local, State and other sources for each school district varies depending upon the local tax base and other factors relevant to each school district.

Local Sources. For fiscal years 2012-13 and 2013-14, approximately \$422.5 million and \$444.6 million (comprising approximately 59.6% and 59.0%, respectively, of the District's General Fund revenues was derived from local sources (including property taxes, specific ownership taxes, charges for services, investment income and other local sources).

The primary local source of General Fund revenues is the District's General Fund levy (described below). Other sources of General Fund local revenue received by the District include the District's share of the annual specific ownership tax levied by the State on owners of motor vehicles, interest income earned on the District's investments, tuition and miscellaneous income.

Calculation of Local Share Mill Levy. The District's mill levy for its share of Total Program Funding is limited by the School Finance Act to the lesser of (i) the number of mills levied by the District for the immediately preceding property tax year, or (ii) the number of mills necessary to generate property tax revenue in an amount equal to Total Program Funding for the applicable budget year, less the amount of specific ownership tax revenue paid to the district; or (iii) 27 mills. The effect of the formula is to increase the portion of Total Program Funding paid from local property tax revenues and to decrease the State's share of Total Program Funding.

This formula does not impact the District's ability to levy taxes to pay debt service on its outstanding general obligation bonds; the debt service mill levy is entirely separate from the Total Program Funding calculation.

Mill Levy Information. The District's General Fund levy includes its operating mill levy, its override levy and any delinquent taxes, penalties and interest associated with those levies. The District's General Fund levy in fiscal years 2013-14 and 2014-15, respectively, yielded collections of \$359,990,084 and \$375,711,637, or 50.8% and 49.9% of the total revenue in the General Fund, respectively, making it the largest source of revenue to the District. For 2015-16, the District has budgeted approximately \$405.2 million in General Fund levy revenues.

State Sources. For fiscal years 2012-13 and 2013-14, approximately 279.0 million and \$307.7 million (or 39.4% and 40.9%), respectively, of the District's General Fund revenues was derived from State sources, including State equalization payments.

State equalization payments are the second largest source of revenues in the General Fund. The following sets forth State equalization payments received by the District for the past five years.

State Equalization Payments

<u>Fiscal Year Ended June 30</u>	<u>State Equalization Payment</u>	<u>Percent Change</u>
2010	\$234,172,686	--
2011	201,316,795	(14.0)%
2012	234,783,298	16.6
2013	257,727,050	9.8
2014	282,036,930	9.4
2015(1)	331,429,000	17.5

(1) Preliminary, unaudited figure. Subject to change.

Source: The District.

State equalization payments received by the District for fiscal years 2012-13 and 2013-14, represented 36.3% and 37.5%, respectively, of General Fund revenues. The District has budgeted to receive approximately \$351.2 million in State equalization payments in fiscal year 2015-16.

CDE audits school districts regularly and requests the return of State funds if it determines that such an action is warranted. CDE audits of the District's enrollment have been completed and accepted for the 2008-09 through 2010-11 school years; the funds returned under each of those audits were \$1,104,971, \$3,424,288, and \$637,442, respectively. \$421,639 was returned to DPS for the 2011-12 and 2012-13 school year audits. Audits for the 2013-14 school year are underway and are expected to be completed soon. Any amounts due to the State as a result of those audits have been set aside from prior year funds, and amounts due from District charter schools will be reduced from future funding to be paid to those charter schools.

Cash Flow Measures

The salaries of most District employees are paid over a 12-month period, and most District expenses occur on a relatively consistent monthly basis. A significant portion of District revenue, however, is received from March through June, when property taxes are paid by District taxpayers. Accordingly, the District typically experiences cash flow shortages from October until tax collections begin in March of the following year.

Colorado school districts (including the District) typically address this problem by (i) borrowing funds from the State pursuant to a special State loan program designed to alleviate cash flow management problems (the "State Program," described below); (ii) transferring funds to the general fund from other district funds on a short-term basis; or (iii) borrowing funds on a short-term basis through the issuance of tax anticipation notes.

Under the State Program, the State Treasurer is directed to provide sufficient funds in the form of no-interest or low-interest loans from the State general fund to any district which applies for such funds and which does not have moneys available for expenditure, in each month of the budget year, equal to at least one-twelfth of the amount of the Total Program Funding to which it is entitled for the fiscal year. There are certain limits on the receipt and use of such loans. Any district receiving a loan under this program must begin to repay the loan to the State when the monthly property tax revenues and State aid received exceed one-twelfth of the amount of Equalization Program Funding to which such district is entitled for the budget

year, and all loans must be repaid prior to June 25 of the State fiscal year in which the loan was made. A lien in the amount of any loan attaches to any district property tax revenues (except Bond Redemption Fund revenues) collected during the State fiscal year (which runs from July 1 through June 30) in which the loan was made; that lien has priority over all other expenditures from such revenues until the loan is repaid in full. Districts receiving loans from the State Program also are subject to audit by the State and can be penalized through the withholding of State aid in the event an audit finds that loan proceeds were used in a manner not allowed by law. The State Legislature may change the terms of the State Program at any time or abolish it altogether.

State law allows the State to issue tax and revenue anticipation notes and to loan the proceeds of such notes to school districts under the State Program. Each district participating in the State Program must issue a note to the State Treasurer granting a first lien on all of the District's General Fund ad valorem tax revenues received between March 1 and June 30; that lien has a priority over all other expenditures. Each participating school district must pay all of its General Fund tax revenues received between March 1 and June 30 to the State Treasurer until its note is paid in full. Accordingly, participating districts have no property tax revenues available to pay ongoing expenses until their notes are fully paid. Districts may borrow sufficient funds to cover their expenses during the time required to repay their notes.

The District historically has participated in the State Program every year. During fiscal years 2014 and 2015, the District received loans in the total amounts of \$125.8 million and \$163.6 million, respectively. All of the District's past loans from the State Program have been repaid in a timely manner. The District is authorized to borrow up to \$182.6 million from the State Program in fiscal year 2016.

State Intercept Program

The State Intercept Program (contained in the Bond Payment Act found in Section 22-41-110, C.R.S.) applies to general obligation bonds and certain other elector-authorized obligations ("School District Obligations"). The State Intercept Program generally provides that the State Treasurer will pay debt service on School District Obligations in the event that the issuing school district does not. ***Because the Certificates do not qualify as School District Obligations under the State Intercept Program, it does not apply to the Certificates.*** The State Intercept Program does, however, apply to the outstanding general obligation bonds of the District. See "DEBT AND OTHER FINANCIAL OBLIGATIONS--Debt and Other Obligations of the District - General Obligation Bonds."

Budget Process

The District is required by State law to adopt an annual budget which presents a complete financial plan for the ensuing fiscal year. At the time of adoption, the Board is required to adopt a resolution specifying the amount of money appropriated to each fund. The proposed budget and a statement describing the major objectives of the educational program for the ensuing fiscal year must be submitted to the Board no later than thirty days prior to the start of the fiscal year, i.e., on or before June 1. Within ten days after submission of the proposed budget, the Board must publish a notice stating that the proposed budget is available for inspection, that any District taxpayer may file or register objections to the proposed budget at any time prior to its adoption, and that the Board will consider adoption of the proposed budget at a designated

meeting of the Board. Formal adoption of the budget is required by resolution by the Board by June 30 of each year. The Board may review and amend the budget with respect to both revenues and expenditures at any time prior to January 31 of the fiscal year for which the budget was adopted.

The District is prohibited from expending any moneys in excess of the amount appropriated by resolution for a particular fund. When money for a specific purpose, other than ad valorem taxes, subsequently becomes available, a supplemental budget for expenditures not to exceed the amount of said money may be adopted and appropriation of said money may be made therefrom. Such procedure is applied to unbudgeted revenues from State and federal sources.

Districts are prohibited from providing for expenditures in excess of available revenues and beginning fund balances and the Board is required to review the financial condition of the District at least quarterly. Districts are required to annually prepare an itemized reconciliation between the fiscal year-end fund balances based on the budgetary basis and the fiscal year-end fund balances based on a modified accrual basis of accounting (utilizing GAAP). Districts also are required to adopt a resolution authorizing and explaining any use of beginning fund balance authorized for expenditure in the budget.

Pursuant to the provisions of the School Finance Act, during any budget year, if the Board determines that the anticipated revenues specified in the budget and the amounts appropriated in the budget for expenditure exceed the actual revenues available to the district due, in whole or in part, to action by the general assembly or the governor relating to the State appropriation for the Total Program Funding under the School Finance Act, the Board may declare a fiscal emergency in such budget year. A declaration of emergency may only occur upon an affirmative vote of two-thirds of the members of the Board at a public meeting held after a duly noticed public hearing. If a fiscal emergency is declared, the Board may implement a reduction in salaries for all employees of the district on a proportional basis or may alter the work year of such employees. This reduction in salaries is permitted to be made notwithstanding provisions of State law which otherwise prohibit the Board from changing or modifying teacher salary schedules during a school year.

Financial Results and Budget

General. The following table sets forth a comparison of the General Fund actual results for the fiscal year ended June 30, 2014, the draft unaudited actual results for the fiscal year ending June 30, 2015; and the adopted General Fund budget for the fiscal year ended June 30, 2016. The draft unaudited results for fiscal year 2015 remain subject to adjustment during the audit process. The District is not aware of any material changes that would adversely affect the District's fiscal year 2015 results.

Beginning in fiscal year 2015-16, the District is reporting its budget on a modified accrual (GAAP) basis. In previous years, the District's budget used the budgetary basis of accounting. Additional financial information for the District, including historic budgets and audited financial statements can be found on its website, currently at <http://financialservices.dpsk12.org/welcome/financial-transparency>.

Reserve Policy. In accordance with TABOR, District maintains an emergency reserve of 3% of fiscal year spending by designating real property owned by the District in lieu of cash. Additionally, in accordance with Section 22-44-105, C.R.S., the District established an

emergency cash reserve as restricted fund balance in the General Fund equal to 3% of budgeted general fund revenues. See Note 13 in the audited financial statements attached hereto as Appendix A for a description of amounts restricted for these reserves. Further information relating to the General Fund, as well as certain other Funds of the District may be found in the District's audited basic financial statements in Appendix A.

General Fund Financial Summary (in 000's)

	FY 2013-14	FY 2014-15	FY 2015-16
	Actual	Actual (Unaudited)	Adopted Budget
REVENUE			
Property Taxes	\$375,712	\$372,016	\$405,204
Specific Ownership Taxes	33,376	36,830	30,860
Other Local Support	32,677	43,011	13,664
State Equalization	282,037	331,429	351,158
State Categorical	22,424	35,702	33,909
Federal Revenue	923	1,018	4,200
Other Revenue	6,041		2,486
Total Revenue	753,190	820,006	841,481
EXPENDITURES			
Salaries	432,247	455,498	480,860
Employee Benefits	57,293	50,314	59,460
Purchased Services	69,575	76,609	45,001
Charter Schools	91,852	105,140	122,762
Supplies & Materials	46,866	55,032	40,584
Property	6,104	8,371	3,027
Other expenses	436	166	43,270
Debt Service	57,935	59,233	59,233
Interfund transfers (net)	7,001	9,617	(878)
Total Expenditures	769,309	819,980	853,319
Net change in fund balance	(16,119)	26	
Fund balance - beginning	114,417	98,298	
Restatement to transfer Risk Fund to General Fund (1)	--	8,475	
Fund balance - beginning, as restated		106,773	
Fund balance - ending	\$98,298	\$106,799	
Appropriated reserves			57,731
Total Appropriation			\$911,050

(1) Effective July 1, 2014, the District transferred the Risk Internal Service Fund to the General Fund to align financial reporting to budgetary practice.

Source: The District.

Accounting Records and Financial Statements

General. The District accounts for its financial operations in compliance with State law. All funds are audited on a fiscal year running from July 1 to June 30. The annually

audited financial statements must be submitted to the Board within five months after the end of the fiscal year and filed with the State auditor and the commissioner of education 30 days after receipt by the District. If the District fails to file an audit report with the State auditor, the State auditor may, after notice to the District, notify the County Treasurer holding moneys of the District (if any) and authorize such treasurer to prohibit release of such moneys until the District files the audit report with the State. The District's fiscal year 2014 audit was filed on time.

Awards. The District received the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association ("GFOA") and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International ("ASBO") for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2014. Such certificates are the highest form of recognition in the area of governmental finance reporting and are awarded to governmental entities whose comprehensive annual financial reports are judged to conform substantially to program standards. The District has received a Certificate of Achievement from GFOA for 29 consecutive fiscal years and has received the Certificate of Excellence from ASBO for 15 consecutive years.

History of Revenues, Expenditures, and Changes in Fund Balance

General. Set forth in the following table is a five-year comparative statement of revenues and expenditures for the General Fund, including the beginning and ending fund balances for each year. The information has been derived from the District's audited financial statements for the fiscal years ended June 30, 2010 through 2014. This table should be read in conjunction with the District's audited basic financial statements and accompanying notes for the year ended June 30, 2014, which are attached hereto as Appendix A. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

In accordance with Board policy requiring periodic changes in auditors, the District's fiscal year 2014 financial statements were audited by BKD, LLP. The financial statements for the other years shown in the following table were audited by CliftonLarsonAllen LLP, independent certified public accountants, Greenwood Village, Colorado.

General Fund – History of Revenues, Expenditures, and Changes in Fund Balance

	Years ended June 30.				
	2010	2011	2012	2013	2014
Revenues					
Beginning Balance (GAAP) (1)	<u>\$ 28,625,407</u>	<u>\$74,740,057</u>	<u>\$116,513,738</u>	<u>\$98,865,437</u>	<u>\$114,417,389</u>
Local Revenue Sources					
Property Taxes	364,202,455	365,649,202	318,541,996	360,744,805	375,449,557
Delinquent Taxes and Interest	1,514,731	(2,058,261)	(2,504,248)	(754,721)	262,080
Specific Ownership Tax	26,172,343	25,698,371	27,021,138	30,035,934	33,376,380
Tuition	9,797,158	13,427,191	6,127,453	4,963,475	5,380,923
Interest earnings (2)	727,864	772,199	708,773	695,884	659,844
Other Local Sources	<u>6,356,725</u>	<u>15,165,361</u>	<u>20,270,542</u>	<u>26,849,444</u>	<u>29,432,172</u>
Total Local Sources	<u>408,771,276</u>	<u>418,654,063</u>	<u>370,165,654</u>	<u>422,534,821</u>	<u>444,560,956</u>
State Revenue Sources					
State equalization (3)	234,172,686	201,316,796	234,783,298	257,727,050	282,036,930
Vocational Education	648,904	778,325	1,751,387	967,956	1,172,436
Special Education	13,798,676	13,735,972	13,485,096	13,704,779	16,382,479
Transportation	4,485,214	4,587,259	4,474,628	4,519,804	4,869,834
Other State Sources	<u>2,200,320</u>	<u>2,103,950</u>	<u>1,794,936</u>	<u>2,112,668</u>	<u>3,244,778</u>
Total State	<u>255,305,800</u>	<u>222,522,302</u>	<u>256,289,345</u>	<u>279,032,257</u>	<u>307,706,457</u>
Federal Revenue Sources (3)	<u>3,274,570</u>	<u>28,261,677</u>	<u>7,863,578</u>	<u>7,573,147</u>	<u>922,508</u>
Total Revenue	<u>667,351,646</u>	<u>669,438,042</u>	<u>634,318,577</u>	<u>709,140,225</u>	<u>753,189,921</u>
Operating Transfers In	96,805	13,043,507	1,567,163	3,631,681	67,042
Par amount of COPS	--	<u>792,280,000</u>	--	<u>536,855,000</u>	--
TOTAL RESOURCES	<u>696,073,858</u>	<u>1,549,501,606</u>	<u>752,399,478</u>	<u>1,348,492,343</u>	<u>867,674,352</u>
Expenditures					
Instruction	334,898,507	333,728,437	326,490,335	364,156,448	418,723,429
Supporting Services	92,857,298	93,517,612	118,705,976	128,415,092	136,988,932
Business Supporting Services	103,787,418	100,658,370	112,784,548	122,895,418	139,169,191
Community Services	312,027	4,250,529	5,641,526	6,651,925	7,790,165
Education for adults	--	1,556,938	622,852	823,417	1,173,530
Capital Outlay	172,107	1,036,732	1,847,261	195,172	528,674
Debt Service (4)	48,067,190	834,816,236	56,397,285	589,677,089	57,934,712
Issuance Cost of Debt	--	<u>6,023,749</u>	--	<u>3,633,148</u>	--
Total Expenditures	<u>580,094,547</u>	<u>1,375,588,603</u>	<u>622,489,783</u>	<u>1,216,447,709</u>	<u>762,308,633</u>
Operating Transfers Out	<u>52,727,380</u>	<u>57,399,265</u>	<u>28,240,127</u>	<u>22,505,189</u>	<u>7,067,866</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$632,821,927</u>	<u>\$1,432,987,868</u>	<u>\$650,729,910</u>	<u>\$1,238,952,898</u>	<u>\$769,376,499</u>
Ending Fund Balance (GAAP)	<u>\$ 63,251,930</u>	<u>\$ 116,513,738</u>	<u>\$101,669,568</u>	<u>\$109,539,444</u>	<u>\$98,297,853</u>
Salaries Earned but Unpaid (5)	46,372,122	43,761,358	44,294,132	48,997,237	51,403,520
Deferred Revenue (6)	5,330,732	4,479,200	3,985,312	--	--
Reserve for Encumbrances	(6,100,558)	(5,440,309)	(5,870,393)	(6,469,466)	(13,802,962)
Net Income Adjustments	<u>(2,911,970)</u>	<u>(2,981,452)</u>	<u>(2,804,935)</u>	--	--
Budgetary Basis Fund Balance	<u>\$105,942,256</u>	<u>\$ 156,332,535</u>	<u>\$141,273,684</u>	<u>\$152,067,215</u>	<u>\$135,898,410</u>

- (1) The 2011 beginning balance includes a prior period adjustment reflecting a net transfer in of \$11,498,127 from special revenue funds in compliance with GASB Statement No. 54. In 2013, the beginning fund balance includes an \$2,804,131 adjustment to properly report the annual transportation categorical revenue as recognized when received. In 2014, the beginning fund balance includes a prior period adjustment for accounts payable of \$4,877,945.
- (2) Includes designated amounts of interest earnings transferred from the Bond Redemption Fund.
- (3) In 2011, the State reduced the funding to K-12 education by the exact amount received by the State for the Federal Ed Jobs Grant and ARRA State Fiscal Stabilization Funds ("SFSF"). Those federal funds are included in the 2011 column.
- (4) Includes amounts for the payments due under various lease-purchase agreements. In 2011 and 2013, includes the principal amounts of refunded certificates of participation.
- (5) In a July-June fiscal year, teachers (and certain other District employees) earn 100% of their salary yet would have been paid for only ten months, or 83%, thus a salary accrual of 17% is recorded for GAAP purposes.
- (6) On a GAAP basis, under GASB Statement No. 34, the proceeds from forward delivery agreements are recognized as revenues over the terms of the 1997 Certificates (and certificates issued to refund them).

Source: Derived from the District's CAFRs for the fiscal years ended June 30, 2010 through 2014.

Management Discussion and Analysis. For a detailed discussion and analysis of the District's operations for fiscal year 2014, see the Management Discussion and Analysis in the District's audited basic financial statements for the fiscal year ended June 30, 2014, which are attached hereto as Appendix A.

PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by TABOR (described in “LEGAL MATTERS--Certain Constitutional Limitations”), the Board has the power to certify to the to the Denver City Council, acting in its capacity as the Board of County Commissioners of the County (the “Commissioners”), a levy for collection of ad valorem taxes against all taxable property within the District.

Property taxes are uniformly levied against the assessed valuation of all property subject to taxation by the District. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt. Exempt property includes, but is not limited to: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; property used for charitable or religious purposes; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner’s land; household furnishings and personal effects not used to produce income; intangible personal property; inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Assessment of Property. Taxable property is first appraised by the County Assessor to determine its statutory “actual” value. This amount is then multiplied by the appropriate assessment percentage to determine each property’s assessed value. The mill levy of each taxing entity is then multiplied by this assessed value to determine the amount of property tax levied upon such property by such taxing entity. Each of these steps in the taxation process is explained in more detail below.

Determination of Statutory Actual Value. The County Assessor annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within the county as of January 1. Most property is valued using a market approach, a cost approach or an income approach. Residential property is valued using the market approach, and agricultural property, exclusive of building improvements thereon, is valued by considering the earning or productive capacity of such lands during a reasonable period of time, capitalized at a statutory rate.

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessor utilizing a “level of value” ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor’s office every odd numbered year. The statutory actual value is based on the “level of value” for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2013 (collection year 2014) were based on an analysis of sales and

other information for the period January 1, 2011 to June 30, 2012. The following table sets forth the State Property Appraisal System for property tax levy years 2010 through 2014:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2011	2010	July 1, 2008	Jan. 1, 2007 to June 30, 2008
2012	2011	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2013	2012	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2014	2013	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2015	2014	July 1, 2012	Jan. 1, 2011 to June 30, 2012

The County Assessor may consider market sales from more than one and one-half years immediately prior to July 1 if there were insufficient sales during the stated market period to accurately determine the level of value.

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State Property Tax Administrator based upon the value of the utility's tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. The percentage used to calculate assessed valuation differs depending upon the classification of each property.

Residential Property. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution requires the Legislature to adjust the assessment rate of residential property for each year in which a change in the base year level of value occurs. This adjustment is constitutionally mandated to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year (although, notwithstanding the foregoing, TABOR prohibits any valuation for assessment ratio increase for a property class without prior voter approval).

Pursuant to the adjustment process described above, the residential assessment rate is adjusted every two years, resulting in the following history of residential assessment rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-00); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-14). In December 2014, the Colorado Legislative Council (the research division of the Legislature) projected that the residential assessment rate will remain at 7.96% through levy year 2017. This projection is only an estimate, however, and is subject to change. The residential assessment rate cannot increase without the approval of Colorado voters.

Non-residential property. All non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with statutory deadlines. Property owners are given the opportunity to object to increases in the statutory actual value of such property, and may petition for a hearing thereon before the County's Board of Equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization orders the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Commissioners; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities which levied a tax against the property.

Statewide Review. The Legislature is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Legislature and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the District's assessed valuation may be subject to modification following any such annual assessment study.

Homestead/Disabled Veterans Property Tax Exemptions. The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009 to 2012), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

Taxation Procedure. The County Assessor is required to certify to the District the assessed valuation of property within the District no later than August 25th of each year. If the County Assessor makes changes in the valuation for assessment or the total actual value prior to December 10, the County Assessor notifies the District of those changes. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Board computes a rate of levy which, when levied upon every dollar of the valuation for assessment of property subject to the District's property tax, and together with other legally available District revenues, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a \$250 tax on a parcel of property with an assessed valuation of \$10,000.

The Commissioners levy the tax on all property subject to taxation by the District. By December 22nd of each year, the Commissioners must certify to the County Assessor the levy for all taxing entities within the applicable county. If the Commissioners fail to so certify, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2013 were collected in 2014 and taxes certified in 2014 are being collected in 2015. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The payments to the District must be made by the 10th of each month, and shall include all taxes collected through the end of the preceding month. The County Treasurer is also required to make a second monthly payment to the District on or before the 24th day of the months of March, May and June, reflecting taxes collected through the 20th day of the respective month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer's personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of

four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to a county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the Commissioners after that time.

Potential for Overlap with Tax Increment Authorities. Colorado law allows the formation of public highway authorities. Pursuant to statute, the board of directors of a public highway authority is entitled to designate areas within the authority's boundaries as "value capture areas" to facilitate the financing, construction, operation or maintenance of highways constructed by the authority; an authority is entitled to capture a portion of the property taxes in such an area to support these purposes. No public highway authority exists in the District.

Similarly, the State law allows the formation of urban renewal authorities and downtown development authorities in areas which have been designated by the governing bodies of municipalities as blighted areas. Certain of the property within the District is located within DURA and the Denver Union Station Downtown Development Authority ("DUSDDA"). With respect to the property included in the boundaries of such districts (or within any urban renewal authority or downtown development authority created in the future and subject to a renewal plan), the assessed valuation of such property that is taxable does not increase beyond the amount existing in the year prior to the adoption of the plan (other than by means of the general reassessment). Any increase above the "base" amount is paid to the applicable authority. See "History of District Assessed Valuation" and "Ad Valorem Property Tax Data" below for information on the assessed valuation attributable to the existing increment districts. Currently, it is the State Department of Education's policy to provide State equalization funding to school districts in order to equalize amounts of taxes that would be lost as a result of tax increment areas. However, this policy could change at any time.

Ad Valorem Property Tax Data

Five-year histories of the District's certified assessed valuations and mill levies are set forth in the following tables.

History of District's Assessed Valuation

Levy/ Collection Year	Assessed Valuation	Tax Increment Valuation ⁽¹⁾	Net Assessed Valuation	Percent Change
2010/2011	\$11,960,083,760	\$ 794,936,679	\$11,165,147,081	--
2011/2012 ⁽²⁾	10,937,453,830	736,636,868	10,200,816,962	(8.6)%
2012/2013 ⁽²⁾	10,757,438,400	750,170,508	10,007,267,892	(1.9)
2013/2014	11,264,201,810	809,720,581	10,454,481,229	4.5
2014/2015	11,385,251,250	867,864,581	10,517,386,669	0.6
2015/2016 ⁽³⁾	14,573,967,450	1,126,564,247	13,447,403,203	27.9

- (1) Represents the assessed valuation attributable to tax increment areas. See "Potential for Overlap with Tax Increment Authorities" above.
- (2) According to the City and County of Denver Assessor's office, the decrease in the District's assessed valuation was primarily attributable to the general downturn in the economy and the reappraisal process.
- (3) Preliminary assessed value figure as of August 25, 2015. The final assessed value will not be certified until approximately December 1, 2015.

Source: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2010-2014.

History of District's Mill Levy⁽¹⁾

Levy/ Collection Year	General Fund	Debt Service	Mill Levy Override	Abatements	Total Mill Levy
2010/2011	25.541	6.800	6.884	0.747	39.972
2011/2012	25.541	7.958	7.584	1.182	42.265
2012/2013	25.541	10.913	12.714	1.320	50.488
2013/2014	25.541	10.446	12.431	0.881	49.299
2014/2015	25.541	10.519	12.466	0.773	49.299
2015/2016	n/a	n/a	n/a	n/a	n/a

- (1) One mill equals one-tenth of one cent.
- (2) The 2015/2016 mill levy will not be certified until approximately December 15, 2015.

Source: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2010-2014.

The following tables set forth the assessed and statutory "actual" valuations for the 2014 levy/2015 collection year for specific classes of property within the District as well as a history of prior statutory "actual" valuations. Preliminary valuations for the 2015 levy/2016 collection year are not yet available by property class.

As shown in the following table, commercial and residential property account for the largest percentages of the District's assessed valuation, and therefore it is anticipated that owners of commercial and residential property will pay the largest percentages of ad valorem property taxes levied by the District.

2014 Assessed and “Actual” Valuation of Classes of Property in the District

Property Class	Total Assessed Valuation	Percentage of Total Assessed Valuation	Statutory “Actual” Valuation	Percentage of Total “Actual” Valuation
Commercial	\$4,909,532,550	43.12%	\$16,929,422,700	20.93%
Residential	4,567,603,380	40.12	57,381,952,000	70.94
State Assessed	838,377,800	7.36	2,890,957,900	3.57
Vacant Land	181,826,740	1.60	626,988,700	0.78
Industrial	122,425,260	1.08	422,156,100	0.52
Personal Property	<u>765,485,520</u>	<u>6.72</u>	<u>2,639,605,200</u>	<u>3.26</u>
Gross Assessed Value	\$11,385,251,250	100.00%	<u>\$80,891,082,600</u>	<u>100.00%</u>
Less Tax Increment ⁽¹⁾	<u>867,864,581</u>			
Net Assessed Value	<u>\$10,517,386,669</u>			

(1) Incremental assessed valuations in excess of “base” valuation in property tax increment areas from which the District does not receive property tax revenue.

Source: Assessor’s Office of the City and County of Denver.

History of Statutory “Actual” Valuation of Classes of Property in the District⁽¹⁾

Property Class	2010 Levy/ 2011 Collection Year	2011 Levy/ 2012 Collection Year	2012 Levy/ 2013 Collection Year	2013 Levy/ 2014 Collection Year
Residential	\$57,474,047,487	\$54,365,616,834	\$54,619,696,600	\$56,185,168,100
Commercial	21,049,084,517	18,112,762,207	17,870,479,200	19,037,568,200
State Assessed	2,881,479,310	3,063,740,690	2,786,957,600	2,859,333,200
Industrial	867,728,793	771,903,345	751,757,000	765,730,900
Vacant Land	755,717,414	669,861,828	668,558,400	733,579,100
Agriculture	150,828	165,034	0	0
Oil and Gas	<u>30,789</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross “Actual” Valuation	<u>\$83,028,239,138</u>	<u>\$76,984,049,938</u>	<u>\$76,697,448,800</u>	<u>\$79,581,379,500</u>

(1) Except for the 2012 and 2013 levy years, which are the statutory certified “actual” valuations, the estimated historical “actual” valuations presented herein are derived from data provided by the Colorado Department of Local Affairs, State of Colorado Property Tax Annual Reports. “Actual” valuation is not equal to the market valuation of the classes of property.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2010-2011; and Assessor’s Office of the City and County of Denver.

The following table sets forth a history of District ad valorem property tax collections. Property tax collections for levy year 2014 (collection year 2015) largely have been completed; the last installment of property taxes was due June 15, 2015. Any delinquent taxes are expected to be collected in future years.

Historical Property Tax Collections

Levy/ Collection Year	Total Taxes Levied ⁽¹⁾	Current Tax Collection ⁽²⁾	Percent of Levy Collected	Delinquent Taxes Collected ⁽³⁾	Total Taxes Collected	Percent of Total Collections
2009/2010 ⁽⁴⁾	\$442,516,290	\$436,223,046	98.58%	\$2,746,675	\$438,969,721	99.20%
2010/2011	446,293,224	440,805,154	98.77	(4,907,174)	435,897,980	97.67
2011/2012	431,137,524	423,198,128	98.16	(643,674)	422,554,454	98.01
2012/2013	505,246,942	496,654,572	98.30	80,707	496,735,279	98.32
2013/2014	515,395,469	510,861,186	99.12	300,305	511,161,491	99.18
2014/2015 ⁽⁵⁾	518,497,219	500,511,464	--	(1,054,959)	499,456,505	--

(1) Figures do not include revenue attributable to the various tax increment areas.

(2) The City and County Treasurer's collection fees have not been deducted from these amounts. Figures do not include interest, fees and penalties.

(3) According to the Denver Finance Department, the negative amounts of delinquent tax collections in each of the years shown are attributable to various abatements/refunds.

(4) Delinquent taxes collected in 2009-10 include Frontier Airlines delinquent 2007-08 tax payment made in 2009-10 upon emergence from bankruptcy.

(5) Figures are for January 1 through June 30, 2015.

Source: City and County of Denver Finance Department.

Set forth in the following table are the largest taxpayers within the District for the 2014 levy/2015 collection year (the latest year for which information is available). No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

Largest Taxpayers Within the District

Taxpayer Name	2014 Assessed Valuation	Percentage of Total Assessed Valuation ⁽¹⁾
Public Service Co.	\$238,892,220	2.10%
CenturyLink	160,624,720	1.41
Brookfield Office Properties	157,806,300	1.39
Beacon Capital Partners	140,873,760	1.24
Columbia-Healthone LLC	93,118,450	0.82
UBS Realty Investors	82,267,970	0.72
Taubman Centers Inc.	82,225,270	0.72
Callahan Capital Partners	75,955,530	0.67
LBA Realty Fund	73,287,210	0.64
Frontier Airlines	61,652,600	0.54
TOTAL	\$1,166,704,030	10.25%

(1) Based upon the total 2014 assessed valuation figure of \$11,385,251,250, which includes the assessed valuation attributable to the tax increment authorities within the District.

Source: Assessor's Office of the City and County of Denver.

Overlapping Mill Levies

Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the City and County Assessor, the lowest total mill levy imposed in 2014 (to be collected in 2015) on a taxpayer located in the District was 83.054 and the highest was 224.054. As a result, property owners within the District may be subject to various mill levies depending upon the location of their property. The following table is representative of a sample total 2014 mill levy (collected in 2015) attributable to taxpayers within the District and is not intended to portray the mills levied against all properties within the District. Additional taxing entities may overlap the District in the future.

Sample 2014 Mill Levy

Taxing Entity ⁽¹⁾	2014 Mill Levy ⁽²⁾
City and County of Denver	33.055
Urban Drainage and Flood Control District	0.700
Total Sample Overlapping Mill Levy	33.755
The District	49.299
Total Sample Mill Levy	83.054

(1) Regional Transportation District also overlaps the District, but does not assess a mill levy.

(2) One mill equals 1/10 of one cent. Mill levies certified in 2014 are for the collection of ad valorem property taxes in 2015.

Source: Assessor's Office of the City and County of Denver.

Estimated Overlapping General Obligation Debt

In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries which overlap or partially overlap the boundaries of the District. The following table sets forth the estimated

overlapping general obligation debt attributable to property owners within the District as of the date of this Official Statement. Additional taxing entities may overlap the District in the future.

Estimated Overlapping General Obligation Debt

<u>Entity⁽¹⁾</u>	<u>2014 Assessed Valuation⁽²⁾</u>	<u>Outstanding G.O. Debt⁽³⁾</u>	<u>Outstanding G.O. Debt Chargeable to District⁽⁴⁾</u>	
			<u>Percent</u>	<u>Amount</u>
Adams County Fire Protection District (FKA North Washington Fire Protection District No. 3)	\$475,688,320	\$3,510,000	1.39%	\$ 48,789
Bowles Metropolitan District	50,102,795	22,235,000	48.49	10,781,752
Central Platte Valley Metropolitan District	128,682,890	65,305,000	100.00	65,305,000
Cherry Creek North Business Improvement District No. 1	159,219,860	16,560,000	100.00	16,560,000
City and County of Denver	10,517,386,669	867,645,500	100.00	867,645,500
Colorado International Center Metropolitan Dist. No. 14	8,446,680	6,165,000	100.00	6,165,000
Denver Gateway Center Metropolitan District	3,054,020	330,000	100.00	330,000
Denver International Business Center Metro Dist. No. 1	16,200,030	12,315,000	100.00	12,315,000
Ebert Metropolitan District	60,267,740	87,380,000	100.00	87,380,000
Fairlake Metropolitan District	27,818,200	1,725,000	100.00	1,725,000
Gateway Regional Metropolitan District	34,962,090	8,040,000	100.00	8,040,000
Gateway Village General Improvement District	17,861,970	815,000	100.00	815,000
Goldsmith Metropolitan District ⁽⁵⁾	484,156,110	4,865,000	52.07	2,533,206
Greenwood Metropolitan District	76,950,028	1,110,000	2.42	26,862
Madre Metropolitan District No. 2	6,288,980	25,555,000	100.00	25,555,000
Mile High Business Center Metropolitan District	20,253,580	6,910,000	100.00	6,910,000
Park Creek Metropolitan District ⁽⁶⁾	48,700	285,985,000	100.00	285,985,000
Sand Creek Metropolitan District	165,565,850	66,400,000	20.77	13,791,280
SBC Metropolitan District	5,922,860	24,845,000	100.00	24,845,000
Section 14 Metropolitan District	57,860,800	4,440,000	24.66	1,094,904
Southeast Public Improvement Metropolitan District	1,903,426,403	3,330,000	11.92	396,936
TOTAL				<u>\$1,438,249,229</u>

(1) The following entities also overlap the District but have reported no general obligation debt outstanding: 9th Avenue Business Improvement District; 14th Street General Improvement District; Alameda Station Metropolitan District; Aviation Station North Metropolitan Districts Nos. 1 to 6; Bluebird Business Improvement District; BMP Metropolitan Districts Nos. 1 to 3; Broadway Station Metropolitan Districts Nos. 1 to 3; Central Platte Valley Coordination Metropolitan District; Cherry Creek Subarea Business Improvement District; Clear Creek Valley Water and Sanitation District; Colfax Business Improvement District; Colorado International Center Metropolitan District No. 13; Community Coordinating Metropolitan District No. 1; Denargo Market Metropolitan Districts Nos. 1 to 3; Denver Gateway Meadows Metropolitan District; Denver High Point at DIA Metropolitan District; Denver Metropolitan Major League Baseball Stadium District; Denver Suburban Water District; Denver Union Station Downtown Development Authority; Denver Urban Renewal Authority; Downtown Denver Business Improvement District; DUS Metropolitan Districts Nos. 1 to 5; Fax-Mayfair Business Improvement District; Federal Boulevard Business Improvement District; First Creek Metropolitan District; Globeville Commerce Center Metropolitan Districts Nos. 1 and 2; Grant Water and Sanitation District; Greenwood Plaza Water District; GVR Metropolitan District; Holly Hills Water and Sanitation District; Lakehurst Water and Sanitation District; Lochmoor Water and Sanitation District; Lowry Vista Metropolitan District; Madre Metropolitan Districts Nos. 1 and 3; Metropolitan Football Stadium District; North Pecos Water and Sanitation District; North Washington Street Water and Sanitation District; Old South Gaylord Business Improvement District; Regional Transportation District; Santa Fe Business Improvement District; Sheridan Sanitation District No. 2; Smith Metropolitan Districts Nos. 1 to 4; South Denver Metropolitan District; South Sloan's Lake Metropolitan Districts Nos. 1 and 2; Southgate Water District; Town Center Metropolitan District; Town Center Metropolitan District Subdistricts Nos. 1 and 2; Urban Drainage and Flood Control District; Urban Drainage and Flood Control District - South Platte Levy; Valley Sanitation District; West Colfax Business Improvement District; and Westerly Creek Metropolitan District.

(2) Assessed values certified in 2014 are for collection of ad valorem property taxes in 2015. For entities located in more than one county, includes the total assessed valuation, not just the portion that overlaps the District.

(3) Does not include obligations payable to developers issued on a subordinate basis to outstanding bonds.

(4) The percentage of each entity's outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District are responsible will also change.

(5) Goldsmith Metropolitan District paid off its outstanding general obligation bonds through an Amended and Restated Funding Agreement with Goldsmith Metropolitan District Block K Subarea, dated November 1, 2014. Under this agreement, the subarea is reimbursing Goldsmith Metropolitan District for the principal amount of the bonds then outstanding (\$4,960,000) plus interest. Payments are scheduled through December 1, 2034.

(6) Park Creek Metropolitan District ("Park Creek") was organized concurrently with Westerly Creek Metropolitan District ("Westerly"). Park Creek is the financing and operating district and issues bonds to finance improvements in both districts. Westerly is the taxing district. Park Creek and Westerly have entered into an intergovernmental agreement requiring Westerly to remit all revenues to Park Creek, including revenues for payment of bonds. The 2014 assessed value of Westerly is \$31,396,256 and its 2014 mill levy is 55.986.

Sources: Assessors' Offices of Adams, Arapahoe, Douglas and Jefferson Counties; Assessor's Office of the City and County of Denver; and information obtained from individual taxing entities.

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

General. Debt” or “indebtedness” as used in this Official Statement means, generally, obligations backed by the full faith and credit of the District and secured by the unlimited power to levy ad valorem property taxes of the District. Debt refers only to principal amounts and not to the interest to become due thereon. Debt does not include debt that has been refinanced, obligations arising upon a contingency or obligations which do not extend beyond the fiscal year in which incurred.

Authorization. The Board has the power to contract indebtedness on behalf of the District for specific purposes authorized by statute relating to the acquiring, purchasing, constructing, enlarging, improving, remodeling, repairing, and equipping or furnishing of school grounds and buildings, for funding floating indebtedness, for acquiring, constructing or improving any capital asset that the District is authorized by law to own or for supporting charter school capital construction. Debt may be incurred only by resolution which is irrevocable until such indebtedness has been fully paid, specifying the use of the funds, and providing for the levy of a tax which, together with other legally available revenues of the District, will be sufficient to pay the principal of and interest on such debt when due, subject to the limitations of TABOR. No debt may be created unless the question of incurring the indebtedness has first been submitted to and approved by a majority of the registered electors of the District voting at an election held for that purpose.

Limitations on School District Indebtedness. The State Constitution provides that the Legislature shall establish limitations on the authority of any political subdivision to incur general obligation indebtedness in any form. Bonded indebtedness of school districts is limited by Section 22-42-104 of C.R.S. In its 1994 session (as amended during its 1996, 1998 and 2007 sessions), the Legislature established the limitation as the greater of (1) 20% of the latest valuation for assessment of the taxable property in such district or (2) 6% of the most recent determination of the actual value of property in such district, each as certified to the board of county commissioners. However, for districts whose enrollment has increased by 2.5% in each of the three preceding years, the limitation is the greater of 25% of the latest valuation for assessment or 6% of the most recent determination of actual value. The assessed valuation used to determine the District’s debt limitation is the assessed valuation certified on the December 10 prior to the date on which the applicable bonds are issued. By law, any obligations which have been refunded, either by immediate payment or redemption and retirement or by the placement of proceeds of refunding bonds in escrow, shall not be deemed outstanding for the purposes of determining compliance with debt limitations.

The District’s total legal debt limit (based upon a limitation of 20% of its 2014 assessed valuation of \$10,517,386,669) is \$2,103,477,334. The District currently has \$1,364,745,175 in general obligation debt outstanding, leaving debt capacity of \$738,732,159. The District can issue additional general obligation debt (other than refunding bonds) only with voter approval.

Outstanding General Obligation Debt

As of August 15, 2015, the date of this Official Statement, the District had the following general obligation debt outstanding.

General Obligations of the District

<u>Name of Bond Issue</u>	<u>Principal Amount Outstanding</u>
Qualified Zone Academy Bonds, Series 2001A and 2001B	\$ 7,998,175
Refunding Bonds, Series 2005A	129,510,000
Qualified School Construction Series 2009B	24,022,000(1)
Taxable Build America New Money Series 2009C	250,000,000
Tax-Exempt Refunding Series 2009F	21,350,000
Tax-Exempt Refunding Series 2009G	41,970,000
Taxable Qualified School Construction Series 2010A	29,260,000(1)
Taxable Build American New Money Series 2010B	1,545,000
Tax-Exempt Refunding Series 2010C	85,390,000
Refunding Bonds, Series 2012A	113,855,000
Tax-Exempt Series 2012B	409,805,000
Taxable Qualified Zone Academy Series 2012C	16,000,000(1)
Taxable Refunding Series 2012D	63,470,000
Series 2014A	21,400,000
Refunding Bonds, Series 2014B	<u>149,170,000</u>
Total	\$1,364,745,175

- (1) Represents the entire principal amount of the 2009B Bonds, 2010A Bonds and 2012C Bonds, respectively. The bond resolutions authorizing those bonds require the District to make sinking fund deposits in each year; however, those resolutions do not require mandatory sinking fund redemptions. Although the District has set aside deposits as required by the resolutions, the outstanding principal amount of the bonds has not been reduced.

Other Obligations of the District

Capital Lease Obligations. The Board has the authority to enter into installment or lease purchase contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The Board also has the authority to enter into annually appropriated capital or operating leases. The District enters into such leases from time to time. See Notes 6 and 12 in the audited financial statements attached hereto as Appendix A for information about those obligations as of June 30, 2014.

Lease Purchase Obligations. The District has entered into several other lease agreements with the Corporation, as lessor, and one lease with UMB Bank, n.a. ("UMB"), as lessor. In connection with such leases, the Corporation and UMB executed and delivered certificates of participation representing undivided interests in the Corporation's and UMB's, respectively, right to receive lease revenues paid by the District thereunder.

Each of the leases is secured by specified leased property; the Leased Property is not encumbered by any of the other lease-purchase agreements. Each of these lease agreements is subject to annual appropriation by the District. The District's obligation to pay Base Rent under each lease purchase agreement supports the payment of an associated series of certificates of participation.

The following table sets forth the aggregate principal amount of the certificates of participation outstanding as of August 15, 2015. The amounts in this table do not include the Certificates.

Outstanding Certificates of Participation

Obligation	Principal Amount Outstanding
Certificates of Participation, Series 1997	\$ 6,193,564
Certificates of Participation, Series 2011	396,235,000
Certificates of Participation, Series 2013A	35,195,000
Certificates of Participation, Series 2013B	529,310,000
Certificates of Participation, Series 2013C	<u>58,740,000</u>
Total	<u>\$1,025,673,564</u>

Source: The District.

The following table sets forth the base rents payable by the District under the leases entered into with respect to the 1997 Certificates, the 2011 Certificates, the 2013A Certificates, the 2013B Certificates and the Certificates. The base rents payable under those leases are also payable from any legally available revenues of the District.

Base Rent Payable Pursuant to Other District Lease-Purchase Agreements(1)

Fiscal Year Ending <u>June 30</u>	1997 Base <u>Rent</u>	2011B Base <u>Rent</u>	2013A Base <u>Rent(2)</u>	2013B Base <u>Rent</u>	2013C Base <u>Rent</u>	Total Base <u>Rent</u>
2016	\$ 9,545,000	\$ 26,978,875	\$ 697,741	\$ 24,043,812	\$ 2,657,513	\$ 63,922,941
2017	10,950,000	26,978,875	695,834	26,626,256	3,588,513	68,839,478
2018	3,980,000	31,135,456	--	31,099,036	3,599,513	69,814,005
2019	--	33,751,096	--	33,936,928	3,569,313	71,257,337
2020	--	34,084,022	--	34,267,050	4,989,113	73,340,185
2021	--	34,400,477	--	34,612,388	5,153,713	74,166,578
2022	--	34,732,197	--	34,942,431	5,141,188	74,815,816
2023	--	35,065,137	--	35,277,730	5,138,313	75,481,180
2024	--	35,400,411	--	35,607,424	5,133,063	76,140,898
2025	--	35,729,131	--	35,941,695	5,130,063	76,800,889
2026	--	36,062,099	--	36,266,103	5,123,938	77,452,140
2027	--	36,404,338	--	36,585,320	5,119,313	78,108,971
2028	--	36,741,787	--	36,903,594	5,115,688	78,761,069
2029	--	37,073,725	--	37,220,207	5,143,169	79,437,101
2030	--	37,411,636	--	37,538,329	5,107,525	80,057,490
2031	--	37,742,276	--	37,847,396	5,102,775	80,692,447
2032	--	38,081,699	--	38,149,424	5,124,425	81,355,558
2033	--	38,415,255	--	38,442,079	5,127,163	81,984,497
2034	--	38,757,594	--	38,727,923	5,089,125	82,574,642
2035	--	39,087,841	--	39,014,198	--	78,102,039
2036	--	39,419,593	--	39,288,148	--	78,707,741
2037	--	39,755,043	--	39,547,225	--	79,302,268
2038	--	<u>40,042,263</u>	--	<u>39,847,614</u>	--	<u>79,889,877</u>
Total	\$24,475,000	\$823,250,826	\$1,393,575	\$821,732,310	\$90,153,426	\$1,761,005,137

- (1) Does not include regularly scheduled fees of the trustee for the 2011B Certificates and the 2013B Certificates. Those fees are expected to be approximately \$3,000 per year for each series of certificates.
- (2) The base rent payable under the 2013A Lease consists only of interest through fiscal year 2017. Prior to that time, the District expects to redeem the 2013A Certificates with proceeds from the sale of properties and/or any other available District funds. If the District does not redeem the 2013A Certificates as planned, beginning in fiscal year 2019 the base rent payable under the 2013A Lease will consist of principal and interest calculated at an interest rate equal to the lesser of: (a) 12%; or (b) the one-month London Interbank Offered Rate (LIBOR) plus a spread calculated pursuant to the 2013A Lease.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the District. It is intended only to provide prospective investors with general information regarding the District's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District.

Population

The following table sets forth population statistics for the City and County of Denver ("Denver"), the Denver-Aurora Core Based Statistical Area ("Denver-Aurora CBSA") and the State. The Denver-Aurora CBSA is comprised of six metropolitan counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. Between 2000 and 2010, the population of Denver increased 8.2%, the Denver-Aurora CBSA's population increased 15.8%, and the population of the State increased 16.9%.

<u>Population</u>						
Year	Denver	Percent Change	Denver-Aurora CBSA	Percent Change	Colorado	Percent Change
1970	514,678	--	1,116,226	--	2,207,259	--
1980	492,365	(4.3)%	1,450,768	30.0%	2,889,735	30.9%
1990	467,610	(5.0)	1,650,489	13.8	3,294,394	14.0
2000 ⁽¹⁾	554,636	18.6	2,196,957	33.1	4,301,261	30.6
2010	600,158	8.2	2,543,482	15.8	5,029,196	16.9
2011	620,977	--	2,600,826	--	5,117,368	--
2012	634,903	2.2%	2,646,760	1.8%	5,188,504	1.4%
2013	648,937	2.2	2,696,413	1.9	5,264,890	1.5

(1) Population of the Denver-Aurora CBSA adjusted by Colorado State Demography Office to reflect the 2001 creation of the City and County of Broomfield.

Sources: United States Department of Commerce, Bureau of the Census (1970-2010) and Colorado State Demography Office (2011-2013 figures, which are subject to periodic revision, and 2000 figure for the Denver-Aurora CBSA).

Income

The following table sets forth historical per capita personal income for Denver, the Denver-Aurora CBSA, Colorado and the United States.

Per Capita Personal Income

Year ⁽¹⁾	Denver	Denver-Aurora CBSA	Colorado	United States
2009	\$49,402	\$46,015	\$41,518	\$39,379
2010	50,370	46,055	41,689	40,144
2011	53,980	48,897	44,183	42,332
2012	56,538	51,432	46,315	44,200
2013	56,967	51,946	46,897	44,765
2014	n/a	n/a	48,730	46,129

(1) Figures for Denver and the Denver-Aurora CBSA posted November 20, 2014. Figures for the State and the nation posted March 25, 2015. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The following table sets forth the number of individuals employed within selected Denver industries which are covered by unemployment insurance. In 2014, the largest employment sector in Denver was health care and social assistance (comprising approximately 11.6% of Denver's work force), followed, in order, by accommodation and food services, professional and technical services, administrative and waste services, and transportation and warehousing. For the twelve-month period ended December 31, 2014, total average employment in Denver increased 4.4% as compared to the same period ending December 31, 2013, and total average weekly wages increased 3.7%.

Average Number of Employees Within Selected Industries – Denver

<u>Industry Title</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Accommodation and Food Services	39,069	41,474	42,790	44,751	47,312
Administrative and Waste Services	31,050	32,006	34,145	33,039	34,672
Agriculture, Forestry, Fishing, Hunting	145	128	180	183	450
Arts, Entertainment and Recreation	7,244	7,289	7,816	8,066	8,457
Construction	14,998	14,552	15,051	16,524	18,438
Educational Services	30,352	31,377	33,118	27,974	28,741
Finance and Insurance	24,784	24,043	24,202	25,281	25,502
Government	27,491	27,506	27,402	27,404	27,663
Health Care and Social Assistance	55,155	52,120	50,246	51,317	53,576
Information	13,792	12,608	12,107	11,557	11,906
Management of Companies/Enterprises	9,440	9,568	10,637	11,559	12,212
Manufacturing	19,321	19,163	19,385	20,145	20,438
Mining	6,301	6,977	7,716	8,219	9,112
Non-Classifiable	24	33	37	71	69
Other Services	14,241	14,492	15,062	15,361	16,053
Professional and Technical Services	37,053	38,993	41,114	44,040	46,445
Real Estate, Rental and Leasing	10,048	10,151	10,321	10,743	11,287
Retail Trade	25,832	26,365	27,280	27,928	28,965
Transportation and Warehousing	26,637	26,178	27,202	28,766	29,702
Utilities	3,232	3,250	3,226	3,251	3,246
Wholesale Trade	<u>24,383</u>	<u>24,492</u>	<u>25,050</u>	<u>25,210</u>	<u>26,447</u>
Total All Industries ⁽¹⁾	<u>420,592</u>	<u>422,764</u>	<u>434,086</u>	<u>441,388</u>	<u>460,691</u>

(1) Figures may not equal totals when added, due to the rounding of averages or the inclusion in the total figure of employees that were not disclosed in individual classifications.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

The following table presents information on employment within Denver, the Denver-Aurora CBSA, the State and the nation, for the period indicated.

Labor Force and Employment

Year	Denver ⁽¹⁾		Denver-Aurora CBSA ⁽¹⁾		Colorado ⁽¹⁾		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2010	347,590	9.1%	1,423,354	8.7%	2,724,417	8.7%	9.6%
2011	352,140	8.6	1,430,443	8.2	2,734,416	8.3	8.9
2012	357,730	7.8	1,448,208	7.6	2,757,126	7.8	8.1
2013	364,612	6.6	1,470,504	6.6	2,779,631	6.8	7.4
2014	370,487	4.9	1,495,011	4.8	2,817,334	5.0	6.2
<u>Month of May</u>							
2014	369,678	4.8%	1,491,426	4.8%	2,803,545	5.0%	6.3%
2015	371,854	4.1	1,501,568	4.1	2,818,806	4.3	5.5

(1) Figures for Denver, Denver-Aurora CBSA, and the State are not seasonally adjusted.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data; and United States Department of Labor, Bureau of Labor Statistics.

Selected major employers in the Denver Metro area are set forth in the following table. No independent investigation has been made of, and there can be no representation as to, the stability or financial condition of the companies listed below, or the likelihood that such companies will maintain their status as major employers in the area.

Ten Largest Employers in the Denver Metro Area

Name of Employer	Product or Service	Estimated Number of Employees ⁽¹⁾
United States Government	Government	40,213
State of Colorado	Government	33,000
University of Colorado System	Higher Education	17,356
Denver Public Schools	K-12 Education	14,489
HealthONE Corporation	Healthcare	12,190
Jefferson County Public Schools	K-12 Education	12,000
City and County of Denver	Government	10,890
SCL Health System	Healthcare	8,280
Centura Health	Healthcare	7,350
Lockheed Martin Corporation	Aerospace and Defense Related Systems	6,570

(1) Revised May 2014.

Sources: Development Research Partners and *Denver Business Journal* as posted by Metro Denver Economic Development Corporation.

Retail Sales

The below table sets forth information on retail sales within Denver, the Denver-Aurora CBSA and the State for the years indicated.

<u>Retail Sales</u> (in thousands)						
Year	Denver	Percent Change	Denver-Aurora CBSA	Percent Change	Colorado	Percent Change
2009	\$22,946,880	--	\$72,053,429	--	\$134,058,593	--
2010	24,455,630	6.5 %	77,587,312	7.7%	143,670,319	7.2%
2011	24,207,050	(1.0)	83,602,220	7.8	154,697,943	7.7
2012	25,053,275	3.5	91,013,567	8.9	164,387,648	6.3
2013	25,937,922	3.5	95,217,880	4.6	171,362,038	4.2
2014 ⁽¹⁾	19,425,496	--	72,006,445	--	131,181,892	--

(1) Figures are through the third quarter of 2014.

Source: State of Colorado Department of Revenue, "Sales Tax Statistics," 2009-2014.

Building Activity

The following table provides a history of building permits issued for new residential and commercial construction in Denver for the years indicated.

<u>Building Permits Issued in the City and County of Denver</u>						
Year	Single Family		Multi-Family		Commercial/Industrial	
	Permits	Value	Permits	Value	Permits	Value
2010	627	\$135,032,847	147	\$76,065,354	18	\$39,028,517
2011	693	156,500,345	180	179,452,515	97	47,395,162
2012	1,014	215,601,341	264	301,704,355	25	106,553,797
2013	1,269	291,025,038	339	630,046,868	29	67,766,635
2014	1,691	381,989,288	334	461,417,224	31	36,692,670
2015 ⁽¹⁾	660	162,291,037	153	256,682,398	9	12,452,250

(1) Figures are for January 1 through May 31, 2015.

Source: City and County of Denver, Community Planning and Development.

Foreclosure Activity

The following table presents historical information on foreclosure filings. Such information represents the number of foreclosures filed and does not take into account the number of foreclosures which were subsequently redeemed or withdrawn.

History of Foreclosures – Denver

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
2010	5,053	--
2011	3,434	(32.0)%
2012	3,064	(10.8)
2013	1,616	(47.3)
2014	1,087	(32.7)
2015 ⁽¹⁾	368	--

(1) Figures are for January 1 through June 30, 2015.

Sources: Colorado Division of Housing (2010 -2014) and City and County of Denver Office of the Clerk and Recorder (2015).

LEGAL MATTERS

Litigation

There is no litigation now pending or threatened which questions the validity of the Lease or any proceedings the District has taken with respect to the Lease. The District is subject to certain pending and threatened litigation or administrative proceedings regarding various other matters arising in the ordinary course of the District's business. It is the opinion of General Counsel to the District that the pending litigation is either adequately covered by insurance or, to the extent not insured, the final settlement thereof, individually or in the aggregate, is not expected to materially adversely affect the District's financial position or its ability to pay Base Rent under the Lease.

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; failure to perform an education employment required background check; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. Effective July 1, 2017, immunity is also waived for serious bodily injury or death resulting from an incident of school violence (murder, first degree assault or felony sexual assault). In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act for injuries occurring on or after July 1, 2013, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 (\$900,000 in the case of incidents of school violence); except in such instance, no person may recover in excess of \$350,000. Those amounts will increase four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. Lower limits applied to injuries occurring prior to July 1, 2013. The District may increase any maximum amount that may be recovered from the District for certain types of injuries. However, the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the District voluntarily pays such damages in accordance with State law. The District has not acted to increase the damage limitations in the Immunity Act.

The District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it generally cannot claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include suits filed

pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Approval of Certain Legal Proceedings

The approving opinion of Butler Snow LLP, as Special Counsel, will be delivered with the Certificates. A form of the Special Counsel opinion for the Certificates is attached to this Official Statement as Appendix E. The opinion will include a statement that the obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the federal constitution, including bankruptcy. Butler Snow LLP, Denver, Colorado, has also acted as Special Counsel to the District in connection with this Official Statement. Certain legal matters pertaining to the organization and operation of the District will be passed upon by the District's General Counsel.

Certain Constitutional Limitations

TABOR - General. In 1992, Colorado voters approved TABOR (as Article X, Section 20 of the Colorado constitution). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes and to issue debt and certain other types of obligations without voter approval in advance. TABOR generally applies to the State and all local governments, including school districts ("local governments"), but does not apply to "enterprises," defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined.

Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption and additional litigation may be commenced in the future seeking further interpretation of TABOR. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that imposed in the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government's spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever (subject to certain exceptions such as the refinancing of obligations at a lower interest rate).

In the opinion of Special Counsel, based upon decisions of the Colorado appellate courts, the Lease does not constitute a "multiple fiscal year obligation" which requires an election under the terms of TABOR.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based, for school districts, upon the percentage change in enrollment from year to year. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated. Debt service can be paid without regard to any spending limits, assuming revenues are available to do so.

At an election held on November 2, 1999, the District received voter approval to exceed the revenue and spending limits imposed by TABOR, beginning in the 1999-2000 fiscal year.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. According to the District, it has budgeted emergency reserves as required by TABOR.

Other Limitations. TABOR also prohibits new or increased real property transfer tax rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K-12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase-out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

Police Power

The obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

TAX MATTERS

2015A Certificates. In the opinion of Special Counsel, the portion of the Base Rentals which is designated in the Lease and paid as interest on the 2015A Certificates is includible in gross income for federal and State of Colorado income tax purposes.

2015B Certificates. In the opinion of Special Counsel, assuming continuous compliance with certain covenants described below, the portion of the Base Rent which is designated in the Lease and paid by the Trustee as interest on the 2015B Certificates, is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2015B Certificates (the “Tax Code”), is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the 2015B Certificates. For purposes of this paragraph and the succeeding discussion, “interest” includes original issue discount on certain of the 2015B Certificates only to the extent such original issue discount is accrued as described herein.

The opinion of Special Counsel does not cover the treatment for federal or Colorado income tax purposes of any monies received in payment of or in respect to the 2015B Certificates subsequent to the occurrence of an Indenture Event of Default, a Lease Event of Default or an Event of Nonappropriation.

The Tax Code and Colorado law impose several requirements which must be met with respect to the 2015B Certificates in order for the interest thereon to be excludable from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2015B Certificates. These requirements include: (a) limitations as to the use of proceeds of the 2015B Certificates; (b) limitations on the extent to which proceeds of the 2015B Certificates may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2015B Certificates above the yield on the 2015B Certificates to be paid to the United States Treasury. The District covenants and represent in the Lease that it will, during the Lease Term, take all steps to comply with the requirements of the Tax Code and Colorado law (in effect on the date of delivery of the 2015B Certificates) to the extent necessary to maintain the exclusion of interest on the 2015B Certificates from gross income and alternative minimum taxable income under such federal income tax laws and Colorado taxable income and Colorado alternative minimum taxable income under such Colorado income tax laws. Special Counsel’s opinion as to the exclusion of interest on the 2015B Certificates from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income is rendered in reliance on these covenants and assumes continuous compliance therewith. (The foregoing covenant does not, however, preclude the District from exercising its right to terminate the Lease at the times and in the manner previously described in this Official Statement.) The failure or inability of the District to comply with these requirements could cause the interest on the 2015B Certificates to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, from the date of issuance. Special Counsel’s opinion also is rendered in

reliance upon certifications of the District and other certifications furnished to Special Counsel. Special Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the 2015B Certificates.

With respect to 2015B Certificates that were sold in the initial offering at a discount (the "Discount Certificates"), the difference between the stated redemption price of the Discount Certificates at maturity and the initial offering price of those bonds to the public (as defined in Section 1273 of the Tax Code) will be treated as "original issue discount" for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is excluded from gross income, alternative minimum taxable income Colorado taxable income, or Colorado alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs. The original issue discount on the Discount Certificates is treated as accruing over the respective terms of such Discount Certificates on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on June 15 and December 15 with straight line interpolation between compounding dates. The amount of original issue discount accruing each period (calculated as described in the preceding sentence) constitutes interest which is excluded from gross income, alternative minimum taxable income, Colorado taxable income, and Colorado alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs and will be added to the Owner's basis in the Discount Certificates. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Certificates (including sale or payment at maturity). Owners should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Certificates.

Owners who purchase Discount Certificates after the initial offering or who purchase Discount Certificates in the initial offering at a price other than the initial offering price (as defined in Section 1273 of the Tax Code) should consult their own tax advisors with respect to the federal tax consequences of the ownership of the Discount Certificates. Owners who are subject to state or local income taxation (other than Colorado state income taxation) should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Certificates. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2015B Certificates. Owners of the 2015B Certificates should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in

the United States and certain “subchapter S” corporations may result in adverse federal and Colorado tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2015B Certificates made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports “reportable payments” (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the 2015B Certificates were sold at a premium, representing a difference between the original offering price of those 2015B Certificates and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such 2015B Certificates (if any) may realize a taxable gain upon their disposition, even though such 2015B Certificates are sold or redeemed for an amount equal to the owner’s acquisition cost. Special Counsel’s opinion relates only to the exclusion of interest (and, to the extent described above for the Discount Certificates, original issue discount) on the 2015B Certificates from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the 2015B Certificates. Owners of the 2015B Certificates should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Special Counsel are based on existing law as of the delivery date of the 2015B Certificates. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal and State tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2015B Certificates, the exclusion of interest (and, to the extent described above for the Discount Certificates, original issue discount) on the 2015B Certificates from gross income or alternative minimum taxable income, or both, from the date of issuance of the Certificates or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse federal or State tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the 2015B Certificates. Owners of the 2015B Certificates are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2015B Certificates. If an audit is commenced, the market value of the 2015B Certificates may be adversely affected. Under current audit procedures, the Service will treat the District as the taxpayer and the Owners may have no right to participate in such procedures. The District has covenanted in the Lease not to take any action that would cause the interest on the 2015B Certificates to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the owners thereof for federal income tax purposes. None of the District, the Financial Advisors, the Underwriter or Special Counsel is responsible for paying or reimbursing any Registered Owner or Beneficial Owner for any audit or litigation costs relating to the 2015B Certificates.

INDEPENDENT AUDITORS

The audited basic financial statements of the District for the fiscal year ended June 30, 2014, included in this Official Statement as Appendix A, have been audited by BKD, LLP, independent certified public accountants, Denver, Colorado, to the extent and for the period indicated in their report thereon.

The District has not requested and will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. BKD, LLP, the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement.

RATING

Moody's Investors Service ("Moody's") has assigned the Bonds the rating shown on the cover page of this Official Statement. An explanation of the significance of any ratings given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

The rating reflects only the views of the rating agency, and there is no assurance that the rating will be obtained or will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. Other than its obligations under the Disclosure Certificate, the District has not undertaken any responsibility to bring to the attention of the owners of the Certificates any proposed change in or withdrawal of the rating or to oppose any proposed revision.

UNDERWRITING

George K. Baum & Company, Denver, Colorado (the "Underwriter") has agreed to purchase, pursuant to a Certificate Purchase Agreement: (i) the 2015A Certificates, at a purchase price of \$357,300 (which is equal to the par amount of the 2015A Certificates less Underwriter's discount of \$2,700.00); and (ii) the 2015B Certificates at a purchase price of \$9,256,316.30 (which is equal to the par amount of the 2015B Certificates, plus net original issue premium of \$750,591.30, and less Underwriter's discount of \$64,275.00). The Underwriter is committed to take and pay for all of the Certificates if any are taken.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions from the public offering price to certain dealers who may reallocate concessions to other dealers. After the initial public offering price, prices may be varied from time to time by the Underwriter, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Certificates into investment accounts.

OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement has been authorized by the District. This Official Statement is hereby duly approved by the District as of the date on the cover page hereof.

SCHOOL DISTRICT NO. 1, IN THE CITY
AND COUNTY OF DENVER AND STATE
OF COLORADO

By /s/ Allegra Haynes
President, Board of Education

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE: The audited basic financial statements of the District for the year ended June 30, 2014, have been excerpted from the District's Comprehensive Annual Financial Report ("CAFR") for that year. Other information contained in the CAFR (and referenced in the attached independent auditor report), including the introductory section, the combining and individual fund financial statements contained in the supplementary information section, the statistical section and the compliance section were purposely excludable from this Appendix A.

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Independent Auditor's Report

Board of Education
School District No. 1 in the
City and County of Denver and State of Colorado
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the School District No. 1 in the City and County of Denver and State of Colorado (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Denver Public Schools Professional Compensation System for Teachers Trust (ProComp) fund nor the aggregate discretely present component units as of and for the year ended June 30, 2014. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the ProComp fund and the aggregate discretely presented component units, insofar as it relates to the amounts included for the ProComp fund and the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*, except Academy 360, Colorado High School, and Highline Academy, which were audited under *Government Auditing Standards*.

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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 opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District No. 1 in the City and County of Denver and State of Colorado as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2014, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the District restated beginning net position and fund balance for a correction of an error. Our opinions are not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the beginning net position of the aggregate discretely presented component units have been restated for a change in reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

2013 Financial Statements

The 2013 financial statements, before they were restated for the matter discussed in Note 14, were audited by other auditors and their report thereon, dated November 21, 2013, expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary and OPEB information, listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

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operational, economic or historical context. We and the other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information including the combining fund statements - nonmajor funds and the budgetary comparison schedules, Colorado Department of Education Auditor's Integrity Report, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 22, 2014

except for the Supplemental Information on page 180 as to which the date is February 28, 2015



Discover a World
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SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Management of School District No. 1 in the City and County of Denver and State of Colorado (the "District"), provides readers of the District's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is presented in the letter of transmittal, which starts on page seven of this report.

Financial Highlights

On the Statement of Net Position, as of June 30, 2014, the District's net position for governmental activities is a deficit net position of \$655.7 million. The deficit net position is primarily the result of two factors. The first is the result of the District executing Certificates of Participation to fund the District's pension plan known as Denver Public Schools Retirement System (DPSRS) prior to its merger as a separate division within the state's Public Employees Retirement Association (PERA). In July of 1997, the District executed \$384.2 million in Certificates of Participation with the net proceeds contributed to DPSRS. In April of 2008, the District issued \$750 million in Certificates of Participation to refund existing certificates and to fund an additional \$397.8 million contribution to DPSRS in anticipation of the merger with PERA. As a result of these contributions, the District's PERA division is 86.3% funded on a market value basis compared to the PERA School division of 64.0% as of December 31, 2013. Second, in order to fund the District's capital program, the voters of Denver authorized General Obligation bonds in November 1998, 2003, 2008 and 2012 of \$305 million, \$310.8 million, \$454 million, and \$466 million respectively. The proceeds of these bonds were used to fund necessary capital and maintenance of the District's facilities, some of which were not capitalized.

Long-term liabilities decreased from \$2,630.8 million in FY 2013 to \$2,595.1 million in FY 2014 primarily due to payment of scheduled principal payments on bond and certificates of participation offset by issuance of voter approved general obligation bonds of \$21.4 million par amount.

On the statement of activities, general revenues accounted for \$883.5 million or 78 percent of total revenues, and program revenues were \$255.8 million or 22 percent of the total revenues of the primary government. The total revenues increased from \$1039.8 million to \$1,139.3 million, or 10% when compared to prior year. This is primarily due to increased property taxes and state equalization driven by increased student count.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide financial statements are designed to provide readers with information about the District as a whole using accounting methods similar to those used by private-sector businesses.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

The statement of net position includes all of the District's assets and liabilities, with the difference between the two reported as net position to the exclusion of fiduciary funds. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree sick leave payable).

The government-wide financial statements consolidate the governmental and internal service activities that are supported from taxes and intergovernmental revenues. In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.

Business-type activities: The food service program is intended to recover all or a significant portion of their costs through fees, charges, and governmental reimbursements.

The government-wide financial statements include not only the District itself (the primary government), but also legally-separate entities such as the Denver Public Schools Foundation and charter schools which are component units of the District. Financial information for these component units is reported separately from the financial information presented for the primary government. The Denver School Facilities Leasing Corporation has been included as a blended component unit.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant or "major" funds, not the District as a whole. The District has three types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the District's services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

balances provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, ProComp special revenue fund, the bond redemption (debt service) fund, the capital projects building fund and the capital reserve fund, all of which are considered to be major funds. Data for the other two governmental funds (pupil activity fund and permanent fund) is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

Proprietary funds: The District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its food services fund. Internal service funds allocate costs internally among the District's various functions while deriving revenue from the other funds served. The District uses internal service funds to account for its risk management activities and warehouse activities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements: The notes provide additional information essential to a full understanding of the information provided in the financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the District's annual appropriated budgets with comparison schedules that demonstrate compliance with budgets for the general fund and special revenue funds. In addition, two schedules related to other post-employment benefits are included in this section.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These are followed by budgetary comparison schedules for the District's building and capital reserve fund. The budgetary comparison schedules for the remaining funds follow. The combining statements referred to earlier for the internal service funds are provided next.

The final schedules in this report provide additional information on the District's agency fund and capital assets.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Financial Analysis of the District

As noted earlier, the trend of changes in net position may serve over time as a useful indicator of the District's financial position.

A significant portion of the District's assets are its investment in capital assets (e.g., land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students. Capital assets (net) increased from \$793.4 million in 2013 to \$950 million in 2014. The increase is a result of continuing execution of the District's Capital Improvement Plan. The District's capital assets will continue to increase as planned projects are completed in the Capital Reserve and Building Fund. Combined these funds have available fund balance of \$439.5 million.

Current and other assets decreased from \$1,075.0 million to \$918 million primarily due to the use of cash and investments for capital projects in the Capital Reserve and Building Funds.

For the year ended June 30, 2014, the District implemented Governmental Accountings Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the implementation, deferred loss on refundings of \$226.9 million were reclassified from long-term liabilities to deferred outflow of resources in the Statement of Net Position. Additionally, debt issue costs of \$15.4 million that were previously reported as a deferred charge (asset), were written off as a prior period restatement of net assets.

The following table provides a summary of the District's net position as of June 30, 2014 and 2013, respectively (in millions):

	June 30, 2014			June 30, 2013 *		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Current and other assets	\$ 920.8	\$ 0.1	\$ 920.9	\$ 1,074.4	\$ 0.6	\$ 1,075.0
Capital assets, net	949.4	0.6	950.0	792.9	0.5	793.4
Total assets	1,870.2	0.7	1,870.9	1,867.3	1.1	1,868.4
Deferred Outflows of Resources	226.9	-	226.9	-	-	-
Long-term liabilities	2,595.1	-	2,595.1	2,388.8	-	2,388.8
Other liabilities	157.7	0.8	158.5	128.0	1.0	129.0
Total liabilities	2,752.8	0.8	2,753.6	2,516.8	1.0	2,517.8
Net position (deficit):						
Net investment in capital assets	130.6	0.6	131.2	135.7	0.5	136.2
Restricted	175.0	-	175.0	192.8	-	192.8
Unrestricted	(961.3)	(0.7)	(962.0)	(977.9)	(0.4)	(978.3)
Total net position (deficit)	\$ (655.7)	\$ (0.1)	\$ (655.8)	\$ (649.4)	\$ 0.1	\$ (649.3)

*The June 30, 2013 summarized statement has not been restated to reflect the impact of the change in accounting principle implementation of GASB statement No. 65 or the prior period adjustment.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

To calculate net investment in capital assets, the original long-term debt was evaluated to ascertain the amount of proceeds not spent, and of the amount spent, what portion of it had been used on capital assets versus maintenance projects and other non-capital expenditures. That percentage was then applied to the outstanding long-term debt to determine the amount applicable to capital assets.

The following table provides a summary of the District's activities for the fiscal years ended June 30, 2014 and 2013, respectively (in millions):

	June 30, 2014			June 30, 2013 *		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
REVENUES						
Program revenues						
Charges for services	\$ 46.6	\$ 4.4	\$ 51.0	\$ 41.9	\$ 4.0	\$ 45.9
Operating grants and contributions	170.6	34.1	204.7	163.5	30.2	193.7
General revenues						
Taxes	581.8	-	581.8	530.7	-	530.7
State equalization	282.0	-	282.0	257.7	-	257.7
Investment income	7.2	-	7.2	5.9	-	5.9
Other	12.4	-	12.4	5.9	-	5.9
Total revenues	<u>1,100.6</u>	<u>38.5</u>	<u>1,139.1</u>	<u>1,005.6</u>	<u>34.2</u>	<u>1,039.8</u>
EXPENSES						
Instruction	525.4	-	525.4	507.7	-	507.7
Support services	453.6	38.8	492.4	379.6	36.4	416.0
Interest on long-term debt	117.4	-	117.4	113.1	-	113.1
Total expenses	<u>1,096.4</u>	<u>38.8</u>	<u>1,135.2</u>	<u>1,000.4</u>	<u>36.4</u>	<u>1,036.8</u>
Change in net position	<u>4.2</u>	<u>(0.3)</u>	<u>3.9</u>	<u>5.2</u>	<u>(2.2)</u>	<u>3.0</u>
Net position - beginning	(649.4)	0.1	(649.3)	(651.8)	2.3	(649.5)
Change in Accounting Principle	(15.4)		(15.4)			
Prior Period Adjustment	4.9	-	4.9	(2.80)	-	(2.8)
Net position - beginning as restated	(659.9)	0.1	(659.8)	(654.6)	2.3	(652.3)
Net position - ending	<u>\$ (655.7)</u>	<u>\$ (0.2)</u>	<u>\$ (655.9)</u>	<u>\$ (649.4)</u>	<u>\$ 0.1</u>	<u>\$ (649.3)</u>

* The June 30, 2013 summarized statement has not been restated to reflect the impact of the change in accounting principle for implementation of GASB statement No. 65 or the prior period adjustment.

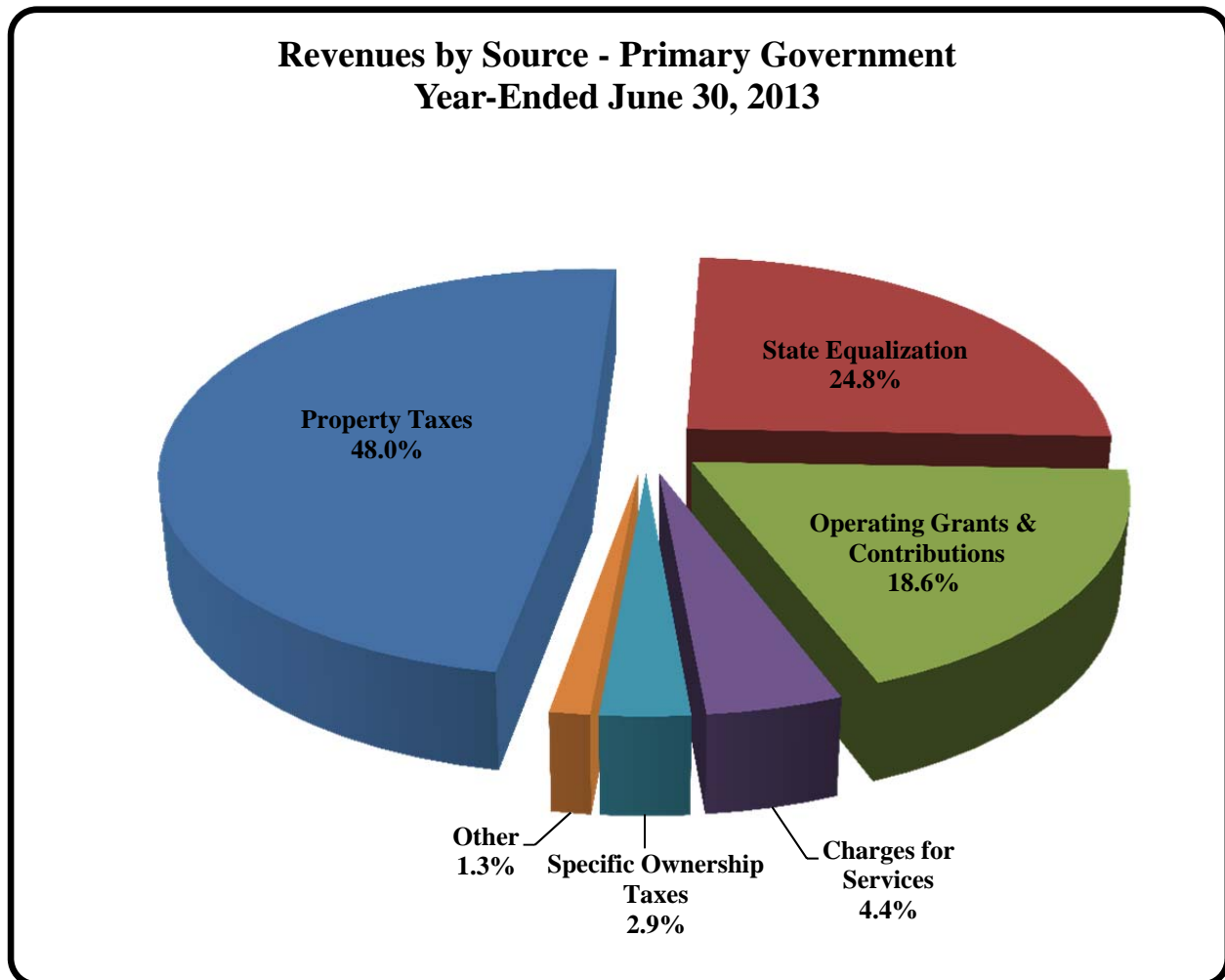
Most revenues to Colorado's school districts are provided through the Public School Finance Act of 1994 (as amended). The District's adjusted total program funding for fiscal year 2014 was \$564.8 million based on a funded pupil count of 80,526 and per pupil total program funding of \$7,014, compared to total program funding of \$528.9 million, funded pupil count of 77,098, and per pupil total program funding of \$6,860 in fiscal year 2013. Of the \$564.8 million adjusted program, \$282.0 million was funded through state share and the remainder through a combination of local property and specific ownership taxes compared to \$257.7 million funded through state share in fiscal year 2013.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

The District's assessed valuation generated \$515.7 million in property tax revenues in fiscal year 2014 and \$498.6 million in fiscal year 2013. Total property tax collections include School Finance Act mills, Override Election mills, Tax Abatement mills, and Bond Redemption Fund mills. Total expenses for the primary government in fiscal year 2014 were \$1,135.2 million compared to \$1,036.8 million in fiscal year 2013.

The following chart illustrates the District's revenues by source.



SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Business-Type Activities

Business-type activities consist of the food services fund. This program had total revenues of \$38.5 million and total expenses of \$38.8 million in fiscal year 2014 compared to total revenues of \$34.2 million and total expenses of \$36.4 million in fiscal year 2013. Business-type activities receive no support from state and local tax revenues.

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending.

Fund balance of all governmental funds decreased by \$200 million. This decrease is primarily due to decreases of \$118.7 million in building fund balance and \$65.9 million in capital reserve fund balance. The decreases in these fund balances are a result of planned capital spending.

General Fund

The general fund is the primary operating fund of the District. Fund balance of the general fund at June 30, 2014 was \$98.3 million, compared to \$114.4 million as of June 30, 2013. The use of fund balance of \$16.1 million is part of the District's long-range plan to maintain classroom funding levels despite state funding decreases.

Other major governmental funds

The special revenue fund balance increased \$.6 million. Fund balance of the ProComp special revenue fund decreased by \$7.9 million due to planned increases in program spending. The bond redemption fund had a \$3.5 million increase as required to fund debt service payments on the District's General Obligation bonds.

Proprietary funds

The District's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail. The fund statements show a column for internal service funds, which are included with the governmental activities for the government-wide financial statements.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

General Fund Budgetary Highlights

The District's budget is prepared in accordance with state law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the general fund.

The difference between the original and final budget for expenditures was an overall increase of \$8.6 million and primarily attributable to:

- Increase of \$4.5 million due to planned pass-through of charter reserves and Early Childhood Education inter-fund transfer.
- Increase of \$4.2 million due to the difference between budgeted fund balances and actual carryover funds.

The positive variance between the District's final budget and actual expenditures of \$45.1 million is primarily due to a significant portion of budgeted reserves of \$54.2 million that were not spent.

Capital Assets and Debt Administration

Capital assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$950 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

The District's total capital assets at June 30, 2014 and 2013, respectively, net of accumulated depreciation, were as follows (in millions):

	June 30, 2014			June 30, 2013		
	Governmental activities	Business- type activities	Total	Governmental activities	Business- type activities	Total
Land and Construction in Progress	\$ 261.8	\$ -	\$ 261.8	\$ 110.6	\$ -	\$ 110.6
Buildings, improvements and equipment	687.6	0.6	688.2	682.2	0.5	682.7
Capital leases	-	-	-	0.1	-	0.1
Total	<u>\$ 949.4</u>	<u>\$ 0.6</u>	<u>\$ 950.0</u>	<u>\$ 792.9</u>	<u>\$ 0.5</u>	<u>\$ 793.4</u>

Additional information on the District's capital assets can be found in note 5 to the basic financial statements.

Long-Term Debt

At June 30, 2014 and 2013, respectively, the District's long-term debt consisted of the following (in millions):

	June 30, 2014			June 30, 2013		
	Governmental activities	Business- type activities	Total	Governmental activities	Business- type activities	Total
Capital lease obligations	-	\$ -	\$ -	\$ 0.1	\$ -	\$ 0.1
Certificates of participation	1,062.1	-	1,062.1	863.9	-	863.9
General obligation bonds	1,513.4	-	1,513.4	1,506.4	-	1,506.4
Compensated absences	16.4	-	16.4	15.8	-	15.8
OPEB Net Obligation	3.1	-	3.1	2.5	-	2.5
Total	<u>\$ 2,595.0</u>	<u>\$ -</u>	<u>\$2,595.0</u>	<u>\$ 2,388.7</u>	<u>\$ -</u>	<u>\$2,388.7</u>

Section 22-42-104 of the Colorado School law limits the amount of bonded indebtedness to the greater of 20% of the latest valuation for assessment of the taxable property in the District, as certified by the County Assessor to the Board of County Commissioners, or 6% of the most recent determination of the actual value of the taxable property in the District, as certified by the County Assessor to the Board of County commissioners. The District's bonded debt limit at June 30, 2014, is \$3.49 billion.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department, Denver Public District, 1860 Lincoln Street, Denver, Colorado 80203.



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BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND THE STATE OF COLORADO

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents	\$ 497,929,937	\$ 412,535	\$ 498,342,472	\$ 34,282,319
Investments	186,641,674	-	186,641,674	-
Receivables:				
Taxes	22,436,236	-	22,436,236	-
Intergovernmental	24,327,575	7,377,215	31,704,790	-
Interest	527,173	-	527,173	-
Other	69,312,520	346,330	69,658,850	4,322,991
Internal balances	10,992,765	(10,992,765)	-	-
Inventory	73,591	2,904,474	2,978,065	195,146
Prepaid expenses	-	-	-	263,704
Held by fiscal agent	3,054,990	-	3,054,990	2,797,170
Restricted cash and cash equivalents	-	-	-	1,835,914
Restricted investments	102,642,023	-	102,642,023	1,921,018
Capital assets:				
Land and construction in progress	261,810,196	-	261,810,196	4,109,456
Buildings, improvements, and equipment, net of accumulated depreciation	687,559,978	643,501	688,203,479	14,397,515
Total assets	1,867,308,658	691,290	1,867,999,948	64,125,233
DEFERRED OUTFLOW OF RESOURCES				
Deferred loss on refundings	226,890,173	-	226,890,173	-
Total deferred outflows of resources	226,890,173	-	226,890,173	-
LIABILITIES				
Accounts and interest payable	70,577,160	196,631	70,773,791	11,414,303
Accrued payroll and benefits	63,864,984	611,506	64,476,490	2,425,335
Accrued claims	8,713,224	-	8,713,224	-
Unearned revenue	11,506,941	-	11,506,941	118,215
Net due to fiduciary funds	149,969	-	149,969	-
Long-term liabilities				
Due within one year	59,049,981	-	59,049,981	386,453
Due in more than one year	2,536,010,416	-	2,536,010,416	17,987,795
Total liabilities	2,749,872,675	808,137	2,750,680,812	32,332,101
NET POSITION				
Net investment in capital assets	130,564,763	643,501	131,208,264	1,118,165
Restricted for:				
Debt service	109,621,401	-	109,621,401	-
Performance-based teacher compensation	44,698,850	-	44,698,850	-
Higher education	11,180,577	-	11,180,577	-
Non-governmental grantor-designated purposes	9,476,650	-	9,476,650	-
State & federal programs	-	-	-	-
Permanent fund	127,586	-	127,586	-
Capital projects	-	-	-	954,007
Donor-designated purposes	-	-	-	6,489,648
Emergency reserve	-	-	-	2,982,352
Unrestricted (deficit)	(961,343,671)	(760,348)	(962,104,019)	20,248,960
Total net position	\$ (655,673,844)	\$ (116,847)	\$ (655,790,691)	\$ 31,793,132

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND THE STATE OF COLORADO

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities:				
Instruction:				
Regular	\$ 446,941,868	\$ 23,599,597	\$ 74,614,263	\$ (348,728,008)
Special education	65,649,120	-	16,382,479	(49,266,641)
Vocational	131,062	-	1,172,436	1,041,374
Other	12,679,130	669,139	2,115,599	(9,894,392)
Total instruction	525,401,180	24,268,736	94,284,777	(406,847,667)
Support services:				
Pupil support	30,804,590	1,625,544	5,139,441	(24,039,605)
Instructional support	89,761,367	4,736,665	14,975,796	(70,048,906)
General administration	5,862,233	309,347	978,056	(4,574,830)
School administration	57,364,780	3,027,112	9,570,746	(44,766,922)
Business services	9,069,995	-	(293,920)	(9,363,915)
Operations and maintenance	68,752,560	4,330,350	13,691,159	(50,731,051)
Pupil transportation	22,069,496	-	3,682,077	(18,387,419)
Central services	139,191,526	7,426,280	23,479,487	(108,285,759)
Other support services	4,570,465	241,181	762,537	(3,566,747)
Community services	11,611,773	612,748	1,937,309	(9,061,716)
Education for adults	14,527,846	-	2,423,827	(12,104,019)
Food services	43,974	-	-	(43,974)
Interest on long-term debt	117,380,359	-	-	(117,380,359)
Total support services	571,010,964	22,309,227	76,346,515	(472,355,222)
Total governmental activities	1,096,412,144	46,577,963	170,631,292	(879,202,889)
Business-type activities:				
Food services	38,774,528	4,388,602	34,152,589	(233,337)
Total business-type activities	38,774,528	4,388,602	34,152,589	(233,337)
Total primary government	\$ 1,135,186,672	\$ 50,966,565	\$ 204,783,881	\$ (879,436,226)
Component units				
Charter schools	\$ 106,921,204	\$ -	\$ 232,383	\$ (106,688,821)
DPS Foundation	14,234,865	-	12,963,795	(1,271,070)
Total component units	\$ 121,156,069	\$ -	\$ 13,196,178	\$ (107,959,891)
Primary Government				
	Governmental	Business-type		
	Activities	Activities	Total	Component Units
Net (expense) revenue	\$ (879,202,889)	\$ (233,337)	\$ (879,436,226)	\$ (107,959,891)
General revenues:				
Property taxes	545,898,621	-	545,898,621	15,011,220
Specific ownership taxes	33,376,380	-	33,376,380	-
Payment in lieu of taxes	2,492,618	-	2,492,618	-
State equalization	282,036,930	-	282,036,930	92,309,053
Interest and investment income	7,214,663	-	7,214,663	268,270
Other	12,430,956	36,462	12,467,418	4,250,033
Total general revenues	883,450,168	36,462	883,486,630	111,838,576
Changes in net position	4,247,279	(196,875)	4,050,404	3,878,685
Net position - beginning, as previously stated	(649,441,897)	80,028	(649,361,869)	36,270,699
Change in reporting entity	-	-	-	(8,342,162)
Change in accounting principle	(15,357,171)	-	(15,357,171)	-
Prior period adjustment	4,877,945	-	4,877,945	(14,090)
Net position - beginning, as restated	(659,921,123)	80,028	(659,841,095)	27,914,447
Net position - ending	\$ (655,673,844)	\$ (116,847)	\$ (655,790,691)	\$ 31,793,132

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND THE STATE OF COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Special Revenue	ProComp Special Revenue
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 156,336,653	\$ 5,169,579	\$ 12,385,736
Investments	-	-	38,980,116
Receivables:			
Taxes Receivable	17,256,254	-	1,164,518
Intergovernmental	564,361	26,704,181	-
Interest Receivable	39	-	2
Other	4,888,677	7,950,589	13,166
Due from other funds	15,532,040	2,997,708	-
Inventory	73,575	-	-
Restricted investments	-	-	-
Total assets	<u>\$ 194,651,599</u>	<u>\$ 42,822,057</u>	<u>\$ 52,543,538</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 37,585,321	\$ 3,031,328	\$ 20,356
Accrued Payroll and Benefits	51,403,520	8,430,715	3,901,310
Due to Other Funds	-	-	3,606,025
Unearned Revenue	3,495,121	10,952,787	-
Total liabilities	<u>92,483,962</u>	<u>22,414,830</u>	<u>7,527,691</u>
DEFERRED INFLOW OF RESOURCES			
Property taxes	3,869,784	-	316,997
Unavailable revenues - long-term receivables	-	-	-
Total deferred inflows of resources	<u>3,869,784</u>	<u>-</u>	<u>316,997</u>
Fund balances:			
Nonspendable:			
Inventory	73,575	-	-
Permanent fund	-	-	-
Restricted for:			
Higher education	-	11,180,577	-
Non-governmental grantor-designated purposes	-	9,226,650	-
Performance-based teacher compensation	-	-	44,698,850
Debt service	-	-	-
Capital projects	-	-	-
Committed to:			
Capital projects	-	-	-
Emergency reserve	21,562,473	-	-
Assigned to:			
Subsequent year expenditure	9,736,417	-	-
Special projects	12,483,461	-	-
Unassigned	54,441,927	-	-
Total fund balances	<u>98,297,853</u>	<u>20,407,227</u>	<u>44,698,850</u>
Total liabilities and fund balances	<u>\$ 194,651,599</u>	<u>\$ 42,822,057</u>	<u>\$ 52,543,538</u>

The notes to the financial statements are an integral part of this statement.

Bond Redemption	Building	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 272,060,186	\$ 51,860,727	\$ 117,056	\$ 497,929,937
-	147,657,576	-	3,982	186,641,674
4,015,464	-	-	-	22,436,236
-	-	-	-	27,268,542
39,516	484,602	3,014	-	527,173
-	72,341	56,305,439	61	69,230,273
-	-	5,013,133	421,471	23,964,352
-	-	16	-	73,591
102,642,023	-	-	-	102,642,023
<u>\$ 106,697,003</u>	<u>\$ 420,274,705</u>	<u>\$ 113,182,329</u>	<u>\$ 542,570</u>	<u>\$ 930,713,801</u>
\$ -	\$ 15,397,899	\$ 6,824,546	\$ 49,861	\$ 62,909,311
-	60,232	47,603	7,463	63,850,843
123	15,121,422	-	-	18,727,570
-	-	-	-	14,447,908
<u>123</u>	<u>30,579,553</u>	<u>6,872,149</u>	<u>57,324</u>	<u>159,935,632</u>
1,067,290	-	-	-	5,254,071
-	-	56,287,701	-	56,287,701
<u>1,067,290</u>	<u>-</u>	<u>56,287,701</u>	<u>-</u>	<u>61,541,772</u>
-	-	16	-	73,591
-	-	-	127,586	127,586
-	-	-	-	11,180,577
-	-	-	357,660	9,584,310
-	-	-	-	44,698,850
105,629,590	-	3,991,811	-	109,621,401
-	389,695,152	38,592,299	-	428,287,451
-	-	7,438,353	-	7,438,353
-	-	-	-	21,562,473
-	-	-	-	9,736,417
-	-	-	-	12,483,461
-	-	-	-	54,441,927
<u>105,629,590</u>	<u>389,695,152</u>	<u>50,022,479</u>	<u>485,246</u>	<u>709,236,397</u>
<u>\$ 106,697,003</u>	<u>\$ 420,274,705</u>	<u>\$ 113,182,329</u>	<u>\$ 542,570</u>	<u>\$ 930,713,801</u>



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SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND THE STATE OF COLORADO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances for governmental funds	\$ 709,236,397
Add:	
Deferred inflow of resources related to property taxes and long-term receivables are not available to pay for current-period expenditures, and therefore, are not recorded in the funds.	61,541,772
Total capital assets \$1,509,903,623 less internal service funds \$46,378.	1,509,857,244
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and are related to loss on refundings.	226,890,173
Less:	
Total accumulated depreciation \$560,533,449 less internal service funds \$39,243.	(560,494,206)
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.	(2,591,969,540)
Accrued interest payable not included in the funds.	(7,584,295)
OPEB are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	(3,090,857)
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net position of internal service funds is included in the governmental activities statement of net position.	(60,532)
Net position of governmental activities	<u>\$ (655,673,844)</u>

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Special Revenue	ProComp Special Revenue
REVENUES			
Taxes	\$ 409,088,016	\$ -	\$ 30,795,530
Intergovernmental:			
Revenue from State Sources	307,706,457	13,377,381	-
Revenue from Federal Sources	922,508	83,719,846	-
Charge for Services	28,913,976	17,380,283	-
Investment Income	659,844	-	4,340,609
Other Local Sources	5,899,120	24,347,030	-
Total revenues	<u>753,189,921</u>	<u>138,824,540</u>	<u>35,136,139</u>
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	357,324,953	45,759,534	41,474,246
Special education	52,201,187	13,023,712	-
Vocational education	131,062	-	-
Other instruction	9,066,227	723,300	-
Total instruction	<u>418,723,429</u>	<u>59,506,546</u>	<u>41,474,246</u>
Support services:			
Pupil supporting services	25,685,836	5,064,923	-
Instructional support	50,236,006	38,016,699	-
General administration	5,465,573	302,709	19,001
School administration	54,895,533	2,283,557	-
Business services	7,718,542	487,812	-
Operations and maintenance	56,461,321	164,969	-
Pupil transportation	20,913,687	513,863	-
Central services	54,075,641	10,872,900	1,510,726
Other support services	705,984	3,864,481	-
Total support services	<u>276,158,123</u>	<u>61,571,913</u>	<u>1,529,727</u>
Community services	7,790,165	3,810,349	-
Education for adults	1,173,530	13,331,211	-
Capital outlay	528,674	431,494	-
Debt service:			
Principal payments	9,305,000	-	-
Interest and fiscal charges	48,629,712	-	-
Total debt service	<u>57,934,712</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>762,308,633</u>	<u>138,651,513</u>	<u>43,003,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,118,712)</u>	<u>173,027</u>	<u>(7,867,834)</u>
OTHER FINANCING SOURCES (USES)			
Transfers-in	67,042	621,756	-
Transfers-out	(7,067,866)	(250,000)	-
Issuance of Bonds	-	-	-
Total other financing sources (uses)	<u>(7,000,824)</u>	<u>371,756</u>	<u>-</u>
Net change in fund balances	<u>(16,119,536)</u>	<u>544,783</u>	<u>(7,867,834)</u>
Fund balance - beginning	109,539,444	19,862,444	52,566,684
Prior period adjustment	4,877,945	-	-
Fund balance -beginning, as restated	<u>114,417,389</u>	<u>19,862,444</u>	<u>52,566,684</u>
Fund balance - ending	<u>98,297,853</u>	<u>20,407,227</u>	<u>\$ 44,698,850</u>

The notes to the financial statements are an integral part of this statement.

Bond Redemption	Building	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
\$ 109,212,278	\$ -	\$ -	\$ -	\$ 549,095,824
-	-	-	-	321,083,838
-	-	6,468,473	-	91,110,827
-	-	100,000	183,703	46,577,962
402,847	1,149,076	89,696	4,500	6,646,572
-	67,973	25,567,765	239,646	56,121,534
109,615,125	1,217,049	32,225,934	427,849	1,070,636,557
-	1,782,747	-	479	446,341,959
-	340,834	-	-	65,565,733
-	-	-	-	131,062
-	-	-	2,889,486	12,679,013
-	2,123,581	-	2,889,965	524,717,767
-	-	-	-	30,750,759
-	1,393,655	10,999	-	89,657,359
-	68,383	-	-	5,855,666
-	85,632	1,073	-	57,265,795
-	162,308	142,772	-	8,511,434
-	5,593,009	15,076,465	-	77,295,764
-	-	331,970	-	21,759,520
-	7,850,327	2,416,785	-	76,726,379
-	-	-	-	4,570,465
-	15,153,314	17,980,064	-	372,393,141
-	-	-	-	11,600,514
-	-	-	-	14,504,741
-	127,777,017	81,015,710	-	209,752,895
43,280,000	-	53,533	-	52,638,533
62,718,166	211,578	3,698,184	-	115,257,640
105,998,166	211,578	3,751,717	-	167,896,173
105,998,166	145,265,490	102,747,491	2,889,965	1,300,865,231
3,616,959	(144,048,441)	(70,521,557)	(2,462,116)	(230,228,674)
-	-	4,626,788	2,069,322	7,384,908
(67,042)	-	-	-	(7,384,908)
-	25,347,008	-	-	25,347,008
(67,042)	25,347,008	4,626,788	2,069,322	25,347,008
3,549,917	(118,701,433)	(65,894,769)	(392,794)	(204,881,666)
102,079,673	508,396,585	115,917,248	878,040	909,240,118
-	-	-	-	4,877,945
102,079,673	508,396,585	115,917,248	878,040	914,118,063
\$ 105,629,590	\$ 389,695,152	\$ 50,022,479	\$ 485,246	\$ 709,236,397



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SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014

Net change in fund balance - governmental funds	\$ (204,881,666)
Add:	
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense.	199,351,796
Principal retirements - Retirements of principal outstanding on the School District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these as reductions against the long-term liability.	52,585,000
Amortization of premium on debt has no effect on the governmental funds, but increases the change in net position of governmental activities.	11,061,363
Change in deferred property tax and other revenues - Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but are recognized on the government-wide financial statements.	30,178,376
Net change in capital lease - The change in this liability is not considered in the governmental fund statements but is included as a change in expense in the government-wide statements of activities.	53,534
Decrease in interest payable related to long-term liabilities.	3,112,804
Less:	
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the current year depreciation.	(42,352,129)
Loss on disposal of capital assets.	(544,484)
Net change in compensated absences - The change in this liability is not considered in the governmental fund statements but is included as a change in expense in the government-wide statement of activities.	(593,088)
Issuance of debt - The issuance of debt provides current financial resources to the governmental funds, but has no effect on the change in net position of the governmental activities.	(25,347,008)
Capital appreciation bonds, accretion of premium - has no effect on the governmental fund statements, but is recorded as an expense on the government-wide statement of activities.	(1,418,461)
The unamortized deferred losses on refunding of debt are not reported on the governmental fund statements while on the government-wide net position they are amortized over the life of the debt as an increase in interest expense. Current year Deferred Loss on Refunding less Amortization - Loss on Refunding.	(15,174,898)
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net gain of the internal service funds is included in the government-wide statement of activities.	(1,204,139)
Expenses for OPEB reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(579,721)
Change in net position of governmental activities	<u>\$ 4,247,279</u>

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Fund Food Services	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 412,535	\$ -
Receivables:		
Intergovernmental	7,377,215	-
Other	346,330	82,247
Due from other funds	-	5,606,014
Inventory	2,904,474	-
Held by fiscal agent	-	3,054,990
Total current assets	11,040,554	8,743,251
Capital assets:		
Equipment	2,887,246	46,378
Less accumulated depreciation	(2,243,745)	(39,243)
Total capital assets	643,501	7,135
Total assets	11,684,055	8,750,386
LIABILITIES		
Current liabilities:		
Accounts payable	196,631	83,553
Accrued payroll	611,506	14,141
Accrued claims	-	8,713,224
Due to other funds	10,992,765	-
Total liabilities	11,800,902	8,810,918
NET POSITION		
Investment in capital assets	643,501	7,135
Unrestricted	(760,348)	(67,667)
Total net position	\$ (116,847)	\$ (60,532)

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Fund Food Services	Internal Service Funds
OPERATING REVENUES		
Food sales	\$ 4,388,602	\$ -
Billings to funds	-	10,830,417
Other	-	140,155
Total operating revenues	<u>4,388,602</u>	<u>10,970,572</u>
OPERATING EXPENSES		
Cost of goods:		
Purchased	16,855,916	189,542
Donated	120,190	-
Salaries and employee benefits	17,693,811	823,298
Purchased Professional and Technical Services	-	365,701
Purchased property services	-	9,051
Other purchased services	-	123,956
Utilities	258,308	-
Supplies	2,330,075	61,644
Repairs and maintenance	470,332	-
Rent	984	-
Depreciation	139,201	-
Administrative services	515,802	-
Other	389,909	3,377
Insurance	-	1,902,379
Claims	-	8,695,763
Total operating expenses	<u>38,774,528</u>	<u>12,174,711</u>
Operating income (loss)	<u>(34,385,926)</u>	<u>(1,204,139)</u>
NON-OPERATING REVENUES		
Reimbursements from government-sponsored programs	32,144,493	-
Donated commodities from federal government	2,008,096	-
Other local services	36,462	-
Total non-operating revenues	<u>34,189,051</u>	<u>-</u>
Change in net position	(196,875)	(1,204,139)
Total net position - beginning	<u>80,028</u>	<u>1,143,607</u>
Total net position - ending	<u>\$ (116,847)</u>	<u>\$ (60,532)</u>

The notes to the financial statements are an integral part of this statement.



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SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Enterprise Fund Food Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,123,611	\$ 10,830,417
Payments to suppliers	(19,155,758)	(727,008)
Payments to employees	(17,679,704)	(818,713)
Payments from other funds	(884,219)	(5,694,974)
Claims and insurance	-	(8,130,397)
Other receipts (payments)	(353,447)	136,778
Net cash provided (used) by operating activities	(33,949,517)	(4,403,897)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants/claims received	34,397,958	-
Net cash provided by non-capital financing activities	34,397,958	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(319,522)	(804)
Net cash used by capital and related financing activities	(319,522)	(804)
Net increase (decrease) in cash and cash equivalents	128,919	(4,404,701)
Cash and cash equivalents - beginning	283,616	7,459,691
Cash and cash equivalents - ending	\$ 412,535	\$ 3,054,990
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (34,385,926)	\$ (1,204,139)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	139,201	-
Other local service revenue	36,462	-
Changes in assets and liabilities:		
Accounts receivable	(264,991)	(79,971)
Due from other funds	-	(5,603,417)
Inventory	1,592,898	-
Prepaid expenses	23,114	-
Accounts payable	(220,163)	22,886
Accrued payroll	14,107	4,585
Accrued claims	-	2,467,745
Due to other funds	(884,219)	(11,586)
Net cash provided (used) by operating activities	\$ (33,949,517)	\$ (4,403,897)
Noncash investing, capital and financing activities		
Donated commodities from the federal government	\$ 2,008,096	
Utilization of food commodities	\$ (2,008,096)	

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and investments	\$ 7,594,110	\$ 2,245,467
Due from other funds	149,969	-
Total assets	<u>7,744,079</u>	<u>2,245,467</u>
LIABILITIES		
Due to student groups	-	2,245,467
Total liabilities	<u>-</u>	<u>2,245,467</u>
Net position held in trust for other post employment benefits and other purposes	<u>\$ 7,744,079</u>	

The notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 2,040,000
Interest income	441,867
Other local sources	-
Total additions	<u>2,481,867</u>
DEDUCTIONS	
Medical and life insurance for retirees	2,403,477
Student scholarships	18,825
Supplies	-
Total deductions	<u>2,422,302</u>
Change in net position	59,564
Net position - beginning	<u>7,684,514</u>
Net position - ending	<u><u>\$ 7,744,079</u></u>

The notes to the financial statements are an integral part of this statement.



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NOTES TO THE FINANCIAL STATEMENTS

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of School District No. 1 in the City and County of Denver and State of Colorado (the District) is presented to assist in understanding the District's financial statements. The following is a summary of the more significant policies:

Financial Reporting Entity

The District was created for the purpose of supervising and governing the public schools and public school property within the boundaries of the City and County of Denver.

The financial statements of the District include all of the integral parts of the District's operations. The District applied various criteria to determine if it is financially accountable for any legally separate organizations, which would require that organization to be included in the District's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

This report contains financial statements of the District (the primary government) and its component units. Refer to Note 15 to the basic financial statements for additional information on component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) display the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and the component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are also included in the program expense reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for major governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds (general fund, special revenue fund, ProComp special revenue fund, bond redemption fund, building fund and capital reserve fund) and the enterprise fund are reported as separate columns in the fund financial statements.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The effect of interfund activity has generally been eliminated from the government-wide financial statements. Exceptions to this are charges between the District's governmental and business-type activities and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers grant revenues to be available if they are collected within 180 days of the fiscal year-end. Property tax and other revenues are considered available if collected within 60 days of the year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

The District's agency funds apply the accrual basis of accounting, but do not have a measurement focus.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

For governmental activities and business-type activities, when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

The District reports the following major governmental funds:

General fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special revenue fund – The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects.

ProComp special revenue fund – This special revenue fund is used to account for the proceeds of voter-approved taxes from the 2005 mill levy override. Its investments and expenditures are for the professional compensation system for teachers.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Bond redemption fund - The bond redemption fund (debt service fund) accounts for and reports financial resources that are restricted for the payment of principal and interest on long-term general obligation debt of the District as a result of the issuance of general obligation bonds.

Building fund – The building fund (capital projects fund) is used to account for and report financial resources that are restricted to expenditure of capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital reserve fund – This capital reserve fund (capital projects fund) is used to accumulate resources, for the acquisition, renovation and maintenance of capital assets.

The other governmental funds of the District account for resources for which use is restricted to a particular purpose and include the pupil activity fund and the permanent government fund.

Pupil activity fund – The pupil activity special revenue fund accounts for the revenue and expenditures of sponsoring athletic events at District middle and high schools.

Permanent fund – This fund is used to account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the District's programs.

The District reports its food service fund as its only enterprise fund.

Food services fund – The food services fund accounts for the revenue and expenses related to providing breakfasts and lunches to District students and employees.

Additionally, the District reports the following other fund categories:

Internal service funds – the internal service funds, which include the risk management fund and the DoTS service bureau fund are used to account for goods and services provided to departments and schools primarily within the District on a cost-reimbursement basis.

Fiduciary funds – The District's fiduciary funds include private-purpose trust funds, an Other Post Employment Benefit (OPEB) trust and an agency fund. The private-purpose trust funds of the District account for student and employee scholarships. The Retiree Life Insurance Trust accounts for the District's OPEB. The District's postemployment health benefits were transferred to PERACare on January 1, 2010. The District retained \$17,320 of net position at June 30, 2014 which will be used to pay premium subsidies billed to the District by PERA. The agency fund of the District represents the bank accounts maintained at each school to account for monies derived from school-sponsored student activities.

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

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Budgets and Budgetary Accounting

The District adopts an annual budget for all funds, following these procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. Late in May or no later than June 1, the Superintendent presents to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and projected revenue.
2. A public hearing is conducted at the administration building to obtain taxpayer comments.
3. A balanced budget and appropriation resolution must be adopted by June 30. The District cannot expend monies in excess of the amount appropriated for an individual fund unless an amended or supplemental budget is approved by resolution. In addition, any further change in legally allowable transfers between funds requires approval by Board resolution.
4. The District's Board of Education or management can modify the budget by line item within the total fund's appropriation.
5. Mill levies must be certified to the City and County of Denver by December 15.
6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are recorded as expenditures and changes in accrued payroll are excluded for budgetary purposes in the General Fund, Building Fund, and Capital Reserve Fund. Revenues are on the modified accrual basis. Budgetary comparisons in this report for the General Fund, Building Fund and Capital Reserve Fund are presented on the non-GAAP budget basis.
8. Total appropriations are as amended.
9. At the end of a year, unencumbered appropriations lapse encumbered appropriations are carried forward to the subsequent year's budget automatically.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Deposits and Investments

For the purposes of the government-wide financial statements, the fund financial statements, and the statements of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits held in banks and other securities with original maturities of less than one week.

Investments are reported at fair value.

Inventories

Inventories are valued at weighted average cost. Inventories of governmental funds are associated with "nonspendable" fund balance. In accordance with GASB Statement 54, nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

General fund inventory consists of transportation and building maintenance parts and fuel. Enterprise fund - food services fund inventory consists of food items, including commodities donated by the federal government, and cafeteria supplies held at the central warehouse for distribution to school lunchrooms.

The cost of inventory items is recorded as expenditures or expenses when consumed. Donated government commodities are recorded as inventory at the estimated fair market value at the time of donation.

Expendable supplies issued to schools or other locations are not included in inventory.

Capital Assets

Capital assets are real, personal, and intangible property that have a cost equal to or greater than an established capitalization threshold of \$5,000 and have an estimated useful life extending beyond one year. For additional information, refer to Note 5.

Due From and Due to Other Funds

A general disbursing account within the general fund is used on an imprest basis to make expenditures on behalf of all funds. This account is periodically reimbursed by the applicable funds. Interfund balances at June 30, 2014, represent reimbursements and adjustments due but not transferred as of that date.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Indirect Costs

Indirect costs are allocated to grants in the special revenue fund based on an indirect cost rate established by the Colorado Department of Education. The indirect cost expenditure in the special revenue fund is offset against expenditures in the general fund.

Accrued Payroll

The accrued payroll represents the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period from September 1 to August 31. Changes in the accrual are reflected in expenditures or expenses on the applicable fund's statement of revenue, expenditures and changes in fund balance. Certain payroll benefits and part-time salaries which are payable at June 30 are also included.

Compensated Absences

The compensated absence liability, consisting of accumulated sick and vacation leave which vests and is payable upon termination or retirement, is reported on the government-wide financial statements. Accumulated sick leave vests only at qualified retirement and vests at a rate determined by contract, which is less than the normal rate of pay. A qualified retiree can be paid for up to one work-years' worth of accumulated sick leave. Retirees who accumulate vacation leave are compensated at their normal rate of pay for the balance at retirement. The total compensated absence liability has increased from a balance of \$15.8 million as of June 30, 2013, to a balance of \$16.4 million as of June 30, 2014. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses, as appropriate, when paid.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method, which approximates the effective interest method. The appropriate obligations are reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. In accordance with Section 22-45-103, CRS, the District's bond

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redemption fund custodian for fiscal year 2013-2014 was Wells Fargo Bank, N.A., third party. The amount held by the custodian at June 30, 2014, was \$80,273,010.

Deferred outflows of resources and deferred inflows of resources

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the government-wide statements include deferred outflow of resources representing the deferred loss on refundings of the district's certificates of participation and bond obligations. Additionally, the governmental fund financial statements include deferred inflow of resources for property taxes receivable and long-term receivables that have not met modified accrual revenue recognition criteria.

Net Position

In the government-wide statements, net position consists of net investment in capital assets, restricted and unrestricted net positions. Restricted net position includes restricted amounts for debt service, performance-based teacher compensation, emergency reserve, higher education, non-governmental grantor-designated purposes, state and federal programs, permanent fund, capital projects, and donor-designated purposes.

Net investment in capital assets is estimated by first comparing the total building fund expenditures since 1991 to the capital outlay from the building fund for the same time frame which is 68.05% as of June 30, 2014. The related outstanding debt is then calculated as follows:

Depreciated capital assets	<u>\$ 949,370,174</u>
Outstanding bonds payable	1,513,418,866
Less fund balance restricted for capital	<u>(389,695,151)</u>
Adjusted bonds payable	1,123,723,715
Percent of capitalized assets	<u>68.05%</u>
Bonds payable related to capital assets	<u>\$ 764,693,988</u>
Related Debt:	
Bonds payable	\$ 764,693,988
Certificates of participation	<u>54,111,423</u>
Total related debt	<u>818,805,411</u>
 Net investment in capital assets	 <u>\$ 130,564,763</u>

Fund Balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For the classification of fund balances, the District considers amounts to have been spent when expenditure is incurred for purposes for which fund balance is both available and can be used. In accordance with GASB Statement 54, the fund balances of the District are classified into the following categories: nonspendable, restricted, committed, assigned or unassigned.

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available and can be used. In accordance with GASB Statement 54, the fund balances of the District are classified into the following categories: nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

Restricted fund balance includes amounts where constraints have been placed on the use of resources by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. Committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of formal action (for example, resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education adopted a fund balance policy and as part of the policy delegated the authority to the Superintendent to assign amounts to be used for specific purposes.

Unassigned fund balance represents residual fund balance that has not been restricted, committed or assigned. Positive unassigned fund balance exists only in the general fund. The negative unassigned fund balance shown in the special revenue fund represents an over-expenditure of funds intended for specific purposes.

It is the District's policy to use restricted amounts first, then committed, then assigned, and then unassigned, as they are needed.

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2. CASH AND INVESTMENTS

Investments Authorized by the Colorado Statutes and the District's Investment Policy

The table below identifies the investment types that are authorized by the District's investment policy (or CRS, where more restrictive). The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk and concentration of credit risk. The table does not address the investments of (a) debt proceeds that are governed by the provisions of the debt agreements of the District, or (b) special revenue ProComp Trust assets that are governed by the Trust's Investment Policy Statement rather than the general provisions of the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury and U.S. Agency Obligations or Securities	5 years	100%	n/a
Local government Investment Pools	13 months	100%	n/a
Money Market Mutual Funds	13 months	100%	n/a
Repurchase Agreements (other than repurchase agreements for the investment of general obligation bond proceeds and certificates of deposit)	5 years	100%	25% of portfolio
Commercial Paper	9 months	25%	5% of portfolio
FDIC-guaranteed Corporate Bonds	3 years	15%	3% of portfolio
Municipal Bonds	3 years	15%	3% of portfolio
Corporate Bonds	3 years	10%	3% of portfolio
Certificates of deposit	1 year	10%	3% of portfolio
Flexible Repurchase Agreements	5 years	n/a	n/a
Guaranteed Investment Contracts	In compliance with C.R.S. 24-75-601	n/a	n/a

Investments Authorized by Debt Agreements

The District has entered into a forward delivery agreement with US Bank with a maturity date of December 2023 and a forward delivery agreement with JP Morgan Chase Bank with a maturity date of December 2018. The provisions of the contracts and not the District's investment policy govern the forward delivery investments. Under the terms of the contracts, the District recorded interest received in advance as deferred revenue in the general fund.

The following table shows the distribution of the District's cash and cash equivalents and investments by maturity, which displays the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market rate fluctuations:

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Type of Security	Fair Value	Maturity			
		30 days or Less	12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Agency Obligations	\$ 147,657,576	\$ -	\$ 120,746,620	\$ 26,910,956	\$ -
External Investment Pools	527,334,439	527,334,439	-	-	-
Hedge Funds - Limited Partnership	14,021,490	-	14,021,490	-	-
Mutual Funds - Equity	7,729,398	-	7,729,398	-	-
Mutual Funds - Fixed Income	17,202,830	-	17,202,830	-	-
Money Market Funds	51,401,201	51,401,201	-	-	-
Stocks	3,982	-	3,982	-	-
Repurchase Agreements	9,405,000	-	9,405,000	-	-
Forward delivery agreements					
U.S. Agency Obligations	8,557,000	-	8,557,000	-	-
U.S. Treasury Obligations	3,069,137	-	3,069,137	-	-
Guaranteed Investment Contracts	6,602,534	6,602,534	-	-	-
Total	<u>\$ 792,984,587</u>	<u>\$ 585,338,174</u>	<u>\$ 180,735,457</u>	<u>\$ 26,910,956</u>	<u>\$ -</u>

Reconciliation

The following is a reconciliation of cash and investments per this note to the basic financial statements:

Cash and investments per footnote presentation:

Cash in bank – carrying amount	\$7,536,149
Investments	792,984,587
	<u>\$800,520,736</u>

Cash and investments per government-wide statement of net position:

Cash and cash equivalents	\$498,342,472
Investments	186,641,674
Held by fiscal agent	3,054,990
Restricted investments	102,642,023

Cash and investment per the fiduciary statements of net position:

Private purpose trust	7,594,110
Agency	2,245,467
	<u>\$800,520,736</u>

As of August 9, 2006 when HB 1287 was signed, investments held in the ProComp special revenue fund and administered by the ProComp Trust are exempt from the investment restrictions placed on local governments. Consequently the trust's board of directors adopted an investment policy statement which authorizes domestic and international equity securities, fixed income securities, and alternative investments including hedging strategies.

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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Custodial Credit Risk

Colorado law requires the District to use eligible public depositories as defined by the Public Deposit Protection Act of 1989 (the Act). Under the Act, the depository is required to pledge eligible collateral having a market value at all times equal to 102% of the aggregate public depositories not insured by the Federal Deposit Insurance Corporation. Eligible collateral as defined by the Act primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado or any political subdivision thereof and obligations evidenced by notes secured by first lien mortgages of trust on real property.

Custodial credit risk is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The District's deposits are with eligible public depositories and are considered to be held in the name of the District. These deposits have bank balances of \$16,459,149 and related carrying amount of \$7,536,149.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District's investment policy addresses interest rate risk by requiring adherence to the Colorado Revised Statutes. The District manages its exposure to interest rate risk by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is either maturing or close to maturing as necessary to provide the cash flow and liquidity needed by operations and debt service requirements.

Foreign Currency Rate Risk

Foreign currency rate risk is the risk that changes in monetary exchange rates will adversely affect the fair value of an investment or a deposit in terms of U. S. dollars. The District has no formal policy relating to foreign currency risk, nor are any deposits or investments exposed to foreign currency risk. The ProComp Trust's international stock investments are in the form of international mutual funds and therefore the amount by currency denomination cannot be determined; the hedge equity investments are limited partnerships with minimal foreign investments.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSROs). State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in Rule 2a-7, as amended, as long as such rule does not increase the remaining maturities beyond a maximum of three years. The District's investment policy requires money market funds and local government investment pools to have a rating of AA+ or equivalent by one or more NRSROs. Corporate bonds must have a rating of at least AA- or equivalent by at least two NRSROs. General obligations must be rated at the time of purchase at least AA or the equivalent by two or more NRSROs, and revenue obligations at least AAA or the equivalent at the time of purchase. Commercial paper must have a rating of at least A-1 or the equivalent at the time of purchase by at least two NRSROs.

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As of June 30, 2014, the money market funds that the District participated in were rated as follows by Standard and Poors:

<u>Financial Institution</u>	<u>Fund</u>	<u>Rating on June 30, 2014</u>
Wells Fargo	Heritage Money Market Fund	AAAm
Morgan Stanley Smith Barney	Western Asset Institutional Liquid Reserves	Not rated
UBS Paine Webber	UBS Select Prime Money Market Institutional Fund Shares	AAAm
UMB	Federated Prime Obligations Fund	AAAm
MetLife	Liquidity Account	Not rated

The ProComp Trust's mutual funds are not rated.

Standard and Poor's rates all U.S. Agency Obligations as AA+.

The District invests in the Colorado Asset Surplus Fund Trust (CSAFE) and COLOTRUST, local government investment funds. The Colorado Division of Securities regulates these local government investment pools. The District's position is that these pools are the same as the value of pool shares. Standard and Poor's rates COLOTRUST as AAAm and CSAFE as AAAm. The District has \$3,054,990 in the State of Colorado Treasury ("T-Pool") as required by the Colorado Workers' Compensation act for self-insurance security. The pool is not rated.

The District's investment policy requires that repurchase agreements and flexible repurchase agreements be collateralized as required by state law at a minimum of 102% of the purchase price plus accrued interest. For repurchase agreements, the collateral is to be delivered and held in a third party safekeeping account and the market value of the collateral securities marked-to-the market daily.

Concentration of Credit Risk

The District places limits on the amount it may invest in any one issuer of repurchase agreements, corporate and municipal bonds, commercial paper, and certificates of deposit. The District's investments contained the two most significant concentrations at June 30, 2014: investments in Federal Home Loan Mortgage Corporation (FHLMC) of \$56,901,386 and Fannie Mae (FNMA) of \$84,896,981 comprising 7.18% and 10.71% of total investments, respectively.

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3. REVENUE

PROPERTY TAXES

Property taxes are levied during December and attach an enforceable lien on property as of January 1 of the following year. Taxes are payable in either one installment on or before April 30, or in two equal payments on or before February 28 and June 15 of each year. The mill levy is determined by the District in accordance with state laws and finance formulas. The assessments and collections are made by the City and County of Denver and remitted upon receipt to the District.

Property taxes levied for the general fund totaled \$406,187,957 in 2014. In 1988, 1998, 2003, 2005 and 2012 the voters of Denver approved mill levy overrides. The 1988, 1998 and 2003 Override Election mill levies are fixed dollar of \$12.1 million, \$17 million, and \$20 million, respectively. The 2005 Override Election mill levy, initially set at \$25 million, is adjusted annually for inflation as measured by the Denver-Boulder-Greeley consumer price index. The 2005 Override Election mill levy amount for the 2013 collection year was approximately \$30.1 million. The 2012 Override Election mill levy is fixed at 4.860 mills. This will generate \$50.8 million for the 2014 property tax collection year. In future years, the mill rate of 4.860 will remain fixed regardless of changes to Assessed Valuation.

Deferred inflow of resources in the general fund and ProComp special revenue fund included \$3,869,784 and \$316,997 of property taxes respectively at June 30, 2014. In addition, property taxes levied for the bond redemption fund totaled \$109,207,511 in 2014 and accounted for the entire deferred inflow of resources of \$1,067,290 at June 30, 2014. Property tax revenue is recorded in the general fund, the ProComp special revenue fund, and the bond redemption fund. The taxes receivable are recorded net of an estimated uncollectible amount of \$7,236,656 in the governmental activities, \$5,749,274 in the general fund and \$1,487,382 in the bond redemption fund.

Collection fees by the City and County of Denver amount to one-quarter of one percent of property taxes collected for the general fund, and no collection fees are charged for the bond redemption fund. Collection fees are recorded as expenditures.

DURA

The District and the Denver Urban Renewal Authority (Authority) are parties to the Amended and Restated Stapleton School Funding Agreement (Funding Agreement). The Funding Agreement, as amended and restated, provides funding of various projects in the Stapleton Urban Redevelopment Area.

The Stapleton Urban Redevelopment Plan and Cooperation Agreement (Redevelopment Plan) authorize the Authority to receive and use certain incremental increases in sales and property tax revenues generated within the Stapleton Urban Redevelopment Area. To provide for the Authority's participation in funding the Schools within the Stapleton Urban Redevelopment Area with the incremental increases in sales and property tax revenues, the Authority and the District entered into the Funding Agreement which provides for the payment of the Actual Development Costs of certain Schools identified therein from proceeds of obligations issued by the Authority.

In accordance with the Funding Agreement, the District has completed work and is eligible for reimbursement with respect to one elementary School and two K-8 Schools. Reimbursement to the

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District is in accordance with the Redevelop Plan and Funding Agreement. The following table summarizes completed projects and outstanding reimbursable amounts as of June 30, 2014. The remaining balances are reflected as Accounts Receivable in the Governmental Activities financial statements and as Accounts Receivable and Unearned Revenue in the Capital Reserve Fund.

Project	Expended	Received	Receivable at June 30, 2014
Lowry	\$ 10,628,433	\$ 9,000,000	\$ 1,628,433
Westerly Creek	12,500,000	9,000,000	3,500,000
Swigert McAuliffe	18,867,311	18,867,311	-
Isabella Bird	19,135,440	-	19,135,440
Conservatory Green	20,132,310	-	20,132,310
Northfield HS Site Infrastructure	4,641,518	-	4,641,518
Emily Griffith Campus Renovation Project	3,000,000	3,000,000	-
	<u>\$ 88,905,012</u>	<u>\$ 39,867,311</u>	<u>\$ 49,037,701</u>

Refer to Note 6 for information on related Series 2013C Certificates of Participation.

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4. INTERFUND BALANCES AND TRANSFERS

Balances of interfund receivables, payables and transfers at June 30, 2014 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 15,532,040	\$ -	\$ 67,042	\$ 7,067,866
Special revenue fund	2,997,708	-	621,756	250,000
ProComp special revenue fund	-	3,606,025	-	-
Bond redemption fund	-	123	-	67,042
Building fund	-	15,121,422	-	-
Capital reserve fund	5,013,133	-	4,626,788	-
Non-major funds:				
Pupil activity fund	414,084	-	2,069,322	-
Permanent fund	7,387	-	-	-
Enterprise - food services fund	-	10,992,765	-	-
Internal service funds	5,606,014	-	-	-
Fiduciary fund	149,969	-	-	-
	<u>\$ 29,720,335</u>	<u>\$ 29,720,335</u>	<u>\$ 7,384,908</u>	<u>\$ 7,384,908</u>

All interfund receivables and payables are the result of normal business and are expected to be paid in the current fiscal year. The majority of the District transfers are from the general fund to various other funds as approved by the Board of Education in the approved annual budget to meet statutory requirements and support other District programs.



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5. CAPITAL ASSETS

Capital assets resulting from expenditures in the governmental funds are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives.

Description	Governmental Activities Estimated Lives	Business-type Activities Estimated Lives
Buildings and improvements	5-39 years	n/a
Furniture and equipment	7 years	7 years
Computer equipment	3-5 years	3-5 years
Buses	7 years	n/a
Other vehicles	5 years	5 years

Following is a detail by function of depreciation expense for governmental activities reported in the government wide statement of activities:

Instruction

Regular	\$ 36,373,961
Special education	13,768
Vocational	35,124

Supporting services

Pupil support	439,655
Instructional support	4,496
General administration	1,008
School administration	155,238
Business services	14,718
Operation & maintenance	1,631,213
Pupil transportation	1,201,630
Central services	2,481,318

Total depreciation	<u><u>\$ 42,352,128</u></u>
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A summary of changes in governmental and business-type capital assets is as follows:

Governmental assets:	Land	Buildings and Improvements	Equipment	Construction In- Progress	Capital Leases	Total
Balance July 1, 2013	\$ 69,716,567	\$ 1,060,668,667	\$ 144,041,406	\$ 40,896,412	\$ 1,164,059	\$ 1,316,487,111
Additions	-	-	5,588,851	193,762,945	-	199,351,796
Transfers	-	42,021,246	-	(42,021,246)	-	-
Less – Retirements	(544,484)	(2,177,934)	(3,212,866)	-	-	(5,935,284)
Balance June 30, 2014	69,172,083	1,100,511,979	146,417,391	192,638,111	1,164,059	1,509,903,623
Less – Accumulated						
Depreciation	-	449,796,204	109,573,186	-	1,164,059	560,533,449
Ending net assets	<u>\$ 69,172,083</u>	<u>\$ 650,715,776</u>	<u>\$ 36,844,205</u>	<u>\$ 192,638,111</u>	<u>\$ -</u>	<u>\$ 949,370,174</u>
Accumulated depreciation – July 1, 2013		\$ 417,673,890	\$ 104,856,261		\$ 1,041,969	\$ 523,572,120
Increases		34,300,248	7,929,790		122,090	42,352,128
Decreases		(2,177,934)	(3,212,866)		-	(5,390,800)
Accumulated depreciation – June 30, 2014		<u>\$ 449,796,204</u>	<u>\$ 109,573,186</u>		<u>\$ 1,164,059</u>	<u>\$ 560,533,448</u>

Business-type assets:	<u>Equipment</u>
Balance July 1, 2013	\$ 2,573,257
Additions	320,026
Less - Retirements	<u>(6,037)</u>
Balance June 30, 2014	2,887,246
Less - Accumulated depreciation	<u>(2,243,745)</u>
Ending net assets	<u>\$ 643,501</u>

Accumulated depreciation - July 1, 2013	2,110,078
Increases	139,201
Decreases	<u>(5,534)</u>
Accumulated depreciation - June 30, 2014	<u>\$ 2,243,745</u>

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6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance June 30, 2013	Additions	Accretion of Capital Interest	Refunded/ Reductions	Balance June 30, 2014	Due Within One Year
Bonds Payable	\$ 1,430,390,175	\$ 21,400,000	\$ -	\$ (43,280,000)	\$1,408,510,175	\$ 43,765,000
Premiums	111,469,485	3,947,008	-	(10,507,802)	104,908,691	-
Total bonds payable	1,541,859,660	25,347,008	-	(53,787,802)	1,513,418,866	43,765,000
Certificates of participation	1,062,938,728	-	1,418,461	(9,305,000)	1,055,052,189	13,206,677
Premiums	7,650,544	-	-	(553,561)	7,096,983	-
Total certificates of participation	1,070,589,272	-	1,418,461	(9,858,561)	1,062,149,172	13,206,677
Other long-term liabilities:						
Compensated absences	15,808,414	9,712,769	-	(9,119,681)	16,401,502	2,078,304
Net OPEB obligation	2,511,136	579,721	-	-	3,090,857	-
Capital lease obligations	53,534	-	-	(53,534)	-	-
Total other long-term liabilities	18,373,084	10,292,490	-	(9,173,215)	19,492,359	2,078,304
Total long-term liabilities	\$ 2,630,822,016 *	\$ 35,639,498	\$ 1,418,461	\$ (72,819,578)	\$2,595,060,397	\$ 59,049,981

*Beginning balance has been changed due to the implementation of GASB Statement No.65. See Note 14 for detail.

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Long-term Liabilities at June 30, 2014 are comprised of the following:

Bonds:

2001 GO Qualified Zone Academy Bonds, interest rates of 0.75% to 1.10% payable semiannually through 2015, principal due in balloon of \$7,998,175 in 2015.	7,998,175
2004C GO Refunding Bonds, interest rate of 5.00% payable semiannually through 2014, principal of \$14,520,000 due December 2014.	14,520,000
2005A GO Refunding Bonds, varying interest rates of 5.00% to 5.50% payable semiannually through 2023, principal due in annual installments of \$13,895,000 to \$26,735,000 December 2018 through December 2023.	129,510,000
2009A GO Bonds, varying interest rates of 4.50% to 5.50% payable semiannually through 2029, principal due in annual installments of \$18,200,000 to \$24,690,000 December 2023 through December 2029.	149,170,000
2009B GO Qualified School Construction Bonds, interest rate of 1.39% payable semiannually through 2024, principal due in annual installments of \$1,535,000 to \$1,762,000 and transferred to a sinking fund for principal at maturity in December 2024.	24,022,000
2009C GO Taxable Build America New Money bonds, interest rate of 5.664% payable semiannually through 2033, principal due in annual installments of \$6,000,000 to \$50,275,000 December 2024 through December 2033.	250,000,000
2009F GO Tax-Exempt Refunding Bonds, varying interest rates of 2.25% to 5.00% payable semiannually through 2023, principal due in annual installments of \$1,685,000 to \$3,090,000 through December 2023.	23,035,000
2009G GO Tax-Exempt Refunding Bonds, interest rates of 2.25% to 5.00% payable semiannually through 2018, principal due in annual installments of \$265,000 to \$16,750,000 through December 2018.	42,235,000
2010A GO Qualified School Construction Bonds, interest rate of 4.73% payable semiannually through September 2027, principal due in annual installments of \$1,295,000 to \$2,400,000 and transferred to a sinking fund for principal at maturity in September 2027.	29,260,000
2010B GO Taxable Build America New Money Bonds, interest rate of 4.93% payable semiannually through 2028, principal of \$1,545,000 due December 2028.	1,545,000
2010C GO Tax-Exempt Refunding Bonds, varying interest rates of 2.50% to 5.00% payable semiannually through 2023, principal due in annual installments of \$16,850,000 to \$17,350,000 December 2019 to December 2023.	85,390,000
2012A GO Refunding Bonds, varying interest rates of 2.00% to 5.00% payable semiannually through 2028, principal due in installments of \$15,975,000 to \$21,210,000 between December 2014 and December 2028.	129,830,000
2012B GO Tax-Exempt Bonds, varying interest rates of 3.00% to 5.00% payable semiannually through 2032, principal due in installments of \$9,280,000 to 42,055,000 through December 2032.	419,085,000

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2012C GO Taxable Qualified Zone Academy Bonds, interest rate of 3.773% payable semiannually through 2035, principal due in annual installments of \$697,000 to 698,000 and transferred to a sinking fund for principal at a maturity in December 2035.	16,000,000
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2012D GO Taxable Refunding Bonds, varying interest rates of 0.502% to 3.154% payable semiannually through 2028, principal due in installments of \$380,000 to \$19,120,000 between December 2014 and December 2028.	65,510,000
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2014A GO Bonds, varying interest rates of 5.00% to 5.50% payable semiannually through 2034, principal due in installments of \$640,000 to \$1,680,000 December 2015 through December 2034.	21,400,000
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Premium	104,908,691
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Total bonds payable	1,513,418,866
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Certificates of Participation:

1997 taxable, varying interest rates of 7.27% to 7.32% payable semiannually through 2017, principal due in annual installments of \$917,470 to \$2,717,461 through December 2017.	8,561,492
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2011B taxable, interest rates of 6.22% and 7.017% payable semiannually through 2037, principal due in annual installments of \$4,290,000 to \$38,685,000 December 2017 through December 2037.	396,235,000
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2013A, interest rates of 1.95% and 12.00% payable semiannually through 2032, principal due in annual installments of \$935,000 to \$4,650,000 December 2018 through December 2032.	35,195,000
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2013B taxable, interest rates of 0.576% and 3.748% payable semiannually through 2038, principal due in annual installments of \$2,395,000 to \$39,020,000 through December 2037.	534,460,000
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2013C, interest rates of 3.25% and 5.00% payable semiannually through 2033, principal due in annual installments of \$950,000 to \$4,965,000 December 2016 through December 2033.	58,740,000
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Cumulative accretion of interest on capital appreciation certificates	21,860,697
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Premium	7,096,983
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Total certificates of participation	<u>1,062,149,172</u>
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Other long-term liabilities:

Compensated absences payable	16,401,502
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Net OPEB obligation	<u>3,090,857</u>
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Total other long-term liabilities	<u>19,492,359</u>
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Total long-term liabilities	<u><u>\$2,595,060,397</u></u>
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On November 3, 1998, November 4, 2003, November 4, 2008 and November 6, 2012 the registered voters of Denver authorized the School District to issue \$305 million, \$310.8 million, \$454 million, and \$466 million respectively, of general obligation bonds. As of June 30, 2014, substantially all previously authorized bonds had been issued.

In March of 2014, the District issued the remaining \$21 million of authorized bonds from the \$466 million originally approved. The proceeds from the issuance of the bond are expected to be used for the capital improvements needed to expand capacity in the District's far northeast and southwest areas as well as capital improvements to fund services to serve students with significant disabilities within existing schools. The Board of Education may, in its discretion, determine to expend the proceeds of the bonds for any purpose authorized by the 2012 bond election.

The Certificates of Participation series 1997 were executed to fund Denver Public Schools Retirement System (DPSRS) pension plan Unfunded Accrued Actuarial Liability (UAAL).

On January 31, 2013, as authorized by Board resolution, the District entered into Lease Purchase Financing Series 2013 for a principal amount of \$35.2 million. Net proceeds from the financing have been deposited into a Project Fund Account. These funds along with funding from the 2012 General Obligation bonds are being used to purchase and refurbish the District's Downtown Campus located at 1860 Lincoln. The building houses the central administrative functions of the District, the Emily Griffith Technical College (EGTC) and High School (EGHS) programs, and the new Downtown Denver Expeditionary School (DDES.) The downtown campus creates financial benefits for the District and taxpayers through facility consolidation and sharing.

On May 1, 2013, as authorized by Board resolution, the District executed \$58.7 million Certificates of Participation, Series 2013C. The certificates provide funding of various projects in the Stapleton Urban Redevelopment Area consisting of the acquisition, improvement, and placement in service of one additional District elementary school and one additional K-8 school, and the acquisition and construction, including site preparation, of various improvements related to a District high school and sports field. The District and the Denver Urban Renewal Authority have entered into a 2013 Supplemental Denver Public Schools Funding Agreement to provide reimbursement to the District for the above listed projects which will serve as the source of repayment for the Series 2013C Certificates of Participation.

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Annual requirements to maturity are as follows:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2015	\$43,765,000	62,443,391	\$13,206,677	\$49,225,984
2016	45,943,175	61,001,201	14,178,297	49,192,940
2017	50,380,000	59,763,422	18,689,914	49,109,477
2018	51,770,000	58,257,721	21,187,301	49,983,871
2019	53,180,000	56,358,465	24,700,000	51,717,671
2020-2024	302,925,000	242,567,801	158,550,000	241,074,457
2025-2029	447,152,000	154,244,233	219,160,000	196,754,058
2030-2034	395,715,000	52,223,689	302,390,000	124,179,482
2035-2038	17,680,000	951,720	282,990,000	33,011,927
Total	<u>\$1,408,510,175</u>	<u>\$747,811,643</u>	<u>\$1,055,052,189</u>	<u>\$844,249,867</u>

All bond obligations will be paid from the bond redemption fund. The 2013A and 2013C Certificates of Participation are to be paid from the capital projects fund - capital reserve fund; whereas the 1997, 2011B and 2013B taxable Certificates of Participation are attributable to pension obligations and are to be paid from the general fund.

The capital projects building fund balance of \$389,695,151 is from the issuance of Series 2009A, 2009C, 2010A, 2012B, 2012C and 2014A general obligation bonds and related interest earnings. At June 30, 2014, the School District had capital expenditure purchase commitments outstanding of \$75,047,730.

Capital Lease Obligations

The capital lease agreement is for equipment. There are no contingent rental payments, escalation clauses or other restrictions. In accordance with generally accepted accounting principles, the lease has been capitalized at the present value of future lease payments, and the equipment is reflected in the Government-wide financial statements. On August 2013, the District made final lease obligation payment.

Defeasance of Certificates of Participation

In prior years, the District defeased certain Certificates of Participation by placing the proceeds of the new certificates in an irrevocable trust to provide for all future payments on the old obligations. Accordingly, the trust account assets and the liability for the defeased obligations are not included in the District's financial statements. At June 30, 2014, \$23,540,828 of outstanding certificates of participation are considered defeased.

Defeasance of General Obligation Bonds

In prior years, the District advance refunded a portion of the District's Series 2004A and 2004C general obligation bonds with the proceeds from the issuance of new general obligation bonds. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with an escrow agent and invested in government securities for the purpose of paying the principal and interest when due. At June 30, 2014, \$55,645,000 of 2004C bonds is considered defeased.

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Forward Delivery Agreements

In February 2003, the District entered into a forward delivery agreement whereby it received \$9.8 million for the general fund in exchange for the future earnings from the investment of future general fund revenues that will be used to meet the debt service requirements for the 1997 taxable pension certificates of participation issue. Of this \$9.8 million, \$7,050,938 has been recognized as revenue, with the remaining amount to be recognized as revenue over the remaining life of the issue or through December 2018.

Compensated Absences Payable

Compensated absences payable consists of accumulated sick leave time which vests and is payable upon retirement and accumulated vacation leave time which vests and is payable upon retirement or termination. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses when paid. The estimated cost for fiscal year 2015 is \$2,078,304 based on recent history. These expenditures are recognized in the fund where incurred, a majority of which are incurred by the general fund.

Subsequent Event

On December 2, 2014, the District issued General Obligation Refunding Bonds Series 2014B for a principal amount of \$149,170,000 plus premium of \$24,225,792. The bonds were issued to refund all of the District's General Obligation Bonds, Series 2009A. The refunding results in a present value savings to the District and the taxpayers of Denver of approximately \$10 million.

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7. SHORT-TERM DEBT

It was necessary for the District to participate in the State of Colorado interest-free loan program by borrowing \$125,797,000 throughout the fiscal year to meet cash flow needs since the majority of revenues from property taxes are not realized until March, April, May and June. The loan was repaid during the months of March and May.

June 30, 2013			June 30, 2014
Balance	Borrowed	Repayment	Balance
\$0	\$125,797,000	\$125,797,000	\$0

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8. PENSION PLAN

Plan Description

The District contributes to the Denver Public Schools Division of the PERA Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan (the Plan), to provide retirement and disability, post-retirement annual increases and death benefits for members or their beneficiaries. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

DPS Retirement System Merger into Colorado PERA

On May 21, 2009, Senate Bill 09-282 mandated the merger and transfer of the assets, liabilities, and obligations of the Denver Public Schools Retirement System (System) into the Colorado Public Employees' Retirement Association (PERA) as of January 1, 2010. The statute established two separate DPS divisions within PERA, one for retirement benefits and one for health benefits. It incorporates certain provisions of the Plan into statute and requires the PERA Board to administer the provisions of the Plan for System members. The statute appoints a non-voting ex officio Board member from the DPS Division to serve on the PERA Board. In addition, it creates a separate health care trust fund for the District and allows retirees to participate in PERACare, the PERA health care program for retirees and benefit recipients. The statute allows for the portability of benefits between the DPS Division and other divisions with PERA.

Funding Policy

The Colorado Legislature determined the employer and employee contribution rates following the plan merger. The statutory employer contribution rate for the DPS Division is 13.75 percent and the employee contribution is 8 percent. DPS Division employers are also subject to the Amortization Equalization Disbursement (AED 3.8%) and the Supplemental Amortization Equalization Disbursement (SAED 3.5%), as outlined in the statute. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the health care trust fund. In addition, the DPS Division contributions are reduced by an amount equal to the District's obligations related to the PCOPs issued in 1997 and the taxable variable rate certificates of participation issued in 2008, at an assumed interest rate of 8.5%. As a result, the District contributed 5.64% of gross covered salary from July 2013 through December 2013 and 7.04% from January 2014 through June 30, 2014. The District's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,354,917, \$22,906,447 and \$17,594,394 respectively, representing 100% of the required contribution.

The GASB issued Statement No. 68 Accounting and Financial Reporting for Pensions (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the District, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability may negatively impact the District's future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

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9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District provides post-retirement life insurance benefits in accordance with the Board of Education Resolution 1643. The benefit is administered in a non-revocable trust by an independent trustee as a single-employer defined benefit OPEB plan. Separately audited GAAP-basis financial statements are not available for the plan.

Plan Descriptions and Contribution Information

The contributions and benefits are provided to certain employees who retired under the provisions of early, regular, or disability retirement who meet the other eligibility requirements. Contributions to the Plan are paid from the general fund. Plan participants consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Number retired	3,781
Number disabled	<u>177</u>
Total	<u>3,958</u>

Denver Public Schools Retiree Life Insurance Trust (DPSRLIT)

Plan Description- Life insurance benefits are provided to retirees depending on the date they were eligible to retire. Retirees who were eligible to retire prior to September 1, 1997, receive two times their annual earnings, with the amount reduced annually during the five-year period after their retirement date; at the end of the five year period the life insurance benefit remaining is final and paid out upon their death. Retirees who were eligible to retire after September 1, 1997, receive a flat dollar amount of \$10,000 payable at the time of their death. Life insurance benefits are not available to anyone who retires after January 1, 2006.

Contributions- The Annual Required Contribution (ARC) was \$3,062,430 for fiscal year ended June 30, 2014 based on the most recent actual valuation report dated July 1, 2012. The District's Board of Education determines the annual contribution through the budgeting process. The District's current annual contribution amount is budgeted at \$2,040,000, with total contribution of \$2,346,870, including \$306,870 in dividends received for the fiscal year ended June 30, 2014. Plan participants do not make contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the ARC for the plan. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

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Amortization of Unfunded Actuarial Accrued Liability	\$ 2,958,870
Interest on Amortization	<u>103,560</u>
Annual Required Contribution	3,062,430
Interest on Net OPEB Obligation	87,890
Adjustment to ARC	<u>(223,729)</u>
Annual OPEB Cost	2,926,591
Employer Contributions	<u>(2,346,870)</u>
Increase in Net OPEB Obligation	579,721
Net OPEB Obligation - June 30, 2013	<u>2,511,136</u>
Net OPEB Obligation - June 30, 2014	<u>\$ 3,090,857</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation or asset for 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation / (Asset)
June 30, 2014	\$ 2,926,591	80.19%	\$3,090,857
June 30, 2013	2,914,617	107.59%	2,511,136
June 30, 2012	3,417,237	59.70%	2,732,000
June 30, 2011	3,497,000	59.22%	1,355,000

Funded Status and Funding Progress – OPEB

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2012	\$ 6,352,302	\$ 39,562,664	\$ 33,210,362	16.06%

The ARC was determined using the "Projected Unit Credit" actuarial cost method and was calculated on a level dollar basis assuming the average remaining lifetime of qualified retirees (14.2 years) for the life insurance benefit with an open amortization period. The significant actuarial assumptions used in the valuation were: (a) life expectancy of participants obtained from the RP 2000 Healthy Annuitant Mortality Table projected to 2020 by Scale BB (healthy mortality), applied on a gender-specific basis; (b) life expectancy participants obtained from the RP 2000 Disabled Mortality Table projected to 2020 by Scale BB (disabled mortality), applied on a gender-specific basis; (c) a discount rate of 3.5% assuming the employer will consistently contribute an amount equal to or greater than the ARC. Covered payroll is not presented since the plan now covers only a closed group of District retirees.

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The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prior to January 1, 2010, the District provided postemployment health benefits by subsidizing health insurance premiums through the Denver Public Schools Retiree Health Benefit Trust (DPSRHBT). The District transferred postemployment health benefits to PERACare on January 1, 2010. The District retained a residual amount of cash to pay premium subsidies billed to the District by PERA. As of June 30, 2014, the amount was \$17,320.

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10. RISK MANAGEMENT

The District's risk management program deals with the efficient operations of the commercial insurance programs that provide financial protection to the District. These programs include property insurance, several lines of liability insurance, and workers' compensation insurance. There have been no significant changes in the insurance programs from the prior year. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage.

The District has the normal exposures to loss that are part of any large organization. The District is a public facility that teaches and supervises over 87,000 students, employs approximately 14,000 people to accomplish these functions, and provides these services in over 190 facilities located throughout the City and County of Denver. Exposures to loss include theft of property, tort claims, errors and omissions on the part of District employees or Board members, on the job injuries, and automobile liability claims.

The District participates in the Colorado School District Self-Insurance Pool (the Pool) for liability and property coverage. The Pool provides coverage to its members for accidental losses as well as services to help reduce losses and costs incurred in handling claims. In return for these services the District pays premiums and assists the Pool in settling losses. Furthermore, the District's responsibilities include working toward reducing the exposures that cause losses. Property loss claims are handled primarily through District resources and claims that allege injury to the public or students are forwarded to the Pool for claims management.

The District retains a certain level of all liability losses. For the year ended June 30, 2014, the District retained \$100,000 of each school entity liability loss and \$150,000 for each automobile liability loss. For the same period the retention level for each property claim was \$100,000. These deductible levels were arrived at after reviewing the average historical losses and determining the amount of each loss the District could pay directly.

The workers' compensation insurance program is a self-financed program with the State of Colorado. This program provides that the District pay the first \$1,000,000 of each loss. Insurance Fund money for the workers' compensation program was used to pay expenses and claims costs. The District uses a third party claims administrator to process claims. Claim liabilities for automobile liability, school entity, and workers' compensation, including incurred but not reported (IBNR) claims, were determined by Aon Global Risk Consulting (AGRC) at the request of the District. The estimated workers' compensation outstanding liability as of June 30, 2014 is \$6,513,825 and the amount was based on historical paid and incurred losses. The workers compensation liability is undiscounted.

The schedule below represents the claims activity for the fiscal year and the liability for accrued claims for property, liability, and workers' compensation combined. The goal is to retain the highest level of each loss that makes economic sense. The liability for all claims is \$8,713,225 as of June 30, 2014.

	Beginning <u>Liability</u>	Current Year Claims and Change <u>In Estimate</u>	Claim <u>Payments</u>	Ending <u>Liability</u>
June 30, 2013	\$5,503,563	\$6,102,379	\$5,360,463	\$6,245,479
June 30, 2014	\$6,245,479	\$8,695,763	\$6,228,017	\$8,713,225

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11. RELATED PARTIES

The District has an intergovernmental agreement with Douglas County School District RE-1, Arapahoe County School District No. 6 (Littleton Public Schools), Cherry Creek School District No. 5 and Aurora Public Schools to create a board of cooperative educational servers (BOCES) for the purpose of operating an expeditionary learning school, the Rocky Mountain School of Expeditionary Learning (RMSEL), a kindergarten through 12th grade school. RMSEL is a self-governing organization with its own Board of Education. The six Board members consist of one school Board member from each of the participating districts and one member appointed by the sponsoring districts from the public at large.

By contract, the maximum number of students the RMSEL may serve is 400. These students must be residents of one of the five participating school districts. All students at RMSEL are included in the District's enrollment number that is reported to the Colorado Department of Education for funding purposes. The District receives the funding related to the RMSEL students and passes 100% of that funding on to RMSEL along with a portion of state and federal categorical aid as appropriate. That funding was \$2,640,579 for fiscal year 2014. RMSEL purchased special education services from the District for \$184,862 for the same year.

RMSEL is located at 1700 South Holly, Denver, in one of the District's buildings. RMSEL leases the facility from the District for \$150,000 per year.

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12. COMMITMENTS AND CONTINGENCIES

The District is a party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. After consulting with counsel, the District's management has concluded that no significant adverse effect on the June 30, 2014, financial statements should result upon final disposition of these proceedings. The District has a potential liability relating to the "Asbestos Hazard Emergency Response Act" (the Act), which is a federally-funded hazardous material/asbestos management program administered by the State Health Department. It is not possible at this time to estimate the amount of expenditures which will be required to comply with the Act. It is expected that these expenditures will not have a significant impact on the financial position of the District.

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

The District has several computer and copier lease agreements which contain a provision whereby the leases shall terminate if the Board of Education does not appropriate funds for lease payments in any succeeding year. There are no contingent rental payments, escalation clauses or other restrictions. The computer leases contain a provision whereby the title of the property will transfer at the end of the lease if the lease is not terminated, however the value of the computers is below the District's capitalization threshold. The copiers are an operating lease and title will not be transferred to the District. The current leases are primarily obligations of the general fund; however several other funds pay for copiers that they are using.

For the year ended June 30, 2014, the District incurred expenses in excess of appropriations in the Risk Management fund and reported a deficit net position in the Risk Management and Food Service funds, which may be a violation of state statute.

As of June 30, 2014, encumbrances for governmental and proprietary funds were:

	<u>Encumbrances</u>
General	\$17,025,184
Special Revenue	11,391,857
Bond Redemption	75,000
Building	75,047,730
Capital Reserve	19,087,944
Non-major Funds	124,405
Proprietary Fund	<u>245,851</u>
Total	<u><u>\$122,997,972</u></u>

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The District leases office facilities, educational facilities, warehouse and parking under non-cancellable operating leases. Total expense for such facilities was \$2,893,410 for the fiscal year ended June 30, 2014. The future minimum operating lease obligations as of June 30, 2014 were as follows:

Year	Governmental Activities
2015	\$3,752,522
2016	3,098,172
2017	3,191,860
2018	3,272,736
2019	2,212,872
2020 - 2024	4,291,138
2025 - After	486,560
Total Minimum Lease Payments	<u>\$20,305,860</u>

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13. CERTAIN CONSTITUTIONAL LIMITATIONS

At the general election held November 3, 1992, voters approved an amendment (commonly termed the Taxpayers Bill of Rights, or TABOR) to the Colorado Constitution limiting the ability of the state and local governments such as the District to increase revenues, debt and spending, and restricting property, income and other taxes. On November 2, 1999, the Denver voters gave the District approval to exceed the spending limits established in TABOR beginning with the 1999 fiscal year. The amendment also requires that the state and local governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years". The amendment exempts from its restrictions the borrowings and fiscal operations of "enterprises". Enterprises are defined to include government owned businesses authorized to issue their own revenue bonds and receiving under 10% of their grants from all state and local government sources combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service.

In accordance with TABOR, the District maintains an emergency reserve of 3% of fiscal year spending by designating real property owned by the District in lieu of cash. For fiscal year 2014, fiscal year spending was \$860,261,897, and the 3% emergency reserve was \$25,807,857, which includes multi-year obligations of \$221,000. Additionally, in accordance with C.R.S. Section 22-44-105, the District established an emergency cash reserve as a restricted fund balance in the general fund for \$21,562,473 equal to 3% of budgeted general fund revenues.

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14. RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION

The District made changes to beginning fund balance of the general fund and to beginning net position of governmental activities on the government-wide statements. The details of these changes are as follows:

The financial statements have been corrected to properly report year-end accounts payable balances as of June 30, 2013. The District converted to a new accounting system with a go-live date of July 1, 2013. Subsequent to the conversion it was discovered that an error occurred during the conversion process that resulted in an overstatement of liabilities reported in the June 30, 2013 financial statements of \$4,877,945.

Additionally, in Fiscal Year 2014, the District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in the financial statement presentations.

Adoption of GASB 65 resulted in a decrease in net position as of July 1, 2013 of \$15,357,171 for Governmental Activities. This change resulted from the requirement in GASB 65 that debt issuance costs, other than prepaid insurance, be recognized as an expense in the period incurred. Another change resulting from the application of GASB 65 is the reclassification of property tax deferred revenue recorded in the fund statements for which revenues are not available as deferred inflows of resources. Additionally, the deferred loss on refunding of debt is reclassified as a deferred outflow of resources.

Therefore, the following adjustments have been made to the June 30, 2013 balances:

Governmental Activities:

Beginning Net Position - July 1, 2013, as originally stated	\$ (649,441,897)
Change in Accounting Principle	\$ (15,357,171)
Prior Period Adjustment - Accounts Payable	<u>4,877,945</u>
Beginning Net Position - July 1, 2013, as restated	<u><u>\$ (659,921,123)</u></u>

General Fund

Beginning Fund Balance - July 1, 2013, as originally stated	\$ 109,539,444
Prior Period Adjustment - Accounts Payable	<u>4,877,945</u>
Beginning Fund Balance - July 1, 2013, as restated	<u><u>\$ 114,417,389</u></u>

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15. COMPONENT UNITS

The District has 44 component units consisting of one blended component unit and 43 discretely presented component units.

Change in Reporting Entity and Prior Period Adjustments

The component unit combining financial statements reflect changes in reporting entity and prior period adjustments. The changes in reporting entity include the addition of new charter schools (footnoted as A in the combining statements), charters schools with expired charters that were not renewed (footnoted as B in the combining statements) and changes in reporting entity for charter school networks that were previously reported at the network level and are now reported at the school level to meet state and federal requirements (footnoted as C in the combining statements).

Blended Component Unit

Denver School Facilities Leasing Corporation

The DSFLC was formed in December 1985 as a not-for-profit corporation under Sections 501(c) (3) and 501(c) (4) of the Internal Revenue Code, and exists solely to acquire real estate, buildings and equipment for schools for future lease to the District. The District is primarily responsible for the creation and continued management of the DSFLC, has influence over its operations and is ultimately responsible for any deficits or operating deficiencies. The certificates of participation issued by the DSFLC and its activities for the year are reflected in the accompanying government-wide financial statements of the District. An evaluation of the DSFLC using the above considerations results in its blended inclusion in the accompanying financial statements. There are no separate financial statements available for the DSFLC and the financial information of the DSFLC is blended with that of the primary government which is why DSFLC is not shown on the schedules in this note.

Discretely Presented Component Units

Denver Public Schools Foundation

In 1984 the Denver Public Schools Foundation (the "Foundation") was incorporated as a widely based not-for-profit charitable organization whose educational purposes are to support the mission, goals and objectives of the District. Separately issued financial statements are available from the Foundation at 900 Grant Street, Room 503, Denver, CO 80203. The Foundation follows the accounting guidance of the Financial Accounting Standards Board Accounting Standards Codification 958, relating to the reporting model for financial statements of not-for-profit organizations. Certain note disclosures for the Foundation have been excerpted from the Foundations' financial statements:

Cash & Investments

The Foundation holds one certificate of deposit totaling \$500,000 at June 30, 2014. The certificate bears an interest rate of 0.65% and matures in January 2016. At June 30, 2013, the Foundation held one certificate of deposit totaling \$500,000.

Permanently Restricted Net Assets

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Accordingly, the Foundation follows *Endowments of Not-for-Profit Organizations: Net Asset Classification of*

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Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation's permanently restricted net assets consist of two donor restricted endowment funds, "Jerry's Fund" and the "Endowment Fund."

Jerry's Fund was established during the year ended June 30, 2005 in honor of former Superintendent Dr. Jerry Wartgow. The principal amount cannot be spent by the Foundation for any purpose. Earnings on Jerry's Fund are restricted to support the A to Z Fund.

The Endowment Fund was established in 1999 through an agreement with Denver Public Schools under which the Foundation received \$1,000,000. The principal cannot be spent by the Foundation for any purpose. Earnings on the Endowment Fund are available for use in accordance with the purpose of the Foundation.

Charter Schools

In 1993, the State of Colorado Legislature enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101," which permits the District to contract with individuals and organizations for the operation of charter schools within the District. The charter schools are financed by a portion of the District's School Finance Act Revenues (based on student enrollment), mill levy override property tax dollars, and state and federal grants, as well as other revenues generated by the charter school. The District's Board of Education must approve all charter school applications; however, they have their own separate governing boards.

Separately issued financial statements for the District's 43 charter schools are available from the individual charter schools at the addresses noted below:

Academy 360, 12505 Elmendorf Pl, Denver, CO 80239
Academy of Urban Learning, 2417 W. 29th Ave., Denver, CO 80211
Cesar Chavez Academy Denver, 3752 Tennyson St., Denver, CO 80212
Colorado High School, 1175 Osage Street, Suite #100, Denver, CO 80204
Community Challenge School, 948 Santa Fe Drive, Denver, CO 80204
Denver Language School, 451 Newport St., Denver, CO 80220
Denver Justice High School, 4760 Shoshone, Denver, CO 80211
Downtown Denver Expeditionary Schools, 1860 Lincoln St, Denver CO 80295
Denver School of Science and Technology Byers, 150 S. Pearl St., Denver, CO 80209
Denver School of Science and Technology Cole Middle School, 1350 E. 33rd Ave, Denver, Colorado 80205
Denver School of Science and Technology College View, 3111 W. Dartmouth Ave., Denver CO 80236
Denver School of Science and Technology Green Valley Ranch Middle School, 4800 Telluride Street Building 3, Denver, Colorado 80249
Denver School of Science and Technology Green Valley Ranch High School, 4800 Telluride Street Building 2, Denver, Colorado 80249
Denver School of Science and Technology Stapleton Middle School, 2000 Valentia Street, Denver, Colorado 80238
Denver School of Science and Technology Stapleton High School, 2000 Valentia Street, Denver, Colorado 80238
Girls Athletic Leadership Schools Middle School, 200 S. University Blvd., Denver, CO 80209
Highline Academy, 2170 S. Dahlia St., Denver, CO 80222
KIPP Denver Collegiate High School, 451 S. Tejon Street, Denver, CO 80223
KIPP Montbello College Prep, 5290 Kittredge St. Denver, CO 80239
KIPP Sunshine Peak Academy, 375 S. Tejon St. Denver, CO 80223
Monarch Montessori, 4895 Peoria Street, Denver, CO 80239
Odyssey School, 6550 E. 21st Ave., Denver, CO 80207
Omar D. Blair Charter School, 4905 Cathay Street, Denver, CO 80249

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Pioneer Charter School, 3230 E. 38th Avenue, Denver, CO 80205
Ridge View Academy, 28101 East Quincy Avenue, Watkins, CO 80137
Rocky Mountain Preparatory, 7808 Cherry Creek South Dr., Denver, CO 80231
Sims-Fayola International Academy, 6850 Argonne St., Denver, CO 80249
SOAR @ Green Valley Ranch, 4800 Telluride St., Denver, CO 80249
SOAR @ Oakland, 4580 Dearborn St., Denver, CO 80239
Southwest Early College, 3001 South Federal Boulevard, Box 114, Denver, CO 80236
STRIVE Prep Excel Academy, 2960 N. Speer Boulevard, Building 1913, Denver, CO 80211
STRIVE Prep Federal, 1825 S Federal Blvd, Denver, CO 80219
STRIVE Prep GVR, 4800 Telluride Street, Building 5, Denver, CO 80249
STRIVE Prep Sunnyside, 4735 Pecos Street, Denver, CO 80211
STRIVE Prep Lake, 1820 Lowell Boulevard, Garden Level, Denver, CO 80204
STRIVE Prep Montbello, 11200 E. 45th Ave., Denver, CO 80239
STRIVE Prep SMART Academy, 3201 W. Arizona Avenue, Denver, CO 80219
STRIVE Prep Westwood, 3201 W. Arizona Avenue, Denver, CO 80219
University Prep Charter School, 2409 Arapahoe St., Denver, CO 80205
Venture Prep Charter School Middle School, 2540 Holly St., Denver, CO 80207
Venture Prep Charter School High School, 2540 Holly St., Denver, CO 80207
Wyatt Edison, 3620 Franklin Street, Denver, CO 80205

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Certain note disclosures for the charter schools are as follows (from their separately-issued audited financial statements):

Significant Accounting Policies

The charter schools' financial information included with the District's financial statements represents the government-wide financial statements for the charter schools. The government-wide financial statements for each of the charter schools are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Other accounting policies are similar to the District.

Cash and Investments

Deposits held at July 1, 2014 were as follows:

	Carrying Balance	Bank Balance Covered by FDIC Insurance or Collateralized
Academy 360	\$ 68,640	\$ 93,941
Academy of Urban Learning	43,546	47,007
ACE Community Challenge	945,666	945,666
Cesar Chavez Academy Denver	513,415	513,415
Colorado High School	67,426	77,671
Denver Language School	897,666	919,349
Downtown Denver Expeditionary Schools (DDES)	126,555	138,084
A Denver School of Science and Technology Network	4,760,523	1,750,000
Girls Athletic Leadership Schools (GALS) (MS)	151,906	196,012
Highline Academy	842,238	855,137
Justice High School Denver	194,661	208,194
A KIPP Network	1,944,487	750,000
Monarch Montessori	33,759	106,426
Odyssey Charter School	518,542	535,686
Omar D. Blair Elementary	307,221	152,129
Pioneer Charter	1,580,756	1,580,756
Ridge View Academy	900,512	1,094,325
Rocky Mountain Prep	786,265	804,184
Sims-Fayola International Academy Denver (MS)	72,200	72,200
SOAR @ Oakland	532,281	568,908
SOAR @ GVR	508,018	535,961
Southwest Early College	307,425	61,214
A STRIVE Prep Network	2,786,070	2,786,070
University Prep	134,630	151,413
Venture Prep (HS)	623,710	652,663
Venture Prep (MS)	154,888	154,888
Wyatt Academy	917,954	917,954

- A** For the above noted Networks, each Network operates multiple schools. Individual audit reports were received for each school, but the deposits reported above have been combined for presentation purposes.

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Charter schools are required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Academy of Urban Learning

The Academy had invested \$187,546 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAAM by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00.

Cesar Chaves Academy Denver

At June 30, 2014, the Corporation had \$865,354 invested in a money market fund rated AAAM by Standard and Poor's.

Colorado High School

The School had invested \$349,092 in the Colorado Government Liquid Asset Trust (COLOTRUST) which has a credit rating of AAAM by Standard and Poor's.

Highline Academy Charter School

At June 30, 2014, the Academy had \$885,307 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's.

STRIVE Preparatory Network

At June 30, 2014, the School had \$1,819 invested in the Colorado Local Government Liquid Asset Trust (Colostrust), an investment vehicle established for local government entities in Colorado to pool surplus funds.

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Capital Assets

Changes in capital assets for the year ended June 30, 2014, are summarized as follows:

	Balance 30, 2013	June Additions	Deletions	Balance 30, 2014
Land	\$ 3,380,000	\$ 1,750,000	\$ (1,080,000)	\$ 4,050,000
Buildings	4,768,621	3,791,917	(3,561,873)	4,998,665
Vehicles	326,070	11,000	(191,693)	145,377
Equipment	1,871,105	270,165	(39,937)	2,101,333
Machinery	45,324	-	-	45,324
Software				
Curriculum	271,892	-	-	271,892
Signage	23,774	-	(23,774)	-
Construction in Progress	-	59,456	-	59,456
Computer equipment	545,734	-	(397,962)	147,772
Other equipment	217,046	-	(136,521)	80,525
Furniture and fixtures	279,956	-	(268,255)	11,701
Facilities improvements	360,893	-	(360,893)	-
Books & materials	901,198	-	(901,198)	-
Building/leasehold improvements	13,292,678	222,220	(20,355)	13,494,543
Accumulated depreciation	(8,621,590)	(1,029,833)	2,751,806	(6,899,617)
Capital assets, net	<u>\$ 17,662,701</u>	<u>\$ 5,074,925</u>	<u>\$ (4,230,655)</u>	<u>\$ 18,506,971</u>

Reconciliation to Last Year's report

FY 13 Capital balance per last year's CAFR	\$17,694,625
Vehicles reported in this year's individual DSST reports, not in last year's report	59,400
Software reported in last year's DSST consolidated report, not in this year's report	(91,327)
Miscellaneous rounding differences	<u>3</u>
FY 14 Beginning Capital Assets Net	\$17,662,701

Long-term Liabilities and Operating Leases

Academy of Urban Learning

On June 7, 2013 the Academy entered into an amended facilities use agreement with the District. The new agreement's expiration date is concurrent with the Academy's charter agreement.

Under the terms of the agreement, the Academy paid \$108,630 to the District for the year ended June 30, 2014.

Colorado High School

The School entered into an operating lease for their building with a company partially owned by related parties. Monthly lease payments of \$10,600 to \$11,000 are due monthly through August 31, 2015.

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Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 132,000
2016	22,000
Total	<u>\$ 154,000</u>

Total rent expense for the year ended June 30, 2014 for this lease was \$131,200. This building is owned by an LLC in which the principal of the School is a member and therefore a related party.

Community Challenge School

The School has entered into an operating lease with an individual for building space. Lease payments were \$7,000 per month expiring January 31, 2014. Effective February 1, 2014 the lease payments are \$7,000 per month expiring June 30, 2015. The lease can be terminated by the lessee any time after July 1, 2009, by giving the landlord 90 days written notice. Lease expense for the year ending June 30, 2014 was \$77,800.

<u>Year Ending June 30,</u>	
2015	\$ 84,000
Total	<u>\$ 84,000</u>

Downtown Denver Expeditionary School

In July 2013, the School entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract.

For the year ended June 30, 2014, the School paid \$124,250 to the Districts under the terms of the agreement.

Denver Language School

The School has a facility use agreement with the District for use of a District school building.

For the year ended June 30, 2014, the District charged the school \$710 per pupil to cover these costs. The cost per student will be recalculated by the District each year.

Total rent expense for the year ended June 30, 2014 for this agreement was \$394,050.

Denver Justice High School

Denver Justice has no long-term debt, and it has moved to a district facility as of 2014. The School entered into a Facilities Use Agreement with Denver Public School District (the "District") for their building. The terms of the agreement will run concurrent with the Charter School Contract.

For the year ended June 30, 2014 the School paid \$15,825 to the District under the terms of the agreement.

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DSST Network

On June 28, 2013, DSST Public Schools sold the land and buildings at DSST – Stapleton to Denver Public Schools in exchange for credits to offset future PCOPs expenses (Note 10) in the amount of \$13,018,140. The school recorded a discount of \$2,083,361, and established a prepaid PCOPs credits account for the difference. Approximately \$1,312,000 of the credits have been utilized to pay outstanding PCOPs liabilities through the year ended June 30, 2014. The remaining credits are expected to be utilized over approximately the next 23 years in accordance with an agreed-upon schedule. Under the Property Transfer and PCOP Agreement, DSST Public Schools leases the property from Denver Public Schools over a remaining period of 4 years. DSST Public Schools accounts for the leaseback as an operating lease. A realized gain of \$842,004 on the sale of the land and buildings has been deferred and is being amortized on a straight-line basis over the remaining 4-year term of the lease.

\$168,401 of the deferred gain was amortized in 2014, leaving a remaining balance at June 30, 2014 of \$673,603. Denver Public Schools calculates the Facility lease payment annually based on a per-student use fee schedule and anticipated costs of operating the facility.

DSST Public Schools leases office and storage space under various operating leases through 2018. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 156,597
2016	144,241
2017	125,321
2018	12,547
Total	<u>\$ 438,706</u>

Total rent expense, including facility lease fees for the year ended June 30, 2014, totaled \$1,431,497.

DSST Byers

The School annually enters into a facility use agreement with Denver Public Schools. The Facility use fee is based on a per-student use fee schedule and anticipated costs of operating the facility. There are no future minimum commitments under this arrangement.

The School leases certain office equipment under various operating leases expiring at various dates through 2018. Estimated future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 7,397
2016	7,577
2017	3,514
2018	720
	<u>\$ 19,208</u>

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Girls Athletic Leadership Schools

Beginning on July 1, 2013, the School entered into a facility use agreement with the District for use of a District school building for the 2013-2014 school year. The District will charge the school \$710 per pupil to cover these costs. The cost per student will be recalculated by the District each year. For the year ended June 30, 2014, the School paid \$142,710 under the facilities use agreement.

Highline Academy

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due within one year
2011A Revenue Bonds	\$ 8,260,000	\$ -	\$ 70,000	\$ 8,190,000	\$ 105,000
2011B Revenue Bonds	25,000	-	25,000	25,000	-
Total	<u>\$ 8,258,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 8,190,000</u>	<u>\$ 105,000</u>

Series 2011A Charter School Revenue Bonds

In January 2011, the Public Finance Authority issued \$8,260,000 Charter School Revenue Bonds, Series 2011A. Proceeds from the bonds were used to purchase the Academy's building and provide funding for improvements. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.25% to 7.375% per year. The bond matures in December, 2040.

Series 2011B Charter School Revenue Bonds

In January 2011, the Public Finance Authority issued \$115,000 Charter School Revenue Bonds, Series 2011B. Proceeds from the bonds were used to purchase the Academy's building and provide funding for improvements. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at 7.00% per year. The bond matures in December, 2014.

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Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$105,000	\$588,481	\$693,481
2016	110,000	581,916	691,916
2017	115,000	575,044	690,044
2018	125,000	567,856	692,856
2019	130,000	560,044	690,044
2020-2024	800,000	2,663,395	3,463,395
2025-2029	1,110,000	2,352,901	3,462,901
2030-2034	1,585,000	1,882,100	3,467,100
2035-2039	2,260,000	1,205,814	3,465,814
2040-2041	1,850,000	231,944	2,081,944
Totals	<u>\$8,190,000</u>	<u>\$11,209,495</u>	<u>\$19,399,495</u>

KIPP Colorado Schools

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due Within One year
Modular Loan	\$149,309	\$ -	\$60,785	\$88,524	\$65,160

In May 2005, the school entered into a loan agreement in the amount of \$500,000 to finance a portion of the construction of a modular building to be used for an education facility. The loan accrues interest at the rate of 6.875% per annum and is due in monthly payments of \$5,773, through October, 2015.

Future payments for the modular loan are as follows:

Year ended June 30,	Principal	Interest	Total
2015	\$65,160	\$4,116	\$69,276
2016	23,364	347	23,711
	<u>\$88,524</u>	<u>\$4,463</u>	<u>\$92,987</u>

Monarch Montessori

The School entered into a lease agreement with the Northeast Academy Building Corporation on August 1, 2013 for use of a building. This agreement is cancellable upon the School not appropriating revenues sufficient to pay all base rentals. The School is required to inform the Building Corporation as of June 1 each fiscal year if they are renewing the lease. The lease matures on May 1, 2037. Total rent expense for the year ended June 30, 2014 for this agreement was \$133,431.

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Odyssey School

The School entered into an operating lease agreement with the District for their building. Monthly lease payments of \$10,532 are due through June 30, 2015. The rate can be adjusted annually as long as the District gives the School seven months' notice.

Future minimum lease payments for the year ended June 30, 2015 are \$126,381. Total rent expense for the year ended June 30, 2014 was \$126,381.

Omar D. Blair Charter School

The School's operations are housed in a school facility owned by the district and leased to the School's charter board under a Facility Use Agreement. Under the FUA, the District charges the School an annually adjusted fee per pupil. The per pupil fee for the year ended June 30, 2013 was \$673. The total amount paid to the district for the facility usage for the year ended June 30, 2014 was \$412,074.

Pioneer Charter School

The School has approved a facility use agreement with the District to utilize educational facilities owned by the District, through June 30, 2015. For the year ended June 30, 2014, the School paid facility use fees of \$710 per student, which totaled \$334,410. The agreement requires facility use fees of \$742 per student for the year ended June 30, 2015, which is estimated at \$363,438.

Ridge View Academy

As of June 30, 2014 the school has no long-term debt other than \$17,237 for compensated absences. This amount increased from last year's total of \$15,437. This is due to fluctuations in administrative staff unused paid time off allowed up to a maximum of 20 days. Upon termination of employment, an administrative employee is compensated for all unused paid time off at their current rate of pay, depending on the employee's years of service.

Rocky Mountain Prep

In June 2012, the School entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract. The School paid \$152,650 under the terms of this agreement for the year ended June 30, 2014.

SOAR @ Green Valley Ranch

The School entered into a Facilities Use Agreement with the District for their building. The School and the District amended the Facilities Use Agreement beginning July 1, 2011. The amended agreement calculates the annual Facilities Use Fee based on number of enrolled students at a rate of \$710 per student. For fiscal year 2014, 25% of the annual fee was payable in July and October of 2013, and the balance will was due in January of 2014. Total rent expense for the year ended June 30, 2014 for this lease was \$335,120. On December 31, 2011, the School has entered into an agreement with Wells Fargo Bank for a line of credit in the amount of \$35,000. The line of credit carries an interest rate of Prime plus 6.75%, currently 10% as of June 30, 2014. The School has not drawn on the line of credit during the year ended June 30, 2014.

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SOAR @ Oakland

In June of 2012 the School entered into a Facilities Use Agreement with the District for their building. This agreement will be effective July 1, 2012 through June 30, 2014. The agreement calculates the annual Facilities Use Fee based on an estimated number of enrolled students at a rate of \$710 per student. For fiscal year 2014, 25% of the annual fee was payable in July and October of 2013, and the balance will be due in January of 2014. Total rent expense for the year ended June 30, 2014 for this lease was \$362,100.

The School operates under a charter agreement approved by the Denver Public School District (the "District"). During fiscal year 2014, the District's Board of Education did not renew the School's charter, therefore, the School ceased operations June 30, 2014, when the charter agreement expired. Per the School's charter agreement with the District all remaining assets of the school shall be returned to the District upon dissolution, therefore a liability in the amount of \$508,162 has been recorded as Due to the District.

SIMS-Fayola

Following is a summary of long-term debt transactions for the year ended June 30, 2014:

Business-Type Activities	Balance			Balance	
	June 30, 2013	Additions	Payments	June 30, 2014	Due within one year
Loans Payable	\$681,497	\$0	\$56,077	\$625,420	\$45,376

On May 18, 2012, the Corporation obtained two loans from the Charter Schools Development Corporation in the total amount of \$704,000, to remodel an educational facility. Loan principal of \$204,000 accrues interest at 6.25% per annum, and loan principal of \$500,000 accrues interest at 7.5% per annum. Principal and interest payments of \$2,043 and \$5,389, respectively, are due monthly, through July 31, 2017 and August 31, 2017, with final balloon payments of \$135,480 and \$335,821 due on July 31, 2017 and August 31, 2017, respectively. The School makes rental payments to the Corporation in amounts equal to the loan payments for using the related leasehold improvements.

Future debt service requirements are as follows:

Year ended June 30,	Principal	Interest	Total
2015	\$45,376	\$43,808	\$89,184
2016	48,654	40,530	89,184
2017	52,404	36,780	89,184
2018	478,986	5,136	484,122
Total	<u>\$625,420</u>	<u>\$126,254</u>	<u>\$751,674</u>

On May 18, 2012, the Corporation entered into an operating lease agreement for school facilities, through July 31, 2022. During the year ended June 30, 2014, the facility space was expanded and the lease was extended through July 31, 2024. The agreement initially required monthly payments of \$5,158 beginning on November 1, 2012. The monthly payments escalate each year, including additional payments for expanded space, to a maximum of \$29,552. The Corporation subleased the facilities to the School. During the year ended June 30, 2014, the School paid \$143,516 under the sublease agreement directly to the landlord. Therefore, the lease payments are not reported in the Corporation's financial statements.

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Future minimum payments under the lease are as follows:

<u>Year ended June 30,</u>	
2015	\$267,118
2016	286,579
2017	296,573
2018	307,220
2019	318,067
2020 - 2024	1,706,302
2025	28,887
Total	<u>\$3,210,746</u>

Southwest Early College

In November, 2003, the School entered into an operating lease agreement for school facilities, which was extended through June, 2015. The agreement requires monthly lease payments of \$36,700 beginning on August 1, 2013. During the year ended June 30, 2014, the School paid \$439,767 under this lease agreement. Lease payments required by the agreement for the year ended June 30, 2015, total \$440,400.

STRIVE Preparatory Network

Changes in long-term debt for the year ended June 30, 2014, were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due within</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>one year</u>
Loans Payable	\$2,141,746	\$ -	\$60,118	\$2,081,628	\$59,244

On March 22, 2013, the Corporation refinanced and consolidated four loans provided by the Raza Development Fund, Inc., in the total amount of \$2,805,272, originally issued to purchase, remodel and expand an educational facility. Refinancing costs of \$55,172 were included in the balance of the loan. Interest accrues on the loan balance at 6.5% per annum. Principal and interest payments of \$16,067 are due monthly, with a final balloon payment of \$1,696,037 due on March 22, 2020. Future loan payments are as follows.

Loan payments to maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$59,244	\$133,561	\$192,805
2016	62,211	129,594	191,805
2017	67,445	125,360	192,805
2018	71,962	121,843	193,805
2019	76,781	116,024	192,805
2020	1,742,985	80,917	1,823,902
Total	<u>\$2,080,628</u>	<u>\$707,299</u>	<u>\$2,787,927</u>

The school is required by a lease agreement to pay monthly installments of \$18,477 to the Corporation for using the educational facility. The lease agreement expires on June 30, 2020.

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STRIVE Prep Excel Academy

Annually, STRIVE Preparatory Schools approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2014, were \$710 for each student, which for the School totaled \$90,170. The agreements require facility use fees of \$742 per student for the year ended June 30, 2015, which for the School is estimated at \$192,845.

STRIVE Prep Green Valley Ranch

Annually, STRIVE Preparatory Schools approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2014, were \$710 for each student, which for the School totaled \$168,980. The agreements require facility use fees of \$742 per student for the year ended June 30, 2015, which for the School is estimated at \$267,016.

STRIVE Prep Lake

Annually, STRIVE Preparatory Schools approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2014, were \$710 for each student, which for the School totaled \$236,430. The agreements require facility use fees of \$742 per student for the year ended June 30, 2015, which for the School is estimated at \$245,506.

STRIVE Prep Montbello

Annually, STRIVE Preparatory Schools approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2014, were \$710 for each student, which for the School totaled \$159,040. The agreements require facility use fees of \$742 per student for the year ended June 30, 2015, which for the School is estimated at \$264,790.

STRIVE Prep SMART Academy

Annually, STRIVE Preparatory Schools approves facility use agreements with the District to utilize educational facilities owned by the District. The facility use fees for the year ended June 30, 2014, were \$710 for each student, which for the School totaled \$226,490. The agreements require facility use fees of \$742 per student for the year ended June 30, 2015, which for the School is estimated at \$344,895.

University Prep

In August 2013, the School entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract. For the year ended June 30, 2014, the School paid 172,530 to the District under the terms of the agreement.

Venture Prep Charter School

The School has entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract. For the year ended June 30, 2014, the School paid \$176,790 to the Districts under the terms of the agreement.

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Wyatt-Edison

On June 26, 2012, the Academy obtained a loan from the Piton Foundation in the amount of \$1,076,866, to refinance an existing loan originally issued to finance improvements to the Academy's building. Interest accrues on the loan at 4.5% per annum. Quarterly principal and interest payments of \$33,580 are required by the loan agreement, with a final balloon payment of \$836,307 due on July 1, 2015. Future debt service requirements are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$94,436	\$39,886	\$134,322
2016	827,003	9,304	836,307
Total	<u>\$921,439</u>	<u>\$49,190</u>	<u>\$970,629</u>

In March, 2007, the Academy entered into a lease agreement with the Phillips Family Trust to use a building and certain surrounding property for a term of twenty-two years. In addition, the Academy has an option to renew the term for an additional ten years. The maximum rent required by the lease agreement of \$1 per lease year was paid in full for the entire lease term.

Pension plan

Charter school employees participate in the Denver Public Schools Retirement System Division of the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries.

The employees at the DSST Stapleton, Green Valley Ranch, and Cole do not participate in the Denver Public Schools pension plan. As part of DSST's charter agreement, DSST agreed to pay fees to the District. The payment is calculated based upon a percentage of covered salary.

Management Agreement

Ridge View Academy

The Academy has an agreement with Rite of Passage, Inc. (R.O.P.), to provide educational and administrative services through June 30, 2014. R.O.P. will provide the teachers and staff necessary to operate the Academy. The teachers and staff are employees of R.O.P. The Academy has no employees. The Academy will pay to R.O.P. an annual fee for services performed. In addition, the Academy will reimburse R.O.P. for each breakfast and lunch served to enrolled students based on the rates set by the U.S. Department of Agriculture's National School Lunch Program. The administrative fee and food reimbursement to R.O.P. for the year ended June 30, 2014, were \$257,370 and \$268,941, respectively. These expenditures have been reported in functional categories in the financial statements for better reporting purposes.

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YEAR ENDED JUNE 30, 2014

Southwest Early College

The year ended June 30, 2014 was the tenth year of operations for SWEC. The general fund balance for fiscal year ending June 30, 2014 is \$328,739, \$178,403 up from a balance of \$150,336 as of June 30, 2013. The operations of SWEC are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year ended June 30, 2014 from Per Pupil Revenue was \$2,005,913 with supplemental at-risk aid totaling \$2119, making the full PPR \$2,008,032 down from \$2,143,197 for the year ended June 30, 2013. There was a PPR recapture for FY13 in the amount of \$13,972 in FY14. SWEC is located in a facility that is rented. The cost of this facility in FY14 was \$36,700 per month, with the landlord being responsible for maintenance and upgrades. SWEC has made significant progress in improving their financial position. Changes in operations, management and relationships with the Community College of Denver have all contributed to putting the school on a solid financial footing.



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Component Unit Net Position Information	Denver Public Schools Foundation	Academy 360	Academy of Urban Learning	Cesar Chavez Academy Denver	Colorado High School	Community Challenge School	Denver Language School	Downtown Denver Expeditionary School
ASSETS								
Assets:								
Cash and investments	\$ 12,443,044	\$ 68,640	\$ 231,132	\$ 771,559	\$ 416,668	\$ 945,667	\$ 897,666	\$ 126,555
Deposit held by Denver Public Schools	-	18,786	37,884	102,172	41,052	53,584	88,786	25,811
Restricted cash	-	-	-	865,354	-	25,953	-	-
Receivables:								
Accounts	-	2,280	186,976	24,391	12,621	76,132	47,064	43,010
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	150,581	-	77,821	-	41,493	-	-
Other	711,668	-	-	-	-	-	-	-
Due from CMO	-	-	-	-	-	-	-	-
Prepaid expenses	-	14,614	-	2,582	2,600	17,053	138	3,444
Restricted investments	1,921,018	-	-	-	-	-	-	-
Bond issuance costs, net	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	1,781
Deposits	-	9,500	-	-	500	-	-	-
Capital assets, net	853	-	51,364	5,524,054	11,282	-	42,860	18,167
Total assets	15,076,583	264,401	507,356	7,367,933	484,723	1,159,882	1,076,514	218,768
LIABILITIES								
Liabilities:								
Accounts payable	33,878	392	2,129	12,245	3,432	-	5,259	13,979
Due to CMO	-	-	-	-	-	-	-	-
Grants payable	8,252,755	-	-	-	-	-	-	-
Accrued interest	-	-	-	222,969	-	-	-	-
Accrued payroll	-	-	78,335	-	77,564	13,099	195,534	55,426
Compensated absences	-	-	12,625	-	-	-	-	-
Accrued liabilities	-	3,660	-	51,281	-	3,000	-	-
Deferred revenue	-	-	-	-	-	-	33,105	12,000
Noncurrent liabilities:	-	-	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-	-	-
Due in more than one year	-	-	-	6,450,000	-	-	-	-
Total liabilities	8,286,633	4,052	93,089	6,736,495	80,996	16,099	233,898	81,405
NET POSITION								
Net investment in capital assets	-	-	51,364	(925,946)	-	-	42,860	18,167
Restricted for:								
Capital outlay	-	-	-	642,385	-	-	-	-
Emergencies	-	28,000	45,000	122,000	45,000	79,537	128,000	40,000
Donor-designated purposes	5,067,850	-	-	-	-	77,999	-	-
Unrestricted (deficit)	1,722,100	232,349	317,903	792,999	358,727	986,247	671,756	79,196
Total net position	\$ 6,789,950	\$ 260,349	\$ 414,267	\$ 631,438	\$ 403,727	\$ 1,143,783	\$ 842,616	\$ 137,363
		A						A

A: New Charter School

B: Charter expired June 30, 2013

C: Change in Reporting Entities

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Denver School of Science and Technology								
Byers Middle School	Cole Middle School	College View	Green Valley Ranch High School	Green Valley Ranch Middle School	Stapleton	Stapleton High School	Stapleton Middle School	Subtotal
\$ 1,316,640	\$ 342,671	\$ 329,785	\$ 718,452	\$ 868,432	\$ -	\$ 526,995	\$ 657,548	\$ 20,661,454
30,063	78,245	64,470	92,899	84,357	-	103,904	93,242	915,255
5,500	14,800	5,500	9,500	10,000	-	8,500	5,500	950,607
82,688	242,310	56,453	81,816	79,064	-	35,230	32,208	1,002,243
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	269,895
-	-	-	-	-	-	-	-	711,668
-	-	20,252	-	-	-	-	-	20,252
9,000	5,320	100	1,547	1,547	-	2,282	1,867	62,094
-	-	-	-	-	-	-	-	1,921,018
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,781
-	-	-	-	-	-	-	-	10,000
7,720	288,951	62,765	72,002	74,871	-	23,385	23,385	6,201,659
1,451,611	972,297	539,325	976,216	1,118,271	-	700,296	813,750	32,727,926
36,570	27,491	73,093	18,812	12,955	-	5,671	5,768	251,674
892	52,411	-	37,517	61,984	-	67,305	68,818	288,927
-	-	-	-	-	-	-	-	8,252,755
-	-	-	-	-	-	-	-	222,969
74,084	179,367	136,924	154,741	172,932	-	168,523	156,537	1,463,066
-	-	-	-	-	-	-	-	12,625
17,305	42,574	28,613	31,373	23,964	-	-	-	201,770
-	-	-	-	-	-	-	-	45,105
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	6,450,000
128,851	301,843	238,630	242,443	271,835	-	241,499	231,123	17,188,891
7,720	288,951	62,765	72,002	74,871	-	23,385	23,385	(260,476)
-	-	-	-	-	-	-	-	642,385
35,563	93,045	69,970	102,399	94,357	-	112,404	98,742	1,094,017
1,279,477	4,784	409	44,706	2,966	-	10,584	-	6,488,775
-	283,674	167,551	514,666	674,242	-	312,424	460,500	7,574,334
\$ 1,322,760	\$ 670,454	\$ 300,695	\$ 733,773	\$ 846,436	\$ -	\$ 458,797	\$ 582,627	\$ 15,539,035
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Component Unit Net Position Information	Girls Athletic Leadership School	Highline Academy	Justice High School	Kipp Colorado Schools	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Sunshine Peak Academy	Monarch Montessori
ASSETS								
Assets:								
Cash and investments	\$ 152,143	\$ 880,037	\$ 194,661	\$ -	\$ 281,185	\$ 392,923	\$ 1,270,379	\$ 33,759
Deposit held by Denver Public Schools	36,896	107,542	30,087	-	72,081	60,584	80,654	42,878
Restricted cash	-	885,307	-	-	-	-	-	-
Receivables:								
Accounts	128,912	134,448	45,371	-	-	-	-	68,306
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	-	-	-	78,319	276,920	129,069	-
Other	-	-	-	-	-	-	-	-
Due from CMO	-	-	-	-	-	-	-	-
Prepaid expenses	3,882	4,676	-	-	-	-	8,097	18,037
Restricted investments	-	-	-	-	-	-	-	-
Bond issuance costs, net	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Capital assets, net:	-	6,683,481	4,035	-	-	-	524,652	-
Total assets	321,833	8,695,491	274,154	-	431,585	730,427	2,012,851	162,980
LIABILITIES								
Liabilities:								
Accounts payable	11,877	25,291	3,880	-	124,742	30,163	285,073	-
Due to CMO	-	-	-	-	-	-	-	-
Grants payable	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-
Accrued payroll	-	-	64,379	-	-	-	-	75,495
Compensated absences	-	-	-	-	-	-	-	-
Accrued liabilities	-	4,667	-	-	17,049	36,622	29,213	-
Deferred revenue	15,216	-	-	-	-	-	-	-
Noncurrent liabilities:	-	-	-	-	-	-	-	-
Due within one year	-	105,000	-	-	-	-	65,160	-
Due in more than one year	-	8,085,000	-	-	-	-	23,364	-
Total liabilities	27,093	8,219,958	68,259	-	141,791	66,785	402,810	75,495
NET POSITION								
Net investment in capital assets	-	(621,212)	4,035	-	95,033	-	436,128	-
Restricted for:								
Capital outlay	-	-	7,397	-	-	-	-	-
Emergencies	47,000	146,000	33,000	-	-	83,586	97,585	30,000
Donor-designated purposes	-	-	-	-	-	-	-	-
Unrestricted (deficit)	247,740	950,745	161,463	-	194,761	580,056	1,076,328	57,485
Total net position	\$ 294,740	\$ 475,533	\$ 205,895	\$ -	\$ 289,794	\$ 663,642	\$ 1,610,041	\$ 87,485
				C	C	C	C	

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Northeast Academy	Odyssey Charter School	Omar D. Blair Elementary	Pioneer Charter	Ridge View Academy	Rocky Mountain Prep	SOAR @ Oakland	SOAR @ GVR	Subtotal
\$ -	\$ 518,542	\$ 149,234	\$ 1,824,615	\$ 900,512	\$ 786,415	\$ 532,281	\$ 508,118	\$ 8,424,804
-	44,733	157,987	89,191	68,164	50,191	116,660	85,768	1,043,416
-	-	-	-	-	-	-	-	885,307
-	1,757	17,744	96,441	43,538	98,325	10,421	-	645,263
-	-	-	-	-	-	-	-	-
-	9,525	-	-	67,202	-	-	-	561,035
-	-	-	-	-	-	-	-	-
-	-	292,642	-	-	-	-	-	292,642
-	44,318	-	18,061	7,975	14,064	-	17,109	136,219
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	8,365	-	-	8,365
-	-	-	-	-	-	-	-	-
-	94,212	28,642	73,261	32,233	51,876	-	-	7,492,392
-	713,087	646,249	2,101,569	1,119,624	1,009,236	659,362	610,995	19,489,443
-	563	18,529	40,489	208,521	61,982	13,992	34,998	860,100
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	168,172	-	-	137,208	92,936	538,190
-	3,365	-	-	-	-	508,162	-	599,078
-	-	52,475	-	-	-	-	-	67,691
-	-	-	-	-	-	-	-	-
-	-	-	-	17,237	-	-	-	187,397
-	-	-	-	-	-	-	-	8,108,364
-	3,928	71,004	208,661	225,758	61,982	659,362	127,934	10,360,820
-	94,212	28,642	73,261	32,233	51,876	-	-	194,208
-	-	160,000	144,225	-	-	-	-	311,622
-	62,000	-	123,000	68,164	62,000	-	113,000	865,335
-	-	-	873	-	-	-	-	873
-	552,947	386,603	1,551,549	793,469	833,378	-	370,061	7,756,585
\$ -	\$ 709,159	\$ 575,245	\$ 1,892,908	\$ 893,866	\$ 947,254	\$ -	\$ 483,061	\$ 9,128,623

B

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Component Unit Net Position Information	Sims-Fayola International Academy Denver	Southwest Early College	STRIVE Preparatory School	STRIVE Prep Excel Academy	STRIVE Prep Federal	STRIVE Prep GVR	STRIVE Prep Sunnyside	STRIVE Prep Lake
ASSETS								
Assets:								
Cash and investments	\$ 72,200	\$ 307,425	\$ -	\$ 137,684	\$ 843,628	\$ 108,665	\$ 340,757	\$ 419,770
Deposit held by Denver Public Schools	41,986	62,189	-	26,200	85,361	45,789	64,755	71,632
Restricted cash	-	-	-	-	-	-	-	-
Receivables:								
Accounts	6,912	41,850	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	36,679	25,667	-	9,828	49,713	165,880	53,495	12,084
Other	-	-	-	-	-	-	-	-
Due from CMO	-	-	-	-	-	-	-	-
Prepaid expenses	3,262	-	-	4,006	4,552	4,006	4,006	4,006
Restricted investments	-	-	-	-	-	-	-	-
Bond issuance costs, net	-	-	-	-	-	-	-	-
Inventory	-	-	-	26,242	5,893	15,480	25,617	-
Deposits	-	-	-	-	-	-	-	-
Capital assets, net:	549,099	26,861	-	-	2,791,092	-	-	-
Total assets	710,138	463,992	-	203,960	3,780,239	339,820	488,630	507,492
LIABILITIES								
Liabilities:								
Accounts payable	45,198	15,361	-	25,315	47,107	50,125	52,316	53,957
Due to CMO	-	-	-	-	-	-	-	-
Grants payable	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-
Accrued payroll	43,227	68,992	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-	-	-
Accrued liabilities	7,947	24,039	-	10,780	19,501	12,083	22,366	20,625
Deferred revenue	5,419	-	-	-	-	-	-	-
Noncurrent liabilities:	-	-	-	-	-	-	-	-
Due within one year	45,376	-	-	-	59,244	-	-	-
Due in more than one year	580,044	-	-	-	2,022,384	-	-	-
Total liabilities	727,211	108,392	-	36,095	2,148,236	62,208	74,682	74,582
NET POSITION								
Net investment in capital assets	(76,321)	26,861	-	-	709,464	-	-	-
Restricted for:								
Capital outlay	-	-	-	-	-	-	-	-
Emergencies	48,000	74,000	-	47,000	90,000	56,000	86,000	82,000
Donor-designated purposes	-	-	-	-	-	-	-	-
Unrestricted (deficit)	11,248	254,739	-	120,865	832,539	221,612	327,948	350,910
Total net position	\$ (17,073)	\$ 355,600	\$ -	\$ 167,865	\$ 1,632,003	\$ 277,612	\$ 413,948	\$ 432,910
			C	C	C	C	C	C

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

STRIVE Prep Montbello	STRIVE Prep SMART Academy	STRIVE Prep Westwood	University Prep	Venture Prep Charter School	Venture Prep High School	Venture Prep Middle School	Wyatt-Edison	Total
\$ 78,942	\$ 376,507	\$ 480,117	\$ 134,980	\$ -	\$ 623,710	\$ 154,888	\$ 1,116,788	\$ 34,282,319
45,246	65,078	75,627	44,306	-	50,924	24,843	124,563	2,787,170
-	-	-	-	-	-	-	-	1,835,914
-	-	-	-	-	48,576	27,585	-	1,772,429
-	-	-	-	-	-	-	-	-
177,672	30,326	18,289	16,030	-	-	-	99,407	1,526,000
-	-	-	-	-	-	-	-	711,668
-	-	-	-	-	-	-	-	312,894
4,066	27,298	4,006	-	-	2,143	2,472	1,568	263,704
-	-	-	-	-	-	-	-	1,921,018
-	-	-	-	-	-	-	-	-
9,290	47,375	19,316	32,128	-	2,561	1,098	-	195,146
-	-	-	-	-	-	-	-	10,000
-	-	-	-	-	60,007	-	1,385,861	18,506,971
315,216	546,584	597,355	227,444	-	787,921	210,886	2,728,187	64,125,233
37,072	52,967	47,009	22,792	-	1,255	432	18,476	1,581,156
-	-	-	-	-	-	-	-	288,927
-	-	-	-	-	-	-	-	8,252,755
-	-	-	-	-	-	-	10,366	233,335
-	-	-	-	-	34,168	18,369	246,698	2,412,710
-	-	-	-	-	-	-	-	12,625
14,374	18,841	19,225	-	-	-	-	87,501	1,058,130
-	-	-	-	-	-	-	-	118,215
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	94,436	386,453
-	-	-	-	-	-	-	827,003	17,987,795
51,446	71,808	66,234	22,792	-	35,423	18,801	1,284,480	32,332,101
-	-	-	-	-	60,007	-	464,422	1,118,165
-	-	-	-	-	-	-	-	954,007
56,000	88,000	92,000	63,000	-	63,000	28,000	150,000	2,982,352
-	-	-	-	-	-	-	-	6,489,648
207,770	386,776	439,121	141,652	-	629,491	164,085	829,285	20,248,960
\$ 263,770	\$ 474,776	\$ 531,121	\$ 204,652	\$ -	\$ 752,498	\$ 192,085	\$ 1,443,707	31,793,132
C	C	C		C	C	C		

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Component Unit Activities Information	Denver Public Schools Foundation	Academy 360	Academy of Urban Learning	Cesar Chavez Academy Denver	Colorado High School	Community Challenge School	Denver Language School	Downtown Denver Expeditionary School
Expenses:								
Instruction	\$ -	\$ 78,787	\$ 521,170	\$ 1,758,422	\$ 732,280	\$ 541,981	\$ 1,821,810	\$ 691,478
Supporting services	-	370,440	804,453	1,188,375	658,543	1,337,029	1,595,395	263,651
Debt Service	-	-	-	-	-	-	-	-
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Program services	12,981,961	-	-	-	-	-	-	-
Facilities	-	-	-	951,090	-	-	-	-
Technology	-	-	-	-	-	-	-	-
Fundraising	703,262	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-
Management and general	549,642	-	-	-	-	-	-	-
Total expenses	14,234,865	449,227	1,325,623	3,897,887	1,390,823	1,879,010	3,417,205	955,129
Program revenues:								
Charges for services	-	-	-	-	-	-	-	-
Operating/capital grants and contributions	12,963,795	-	-	-	-	-	-	-
Total program revenues	12,963,795	-	-	-	-	-	-	-
Net program expense	(1,271,070)	(449,227)	(1,325,623)	(3,897,887)	(1,390,823)	(1,879,010)	(3,417,205)	(955,129)
General revenues:								
Per pupil revenue	-	545,356	1,092,108	3,243,980	1,094,132	1,437,765	3,219,503	891,906
Capital construction funding	-	-	-	43,048	-	19,455	-	-
Property tax mill levy override	-	142,177	370,963	534,330	400,828	499,025	512,337	191,350
Investment earnings	246,669	-	-	-	-	4,842	-	-
Interest Income	-	233	170	188	609	-	1,266	-
Unrestricted grants and contributions	793,091	-	-	-	-	-	-	-
At-Risk Supplemental Aid	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	-
Other	72,800	1,654	37,757	3,825	5,672	1,656	-	2,869
Total general revenues	1,112,560	689,420	1,500,998	3,825,371	1,501,241	1,962,743	3,733,106	1,086,125
Change in net position	(158,510)	240,193	175,375	(72,516)	110,418	83,733	315,901	130,996
Net position - beginning	6,948,460	-	238,892	703,954	293,309	1,060,038	526,715	-
Change in Reporting Entity	-	20,156	-	-	-	-	-	6,367
Prior period adjustment	-	-	-	-	-	12	-	-
Net position - beginning, as restated	6,948,460	20,156	238,892	703,954	293,309	1,060,050	526,715	6,367
Net position - ending	\$ 6,789,950	\$ 260,349	\$ 414,267	\$ 631,438	\$ 403,727	\$ 1,143,783	\$ 842,616	\$ 137,363
		A						A

A: New Charter School

B: Charter expired June 30, 2013

C: Change in Reporting Entities

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Denver School of Science and Technology								
Byers Middle School	Cole Middle School	College View	Green Valley Ranch High School	Green Valley Ranch Middle School	Stapleton	Stapleton High School	Stapleton Middle School	Subtotal
\$ 594,611	\$ 1,681,372	\$ 1,233,083	\$ 1,736,438	\$ 1,565,082	\$ -	\$ 2,387,477	\$ 1,892,760	\$ 17,236,751
597,333	1,465,864	1,021,526	1,360,945	1,549,215	-	1,508,892	1,426,251	15,147,912
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	12,981,961
-	-	-	-	-	-	-	-	951,090
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	703,262
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	549,642
1,191,944	3,147,236	2,254,609	3,097,383	3,114,297	-	3,896,369	3,319,011	47,570,618
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	12,963,795
-	-	-	-	-	-	-	-	12,963,795
(1,191,944)	(3,147,236)	(2,254,609)	(3,097,383)	(3,114,297)	-	(3,896,369)	(3,319,011)	(34,606,823)
989,853	2,908,293	2,157,178	3,064,135	3,119,292	-	3,499,732	3,226,205	30,489,438
-	-	-	-	-	-	-	-	62,503
122,385	351,678	260,368	444,069	381,581	-	486,673	377,859	5,075,623
-	-	-	-	-	-	-	-	251,511
-	92	47	97	140	-	188	163	3,193
-	-	-	-	-	-	-	-	793,091
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,177	126	128,536
1,112,238	3,260,063	2,417,593	3,508,301	3,501,013	-	3,988,770	3,604,353	36,803,895
(79,706)	112,827	162,984	410,918	386,716	-	92,401	285,342	2,197,072
-	382,991	74,401	298,521	-	11,053,158	-	-	21,580,439
1,402,466	174,636	63,310	24,334	459,720	(11,053,158)	366,396	297,285	(8,238,488)
-	-	-	-	-	-	-	-	12
1,402,466	557,627	137,711	322,855	459,720	-	366,396	297,285	13,341,963
\$ 1,322,760	\$ 670,454	\$ 300,695	\$ 733,773	\$ 846,436	\$ -	\$ 458,797	\$ 582,627	\$ 15,539,035
C	C	C	C	C	C	C	C	

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Component Unit Activities Information	Girls Athletic Leadership School	Highline Academy	Justice High School	Kipp Colorado Schools	KIPP Denver Collegiate High School	KIPP Montbello College Prep	KIPP Sunshine Peak Academy	Monarch Montessori
Expenses:								
Instruction	\$ 887,028	\$ 2,178,818	\$ 354,932	-	\$ 1,658,849	\$ 1,403,069	\$ 1,735,031	\$ 784,299
Supporting services	552,218	1,374,005	686,128	-	1,508,997	985,747	1,288,746	794,752
Debt Service	-	-	-	-	-	-	-	-
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	591,059	-	-	-	-	8,494	-
Program services	-	-	-	-	-	-	-	-
Facilities	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-
Management and general	-	-	-	-	-	-	-	-
Total expenses	1,439,246	4,143,882	1,041,060	-	3,167,846	2,388,816	3,032,271	1,579,051
Program revenues:								
Charges for services	-	-	-	-	-	-	-	-
Operating/capital grants and contributions	-	-	-	-	-	-	-	-
Total program revenues	-	-	-	-	-	-	-	-
Net program expense	(1,439,246)	(4,143,882)	(1,041,060)	-	(3,167,846)	(2,388,816)	(3,032,271)	(1,579,051)
General revenues:								
Per pupil revenue	1,352,850	3,423,284	685,460	-	2,538,526	2,088,620	2,637,072	1,302,067
Capital construction funding	-	-	-	-	16,750	13,761	35,683	-
Property tax mill levy override	165,014	497,872	394,792	-	361,862	250,524	327,729	265,151
Investment earnings	-	-	-	-	-	-	-	-
Interest Income	417	1,520	303	-	118	68	2,636	-
Unrestricted grants and contributions	-	-	-	-	93,697	295,084	73,571	-
At-Risk Supplemental Aid	-	-	-	-	-	-	77,557	-
Donations	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	-
Other	-	122,955	11,664	-	-	-	1,432	-
Total general revenues	1,518,281	4,045,631	1,092,219	-	3,010,953	2,648,057	3,155,680	1,567,218
Change in net position	79,035	(98,251)	51,159	-	(156,893)	259,241	123,409	(11,833)
Net position - beginning	215,705	573,784	154,736	2,603,292	-	-	-	99,318
Change in Reporting Entity	-	-	-	(2,603,292)	446,687	404,401	1,486,632	-
Prior period adjustment	-	-	-	-	-	-	-	-
Net position - beginning, as restated	215,705	573,784	154,736	-	446,687	404,401	1,486,632	99,318
Net position - ending	\$ 294,740	\$ 475,533	\$ 205,895	\$ -	\$ 289,794	\$ 663,642	\$ 1,610,041	\$ 87,485
				C	C	C	C	

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Northeast Academy	Odyssey Charter School	Omar D. Blair Elementary	Pioneer Charter	Ridge View Academy	Rocky Mountain Prep	SOAR @ Oakland	SOAR @ GVR	Subtotal
-	\$ 1,211,366	\$ 3,571,016	\$ 2,292,344	\$ 1,515,503	\$ 1,497,369	\$ 2,530,098	\$ 2,423,142	\$ 24,042,864
-	561,881	-	1,512,006	832,329	215,179	1,587,912	1,284,442	13,184,342
-	-	-	-	-	-	-	-	-
-	-	9,510	-	-	-	-	-	9,510
-	-	48,380	-	-	-	-	-	48,380
-	-	-	-	-	-	-	-	599,553
-	-	-	-	-	-	-	-	-
-	-	727,534	-	-	-	-	-	727,534
-	-	281,091	-	-	-	-	-	281,091
-	-	-	-	-	-	-	-	-
-	-	1,809,974	-	-	-	-	-	1,809,974
-	-	-	-	-	-	-	-	-
-	1,773,247	6,447,505	3,804,350	2,347,832	1,712,548	4,118,010	3,707,584	40,703,248
-	-	-	-	-	-	-	-	-
-	-	232,383	-	-	-	-	-	232,383
-	-	232,383	-	-	-	-	-	232,383
-	(1,773,247)	(6,215,122)	(3,804,350)	(2,347,832)	(1,712,548)	(4,118,010)	(3,707,584)	(40,470,865)
-	1,557,556	5,353,400	3,243,219	1,648,169	1,672,269	3,440,053	3,019,852	33,962,397
-	-	-	21,932	-	-	-	-	88,126
-	223,223	829,243	530,012	797,023	298,567	603,771	532,703	6,077,486
-	-	-	3,843	315	-	-	-	4,158
-	1,510	-	-	-	438	-	-	7,010
-	-	-	7,636	79,584	-	-	-	549,572
-	-	-	82,876	68,727	-	-	-	229,160
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(558,162)	50,000	(508,162)
-	75,590	197,367	-	-	77,020	9,605	29,773	525,406
-	1,857,879	6,380,010	3,889,518	2,593,818	2,048,294	3,495,267	3,632,328	40,935,153
-	84,632	164,888	85,168	245,986	335,746	(622,743)	(75,256)	464,288
(29,126)	624,527	410,357	1,807,740	647,880	611,508	622,743	558,317	8,900,781
29,126	-	-	-	-	-	-	-	(236,446)
-	-	-	-	-	-	-	-	-
-	624,527	410,357	1,807,740	647,880	611,508	622,743	558,317	8,664,335
-	\$ 709,159	\$ 575,245	\$ 1,892,908	\$ 893,866	\$ 947,254	\$ -	\$ 483,061	\$ 9,128,623
B								

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Component Unit Activities Information	Sims-Fayola International Academy Denver	Southwest Early College	STRIVE Preparatory School	STRIVE Prep Excel Academy	STRIVE Prep Federal	STRIVE Prep GVR	STRIVE Prep Sunnyside	STRIVE Prep Lake
Expenses:								
Instruction	\$ 865,540	\$ 1,111,687	\$ -	\$ 665,607	\$ 1,457,728	\$ 961,962	\$ 1,355,629	\$ 1,412,612
Supporting services	813,778	989,660	-	742,969	1,195,347	1,027,394	1,257,574	1,301,523
Debt Service	-	-	-	-	-	-	-	-
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Interest	-	983	-	-	132,687	-	-	-
Program services	-	-	-	-	-	-	-	-
Facilities	101,742	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-
Management and general	-	-	-	-	-	-	-	-
Total expenses	1,781,060	2,102,330	-	1,408,576	2,785,762	1,989,356	2,613,203	2,714,135
Program revenues:								
Charges for services	-	-	-	-	-	-	-	-
Operating/capital grants and contributions	-	-	-	-	-	-	-	-
Total program revenues	-	-	-	-	-	-	-	-
Net program expense	(1,781,060)	(2,102,330)	-	(1,408,576)	(2,785,762)	(1,989,356)	(2,613,203)	(2,714,135)
General revenues:								
Per pupil revenue	1,378,420	2,005,913	-	912,814	2,629,064	1,668,763	2,301,152	2,409,450
Capital construction funding	18,601	27,332	-	6,026	34,355	-	15,184	15,754
Property tax mill levy override	179,478	294,034	-	129,542	314,544	202,780	275,849	288,590
Investment earnings	-	161	-	-	134	43	107	115
Interest Income	45	-	-	-	-	-	-	-
Unrestricted grants and contributions	205,016	-	-	528,059	552	223,437	255,181	53,769
At-Risk Supplemental Aid	-	2,119	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	-
Other	-	21,470	-	-	-	-	-	-
Total general revenues	1,781,560	2,351,029	-	1,576,441	2,978,649	2,095,023	2,847,473	2,767,678
Change in net position	500	248,699	-	167,865	192,887	105,667	234,270	53,543
Net position - beginning	(3,471)	106,901	2,596,219	-	-	-	-	-
Change in Reporting Entity	-	-	(2,596,219)	-	1,439,116	171,945	179,678	379,367
Prior period adjustment	(14,102)	-	-	-	-	-	-	-
Net position - beginning, as restated	(17,573)	106,901	-	-	1,439,116	171,945	179,678	379,367
Net position - ending	\$ (17,073)	\$ 355,600	\$ -	\$ 167,865	\$ 1,632,003	\$ 277,612	\$ 413,948	\$ 432,910
			C	C	C	C	C	C

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

STRIVE Prep Montbello	STRIVE Prep SMART Academy	STRIVE Prep Westwood	University Prep	Venture Prep Charter School	Venture Prep High School	Venture Prep Middle School	Wyatt-Edison	Total
\$ 993,395	\$ 1,187,720	\$ 1,527,232	\$ 1,327,780	\$ -	\$ 1,182,651	\$ 606,483	\$ 2,576,384	\$ 58,512,025
980,719	1,342,473	1,271,654	534,067	-	1,049,824	516,633	2,390,766	43,746,635
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	9,510
-	-	-	-	-	-	-	-	48,380
-	-	-	-	-	-	-	-	733,223
-	-	-	-	-	-	-	-	12,981,961
-	-	-	-	-	-	-	-	1,780,366
-	-	-	-	-	-	-	-	281,091
-	-	-	-	-	-	-	-	703,262
-	-	-	-	-	-	-	-	1,809,974
-	-	-	-	-	-	-	-	549,642
1,974,114	2,530,193	2,798,886	1,861,847	-	2,232,475	1,123,116	4,967,150	121,156,069
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	13,196,178
-	-	-	-	-	-	-	-	13,196,178
(1,974,114)	(2,530,193)	(2,798,886)	(1,861,847)	-	(2,232,475)	(1,123,116)	(4,967,150)	(107,959,891)
1,627,557	2,275,670	2,678,845	1,527,690	-	1,774,215	784,155	3,883,510	92,309,053
10,629	15,137	17,604	-	-	-	-	52,453	363,704
193,888	325,347	321,647	301,022	-	252,964	93,616	684,811	15,011,221
37	56	122	61	-	-	-	234	256,739
-	-	-	-	-	868	415	-	11,531
253,797	267,025	25,692	-	-	-	-	13,126	3,168,317
-	-	-	-	-	-	-	122,030	353,309
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(508,162)
-	-	922	56,237	-	59,578	47,847	32,868	872,864
2,085,908	2,883,235	3,044,832	1,885,010	-	2,087,625	926,033	4,789,032	111,838,576
111,794	353,042	245,946	23,163	-	(144,850)	(197,083)	(178,118)	3,878,685
-	-	-	181,489	1,286,516	-	-	1,621,825	36,270,699
151,976	121,734	285,175	-	(1,286,516)	897,348	389,168	-	(8,342,162)
-	-	-	-	-	-	-	-	(14,090)
151,976	121,734	285,175	181,489	-	897,348	389,168	1,621,825	27,914,447
\$ 263,770	\$ 474,776	\$ 531,121	\$ 204,652	\$ -	\$ 752,498	\$ 192,085	\$ 1,443,707	\$ 31,793,132
C	C	C		C	C	C		



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**OTHER REQUIRED SUPPLEMENTARY
INFORMATION**

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Fund Balance	\$ 147,474,776	\$ 152,067,215	\$ 152,067,215	\$ -
Prior Period Adjustment	-	-	\$ 4,877,945	4,877,945
Fund balance - beginning as restated	147,474,776	152,067,215	156,945,160	4,877,945
REVENUES				
Taxes:				
Property taxes	375,218,281	369,533,119	375,449,557	5,916,438
Interest on Delinquent Taxes	-	-	262,080	262,080
Specific ownership taxes	28,134,653	26,517,327	33,376,380	6,859,053
State support:				
State equalization	273,009,935	281,112,686	282,036,930	924,244
Special Education Revenue	20,911,519	23,011,519	16,382,479	(6,629,040)
Transportation	-	-	4,869,834	4,869,834
Vocational Education Revenue	-	1,290,608	1,172,436	(118,172)
Federal sources	1,014,921	1,014,921	922,508	(92,413)
Charge for Services - Tuition	4,859,785	4,828,485	5,380,923	552,438
Investment income	48,556	48,556	659,844	611,288
Other local sources	10,760,622	11,391,886	32,676,950	21,285,064
Total Revenues	<u>\$ 713,958,272</u>	<u>\$ 718,749,107</u>	<u>\$ 753,189,921</u>	<u>\$ 34,440,814</u>

The notes to other required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
Instruction:				
Regular instruction	\$ 386,385,829	\$ 402,935,157	\$ 358,947,616	\$ 43,987,541
Special education	45,501,079	47,449,940	53,257,536	(5,807,596)
Vocational education	-	-	122,480	(122,480)
Other instruction	6,011,876	6,269,371	9,194,814	(2,925,443)
Support services:				
Pupil supporting services	21,375,967	22,291,523	25,236,907	(2,945,384)
Instructional support	46,282,709	48,265,048	50,458,803	(2,193,755)
General administration	5,116,678	5,335,831	5,591,833	(256,002)
School administration	29,954,512	31,237,497	55,088,420	(23,850,923)
Business services	6,399,038	6,673,116	7,747,632	(1,074,516)
Operations and maintenance	47,284,681	49,309,936	56,486,228	(7,176,292)
Pupil transportation	19,281,828	20,107,690	21,168,931	(1,061,241)
Central services	47,558,147	49,595,115	55,152,210	(5,557,095)
Other support services	-	-	705,984	(705,984)
Community services	6,558,741	6,839,659	7,933,693	(1,094,034)
Education for adults	915,477	954,688	1,679,374	(724,686)
Capital outlay	2,862,913	2,985,534	528,674	2,456,860
Debt service:				
Principal payments	9,305,000	9,305,000	9,305,000	-
Interest and fiscal charges	48,724,112	48,624,112	48,629,712	(5,600)
Appropriated reserves	75,467,507	54,181,573	-	54,181,573
Total expenditures	804,986,094	812,360,790	767,235,847	45,124,943
Excess (deficiency) of revenues over expenditures	(91,027,822)	(93,611,683)	(14,045,926)	70,280,760
OTHER FINANCING SOURCES (USES)				
Transfers-in	5,199,851	7,836,574	67,042	7,769,532
Transfers-out	(10,825,716)	(14,782,439)	(7,067,866)	(7,714,573)
Total other financing sources (uses)	(5,625,865)	(6,945,865)	(7,000,824)	54,959
Net change in fund balance	(96,653,687)	(100,557,548)	(21,046,750)	70,335,719
Fund balance - ending	\$ 50,821,089	\$ 51,509,667	\$ 135,898,410	\$ 80,380,466

The notes to other required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Fund Balance	\$ 14,295,769	\$ 19,862,444	\$ 19,862,444	\$ -
REVENUES				
Intergovernmental:				
Other state	7,693,653	11,108,673	7,753,549	(3,355,124)
Vocational Education Revenue	5,623,832	5,623,832	5,623,832	-
Federal Sources	93,565,006	100,819,327	83,719,846	(17,099,481)
Charge for Services - Tuition	12,491,069	12,360,767	17,380,283	5,019,516
Other local sources	15,464,455	19,318,547	24,347,030	5,028,483
Total revenues	134,838,015	149,231,146	138,824,540	(10,406,606)
EXPENDITURES				
Instruction:				
Regular instruction	49,047,229	56,240,748	45,759,534	10,481,214
Special education	14,058,514	14,059,856	13,023,712	1,036,144
Other instruction	566,395	736,469	723,300	13,169
Support services:				
Pupil supporting services	5,461,955	6,650,105	5,064,923	1,585,182
Instructional support	46,645,966	54,194,644	38,016,699	16,177,945
General administration	269,687	269,687	302,709	(33,022)
School administration	1,291,549	1,481,840	2,283,557	(801,717)
Business services	533,975	556,040	487,812	68,228
Operations and maintenance	152,131	224,739	164,969	59,770
Pupil transportation	1,262,929	1,329,524	513,863	815,661
Central services	11,393,746	12,970,022	10,872,900	2,097,122
Other support services	3,241,235	3,475,619	3,864,481	(388,862)
Community services	2,919,167	3,569,265	3,810,349	(241,084)
Education for adults	12,344,152	13,396,044	13,331,211	64,833
Capital outlay	248,955	242,789	431,494	(188,705)
Total expenditures	149,437,585	169,397,391	138,651,513	30,745,878
Excess (deficiency) of revenues over expenditures	(14,599,570)	(20,166,245)	173,027	20,339,272
OTHER FINANCING SOURCES (USES)				
Transfers-in	641,755	641,755	621,756	621,756
Transfers-out	(337,954)	(337,954)	(250,000)	87,954
Total other financing sources (uses)	303,801	303,801	371,756	709,710
Net change in fund balance	(14,295,769)	(19,862,444)	544,783	21,048,982
Fund balance - ending	\$ -	\$ -	\$ 20,407,227	\$ 21,048,982

The notes to other required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE
PROCOMP SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Fund Balance	\$ 49,155,554	\$ 52,566,684	\$ 52,566,684	\$ -
REVENUES				
Property taxes	29,603,406	29,603,406	30,774,524	1,171,118
Interest on Delinquent Taxes	-	-	21,006	21,006
Investment income	2,949,333	2,949,333	4,340,609	1,391,276
Total revenues	32,552,739	32,552,739	35,136,139	2,583,400
EXPENDITURES				
Regular instruction	51,967,183	51,967,183	41,474,246	10,492,937
General administration	73,000	73,000	19,001	53,999
Central services	(8,450,997)	(8,450,997)	1,510,726	(9,961,723)
Total expenditures	43,589,186	43,589,186	43,003,973	585,213
Deficiency of revenues under expenditures	(11,036,447)	(11,036,447)	(7,867,834)	3,168,613
Net change in fund balance	(11,036,447)	(11,036,447)	(7,867,834)	3,168,613
Fund balance - ending	\$ 38,119,107	\$ 41,530,237	\$ 44,698,850	\$ 3,168,613

The notes to other required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

Schedule of OPEB Funding Progress
YEAR ENDED JUNE 30, 2014

OTHER POSTEMPLOYMENT BENEFITS (OPEB) post-retirement life insurance benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2012	6,352,302	39,562,664	33,210,362	16.06%
July 1, 2011	6,216,000	45,674,000	39,458,000	13.61%
July 1, 2010	6,216,000	45,674,000	39,458,000	13.61%

* This is a closed plan and employees do not contribute to the plan.
Covered Payroll is not applicable.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

Schedule of OPEB Funding Progress
YEAR ENDED JUNE 30, 2014

OTHER POSTEMPLOYMENT BENEFITS (OPEB) post-retirement life insurance benefits

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2014	\$ 3,062,430	80.19%
June 30, 2013	\$ 3,062,430	107.59%
June 30, 2012	3,493,059	59.70%
June 30, 2011	3,493,059	59.22%

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO OTHER REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

1. BUDGET BASIS OF ACCOUNTING

General Fund

The budgetary comparison schedule for the general fund was prepared on the prescribed budget basis of accounting for the District. For the general fund, this basis differs from generally accepted accounting principles (GAAP) because of the inclusion of encumbrances and commitments with reported expenditures and the exclusion of salaries earned but unpaid.

A reconciliation of fund balance reported in accordance with GAAP and fund balance reported on the budgetary basis for the general fund is as follows:

	<u>General Fund</u>
GAAP basis	\$ 98,297,852
Add:	
Accrued payroll and benefits	51,403,520
Less:	
Encumbrances	<u>13,802,962</u>
Non-GAAP budget basis	<u><u>\$ 135,898,410</u></u>

The special revenue and ProComp special revenue funds are budgeted on a GAAP basis; therefore, the fund balances are the same.

Colorado statutes require that fixed budgets be legally adopted for all funds. For budgeting and appropriation purposes, transfers are reported as revenue and expenditures. Budgets for all funds have been prepared on the budget basis of accounting. The most significant budgeted fund is the general fund.

Refer to the general fund budgetary highlights section of the management's discussion and analysis on page 23 for information regarding significant variances between original and final budget.

2. OPEB

The funded status of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2012	\$ 6,352,302	\$ 39,562,664	\$ 33,210,362	16.06%
July 1, 2011	6,216,000	45,674,000	39,458,000	13.61
July 1, 2010	6,216,000	45,674,000	39,458,000	13.61

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO OTHER REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

The ARC was determined using the “Projected Unit Credit” actuarial cost method and was calculated on a level dollar basis assuming the average remaining lifetime of qualified retirees (14.2 years) for the life insurance benefit. The significant actuarial assumptions used in the valuation were: (a) life expectancy of participants obtained from the RP 2000 Healthy Annuitant Mortality Table projected to 2020 by Scale BB (healthy mortality), applied on a gender-specific basis; (b) life expectancy participants obtained from the RP 2000 Disabled Mortality Table projected to 2020 by Scale BB (disabled mortality), applied on a gender-specific basis; (c) a discount rate of 3.5% assuming the employer will consistently contribute an amount equal to or greater than the ARC. Covered payroll is not presented since the plan now covers only a closed group of District retirees.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

APPENDIX B
FORMS OF THE LEASE AND THE INDENTURE

LEASE PURCHASE AGREEMENT

by and between

WELLS FARGO BANK, NATIONAL ASSOCIATION,
solely in its capacity as trustee under the Indenture (defined herein),
as Lessor

and

**SCHOOL DISTRICT NO. 1, IN THE CITY AND COUNTY OF DENVER
AND STATE OF COLORADO,**
as Lessee

Dated as of October 5, 2015

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EXHIBIT A DESCRIPTION OF THE ACQUIRED PROPERTY

EXHIBIT B BASE RENT PAYMENT SCHEDULE

LEASE PURCHASE AGREEMENT

THIS LEASE PURCHASE AGREEMENT (this “Lease”) is dated as of October 5, 2015 and is entered into by and between **WELLS FARGO BANK, NATIONAL ASSOCIATION**, solely in its capacity as trustee under the Indenture (defined herein) (the “Trustee”), as lessor, and **SCHOOL DISTRICT NO. 1, IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO** (the “District”), as lessee.

WITNESSETH:

WHEREAS, the District is a political subdivision of the State of Colorado duly organized and validly existing under the laws of the State; and

WHEREAS, the Trustee (a) is a national banking association that is duly organized, validly existing and in good standing under the laws of the United States of America; (b) is duly qualified to do business in the State; (c) solely in its capacity as Trustee under the Indenture, the Trustee is owner of the Leased Property (defined herein); and (d) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own the Leased Property, to lease the Leased Property to the District and to execute, deliver and perform its obligations under this Lease; and

WHEREAS, immediately prior the execution and delivery of this Lease, the District will convey to the Trustee, and as of the Closing Date (defined herein), the Trustee is the owner of, the Leased Property (defined herein); and

WHEREAS, the District is authorized, under Section 22-32-110(1)(b), C.R.S., as amended, to lease the Leased Property from the Trustee and to execute, deliver and perform in its obligations under this Lease; and

WHEREAS, the District has determined that the lease of the Leased Property from the Trustee pursuant to this Lease serves a public purpose and is in the best interests of the District and the residents of the District; and

WHEREAS, the Trustee desires to lease the Leased Property to the District and the District desires to lease the Leased Property from the Trustee pursuant to this Lease; and

WHEREAS, the Base Rent and Additional Rent (both defined herein) payable by the District hereunder shall constitute currently appropriated expenditures of the District and shall not constitute a debt or multiple fiscal year direct or indirect obligation whatsoever of the District or a mandatory charge or requirement against the District in any Fiscal Year (defined herein) beyond the Fiscal Year for which such payments have been appropriated; and

WHEREAS, the execution, delivery and performance of this Lease by the Trustee has been duly authorized by the Trustee and, upon the execution and delivery of this Lease by the Trustee and the District, this Lease will be enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power

inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America; and

WHEREAS, the Certificates shall evidence proportionate undivided interests in the right to receive Lease Revenues (defined in the Indenture), shall be payable solely from the Trust Estate (defined in the Indenture) and no provision of the Certificates, the Indenture or this Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution; and

WHEREAS, the execution, delivery and performance of this Lease by the District has been duly authorized by the District and, upon the execution and delivery of this Lease by the District and the Trustee, this Lease will be enforceable against the District in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America; and

WHEREAS, the Trustee has entered into an Indenture of Trust dated the date of this Lease (the "Indenture");

NOW, THEREFORE, for and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms shall have the following meanings in this Lease:

"2015A Certificates" means the Taxable Certificates of Participation, Series 2015A, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado, under a Lease Purchase Agreement, dated as of their date of delivery, executed and delivered pursuant to this Indenture.

"2015B Certificates" means the Tax-Exempt Certificates of Participation, Series 2015B, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado, under a Lease Purchase Agreement, dated as of their date of delivery, executed and delivered pursuant to this Indenture.

"Acquired Property" means the real property described in **Exhibit A** hereto, including the Improvements thereon, in the form it exists on the date it is acquired by the Trustee.

"Additional Rent" means the costs and expenses incurred by the District in performing its obligations under this Lease with respect to the Leased Property, the Leased Property Project, this Lease, the Indenture, the Certificates and any matter related thereto; the reasonable fees and expenses of the Trustee payable pursuant to Section 10.05 hereof; payments to the Rebate Fund pursuant to Section 10.07 hereof; and all other costs and expenses incurred by the District in connection with the foregoing; provided, however, that Additional Rent does not include the Base Rent or the Purchase Option Price.

"Base Rent" means the payments by the District pursuant to Section 6.01 hereof, for and in consideration of the right to use the Leased Property during the Lease Term.

"Base Rent Payment Date" means one of the dates in the "Base Rent Payment Date" column in **Exhibit B** hereto.

"Board" means the Board of Education of the District.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in Denver, Colorado are authorized by law to remain closed.

"Certificates" is defined in the Indenture.

"Certificate Fund" is defined in the Indenture.

"Certificate Owners" is defined in the Indenture.

"Closing Date" means the date this Lease is executed and delivered.

“Costs of the Leased Property Project” is defined in the Indenture.

“C.R.S.” means Colorado Revised Statutes, as amended.

“District” means School District No. 1, in the City and County of Denver and State of Colorado, and any successor thereto.

“District Representative” means the Chief Financial Officer of the District and any other person or persons designated to act on behalf of the District for the purposes of performing any act under this Lease or the Indenture by a written certificate furnished to the Trustee signed on behalf of the District by any officer of the Board. The identity of the District Representative may be changed by the District from time-to-time by furnishing a new certificate to the Trustee.

“Event of Default” means an event described in Section 12.01 hereof.

“Event of Nonappropriation” means an event described in Section 6.04(b) hereof.

“Fiscal Year” means the District’s fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

“Force Majeure” means any event that is not within the control of the District, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

“General Obligation Debt Proceeds” means, as of any date, the dollar amount of proceeds of District general obligation debt outstanding on such date that has been expended on the Leased Property or any portion thereof, as set forth in the most recent certificate delivered by the District pursuant to Section 10.06 hereof. For purposes of this definition: (a) the dollar amount of proceeds of a particular series of District general obligation debt outstanding with respect to a particular property included in the Leased Property shall mean an amount equal to the total amount of the proceeds of such series that have been expended by the District on such property, multiplied by a fraction, the numerator of which is the principal amount of such series outstanding as of such date and the denominator of which is the initial aggregate principal amount of such series at the date of issuance thereof; and (b) general obligation debt that has been defeased in accordance with the provisions of the bond resolution or other governing document for such debt shall not be considered to be outstanding, but any general obligation debt issued to fund the defeasance of such debt shall be treated as outstanding general obligation debt for purposes of this definition.

“Improvements” means the buildings, site improvements and other real property, if any, on or included in the Leased Property, including any improvements pursuant to the Leased Property Project, as such buildings, site improvements and other real property may be modified pursuant to Section 8.05 or 8.06 hereof. The Improvements do not include personal property or other property that is not real property.

“Indenture” means the Indenture of Trust dated as of the date hereof providing for the execution and delivery of the Certificates and any amendment or supplement thereto.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to the practice of law before the highest court in the State and who is not an employee of the District or the Trustee.

“Initial Purchaser” means George K. Baum & Company.

“Initial Term” means the period commencing on the Closing Date and ending on June 30, 2016.

“Insurance Consultant” is defined in Section 7.01(c)(ii)(A) hereof.

“Interest Account” is defined in the Indenture.

“Lease” means this Lease Purchase Agreement and any amendment or supplement hereto.

“Lease Term” is defined in Section 4.01 hereof.

“Leased Property” means the Acquired Property and the Improvements. The Leased Property does not include personal property or other property that is not real property.

“Leased Property Project” means the acquisition of the Acquired Property and the construction and installation of the Improvements, if any, made or added to the Acquired Property.

“Leased Property Project Account” means the Leased Property Project Account created and held under the Indenture.

“Net Value” means, with respect to the Leased Property or any portion thereof:

(a) the sum of:

(i) the value of the land included in such property as estimated by the District from time-to-time based on sales of similar property in the vicinity and adjusted periodically between estimation dates based on changes in the assessed value (for property tax purposes) of similar property in the vicinity; and

(ii) the replacement value of the Improvements included in such property, as most recently determined by the School Districts Self-Insurance Pool or other insurer providing casualty and property damage for such property; plus

(b) minus any General Obligation Debt Proceeds expended on such property, as set forth in the most recent certificate delivered by the District pursuant to Section 10.06 hereof.

“Net Proceeds” means (a) the gross proceeds received from any event referred to in Section 8.06(a) hereof, minus (b) all expenses incurred in the collection of such gross proceeds or award.

“Outstanding” is defined in the Indenture.

“Permitted Encumbrances” means, as of any particular time: (a) any lien, easement, license, rights-of-way, right, privilege, restriction, exception or other encumbrance described in the title insurance policy or commitment delivered in connection with the execution and delivery of this Lease; (b) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to Articles VII and VIII hereof; (c) this Lease and the Indenture; (d) easements, licenses, rights-of-way, rights, privileges, restrictions, exceptions and other encumbrances which the District Representative certifies will not materially adversely affect the Net Value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 8.03 hereof; (e) any financing statements filed with respect to the Trustee’s interest in the Leased Property or this Lease; (f) with respect to property described in Section 8.06 hereof, any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (g) any applicable zoning requirements; and (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, as certified by the District to the Trustee, materially impair title to the Leased Property.

“Person” means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

“Principal Account” is defined in the Indenture.

“Purchase Option Price” means the amount the District must pay to purchase the interest of the Trustee in the Leased Property pursuant to Section 9.01 hereof.

“Redemption Price” is defined in the Indenture.

“Renewal Term” means each twelve-month period, commencing on July 1 of each year and ending on June 30 of the following year, for which the District renews the Lease Term.

“Requirement of Law” means any federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety issues.

“S&P” means Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Scheduled Lease Term” means the period from the commencement of the Initial Term through the date described in Section 4.01(b)(i) hereof.

“School Districts Self-Insurance Pool” means the Colorado School Districts Self-Insurance Pool, of which the District is a member.

“State” means the State of Colorado.

“Trust Estate” is defined in the Indenture.

“Trustee” means Wells Fargo Bank, National Association, or any successor thereto, solely in its capacity as Trustee under the Indenture, or any successor trustee under the Indenture. Pursuant to Section 13.01 hereof, any successor trustee under the Indenture will automatically succeed to the interest of the previous trustee in the Leased Property and the previous trustee’s rights, title, interest and obligations in, to and under this Lease.

“Trustee Representative” means any officer of the Trustee and any other person or persons designated to act on behalf of the Trustee under this Lease and the Indenture by a written certificate furnished to the District and the Trustee containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the District.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties by the Trustee.
The Trustee represents, covenants and warrants that:

(a) The Trustee (i) is a national association that is duly organized, validly existing and in good standing under the laws of the United States of America; (ii) is duly qualified to do business in the State; (iii) in its capacity as Trustee under the Indenture, is the owner of the Leased Property; and (iv) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own the Leased Property, to lease the Leased Property to the District and to execute, deliver and perform its obligations under this Lease.

(b) The execution, delivery and performance of this Lease by the Trustee have been duly authorized by the Trustee.

(c) This Lease is enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the terms of this Lease by the Trustee do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing or, except as specifically provided in this Lease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Trustee.

(e) To the Trustee's knowledge, there is no litigation or proceeding pending or threatened against the Trustee or any other Person affecting the right of the Trustee to execute, deliver or perform its obligations under this Lease.

Section 2.02. Representations, Covenants and Warranties by the District.
The District represents, covenants and warrants that:

(a) The District is a political subdivision of the State duly organized and validly existing under the laws of the State.

(b) The District is authorized, under Section 22-32-110(1)(b), C.R.S., to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(c) The lease of the Leased Property from the Trustee pursuant to this Lease serves a public purpose and is in the best interests of the District and its residents.

(d) The execution, delivery and performance of this Lease by the District have been duly authorized by the District.

(e) This Lease is enforceable against the District in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of the terms of this Lease by the District does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitute a default under any of the foregoing or, except as specifically provided in this Lease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the District.

(g) There is no litigation or proceeding pending or to the best of its knowledge threatened against the District or any other Person affecting the right of the District to execute, deliver or perform the obligations of the District under this Lease.

(h) The District will recognize economic and other benefits by the leasing of the Leased Property pursuant to this Lease; the Leased Property is, and any Leased Property substituted for any portion of the Leased Property will be, property that is necessary and essential

to the District's purpose and operations; and the District expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(i) The Base Rent payable in each Fiscal Year during the Scheduled Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Base Rent and Additional Rent payable in each Fiscal Year during the Scheduled Lease Term do not exceed a reasonable amount so as to place the District under an economic compulsion (i) to continue this Lease beyond any Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The Purchase Option Price is the District's best estimate of the fair purchase price of the Leased Property at the time of exercise of the District's option to purchase the Leased Property by paying the Purchase Option Price. The Scheduled Lease Term and the final maturity of the Certificates do not exceed the weighted average useful life of the Improvements. In making the representations, covenants and warranties set forth above in this subsection, the District has given due consideration to the Net Value of the Leased Property, the Leased Property Project, the purposes for which the Leased Property will be used by the District, the benefits to the District from the use of the Leased Property, the District's options to purchase the Leased Property hereunder, the right of the District to be paid an amount equal to the amount of General Obligation Debt Proceeds expended on the Leased Property pursuant to Section 12.03 hereof and Section 7.12 of the Indenture and the terms of this Lease governing the use of, and the District's options to purchase, the Leased Property.

(j) The District presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the District pursuant to this Lease; but this representation does not obligate or otherwise bind the District.

(k) The District is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(l) The District has appropriated sufficient legally available moneys to pay the Base Rent payable in the current Fiscal Year and the Additional Rent estimated to be payable in the current Fiscal Year.

(m) The District acknowledges and represents that it is leasing the Leased Property pursuant to this Lease in "as is" condition and "with all faults" based entirely on the District's own use and investigation of the Leased Property, and the District is not relying upon, nor has the Trustee or any agents, employees or representative of the Trustee made, any representation, warranty, statement, promise or assurance of any kind or nature whatsoever relating to the Leased Property, including any representations, warranties, statements, promises or assurances with respect to habitability, suitability, fitness for a particular use or purpose and compliance with any applicable laws, codes, ordinances or regulations.

ARTICLE III

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 3.01. Demising Clause. The Trustee demises and leases the Leased Property to the District in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Tenn.

Section 3.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default or Event of Nonappropriation shall have occurred, the District shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

Section 3.03. No Merger. Anything to the contrary contained herein notwithstanding, the District and the Trustee intend and agree that the legal doctrine of merger shall have no application with respect to the District's leasehold interest in the Leased Property granted by this Lease and the rights to payment from proceeds from the sale, re-letting or other liquidation or disposition of the Leased Property granted for the benefit of the District in the Indenture and that neither the execution and delivery of this Lease or the Indenture by the parties thereto nor the exercise of any remedies under this Lease or the Indenture shall operate to terminate or extinguish this Lease or such rights granted by the Indenture, except as specifically provided herein and therein.

ARTICLE IV

LEASE TERM; TERMINATION OF LEASE

Section 4.01. Lease Term.

(a) The Lease Term shall be comprised of the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) This Lease Term shall expire upon the earliest of any of the following events:

(i) the day on which the final Base Rent payment is scheduled to be paid in accordance with **Exhibit B** hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of the Leased Property by the District pursuant to Section 9.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 12.02(a) hereof.

Section 4.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) All unaccrued obligations of the District hereunder shall terminate, but all obligations of the District that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the District's right to possession of the Leased Property hereunder shall terminate and (i) the District shall, within 90 days, (A) vacate the Leased Property; and (B) execute all documents necessary to transfer the District's rights as lessee under this Lease to the Trustee; and (ii) if and to the extent the Board has appropriated funds for payment of Base Rent and Additional Rent payable during the Lease Term or, with respect to the District's use of the Leased Property, during the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the District shall pay such Base Rent and Additional Rent in accordance with this Lease.

ARTICLE V

LEASED PROPERTY PROJECT

Section 5.01. Funding of Leased Property Project Account. On the Closing Date, \$9,613,616.30 has been delivered to the Trustee by the Initial Purchaser. Of such amount:

(a) \$138,616.30 has been deposited into the Costs of Issuance Account in accordance with Section 3.02(c) of the Indenture;

(b) \$9,475,000 has been deposited into the Leased Property Project Account in accordance with Section 3.02(d) of the Indenture; and

Section 5.02. Leased Property Project Account. The District shall be authorized to withdraw moneys from the Leased Property Project Account to pay Costs of the Leased Property Project, subject to the other terms of this Lease and Section 3.02(d) of the Indenture.

Section 5.03. District's Obligations. The District shall promptly and with due diligence complete the Leased Property Project; provided, however, that, if the performance by the District of such obligations is delayed by Force Majeure, the period for the commencement or completion thereof shall be extended for a period equal to such delay.

Section 5.04. Costs of the Leased Property Project in Excess of Moneys in Leased Property Project Account. The District represents that, in the opinion of the District, the Costs of the Leased Property Project will not exceed the sum of the amount deposited into the Leased Property Project Account on the date hereof and the earnings expected to be received from the investment of the moneys in the Leased Property Project Account. If the District at any time determines that the Costs of the Leased Property Project exceed the moneys in the Leased Property Project Account, the District shall pay a portion of such costs from other District moneys.

ARTICLE VI

BASE RENT AND ADDITIONAL RENT;

EVENT OF NONAPPROPRIATION

Section 6.01. Payment of Base Rent.

(a) The District shall, subject only to the other Sections of this Article, pay Base Rent from funds legally available for such purpose directly to the Trustee during the Lease Term in immediately available funds on the Base Rent Payment Dates set forth in **Exhibit B** hereto; provided that there shall be credited against the amount of Base Rent payable on any Base Rent Payment Date the amount on deposit in the Certificate Fund representing (i) earnings from the investment of moneys in the Certificate Fund, (ii) moneys transferred to the Certificate Fund from the Leased Property Project Account pursuant to the Indenture and (iii) moneys delivered to the Trustee by the District or any other Person that are accompanied by instructions to apply the same to the payment of Base Rent or to deposit the same in the Certificate Fund. Not less than five Business Days prior to each Base Rent Payment Date, the Trustee shall notify the District as to the exact amounts that will be credited against the Base Rent due on such date. If further amounts that are to be credited against Base Rent accrue during such five-Business Day period, such amounts shall be carried over to be applied as a reduction of the Base Rent payable on the next succeeding Base Rent Payment Date.

(b) A portion of each payment of Base Rent is paid as, and represents payment of, interest, and **Exhibit B** hereto sets forth the interest component of each payment of Base Rent.

(c) Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of each Base Rent payment when received in the following manner and order: (A) first, the amount of such payment of Base Rent paid as interest shall be deposited in the Interest Account of the Certificate Fund; and, (B) second, the remaining portion of such payment of Base Rent shall be deposited in the Principal Account of the Certificate Fund.

(d) The Base Rent set forth in **Exhibit B** hereto shall be recalculated by the District and confirmed by the Trustee in the event of any partial redemption of the Certificates prior to maturity, as provided in Article IV of the Indenture.

(e) Notwithstanding the foregoing provisions of this Section, but subject to the other provisions of this Article, all Base Rent payable with respect to the Leased Property shall be payable not later than September 30 of any Fiscal Year during the Lease Term as set forth in **Exhibit B** hereto.

Section 6.02. Payment of Additional Rent. The District shall, subject only to Sections 7.01(b) and 8.02(b) hereof and the other Sections of this Article, pay, from funds legally

available for such purpose, Additional Rent directly to the Persons to which they are owed in immediately available funds in the amounts and on the dates on which they are due.

Section 6.03. Unconditional Obligations. The obligation of the District to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the District to pay Additional Rent during the Lease Term shall, subject to Sections 7.01(b) and 8.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the District and the Trustee or between the District or the Trustee and any other Person relating to the Leased Property, the District shall, during the Lease Term, make all payments of Base Rent and Additional Rent when due; the District shall not withhold any Base Rent or Additional Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Base Rent or Additional Rent; provided, however, that the making of any Base Rent or Additional Rent payment shall not constitute a waiver by the District of any rights, claims or defenses which the District may assert; and no action or inaction on the part of the Trustee shall affect the District's obligation to pay Base Rent or Additional Rent during the Lease Term.

Section 6.04. Event of Nonappropriation.

(a) The officer of the District who is responsible for formulating budget proposals with respect to payments of Base Rent and Additional Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Board during the Lease Term and (ii) to include in each annual budget proposal submitted to the Board during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the District that any decision to continue or to terminate this Lease shall be made solely by the Board, in its sole discretion, and not by any other department, agency or official of the District.

(b) An Event of Nonappropriation shall be deemed to have occurred:

(i) On June 30 of any Fiscal Year if the District has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year; or

(ii) If:

(A) an event described in Section 8.06(a) hereof has occurred;

(B) the Net Proceeds received as a consequence of an event described in Section 8.06(a) hereof are not sufficient to repair, restore, modify, improve or replace the Leased Property in accordance with Section 8.06 hereof; and

(C) the District has not appropriated amounts sufficient to proceed under Section 8.06(c)(i) hereof by June 30 of the Fiscal Year in which such event

occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the Leased Property becomes apparent, on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable.

(c) In the event the District shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the District shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the District from terminating this Lease by failing to appropriate or (iii) result in any liability on the part of the District.

(d) The District shall furnish the Trustee with copies of all appropriation measures relating to Base Rent, Additional Rent or the Purchase Option Price and a certificate from a District Representative stating that all appropriations for Base Rent and Additional Rent have or have not been made for the ensuing Fiscal Year, promptly upon the adoption of such appropriation measures by the Board, but not later than 30 days following the adoption thereof by the Board, or in the case of a certificate stating that such appropriations have not been made, not later than the last day of the then current Fiscal Year; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the District from terminating this Lease or (iii) result in any liability on the part of the District.

(e) Notwithstanding subsection (b) of this Section, the Trustee may waive any such failure to appropriate under subsection (b) of this Section which is cured by the District within a reasonable time.

(f) The Trustee acknowledges and recognizes that this Lease will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the District to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Board.

Section 6.05. Limitations on Obligations of the District.

(a) Payment of Base Rent and Additional Rent by the District shall constitute currently appropriated expenditures of the District and may be paid from any legally available funds of the District.

(b) The District's obligations under the Lease shall be subject to the District's annual right to terminate this Lease upon the occurrence of an Event of Nonappropriation.

(c) No provision of the Certificates, the Indenture or this Lease shall be construed or interpreted (i) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (iii) as a delegation of governmental powers by the District; (iv) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company

or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (v) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

(d) The District shall be under no obligation whatsoever to exercise its option to purchase the Leased Property.

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the District, nor shall any provision of this Lease restrict the future issuance of any obligations of the District, payable from any class or source of moneys of the District except as specifically set forth herein.

ARTICLE VII

OPERATION AND MAINTENANCE OF LEASED PROPERTY SECTION

Section 7.01. Taxes, Utilities and Insurance.

(a) The District shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, sewer, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) commercial property insurance with respect to the Leased Property in an amount equal to the lesser of: (A) the principal amount of all Certificates Outstanding or (B) the full replacement value of the Improvements; and

(iv) public liability insurance with respect to the activities to be undertaken by the District in connection with the Leased Property, the Leased Property Project and this Lease: (A) to the extent such activities result in injuries for which immunity is available under Section 24-10-114, C.R.S. or any successor statute, in an amount not less than the amounts for which the District may be liable to third parties thereunder and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the District shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the District shall first notify the Trustee of the intention of the District to do so, the District may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the District that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the District from Additional Rent appropriated for the Fiscal Year in which such fees and expenses are due, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the District, the Trustee will cooperate fully with the District in any such contest.

(c) The insurance policies provided pursuant to subsections (a)(iii) and (a)(iv) of this Section may be provided by one or more private or public insurance companies or

organizations, by the School Districts Self-Insurance Pool, or through a self-insurance program, subject to the following conditions:

(i) If the insurance is provided by a private or public insurance company or organization:

(A) the insurance policy (1) shall have a deductible or self-insurance retention clause in an amount not in excess of the amounts reasonably expected to be available to the District to pay such deductible or self-insurance in the event of an insured event, (2) for liability policies, shall name the District and the Trustee as insureds or additional insureds, (3) for commercial property policies, shall be so written or endorsed as to make losses, if any, payable to, the Trustee, (4) shall explicitly waive any co-insurance penalty, and (5) shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the District or the Trustee without first giving written notice thereof to the District and the Trustee at least 10 days in advance of such cancellation or modification;

(B) a certificate evidencing the continuation of such insurance shall be provided to the Trustee annually and copies of any new insurance policies shall be provided to the Trustee and the Certificate Owners within 30 days of purchase or renewal or upon request by the Trustee or the Certificate Owners;

(C) full payment of insurance proceeds under any commercial property policy up to the dollar limit required by subsection (a)(iii) of this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the District or the Trustee and if the total dollar amount of insurance proceeds is insufficient to repair or replace all insured property, such proceeds shall first be applied as provided in Section 8.06(c) hereof; and

(D) each such insurance policy shall be provided by a commercial insurer rated "A" or higher by S&P; and

(ii) If the insurance is provided by the School District's Self Insurance Pool or through a self-insurance program maintained by the District:

(A) a consultant selected by the District (an "Insurance Consultant") shall initially and annually, within 60 days after the end of each Fiscal Year, certify to the Trustee that (1) the reserves supporting such pool or self-insurance program, as applicable, are held by an independent custodian and are adequate for the purposes of such program, taking into account the replacement value of the Improvements included in the Leased Property for such Fiscal Year; and (2) such pool or self-insurance program, as applicable, is maintained on an actuarially sound basis; and

(B) in the event the pool or self-insurance program, as applicable, is discontinued, the actuarial soundness thereof, as established annually by such Insurance Consultant, shall be maintained.

(d) The District shall cause an Insurance Consultant to annually, within 60 days after the end of each Fiscal Year, review the coverage of the policies of insurance maintained pursuant to this Section and to make recommendations thereon to the District, with copies to Trustee, and the District shall comply with such recommendations.

Section 7.02. Maintenance and Operation of Leased Property. The District shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 8.05 and 8.06 hereof.

ARTICLE VIII

OWNERSHIP, ENCUMBRANCES, MODIFICATIONS OR ADDITIONS TO LEASED PROPERTY; DAMAGE OR CONDEMNATION OF LEASED PROPERTY

Section 8.01. Rights in the Leased Property. The Leased Property shall be held in the name of the Trustee, subject to this Lease, until the Leased Property is transferred or otherwise disposed of as provided herein, and the District shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 8.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article IX or XII hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the District shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the District shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the District shall first notify the Trustee of the intention of the District to do so, the District may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the District that, in the opinion of Independent Counsel, whose fees shall be paid by the District as Additional Rent, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the District of the right to continue to contest such item. At the request of the District, the Trustee will cooperate fully with the District in any such contest.

Section 8.03. Granting of Easements.

(a) As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the District:

(i) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the real property included in the Leased Property, free from this Lease and any security interest or other encumbrance created hereunder or under the Indenture;

(ii) consent to the release of existing easements, licenses, rights-of-way and other rights or privileges with respect to the Leased Property, free from this Lease and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(iii) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under this Section, following receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the District Representative requesting such instrument and stating that such grant or release will not materially adversely affect the Net Value, or interfere with the effective use or operation, of the Leased Property.

(b) Nothing in this Section is intended to require that any proceeds from the grant of any easement, license, right-of-way and other right and privilege be paid to the Trustee.

Section 8.04. Subleasing by the District. The District may sublease or grant the right to use or otherwise permit other Persons to use all or any portion of the Leased Property for other purposes; provided, however, this Lease, and the obligations of the District hereunder, shall remain obligations of the District, and the District shall maintain its direct relationship with the Trustee, notwithstanding any such sublease, grant or use; and further provided that, unless otherwise consented to by the Trustee, any such sublease shall provide that it will terminate in the event this Lease terminates for any reason.

Section 8.05. Modification and Substitution of Leased Property. The District, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property or any portion thereof, provided that: (a) such remodeling, substitutions, additions, modifications and additions shall become part of the Leased Property; (b) the Net Value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall, in the reasonable judgment of the District, be at least as great as the Net Value of the Leased Property prior thereto; (c) the Leased Property or such portion thereof, after such substitutions, remodeling, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease; and (d) to the extent such remodeling, additions, modifications or improvements are paid for from General Obligation Debt Proceeds, the District Representative shall add the amount of such General Obligation Debt Proceeds to the total thereof set forth in the certificate next delivered to the Trustee pursuant to Section 10.06 hereof.

Section 8.06. Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property.

(a) If (i) the Leased Property (or any portion thereof) is destroyed or damaged by fire or other casualty, (ii) title to, or the temporary or permanent use of, the Leased Property (or any portion thereof) or the estate of the District or the Trustee in the Leased Property (or any portion thereof), is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (iii) a breach of warranty or any material defect with respect to the Leased Property (or any portion thereof) becomes apparent or (iv) title to or the use of the Leased Property (or any portion thereof) is lost

by reason of a defect in the title thereto, then, the Net Proceeds of any insurance, performance bond or condemnation award or the Net Proceeds received as a consequence of any default or breach of warranty under any contract relating to the Leased Property shall be deposited into the Leased Property Project Account if received prior to the completion date or if received on or after the completion date shall be deposited into the special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the Leased Property following an event described in subsection (a) of this Section are equal to or less than the Net Proceeds available, such Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the Leased Property (or portion thereof) and any excess shall be deposited into the Principal Account and used as provided in the Indenture.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the Leased Property following an event described in subsection (a) of this Section are more than the amount of Net Proceeds available, then:

(i) the District may elect either:

(A) to use the Net Proceeds promptly to repair, restore, modify or improve or replace the Leased Property (or portion thereof) with property of a Net Value equal to or in excess of the Net Value of the Leased Property (or applicable portion thereof) prior to the event described in subsection (a) of this Section, and pay (subject to Article V hereof) as Additional Rent the costs thereof in excess of the amount of the Net Proceeds; or

(B) to pay (subject to Article VI hereof) the Purchase Option Price, in which case the Net Proceeds shall be delivered to the District.

(ii) If, by June 30 of the Fiscal Year in which the event described in subsection (a) of this Section occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the Leased Property becomes apparent), the District has not appropriated amounts sufficient to proceed under either clause (i)(A) or (B) of this subsection, an Event of Nonappropriation shall be deemed to have occurred.

(d) The District shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to the Leased Property such that the Net Proceeds resulting from such action will be less than the related costs of repair, restoration, modification, improvement or replacement of the Leased Property without the written consent of the Certificate Owners of a majority in principal amount of the Certificates then Outstanding.

(e) No event described in subsection (a) of this Section shall affect the obligation of the District to pay Base Rent or Additional Rent hereunder, regardless of whether the Leased Property is repaired, modified, improved or replaced in full or in part, subject, however, to Article VI hereof.

Section 8.07. Condemnation by District. The District agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to all or any portion of the Leased Property, the appraised value of the condemned portion of the Leased Property shall be not less than the greater of (a) if the Certificates are then subject to redemption under the Indenture, the Redemption Price of the Certificates that are attributable to the condemned portion of the Leased Property, plus any fees and expenses of the Trustee required for the conveyance of such condemned portion of the Leased Property and the payment, redemption or defeasance of the Certificates (including other fees and expenses and payable by the Trustee under the Indenture), or (b) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates attributable to the condemned portion of the Leased Property to the first date on which the Certificates are subject to redemption under the Indenture, plus any fees and expenses of the Trustee required for the conveyance of such condemned portion of the Leased Property and the payment, redemption or defeasance of the Certificates (including other fees and expenses and payable by the Trustee under the Indenture).

Section 8.08. Personal Property of the District. The District, at its own expense, may install equipment and other personal property in or on the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE IX
THE DISTRICT'S PURCHASE OPTION; RELEASE OF PORTIONS OF THE LEASED
PROPERTY

Section 9.01. District's Purchase Option. The District is hereby granted the option to purchase the Leased Property by paying: (a) an amount (the "Purchase Option Price") to the Trustee which, together with other amounts then on deposit in the Certificate Fund and the Leased Property Project Account that are available for such purpose, is sufficient to pay all the Outstanding Certificates at maturity, to redeem all the Outstanding Certificates in accordance with the redemption provisions of the Indenture or to defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture; and (b) all Additional Rent payable through the date of conveyance of the Leased Property to the District or its designee pursuant to this Article, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment or redemption of the Certificates.

Section 9.02. Exercise of District's Purchase Option.

(a) The District may exercise its option to purchase the Leased Property pursuant to Section 9.01 hereof by: (i) giving written notice to the Trustee prior to the end of the Scheduled Lease Term (A) stating that the District intends to purchase the Leased Property pursuant to Section 9.01 hereof, (B) identifying the source of funds it will use to pay the Purchase Option Price, and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) paying the Purchase Option Price to the Trustee in immediately available funds on the closing date.

(b) Upon payment of the Purchase Option Price to the Trustee pursuant to subsection (a) of this Section and payment of all Additional Rent payable through the date of transfer and conveyance of the Leased Property to the District, the Trustee shall, at the request of the District, execute and deliver to the District or its designee all necessary documents assigning, transferring and conveying to the District or its designee the same ownership in the Leased Property that was conveyed to the Trustee in its then "as is" condition and with no cost to the Trustee or the Certificate Owners, subject only to the following: (i) Permitted Encumbrances, other than this Lease and the Indenture; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease; (iii) any lien or encumbrance created or suffered to exist by action of the District; and (iv) those liens and encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee.

Section 9.03. Transfer of Leased Property to the District at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term and all Additional Rent payable through the date of transfer and conveyance of the Leased Property to the District pursuant to this Section shall have been paid, the Leased Property shall be assigned, transferred and conveyed to the District at the end of the Scheduled Lease Term in the manner described in Section 9.02(b) hereof without any additional payment by the District.

ARTICLE X

GENERAL COVENANTS

Section 10.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the District shall have full power to carry out the acts and agreements provided herein and the District and the Trustee, at the written request of the District, shall from time-to-time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 10.02. Tax Covenant of the District. The District will not use or permit others to use the Leased Property in a manner that would cause the portion of the Base Rent on the 2015B Certificates that is designated and paid as interest to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations).

Section 10.03. Compliance with Requirements of Law. On and after the date hereof, neither the District nor the Trustee shall take any action that violates the terms hereof or is contrary to the provisions of any Requirement of Law in performing their respective obligations with respect to the Leased Property hereunder, provided that the Trustee shall have no obligation to monitor the District’s compliance with such covenant. Without limiting the generality of the preceding sentence, the District shall use the Leased Property in a manner such that (a) the Leased Property at all times is acquired, constructed, equipped and operated in material compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the District’s acquisition, construction, equipping and use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in such manner as would constitute a material violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in material violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the

indoor or outdoor environment from, into or out of the Leased Property including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in material violation of any Requirements of Law.

Section 10.04. Participation in Legal Actions.

(a) At the request of and at the cost of the District (payable as an Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the District asserts its right to the enjoyment of the Leased Property that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the District's enjoyment of the Leased Property for which the District is responsible hereunder, or that involves the imposition of any charges, costs or other obligations with respect to the District's execution, delivery and performance of its obligations hereunder.

(b) At the request of the Trustee and upon a determination by the District that such action is in the best interests of the District, the District shall, at the cost of the District (payable as an Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder, or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery of this Lease by the Trustee or the performance of its obligations hereunder.

Section 10.05. Payment of Fees and Expenses of the Trustee. The District shall pay as Additional Rent the reasonable fees and expenses payable to the Trustee pursuant to Section 6.09 of the Indenture.

Section 10.06. General Obligation Debt Proceeds Expended on Leased Property. The District Representative has, upon the execution and delivery of this Lease, delivered a written certificate to the Trustee setting forth the amount of General Obligation Debt Proceeds expended on the Leased Property as of such date. On or before December 31 of each Fiscal Year, the District shall provide to the Trustee a certificate setting forth, as of June 30 of the preceding Fiscal Year (the "Certification Date"): (a) the total General Obligation Debt Proceeds expended on the Leased Property; (b) the amount amortized or repaid on the debt from which such expended General Obligation Debt Proceeds are derived; and (c) the amount of decrease or increase in General Obligation Debt Proceeds which occurred as a result of any defeasances or refundings of the general obligation debt from which the General Obligation Debt Proceeds are derived. The amount of General Obligation Debt Proceeds expended on the Leased Property that is set forth in the most recent certificate delivered by the District to the Trustee shall be dispositive, absent manifest error, as to the amount of General Obligation Debt Proceeds that have been expended on the Leased Property as of the Certification Date. Upon request by the Trustee during any Fiscal Year, the District shall update the most recent certification to the most current date possible to reflect any additions or subtractions to the General Obligation Debt Proceeds which have occurred since the Certification Date. In addition, upon request by the Trustee, the District shall provide such calculations and documentation as may be reasonably

required in order for the Trustee to verify the District's calculation of General Obligation Debt Proceeds.

Section 10.07. Payments to Rebate Fund. The District shall pay to the Trustee as Additional Rent all amounts required to be deposited into the Rebate Fund as and when required by the Indenture.

Section 10.08. Investment of Funds.

(a) By authorizing the execution and delivery of this Lease, the District specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

(b) The District shall not direct the Trustee pursuant to the Indenture to make any deposit or investment of any moneys in any fund or account created thereunder which shall interfere with or prevent withdrawals for payment of the Certificates.

(c) The District shall not direct the Trustee to make any deposit or investment in violation of its covenant in Section 10.02 hereof.

ARTICLE XI

LIMITS ON OBLIGATIONS OF THE TRUSTEE

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. IN NO EVENT SHALL THE TRUSTEE BE LIABLE FOR ANY DIRECT OR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR USE BY THE DISTRICT OF ANY ITEM, PRODUCT OR SERVICE PROVIDED FOR HEREIN.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined.

(a) Any of the following shall constitute an “Event of Default” under this Lease:

(i) failure by the District to pay any appropriated Base Rent on or before the applicable Base Rent Payment Date; provided, however, that a failure by the District to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee within five days following such Base Rent Payment Date;

(ii) failure by the District to pay when due any Additional Rent payable to the Trustee for which funds have been specifically appropriated, or failure to pay any Additional Rent payable to a Person other than the Trustee when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the District to vacate the Leased Property within 90 days following an Event of Nonappropriation in accordance with Section 4.02(b) hereof;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the District in all or any portion of the Lease or the Leased Property in violation of Section 13.02(a) hereof;

(v) failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 60 days after written notice, specifying such failure and

requesting that it be remedied shall be given to the District by the Trustee; provided, however, that if the failure stated in the notice cannot be corrected within such 60-day period, such period shall be extended so long as corrective action shall be instituted within such period and diligently pursued until the default is corrected; or

(vi) an order or decree by a court of competent jurisdiction declaring the District bankrupt under federal bankruptcy law or appointing a receiver of all or any material portion of the District's assets or revenues is entered with the consent or acquiescence of the District or is entered without the consent or acquiescence of the District but is not vacated, discharged or stayed within 30 days after it is entered.

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the District shall be obligated to pay Base Rent and Additional Rent only during the Lease Term, except as otherwise expressly provided in Section 4.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the District shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Base Rent or Additional Rent hereunder, the District shall not be deemed in default during the continuance of such inability; provided, however, that the District shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the District from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the District.

Section 12.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps, subject, however, to Section 12.04 hereof:

(a) terminate the Lease Term and give notice to the District to immediately vacate the Leased Property in the manner provided in Section 4.02(b) hereof;

(b) sell or otherwise dispose of or reenter and relet all or any portion of the Leased Property;

(c) recover from the District:

(i) the portion of Base Rent and Additional Rent payable pursuant to Section 4.02(b)(ii) hereof; and

(ii) the balance, if any, in the Leased Property Project Account, subject to the provisions of the Indenture.

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XIII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the District set forth in Sections 6.05 and 12.04 hereof and the limitations on the obligations of the Trustee set forth in Article X hereof.

Section 12.03. Application of Moneys Realized from Exercise of Remedies.

Notwithstanding any other provision hereof, any moneys realized from the exercise of remedies on default pursuant to Section 12.02 hereof or remedies upon occurrence of an Event of Default or Event of Nonappropriation under the Indenture shall be applied as provided in Section 7.12 of the Indenture.

Section 12.04. Limitations on Remedies. A judgment requiring a payment of money may be entered against the District by reason of an Event of Default only as to the District's liabilities described in Section 12.02(c) hereof. A judgment requiring a payment of money may be entered against the District by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 12.02(c) hereof.

Section 12.05. No Remedy Exclusive. Subject to Section 12.04 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time-to-time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 12.06. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 12.01(a) hereof, any subsequent payment by the District of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XIII

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 13.01. Trustee's Rights, Title and Interest in Trust for Benefit of Certificate Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Certificate Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 13.02. Transfer of the District's Interest in Lease and Leased Property Prohibited.

(a) Except for Permitted Encumbrances, as otherwise permitted by Sections 8.02, 8.03, 8.04 or 8.05 hereof or subsection (b) of this Section or as otherwise required by law, the District shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the District may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the District pursuant to Article IX hereof following the payment of the Purchase Option Price or all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, together with all other amounts required to be paid as a condition of such conveyance pursuant to Article IX hereof, and the payment or defeasance of all the Certificates in accordance with the Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the District and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 14.02. Indenture. The District has received a copy of, acknowledges the terms of, the Indenture and agrees to take the actions it is required to take under the Indenture. The District is not a party to and has no responsibility for and will incur no liability for any action or failure to act by the Trustee or the Certificate Owners under the Indenture, including but not limited to any failure by the Trustee to make payments to the Certificate Owners as and when required under the Indenture.

Section 14.03. Trustee and District Representatives. Whenever under the provisions hereof the approval of the Trustee or the District is required, or the District or the Trustee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given by the Trustee by the Trustee Representative and for the District by the District Representative, and the District and the Trustee shall be authorized to act on any such approval or request.

Section 14.04. Manner of Giving Notices. All notices, certificates or other communications under this Lease shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the District, Denver Public Schools, 1860 Lincoln Street, Denver, CO 80203, Attention: Chief Financial Officer, facsimile number: (720) 423-3229, electronic mail address: mark_ferrandino@dpsk12.org; if to the Trustee, to Wells Fargo Bank, National Association, Wells Fargo Bank, National Association, 1740 Broadway, MAC C7300-107, Denver, Colorado 80274, Attention: Debra Rayman, facsimile number: (303) 863-5645, electronic mail address: Debra.M.Rayman@wellsfargo.com. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.05. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the District or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the District or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the District or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the District or the Trustee or any natural person executing this Lease or any related document or instrument.

Section 14.06. Governmental Immunity. This Lease is not intended, and shall not be construed, as a waiver of the limitations on damages or any of the privileges, immunities, or defenses provided to, or enjoyed by, the District and its past and current directors, officers, employees, volunteers and agents under common law or pursuant to statute, including but not limited to Section 24-10-101 et seq., C.R.S.

Section 14.07. Amendments, Changes and Modifications. Except as otherwise provided herein, this Lease may not be effectively amended, changed, modified or altered other than by the execution of a subsequent document in the same manner as this Lease is executed.

Section 14.08. Events Occurring on Days That Are Not Business Days. Whenever any payment or determination hereunder shall be stated to be due or made, as applicable, or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, and such extension of time shall, in the case of a payment, be included in the computation of the amount due and, in the case of a determination, be effective as if made on the stated date.

Section 14.09. Severability. In the event that any provision of this Lease, other than the obligation of the District to pay Base Rent or Additional Rent and the Purchase Option Price hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the District pursuant to Article IX hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.10. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

Section 14.11. Applicable Law. The laws of the State shall be applied in the interpretation, execution and enforcement of this Lease, except to the extent superseded by federal law.

Section 14.12. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Trustee and the District have executed this Lease as of the date first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, solely in its capacity as
Trustee under the Indenture as lessor

By _____
Authorized Signatory

SCHOOL DISTRICT NO. 1, IN THE CITY
AND COUNTY OF DENVER AND
STATE OF COLORADO, as lessee

By _____
President, Board of Education

Attest:

By _____
Secretary, Board of Education

[Signature Page to Lease Purchase Agreement]

**[NOTARY BLOCKS AND LEASE EXHIBITS HAVE BEEN OMITTED
FOR PURPOSES OF THIS OFFICIAL STATEMENT]**

INDENTURE OF TRUST

by

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee**

authorizing
Certificates of Participation, Series 2015
evidencing undivided interests in
the right to receive certain revenues payable by
School District No. 1, in the City and County of Denver
and State of Colorado
under a
Lease Purchase Agreement dated as of October 5, 2015

Dated as of October 5, 2015

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APPENDIX A FORM OF CERTIFICATE

APPENDIX B FORM OF PROJECT ACCOUNT REQUISITION

THIS INDENTURE OF TRUST (this “Indenture”) is dated as of October 5, 2015, and is entered into by **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as trustee (the “Trustee”) for the benefit of the Certificate Owners (defined herein) of the Certificates (defined herein).

RECITALS

WHEREAS, the Trustee (a) is a national banking association that is duly organized, validly existing and in good standing under the laws of the United States of America; (b) is duly qualified to do business in the State of Colorado (the “State”); (c) in its capacity as Trustee under this Indenture, is or will become the owner of the Leased Property (defined herein), and (d) is authorized, under its articles of association and applicable law, to own the Leased Property (defined herein), to lease the Leased Property to School District No. 1, in the City and County of Denver and State of Colorado (the “District”), to hold in trust the Trust Estate (defined herein) and to execute, deliver and perform its obligations under this Indenture; and

WHEREAS, the District has conveyed title to the Leased Property to the Trustee, in its capacity as Trustee hereunder; and

WHEREAS, the Trustee, as lessor, and the District, as lessee, have entered into a Lease Purchase Agreement dated as of the date hereof (the “Lease”), pursuant to which the Trustee has leased the Leased Property to the District and the District has agreed to pay Base Rent and Additional Rent (as defined in the Lease), subject, in each case, to the terms of the Lease; and

WHEREAS, in order to finance the Leased Property Project (defined herein), the Trustee will execute and deliver the Certificates (defined herein) pursuant to this Indenture; and

WHEREAS, the Certificates shall evidence proportionate undivided interests in the right to receive Lease Revenues (defined herein), shall be payable solely from the Trust Estate, and no provision of the Certificates, this Indenture or the Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution; and

WHEREAS, the execution and performance of this Indenture by the Trustee has been duly authorized by the Trustee and, upon the execution of this Indenture by the Trustee, this Indenture will be enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the

State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America; and

WHEREAS, the Trustee has entered into this Indenture for and on behalf of the Certificate Owners, and will, except as otherwise specifically provided herein, hold its rights hereunder, including its rights with respect to the Trust Estate, for the equal and proportionate benefit of the Certificate Owners, and will disburse moneys received by it in accordance with this Indenture; and

WHEREAS, all things necessary to make the Certificates, when executed and delivered by the Trustee as provided in this Indenture, legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with terms thereof, and to constitute this Indenture a legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with their terms, have been done and performed.

NOW, THEREFORE, the Trustee declares for the benefit of the Certificate Owners as follows:

DESCRIPTION OF TRUST ESTATE

That the Trustee shall hold in trust, upon the terms herein set forth for the equal and proportionate benefit, security and protection of the Certificate Owners and, to the limited extent provided in Section 7.12 hereof, the District and the Trustee, all and singular the following described property, franchises and income, including any title therein acquired after these presents (the "Trust Estate"):

- (a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of the Lease, including, but not limited to, the terms of the Lease permitting the existence of Permitted Encumbrances (defined herein);
- (b) all rights, title and interest of the Trustee in, to and under the Lease (other than the Trustee's rights to payment of its fees and expenses under the Lease and the rights of third parties to Additional Rent payable to them under the Lease), including, without limitation, Lease Revenues as well as the right to cause any Net Proceeds payable to the District to be deposited by the District into a special trust fund held by the Trustee and used in accordance with Section 8.06 of the Lease;
- (c) all Base Rent;
- (d) all Additional Rent that is payable to the Trustee for the benefit of the Certificate Owners;
- (e) the Purchase Option Price, if paid; and
- (f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund and the Leased Property Project Account;

PROVIDED, HOWEVER, that if the principal of the Certificates, the premium thereon, if any, and the interest due or to become due thereon and all amounts payable to the District and the Trustee pursuant to Section 7.12 hereof, shall be paid at the times and in the manner provided in Section 9.01 hereof in accordance with the terms and provisions hereof, then, upon such final payments, this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared, that the Certificates executed, delivered and secured hereunder are to be executed and delivered and all said property, rights, interests, revenues and receipts hereby pledged, assigned and mortgaged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Trustee has agreed and covenanted, and does hereby agree and covenant, for the benefit of the Certificate Owners, as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms shall have the following meanings in this Indenture:

"2015A Certificates" means the Taxable Certificates of Participation, Series 2015A, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado, under a Lease Purchase Agreement, dated as of their date of delivery, executed and delivered pursuant to this Indenture.

"2015B Certificates" means the Tax-Exempt Certificates of Participation, Series 2015B, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado, under a Lease Purchase Agreement, dated as of their date of delivery, executed and delivered pursuant to this Indenture.

"Additional Rent" is defined in the Lease.

"Base Rent" is defined in the Lease.

"Board" is defined in the Lease.

"Bond Counsel" means (a) as of the date of execution and delivery of the Certificates, Butler Snow LLP, and (b) as of any other date, Butler Snow LLP or such other attorneys selected by the District with nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

"Business Day" is defined in the Lease.

"Certificates" means, collectively, the 2015A Certificates and the 2015B Certificates as authorized by Section 2.01 hereof.

"Certificate Fund" means the special fund created by Section 3.01 hereof.

“Certificate Owner” of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

“Code” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

“Construction Fund” means the special fund created by Section 3.02 hereof.

“Costs of the Leased Property Project” means all costs and expenses to be incurred, and the reimbursement to the District for all costs and expenses heretofore incurred by the District for:

- (a) costs incurred or assumed for labor, materials and furniture, fixtures and equipment for or in connection with the Leased Property Project;

- (b) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title and liability insurance) that may be necessary or appropriate in connection with the Leased Property Project;

- (c) the costs of engineering, architectural and other professional and technical services, including obligations incurred or assumed for preliminary design and development work, test borings, surveys, estimates, plans and specifications in connection with the Leased Property Project;

- (d) administrative costs related to the Leased Property Project, including supervision of the construction, acquisition, renovation and installation as well as the performance of all of the other duties required by or consequent upon the Leased Property Project, including, without limitation, costs of preparing and securing all Leased Property Project Documents, architectural, engineering and other professional and technical fees, legal fees and expenses, appraisal fees, independent inspection fees, auditing fees and advertising expenses in connection with the Leased Property Project;

- (e) all costs which are considered to be a part of the costs of the Leased Property Project in accordance with generally accepted accounting principles;

- (f) the actual costs incurred by the Trustee in acquiring any property or making any improvements for which moneys are transferred to the Trustee pursuant to Section 3.02(b) hereof; and

- (g) any and all other costs necessary to effect the Leased Property Project or to acquire, improve, furnish or equip the Leased Property or the Leased Property Project to the extent the same are permitted by the laws of the State and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates.

“Costs of Issuance” means administrative costs of execution and delivery of the Certificates, including, but not limited to, any fees and expenses of the Trustee incurred in connection with the execution and delivery of the Certificates, any fees and expenses of any

financial advisor providing services in connection with the execution and delivery of the Certificates, any fees or expenses of the Trustee, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, costs of immediately available funds, costs of publication, printing and engraving, accountants' fees and recording and filing fees.

"Costs of Issuance Account" means the account of the Construction Fund created by and designated as such in Section 3.02(a) hereof.

"Defeasance Securities" means Permitted Investments which are:

- (a) cash;
- (b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series ("SLGs");
- (c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, including CATS, TIGRS and similar securities;
- (d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;
- (f) the following obligations issued by the following agencies for which the full faith and credit of the United States are pledged for the payment of principal and interest:
 - (i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;
 - (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;
 - (iii) Federal Financing Bank;
 - (iv) General Services Administration participation certificates;
 - (v) U.S. Maritime Administration Guaranteed Title XI financing;
 - (vi) U.S. Department of Housing and Urban Development (HUD):
 - (A) Project Notes;
 - (B) Local Authority Bonds;

(C) New Communities Debentures-U.S. government guaranteed debentures; and

(D) U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds.

“District” means School District No. 1, in the City and County of Denver and State of Colorado, and any successor thereto.

“District Representative” is defined in the Lease.

“Event of Default” means an event described in Section 12.01 of the Lease.

“Event of Nonappropriation” means an event described in Section 6.04 of the Lease.

“Fiscal Year” is defined in the Lease.

“Indenture” means this Indenture of Trust and any amendment or supplement hereto.

“Initial Purchaser” means George K. Baum & Company.

“Interest Payment Date” means June 15 and December 15 of each year, beginning on December 15, 2015.

“Lease” means the Lease Purchase Agreement dated as of the date hereof between the Trustee, as lessor, and the District, as lessee, and any amendment or supplement thereto.

“Lease Revenues” means (a) the Base Rent; (b) the Purchase Option Price, if paid; (c) any Net Proceeds; (d) any portion of the proceeds of the Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates; (e) any earnings on moneys on deposit in the Certificate Fund; (f) all other revenues derived from the Lease, excluding Additional Rent that is not payable to the Trustee for the benefit of the Certificate Owners; and (g) any other moneys to which the Trustee may be entitled for the benefit of the Certificate Owners.

“Lease Term” is defined in the Lease.

“Leased Property” is defined in the Lease.

“Leased Property Project” is defined in the Lease.

“Leased Property Project Account” means the account of the Construction Fund created by and designated as such in Section 3.02(a) hereof.

“Net Proceeds” is defined in the Lease.

“Operations Center” means the operations center of the Trustee in Minneapolis, Minnesota, or at such other location as the Trustee may designate from time-to-time by written notice to the District.

“Opinion of Counsel” means a written opinion of legal counsel, who may be counsel to the Trustee.

“Outstanding” means all Certificates which have been executed and delivered, except:

- (a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;
- (b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 hereof;
- (c) Certificates which have been redeemed as provided in Article IV hereof (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date as provided in Section 4.01 hereof);
- (d) Certificates which are due and for which the Trustee holds funds for the benefit of the Certificate Owners thereof pursuant to Section 3.05 hereof;
- (e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 hereof; and
- (f) Certificates held by the District.

“Permitted Encumbrances” is defined in the Lease.

“Permitted Investments” means any investment which (a) is a lawful investment permitted for the investment of funds of the District by the laws of the State and (b) is permitted by the resolution of the Board authorizing the execution and delivery of the Lease.

“Person” is defined in the Lease.

“Purchase Option Price” is defined in the Lease.

“Rebate Fund” means the special fund created by Section 3.03 hereof.

“Record Date” means, with respect to each Interest Payment Date, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

“Redemption Date” means the date fixed for the redemption prior to their respective maturities of any Certificates in any notice of prior redemption or otherwise fixed and designated by the District.

“Redemption Price” means the amount payable upon the redemption of a Certificate prior to the stated maturity date of such Certificate on a Redemption Date, as calculated pursuant to Section 4.01, Section 4.02, Section 4.03 or Section 4.04 hereof, as applicable.

“Requirement of Law” is defined in the Lease.

“Special Record Date” means a special date fixed to determine the name and address of Certificate Owners for purposes of paying defaulted interest in accordance with Section 2.01 hereof.

“State” means the State of Colorado.

“Supplemental Indenture” means any indenture supplementing or amending this Indenture that is adopted pursuant to Article VIII hereof.

“Trust Bank” means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“Trust Estate” means the property held in trust by the Trustee pursuant to the Description of Trust Estate in the preambles to this Indenture. The Trust Estate does not include the Rebate Fund or any escrow accounts established pursuant to Section 9.01 hereof.

“Trustee” means Wells Fargo Bank, National Association, acting in the capacity as trustee pursuant hereto, and any successor thereto appointed hereunder.

“Trustee Breach” is defined in Section 6.12 hereof.

“Trustee Representative” is defined in the Lease.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

Section 2.01. Execution and Delivery of Certificates and Certificate Details.

(a) The Trustee shall execute and deliver the “Taxable Certificates of Participation, Series 2015A, evidencing the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a Lease Purchase Agreement dated as of October 5, 2015” (the “Certificates”) in the aggregate principal amount of \$360,000 and “Tax-Exempt Certificates of Participation, Series 2015B, evidencing the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a Lease Purchase Agreement dated as of October 5, 2015” (the “Certificates”) in the aggregate principal amount of \$8,570,000, each for the purpose of paying the Costs of the Leased Property Project and the Costs of Issuance of the Certificates. The Certificates shall be dated October 5, 2015, shall mature on the dates and in the amounts set forth below, and shall bear interest from their original dated date to maturity at the rates per annum set forth below, payable on each Interest Payment Date; except that Certificates which are reissued upon transfer, exchange or other replacement shall bear interest at the rates per annum set forth below from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the original dated date of the Certificates:

2015A Maturity (December 15)	Amounts Maturing	Interest Rate (Per Annum)
2016	\$165,000	1.250%
2017	165,000	1.600
2018	30,000	2.000

2015B Maturity (December 15)	Amounts Maturing	Interest Rate (Per Annum)
2018	\$135,000	2.000%
2019	170,000	2.500
2020	170,000	4.000
2021	180,000	5.000
2022	190,000	5.000
2023	200,000	5.000
2024	210,000	5.000
2025	220,000	5.000
2026	230,000	5.000
2027	240,000	3.000
2028	250,000	5.000
2029	260,000	3.250
2030	270,000	3.375
2035	1,535,000	5.000
2040	1,925,000	4.000
2045	2,385,000	5.000

(b) The Certificates shall be issuable only as fully registered certificates in the denominations of \$5,000 and any integral multiple thereof (provided that no Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Certificate may be executed and delivered for more than one maturity). The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) Subject to the provisions of subsection (e) of this Section, the principal of and premium, if any, on any Certificate shall be payable to the Certificate Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee, and payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each principal payment date or Interest Payment Date, as applicable, to each Certificate Owner at his address as it last appears on the registration records of the Trustee at the close of business on the Record

Date. Any such principal or interest not so timely paid shall cease to be payable to the Person who is the Certificate Owner at the close of business on the Record Date and shall be payable to the person who is the Certificate Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Certificate Owners, not less than 10 days prior to the Special Record Date, by first-class mail to each such Certificate Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Certificate Owner of any Certificate and the Trustee.

(d) The Certificates shall be in substantially the form set forth in Appendix A hereto, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the District. All covenants, statements, representations and agreements contained in the Certificates are hereby approved and adopted as the covenants, statements, representations and agreements of the District or the Trustee, as applicable. Although attached as an appendix for the convenience of the reader, Appendix A is an integral part of this Indenture and is incorporated herein as if set forth in full in the body of this Indenture.

(e) Notwithstanding any other provision hereof, the Certificates shall be delivered only in book entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the District determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the District may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the District or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Section 2.02. Limited Obligations. The Certificates shall represent proportionate undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate in accordance with, and subject to, the terms of this Indenture. No provision of the Certificates, this Indenture or the Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or

statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

Section 2.03. Execution and Authentication of Certificates. The manual signature of a duly authorized signatory of the Trustee shall appear on the Certificates. The Certificates shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee. If any signatory of the Trustee whose signature appears on the Certificates shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Section 2.04. Delivery of Certificates. Upon the execution and delivery of this Indenture, the Trustee shall execute and deliver the Certificates to the Initial Purchaser thereof, as follows:

(a) Prior to the delivery by the Trustee of the Certificates, there shall have been filed with the Trustee (i) an originally executed counterpart of this Indenture, and (ii) certified copies of any other instruments to be executed and delivered by the Trustee and the District in connection with the Certificates, which shall include, but not be limited to, the Lease.

(b) Thereupon, the Trustee shall deliver the Certificates to the Initial Purchaser, upon payment to the Trustee of the agreed purchase price, which sum shall be applied as follows: (i) accrued interest and capitalized interest, if any, on the Certificates shall be deposited into the Interest Account of the Certificate Fund; (ii) the amount specified in a certificate of the District Representative shall be deposited into the Costs of Issuance Account; and (iii) the remainder shall be deposited into the Leased Property Project Account.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Certificate Owner as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of executing and delivering a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Certificate Owner with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Section 2.06. Registration of Certificates; Persons Treated as Certificate Owners; Transfer and Exchange of Certificates.

(a) Records for the registration and transfer of the Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on,

and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Certificate Owner of such Certificate or his duly authorized legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Certificate Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees one or more new fully registered Certificates of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Any Certificate may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of Certificates of the same maturity. The Trustee shall execute and deliver a Certificate which the Certificate Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Certificate Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling the Certificate for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of any Certificate after the mailing of notice calling the Certificate or any portion thereof for prior redemption.

(e) Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the Person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Certificate Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

Section 2.07. Cancellation of Certificates. Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

Section 2.08. Negotiability. Subject to the registration and transfer provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Certificate Owners shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the Initial Purchaser or any subsequent transferee of the Certificates.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Certificate Fund.

(a) *Creation of the Certificate Fund.* A special fund is hereby created and established with the Trustee to be designated the School District No. 1, in the City and County of Denver and State of Colorado Series 2015 Certificates of Participation Certificate Fund (the "Certificate Fund"), which shall be used to pay the principal of, premium, if any, and interest on the Certificates. Within the Certificate Fund there are hereby created and established an Interest Account and a Principal Account which shall be used as set forth in subsection (d) of this Section.

(b) *Payments into the Interest Account of the Certificate Fund.* There shall be deposited into the Interest Account of the Certificate Fund: (i) all accrued interest and capitalized interest, if any, received at the time of the execution and delivery of the Certificates; (ii) that portion of each payment of Base Rent made by the District which is designated and paid as the interest component thereof under Exhibit B to the Lease; (iii) any moneys transferred to the Interest Account of the Certificate Fund from the Leased Property Project Account pursuant to Sections 3.02(d)(iv) and 7.01(a) hereof; and (iv) all other moneys received by the Trustee under this Indenture accompanied by directions that such moneys are to be deposited into the Interest Account of the Certificate Fund, provided in such case that the District shall have certified to the Trustee that such deposit will not cause the District to violate its covenant set forth in Section 10.02 of the Lease.

(c) *Payments into the Principal Account of the Certificate Fund.* There shall be deposited into the Principal Account of the Certificate Fund: (i) that portion of each payment of Base Rent made by the District which is designated and paid as the principal component thereof under Exhibit B to the Lease (ii) any moneys transferred to the Principal Account of the Certificate Fund from the Leased Property Project Account pursuant to Sections 3.02(d)(iv) and 7.01(a) hereof; and (iii) all other moneys received by the Trustee under this Indenture accompanied by directions that such moneys are to be deposited into the Principal Account of the Certificate Fund, provided in such case that the District shall have certified to the Trustee that such deposit will not cause the District to violate its covenant set forth in Section 10.02 of the Lease.

(d) *Use of Moneys in the Certificate Fund.* Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of interest on the Certificates and moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of and premium, if any, due on the Certificates; provided that (i) in the event that there are any remaining moneys in the Interest Account upon payment of the interest due on the Certificates, such moneys may be used for the payment of principal of and premium, if any, due on the Certificates; (ii) moneys representing accrued interest and capitalized interest, if any, received at the time of the execution and delivery of the Certificates shall be used solely to pay the first interest due on the Certificates; (iii) the Purchase Option Price and any other moneys transferred to the Certificate Fund with specific instructions that such moneys be used to pay the

Redemption Price of the Certificates shall be used solely to pay the redemption price of the Certificates; and (iv) any moneys transferred from the Leased Property Project Account which are not used to prepay Base Rent and redeem the Certificates pursuant to Section 3.02(d)(iv) hereof shall be used to pay the principal of the Certificates; provided, further, that all moneys in the Certificate Fund shall be available to pay the redemption price of the Certificates in connection with a redemption of the Certificates and to pay the principal of, premium, if any, and interest on the Certificates following an Event of Default or Event of Nonappropriation.

Section 3.02. Construction Fund.

(a) *Creation of the Construction Fund.* A special fund is hereby created and established with the Trustee to be designated the School District No. 1, in the City and County of Denver and State of Colorado Series 2015 Certificates of Participation Construction Fund (the "Construction Fund"), and, within such fund, the Costs of Issuance Account and the Leased Property Project Account. The Trustee may establish such additional accounts within the Construction Fund or such subaccounts within any of the existing or any future accounts of the Construction Fund as may be necessary or desirable.

(b) *Deposits into the Construction Fund.* There shall be deposited into the Construction Fund proceeds of the sale of the Certificates in the amount identified by the District in connection with the issuance of the Certificates.

(c) *Deposits into and Use of Moneys in the Costs of Issuance Account.*

(i) There shall be deposited into the Costs of Issuance Account proceeds of the sale of the Certificates or other legally available moneys in the amounts identified by the District in connection with the issuance of the Certificates.

(ii) Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the District. Any moneys remaining on deposit in the Costs of Issuance Account that are not required to pay Costs of Issuance by the date that is 90 days after the date of issuance of the Certificates shall be transferred to the Leased Property Project Account.

(d) *Deposits into, Use of Moneys in, and Disbursements from the Leased Property Project Account.*

(i) There shall be deposited into the Leased Property Project Account (A) that portion of the proceeds of the sale of the Certificates identified in Section 5.01(b) of the Lease, (B) amounts transferred to the Leased Property Project Account from the Costs of Issuance Account pursuant to Section 3.02(c)(ii) hereof, and (C) all other moneys received by the Trustee under this Indenture accompanied by directions that such moneys are to be deposited into the Leased Property Project Account, provided in such case that the District shall have certified to the Trustee that such deposit will not cause the District to violate its covenant set forth in Section 10.02 of the Lease.

(ii) So long as no Event of Default or Event of Nonappropriation shall have occurred, moneys held in the Leased Property Project Account shall be disbursed to the

District by the Trustee within five Business Days of receipt by the Trustee of a written request and certification from the District, delivered to the Trustee in substantially the form attached hereto as Appendix B. The certifications set forth in each such request and certification are hereby incorporated into this Indenture as if set forth in full herein. The District agrees to submit to the Trustee such other documents and certificates as the Trustee may reasonably request to evidence the proper expenditure of the moneys in the Leased Property Project Account for the purposes permitted under this Indenture and the Lease.

(iii) If the District shall exercise its option to purchase the Leased Property pursuant to Article IX of the Lease, the District shall be permitted to apply any amounts still held in the Leased Property Project Account toward the Purchase Option Price by directing the Trustee in writing to redeem the Outstanding Certificates in accordance with this Indenture and to pay the Purchase Option Price to the Certificate Owners.

(iv) Any moneys remaining in the Leased Property Project Account after the completion of the Leased Property Project shall be transferred to the Certificate Fund and either, at the option of the District, (A) applied as a credit against Base Rent payments in accordance with Section 6.01(a)(iv) of the Lease or (B) applied to the prepayment of Base Rent pursuant to Section 6.01(b) of the Lease. Notwithstanding the foregoing, if an Event of Default or Event of Nonappropriation shall have occurred, the Trustee shall either disburse moneys held in the Leased Property Project Account as provided in the preceding sentence or apply such moneys as provided in Article VII hereof.

Section 3.03. Rebate Fund.

(a) ***Creation of the Rebate Fund.*** A special fund is hereby created and established with the Trustee to be designated the School District No. 1, in the City and County of Denver and State of Colorado Series 2015B Certificates of Participation Rebate Fund (the “Rebate Fund”).

(b) ***Deposits into the Rebate Fund.*** There shall be deposited into the Rebate Fund (i) all amounts paid by the District pursuant to subsection (e) of this Section; and (ii) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in the Rebate Fund.*** Not later than 60 days after [October 5, 2020], and every five years thereafter, the Trustee shall, at the direction of the District, pay to the United States of America 90% of the amount required to be on deposit in the Rebate Fund as of such payment date. No later than 60 days after the final retirement of the Certificates, the Trustee shall, at the direction of the District, pay to the United States of America 100% of the amount required to be on deposit in the Rebate Fund which shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the District and a statement prepared by the District or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the District has reserved the right, in all events, to

pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund.*** The District shall make or cause to be made all requisite rebate calculations so as to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section and to make the payments required by subsection (c) of this Section. The Trustee shall make deposits to and disbursements from the Rebate Fund in accordance with the written directions of the District given pursuant to the Investment Instructions (the “Investment Instructions”) and the Tax Compliance Certificate (the “Tax Compliance Certificate”) executed by the District in connection with the execution and delivery of the Certificates. The Trustee shall, at the written direction of the District, invest the Rebate Fund and shall deposit income from said investments immediately upon receipt thereof in the Rebate Fund, all as set forth in the Investment Instructions. The Investment Instructions may be superseded or amended by new Investment Instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of said new Investment Instructions will not cause the interest on the Certificates to be includible in the gross income of the recipients thereof for purposes of federal income taxation. The District may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the Investment Instructions, the specified amount shall be withdrawn from the Rebate Fund and deposited in the Certificate Fund at the written direction of the District. Record of the determinations required by this Section and delivered to the Trustee must be retained by the Trustee until six years after the final retirement of the Certificates.

(e) ***Payments by the District.*** The District has agreed in the Lease that it will pay to the Trustee as Additional Rent all amounts required to be deposited into the Rebate Fund as required above.

Section 3.04. Nonpresentment of Certificates. In the event the Certificates shall not be presented for payment when due, if funds sufficient to pay the Certificates shall have been made available to the Trustee for the benefit of the Certificate Owners, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Certificate Owners, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on or with respect to the Certificates. Funds so held but unclaimed by the Certificate Owners shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of the Certificates after the expiration of four years or, if the Certificates are not Outstanding after the expiration of such four-year period, shall be delivered to the District.

Section 3.05. Moneys to be Held in Trust. The Certificate Fund, the Construction Fund and, except for the Rebate Fund and any escrow account established pursuant to Section 9.01 hereof, any other fund or account created hereunder shall be held by the Trustee, for the benefit of the Certificate Owners as specified in this Indenture, subject to the terms of this Indenture and the Lease. The Rebate Fund shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.03(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Certificate Owners to be paid therefrom as provided in the applicable escrow agreement.

Section 3.06. Repayment to the District from the Trustee. After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee, and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee pursuant hereto shall be paid to the District.

ARTICLE IV

REDEMPTION OF THE CERTIFICATES

Section 4.01. Redemption of the Certificates in Whole Following Exercise of Remedies Upon an Event of Nonappropriation or Event of Default.

(a) The Certificates will be subject to mandatory redemption, in whole, on any date set by the Trustee after all of the following shall have occurred:

(i) the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default;

(ii) the Trustee's determination pursuant to subsection (d) of this Section of whether or not the funds then available to it for such redemption are sufficient to pay the sum of the amounts set forth in clauses (A), (B) and (C) of subsection (b)(i) of this Section; and

(iii) if the Trustee determines that such funds then available to it are insufficient to pay the sum of the amounts set forth in clauses (A), (B) and (C) of subsection (b)(i) of this Section, it shall have exercised the remedies set forth in the Lease and this Indenture.

(b) The Redemption Price for any redemption pursuant to this Section shall be the lesser of:

(i) the sum of (A) the principal amount of the Certificates, plus accrued interest to the Redemption Date (without any premium), (B) the amount of General Obligation Debt Proceeds expended on the Leased Property payable to the District pursuant to Section 7.12 hereof, and (C) any amounts owed to the Trustee pursuant to Section 7.12 hereof; provided that the amount payable to the Certificate Owner of any Certificate shall be limited to the amount set forth in clause (A) of this subsection (b)(i), and the amount set forth in clauses (B) through (C) of this subsection (b)(i) shall be payable to the Persons to whom they are owed; or

(ii) the amount, if any, that is available from: (A) the amount, if any, received by the Trustee from the exercise of remedies under the Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default that gave rise to such redemption (provided, however, that if General Obligation Debt Proceeds have been expended on Leased Property sold, re-let or otherwise liquidated or disposed of by the Trustee, then there shall be deducted from such amount received by the Trustee any portion thereof required by Section 7.12 hereof to be paid, first, to the Trustee and, then, to the District); and (B)

the other amounts available in the Trust Estate for payment of the Redemption Price of the Certificates, which amount shall be allocated in the priority set forth in Section 7.12 hereof.

(c) Notwithstanding any other provision hereof:

(i) the payment of the Redemption Price of any Certificate pursuant to this Section shall be deemed to be the payment in full of such Certificate and no Certificate Owner of any Certificate redeemed pursuant to this Section shall have any right to any payment from the Trustee or the District in excess of such Redemption Price; and

(ii) the payment of any moneys due to any other Person in the amounts provided for in this Section shall be deemed to be the payment in full to such Persons and none of such Persons shall have any right to any payment from the Trustee or the District in excess of such amounts.

(d) In addition to any other notice required to be given under this Article or any other provision hereof, the Trustee shall, as promptly as commercially reasonably possible and as permitted by the Lease and this Indenture, upon its actual knowledge of the occurrence of an Event of Nonappropriation or an Event of Default, notify the Certificate Owners (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the Redemption Price set forth in clause (i) of subsection (b) of this Section. If the funds then available to the Trustee are sufficient to pay the Redemption Price set forth in clause (i) of subsection (b) of this Section, such Redemption Price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the Redemption Price set forth in clause (i) of subsection (b) of this Section, the Trustee shall (A) as promptly as commercially reasonably possible and as permitted by the Lease and this Indenture, pay the portion of the Redemption Price that can be paid from the funds available, net of: (1) if General Obligation Debt Proceeds have been expended on the Leased Property sold, re-let or otherwise liquidated or disposed of by the Trustee, the portion of any proceeds of such sale, re-letting or other liquidation or disposition required by Section 7.12 hereof to be paid first, to the Trustee in respect of fees and expenses referred to therein and, then, to the District in respect of such General Obligation Debt Proceeds and (2) only after the payment of the amounts set forth in clause (1), any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Lease, and (B) subject to the provisions of Article VII hereof, as promptly as commercially reasonably possible and as permitted by the Lease and this Indenture, begin to exercise and shall diligently pursue all remedies available to it under the Lease in connection with such Event of Nonappropriation or Event of Default. The remainder of the Redemption Price, if any, shall be paid to the Certificate Owners and the other Persons described in subsection (b) of this Section, subject to the priorities described in Section 7.12 hereof, if and when funds become available to the Trustee from the exercise of such remedies.

Section 4.02. Redemption of Certificates in Whole Upon Payment of Purchase Option Price from Moneys Other than Moneys Derived From a Financing. The Certificates shall be called for redemption, in whole, at a Redemption Price equal to the principal amount of the Certificates, plus accrued interest to the Redemption Date (without any premium), on any date in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from any source other than

(a) moneys borrowed by the District or (b) moneys made available to the District from a lease-purchase financing or refinancing with respect to the Leased Property.

Section 4.03. Redemption of Certificates in Whole or in Part Upon Payment of Purchase Option Price from Moneys Derived From a Financing.

The 2015A Certificates are not subject to redemption prior to maturity at the option of the District.

The 2015B Certificates maturing on or before December 15, 2025, are not subject to redemption prior to maturity at the option of the District. the 2015B Certificates maturing on and after December 15, 2026, may be called for redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$5,000, and if in part, in such order of maturities as the District shall determine and randomly within a maturity, at a Redemption Price equal to the principal amount of the 2015B Certificates so redeemed, plus accrued interest to the Redemption Date (without any premium), on any date on and after December 15, 2025, in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from either (a) moneys borrowed by the District or (b) moneys made available to the District from a lease-purchase financing or refinancing with respect to the Leased Property.

Section 4.04. Mandatory Redemption. The 2015B Certificates maturing on December 15, 2035, December 15, 2040 and December 1, 2045 are subject to mandatory redemption on December 15 of the years and in the principal amounts specified below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date:

2015B Certificates maturing on December 15, 2035

Redemption Date (December 15)	Principal Amount
2031	\$280,000
2032	290,000
2033	305,000
2034	320,000
2035*	340,000

2015B Certificates maturing on December 15, 2040

Redemption Date (December 15)	Principal Amount
2036	\$355,000
2037	370,000
2038	385,000
2039	400,000
2040*	415,000

2015B Certificates maturing on December 15, 2045

Redemption Date (December 15)	Principal Amount
2041	\$430,000
2042	455,000
2043	475,000
2044	500,000
2045*	525,000

*Maturity

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory redemption date, the District may (i) purchase and cancel any 2015B Certificates with the same maturity date as the 2015B Certificates subject to such mandatory redemption and (ii) receive a credit in respect of its mandatory redemption obligation for any 2015B Certificates with the same maturity date as the 2015B Certificates subject to such mandatory redemption which prior to such date have been redeemed (otherwise than through the operation of such mandatory redemption) and cancelled and not theretofore applied as a credit against any mandatory redemption obligation. Each 2015B Certificate so purchased and cancelled or previously redeemed will be credited at the principal amount thereof to the obligation of the District on such mandatory redemption date, and the principal amount of 2015B Certificates to be redeemed by operation of such mandatory redemption on such date will be accordingly reduced.

Section 4.05. Notice of Redemption.

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by facsimile transmission or electronic mail, at least 30 days prior to the date fixed for redemption, to the Certificate Owners(s) of the Certificates to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of the Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not any of the Certificate Owners receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem the Certificates, as provided in Sections 4.01, 4.02 or 4.03 hereof, which moneys are or will be available for redemption of the Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 4.06. Redemption Payments.

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the principal amount of the Certificates called for redemption, together with accrued interest thereon to the Redemption Date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of redemption pursuant to Section 4.01 hereof, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the Redemption Date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Certificate Owners of the Certificates so redeemed, the amounts due on the Certificates upon any such redemption.

Section 4.07. Cancellation. Any Certificate which has been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

Section 4.08. Delivery of New Certificate Upon Partial Redemption of Certificate. Upon surrender and cancellation of any Certificate for redemption in part only, a new Certificate or Certificates of the same maturity and of authorized denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

ARTICLE V

INVESTMENTS

Section 5.01. Investment of Moneys. All moneys held as part of any other fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be deposited or invested and reinvested by the Trustee, at the written direction of the District, in Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any moneys in any fund or account created hereunder which shall interfere with or prevent withdrawals for payment of Costs of the Leased Property Project or for payment of the Certificates. If the Trustee is not provided written directions concerning investments of moneys held in the funds, the Trustee shall invest the moneys in one or more money market mutual funds that meets the following conditions: (i) the fund is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial, or other services for compensation), (ii) the fund invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States, (iii) the fund maintains a constant asset value per share, (iv) no sales or load fee is added to the purchase price or deducted from the redemption price of the investments in the fund and no fee is charged unless the governing body of the public entity authorizes such a fee at the time of the initial purchase, (v) the fund has assets of one billion dollars or more or has the highest current credit rating from one or more nationally recognized organizations that regularly rate such obligations. Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the District shall confirm that the investment

transactions identified therein accurately reflect the investment directions of the District, unless the District notifies the Trustee in writing to the contrary within 30 days of the date of such statement. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments. Any and all such deposits or investments shall be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any Trust Bank or trust company under common control with the Trustee, or through any commercial bank as directed in writing by the District. Income from deposits or investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.03 hereof and income from deposits or investments of moneys held in any escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the escrow agreement governing such escrow account. Otherwise, except as otherwise provided by Article III hereof, deposits or investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments in the respective funds whenever the cash balance in the Leased Property Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund or account created hereunder is insufficient to satisfy the purposes of such fund or account. In computing the amount in any fund or account created hereunder for any purpose hereunder, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less.

Section 5.02. Tax Certification. The Trustee certifies and covenants to and for the benefit of the 2015B Certificate Owners that so long as the 2015B Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the 2015B Certificates or from any other source, will not be knowingly deposited or invested in a manner contrary to the written direction of the District.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Representations and Covenants Regarding Execution, Delivery and Performance of Indenture. The Trustee represents and covenants that:

(a) The Trustee (i) is a national association that is duly organized, validly existing and in good standing under the laws of the United States of America; (ii) in its capacity as Trustee under this Indenture, is or will become the owner of the Leased Property; and (iii) is authorized, under its articles of association and applicable law, to own and manage its properties, to conduct its affairs in the State, to own the Leased Property, to lease the Leased Property to the District, to place in trust the Trust Estate and to execute, deliver and perform its obligations under this Indenture.

(b) The Trustee, as lessor, and the District, as lessee, have entered into the Lease pursuant to which the Trustee has leased the Leased Property to the District and the District has agreed to pay Base Rent and Additional Rent, subject, in each case, to the terms of the Lease.

(c) The execution, delivery and performance of this Indenture by the Trustee has been duly authorized by the Trustee and, upon the execution of this Indenture by the Trustee, this Indenture will be enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the terms of this Indenture by the Trustee does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing or, except as specifically provided in this Indenture or the Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon the Trust Estate or any of the property or assets of the Trustee.

(e) In order to provide for the construction and equipping of the Leased Property Project, the Trustee will enter into the Lease.

(f) In order to finance the Leased Property Project, the Trustee will execute and deliver the Certificates pursuant to this Indenture.

(g) The Trustee has entered into this Indenture for and on behalf of the Certificate Owners and will, except as otherwise specifically provided herein, hold its rights hereunder, including its rights with respect to the Trust Estate, for the equal and proportionate benefit of the Certificate Owners, and will disburse moneys received by it in accordance with this Indenture.

(h) To the Trustee's knowledge, there is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under this Indenture.

(i) The Trustee acknowledges and recognizes that the Lease will be terminated upon the occurrence of an Event of Nonappropriation thereunder, and that a failure by the District to appropriate funds in a manner that results in an Event of Nonappropriation under the Lease is a legislative act that is solely within the discretion of the District.

Section 6.02. Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts as a corporate trustee normally would perform said trusts under a corporate indenture, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default or Events of Nonappropriation

which may have occurred, undertakes to perform such duties and only such duties as are set forth in this Indenture and in the Lease. In the case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Lease and this Indenture, and use the same degree of care and skill in its exercise as a reasonable and prudent person would exercise or use under the circumstances in the conduct of such person's own affairs in exercising any rights or remedies or performing any of its duties hereunder.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees and shall be answerable for the conduct of the same in accordance with the standard specified in subsection (a) of this Section but subject to subsection (f) of this Section, and shall be entitled to act upon the advice of counsel or an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the advice of counsel or an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such advice of counsel or an Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Certificates (except in respect of the execution of the Certificates by the Trustee), or for recording or filing of this Indenture or any financing statement (other than continuation statements) in connection therewith, or for insuring the Leased Property or collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article V hereof.

(d) The Trustee makes no representation as to the value or condition of the Trust Estate or any part thereof (except for funds or investments held by the Trustee) or as to the validity or sufficiency of this Indenture or of the Certificates. The Trustee shall not be accountable for the use of the Certificates delivered to the Initial Purchaser hereunder or the application of any Certificates or the proceeds thereof, or of any money paid to or upon the order of the District under any provision of this Indenture or the Lease. The Trustee, in its individual or any other capacity, may become the Certificate Owners with the same rights which it would have if not Trustee.

(e) The Trustee may rely and shall be protected in acting or refraining from acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee may rely conclusively on any such certificate or other paper or document and shall not be required to make any independent investigation in connection therewith. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Certificate Owner shall be conclusive and binding upon all future Certificate Owners of the same Certificate and upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct and shall not be answerable for any negligent act of its attorneys, agents or receivers if such attorneys, agents or receivers have been selected by the Trustee with due care.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default, default or Event of Nonappropriation except failure by the District to cause to be made any of the payments to the Trustee required to be made under the provisions of the Lease governing payment of Base Rent, unless (i) an officer in the Trustee's corporate trust department has actual knowledge of such Event of Default or Event of Nonappropriation or (ii) the Trustee has been notified in writing of such Event of Default or Event of Nonappropriation by the District or by the Certificate Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in this Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of the Certificates, the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee.

(k) The Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder.

(l) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee shall be entitled to rely upon a certificate signed by a District Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in subsection (g) of this Section or of which by said Section the Trustee is deemed to have notice, the Trustee may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable but shall in no case be bound to secure the same.

(m) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect any and all books, papers and records of the District pertaining to the

Leased Property and the Certificates, and to take such memoranda from and in regard thereto as may be desired.

(n) Before taking any action under this Indenture, the Trustee may require that satisfactory indemnity be furnished to in for the reimbursement of all costs and expenses (including without limitation attorney's fees and expenses) to which it may be put and to protect it against all liability which it may incur in or by reason of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(o) Without limiting the duties of the Trustee specifically set forth herein, the Trustee shall have no responsibility with respect to: (i) the federal or state tax-exempt status of the Certificates, except where, as a result of its negligence or willful misconduct, the Trustee has failed to take action specifically directed in writing by the District or has taken action in contravention of any such written direction, and such action or failure to act adversely affects such status; (ii) calculation of amounts required to be rebated to the United States under Section 148 of the Code; or (iii) compliance by the District with the provisions of any tax compliance certificate with respect to the Certificates.

Section 6.03. Maintenance of Existence; Performance of Obligations.

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee hereunder, but only if and to the extent such assumption does not materially impair the rights of the Certificate Owners or the District.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of this Indenture, the Lease, any other instrument or other arrangement to which it is a party that benefits the Certificate Owners and that complies with any Requirement of Law.

Section 6.04. Tax Covenant. The Trustee hereby agrees to comply, at the written direction of the District, with the procedures that are set forth in the Tax Compliance Certificate delivered by the District in connection with the execution and delivery of the 2015B Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full of the 2015B Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

Section 6.05. Sale or Encumbrance of Leased Property. As long as the Certificates are Outstanding, and as except otherwise permitted by this Indenture and except as the Lease otherwise specifically requires, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it receives an Opinion of Counsel upon which it may conclusively rely that such sale or other disposal will not materially adversely affect the rights of the Certificate Owners.

Section 6.06. Rights of Trustee under the Lease. The Trustee hereby covenants for the benefit of the Certificate Owners that the Trustee will observe and comply with its obligations under the Lease, including but not limited to the provisions of the Lease regarding the conveyance of the Leased Property, and that all the representations made by the Trustee in the Lease are true. Wherever in the Lease it is stated that the Trustee shall be notified or wherever the Lease gives the Trustee some right or privilege, such part of the Lease shall be as if it were set forth in full in this Indenture.

Section 6.07. Defense of Trust Estate. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Certificate Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.08. Compensation of Trustee. The Trustee shall be entitled to payment of or reimbursement for reasonable fees for its ordinary services rendered hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services. In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefore. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and as registrar for the Certificates.

Section 6.09. Resignation or Replacement of Trustee.

(a) The present or any future Trustee may resign by giving written notice to the Certificate Owners and the District not less than 30 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 30 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the District, for any reason upon delivery to the Trustee of an instrument signed by the District Representative and accompanied by a resolution of the Board requesting such removal, provided that the District shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Certificate Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Certificate Owners or their attorneys in fact duly appointed; or (iii) by any Certificate Owner, upon delivery to the Trustee of an instrument signed by such Certificate Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction

that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Certificate Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the District. The District, upon making such appointment, shall forthwith give notice thereof to the Certificate Owners, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Certificate Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the District, by an instrument or concurrent instruments signed by such Certificate Owners, or their attorneys in fact duly appointed. Any successor so appointed by the District shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Certificate Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than \$50,000,000. Any successor trustee shall (i) execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder and as successor to the then current trustee in its capacity as owner of the Leased Property and as lessor under the Lease, and thereupon such successor shall, without any further act, deed or conveyance, (ii) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and thereupon the duties and obligations of the previous trustee shall cease and terminate, and (iii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under this Indenture and the Lease, with like effect as if originally named as Trustee herein and therein. The previous trustee shall, upon the payment of the fees and expenses owed to the previous trustee, execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder and as lessor under the Lease, and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, this Indenture and the Lease in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where this Indenture and the Lease shall have been filed and/or recorded.

Section 6.10. Conversion, Consolidation or Merger of Trustee. Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole shall be the successor of the Trustee under this Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case the Certificates to be executed and delivered hereunder shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case the Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Section 6.11. Intervention by Trustee. In any judicial proceeding to which the District is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Certificate Owners, the Trustee may intervene on behalf of the Certificate Owners and shall do so if requested in writing by the Certificate Owners of at least a majority in principal amount of Certificates Outstanding.

Section 6.12. Trustee Breach. Any of the following shall constitute a Trustee Breach hereunder:

(a) failure to pay the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 hereof, subject to the provisions of Sections 6.02 and 7.02 hereof, unless the Trustee has received written advice of counsel that such remedy is not legally available or would cause undue risk to the Trustee or the Certificate Owners; and

(c) failure by the Trustee to comply with any other provision of this Indenture within 30 days after receiving notice of noncompliance.

Section 6.13. Remedies of Certificate Owners Upon a Trustee Breach. Subject to the other provisions of this Article and the provisions of Article VII hereof, upon the occurrence of any Trustee Breach, the Certificate Owners may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) cause the Trustee to be removed and replaced by a successor trustee; and

(c) take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Certificate Owners.

Section 6.14. Notice to Certificate Owners. If an Event of Default or Event of Nonappropriation occurs of which the Trustee is by Section 6.02(g) hereof required to take notice, or if notice of an Event of Default or Event of Nonappropriation is given as provided in

said Section, then the Trustee shall, within 30 days, give written notices thereof to the Certificate Owners, as shown by the certificate register, unless such Event of Default or Event of Nonappropriation has been cured or waived.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation. Upon the occurrence of an Event of Default or Event of Nonappropriation:

(a) the Trustee shall be entitled to apply any moneys in any of the funds or accounts created hereunder (except the Rebate Fund and any escrow accounts established pursuant to Section 9.01 hereof) to the payment of the principal of, premium, if any, and interest on the Certificates when due;

(b) the Trustee may, and at the request of the Certificate Owners of a majority in principal amount of the Certificates then Outstanding, and upon receipt from the Certificate Owners of assurances or indemnification satisfactory to it that it will be repaid for such action, shall, without any further demand or notice, exercise any of the remedies available to it under the Lease; and

(c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Certificate Owners.

Section 7.02. Limitations Upon Rights and Remedies of Certificate Owners. The Certificate Owners shall not have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease, unless an Event of Default or Event of Nonappropriation has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, and the Certificate Owners of a majority in principal amount of the Certificates then Outstanding shall have made written request to the Trustee, shall have furnished to the Trustee indemnification as provided in Section 6.02(n) hereof and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its own name and the Trustee shall have thereafter failed or refused to do so.

Section 7.03. Majority of Certificate Owners May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Certificate Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Lease or this Indenture, or for the appointment of a receiver, and any other proceedings hereunder.

Section 7.04. Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the District or the Leased Property, the Trustee shall, to the

extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Certificate Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Certificate Owner to file a claim in its own behalf.

Section 7.05. Trustee May Enforce Remedies Without Certificates. The Trustee may enforce its rights and remedies under the Lease and this Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants the Certificate Owners, and any recovery of judgment shall be for the ratable benefit of the Certificate Owners, subject to the provisions hereof.

Section 7.06. No Remedy Exclusive. No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.07. Waivers. The Trustee may in its discretion waive any Event of Default, or Event of Nonappropriation and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the written request of the Certificate Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Certificate Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default or Event of Nonappropriation shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Certificate Owners and the District shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default or Event of Nonappropriation or impair any right consequent thereon.

Section 7.08. Delay or Omission No Waiver. No delay or omission of the Trustee or of the Certificate Owners to exercise any right or power accruing upon any Event of Default or Event of Nonappropriation, or Trustee Breach shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, or Trustee Breach, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 7.09. No Waiver of Default or Breach to Affect Another. No waiver of any Event of Default, Event of Nonappropriation, or Trustee Breach shall extend to or affect any

subsequent or any other then existing Event of Default, Event of Nonappropriation, or Trustee Breach or shall impair any rights or remedies consequent thereon.

Section 7.10. Position of Parties Restored Upon Discontinuance of Proceedings. In case the Trustee or the Certificate Owners shall have proceeded to enforce any right under the Lease or this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the District, the Trustee and the Certificate Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Certificate Owners shall continue as if no such proceedings had been taken.

Section 7.11. Purchase of Leased Property by Certificate Owners; Application of Certificates Toward Purchase Price. Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to the Lease, any Certificate Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Certificate Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and this Indenture and the taking of all other courses of action permitted herein or therein.

Section 7.12. Application of Moneys Realized from Exercise of Remedies. Moneys realized from the exercise of remedies upon the occurrence and continuation of an Event of Default or the occurrence of an Event of Nonappropriation shall be applied pursuant to Section 4.01 hereof in the following order of priority:

- (a) *First*, to pay the fees and expenses of the Trustee;
- (b) *Second*, moneys recovered from the District pursuant to Section 12.02(c) of the Lease shall be paid to the Certificate Owners and allocated, first, to unpaid interest and, second, to unpaid principal until all unpaid interest and principal have been paid in full;
- (c) *Third*, to the District in an amount equal to the General Obligation Debt Proceeds expended on the Leased Property;
- (d) *Fourth*, to the Certificate Owners and allocated, first, to unpaid interest and, second, to unpaid principal until all unpaid interest and principal have been paid in full; and
- (e) *Fifth*, any remaining moneys shall be paid to the District.

ARTICLE VIII

SUPPLEMENTAL INDENTURES AND LEASE AMENDMENTS

Section 8.01. Supplemental Indentures Not Requiring Consent of Certificate Owners. The Trustee may, at the request of the District, without the consent of, or notice to, the Certificate Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Trustee contained in this Indenture other covenants and agreements to be thereafter observed by the Trustee;

(b) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in this Indenture, or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Owners;

(c) to subject to this Indenture additional revenues, properties or collateral (including release and substitution of property permitted under the Lease);

(d) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes interest on the Certificates;

(e) to provide for: (i) the investment pursuant to one or more forward delivery agreements of amounts on deposit in the Certificate Fund; and (ii) in order to secure the Trustee's obligations under such forward delivery agreement(s), the grant of a lien on the Trust Estate pursuant to the Granting Clauses hereof to the provider(s) of such forward delivery agreement(s); provided that such obligations, including without limitation any late payment fees payable thereunder, shall be payable solely from amounts realized from (A) the exercise of remedies as provided in Sections 4.01 and 7.12 hereof following the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default, at a priority subordinate to the priorities provided for in subsections (a) through (d) of Section 7.12 hereof, and (B) any proceeds that may be made available by the sale or other disposition by the Trustee of any portion of the Leased Property that would otherwise be released to the District pursuant to Section 9.04 of the Lease, but only after the payment by the Trustee from such proceeds of the following amounts: (1) to the Certificate Owners, the applicable principal amount of Certificates set forth with respect to such portion of the Leased Property in Exhibit D to the Lease; and (2) to the District, any General Obligation Debt Proceeds expended on such portion of the Leased Property; or

(f) to effect any other changes in this Indenture which, in the opinion of Bond Counsel, do not materially adversely affect the rights of the Certificate Owners.

Section 8.02. Supplemental Indentures Requiring Consent of Certificate Owners.

(a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the Certificate Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding shall be required for the execution and delivery by the Trustee of

any Supplemental Indenture; provided, however, that without the consent of the Certificate Owners of all the Certificates then Outstanding, nothing herein contained shall permit, or be construed as permitting:

(i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Certificate Owner of such Certificate;

(ii) the deprivation as to the Certificate Owner of any Certificate Outstanding of the lien created by this Indenture (other than as originally permitted hereby);

(iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or

(iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Certificate Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Operations Center of the Trustee for inspection by all Certificate Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Certificate Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Certificate Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 8.03. Execution of Supplemental Indenture. Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. The Trustee shall be fully protected in relying upon an Opinion of Counsel as conclusive evidence that any such proposed Supplemental Indenture complies with the provisions of this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Certificates.

Section 8.04. Amendments of the Lease Not Requiring Consent of Certificate Owners. The Trustee may, without the consent of or notice to the Certificate Owners, amend, change or modify the Lease as may be required:

- (a) by the provisions of the Lease or this Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease;
- (c) in order more precisely to identify the Leased Property or to add additional or substituted improvements or properties acquired or leased in accordance with the Lease;
- (d) in order to provide for the addition or substitution of property under the Lease;
- (e) in connection with any Supplemental Indenture permitted by this Article;
- (f) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes of interest on the Certificates;
- (g) to effect any change that (i) does not reduce the revenues available to the Trustee from the Lease below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the value of the Leased Property and (iii) does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates; or
- (h) to effect any other change in the Lease which, in the opinion of Bond Counsel, does not materially adversely affect the rights of the Certificate Owners.

Section 8.05. Amendments of the Lease Requiring Consent of Certificate Owners. Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of the Lease without notice to and the written approval or consent of the Certificate Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 hereof. If at any time the District shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Operations Center designated therein for inspection by all Certificate Owners.

Section 8.06. Execution of Amendment of the Lease. As a condition to executing any amendment to the Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Lease, as applicable, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Discharge of Indenture.

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture or the Lease, the whole amount of the principal of, premium, if any, and interest due and payable upon the Certificates shall be paid or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee, all amounts payable to the District pursuant to Section 7.12 hereof and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Certificate Owners and the District shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the District the Leased Property and all other property then held in trust by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the District and shall turn over to (or to the order of) the District any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or Redemption Date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the District shall have given irrevocable instructions to the Trustee to give notice of redemption of such Certificates on said Redemption Date, such notice to be given on a date and otherwise in accordance with the provisions of Section 4.05 hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the Redemption Date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee: (i) a report of a firm of certified public accountants verifying the mathematical correctness of the computations showing the sufficiency of the moneys and amounts payable with respect to the Defeasance Securities deposited in trust as provided in subsection (b) of this Section to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the Redemption Date or maturity date thereof; and (ii) an opinion of Bond Counsel, addressed to the Trustee to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not constitute a violation by the Trustee of its tax covenant in Section 6.04 hereof.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

(e) In the case of the 2015A Certificates, the District is obligated to contribute additional securities or monies to the escrow or trust if necessary to provide sufficient amounts to satisfy the payment obligations on the 2015A Certificates.

Section 9.02. Further Assurances and Corrective Instruments. So long as this Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided herein and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be requested by the District for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of this Indenture.

Section 9.03. Evidence of Signature of Certificate Owners and Ownership of Certificates.

(a) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Certificate Owners may be in one or more instruments of similar tenor, and shall be signed or executed by the Certificate Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of the Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Certificate Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any Person of any Certificate, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of any Certificate Owner shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Section 9.04. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Certificate Owners and the District, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Certificate Owners, the District, the Trustee and their respective successors and assigns.

Section 9.05. Trustee Representative. Whenever under the provisions hereof the approval of the Trustee is required or the Trustee is required to take some action at the request of the District or the Certificate Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the District and the Certificate Owners shall be authorized to act on any such approval or request.

Section 9.06. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.07. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed sufficiently given when mailed by certified or registered mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the District, to Denver Public Schools, 1860 Lincoln Street, Denver, CO 80203, Attention: Chief Financial Officer, facsimile number: (720) 423-3229, electronic mail address: mark_ferrandino@dpsk12.org; if to the Trustee, to Wells Fargo Bank, National Association, 1740 Broadway, MAC C7300-107, Denver, Colorado 80274, Attention: Debra Rayman, facsimile number: (303) 863-5645, electronic mail address: Debra.M.Rayman@wellsfargo.com. The entities listed above may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.08. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing this Indenture or any related document or instrument.

Section 9.09. Events Occurring on Days that are not Business Days. Whenever any payment or determination hereunder shall be stated to be due or made, as applicable, the last day for performance of any act or the exercising of any right under this Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day and such extension of time shall, in the case of a payment, be included in the computation of the amount due, and, in the case of a determination, be effective, as if made on the stated date.

Section 9.10. Severability. In the event that any provision of this Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.11. Applicable Law; Jurisdiction; Waiver of Jury Trial. The laws of the State shall be applied in the interpretation, execution and enforcement of this Indenture, except to the extent superseded by federal law. The Trustee and the Certificate Owners consent to the exclusive jurisdiction of any State or federal court situated in Denver, Colorado, and shall waive any objections based on *forum non conveniens*, with regard to any actions, claims, disputes or proceedings relating to this Indenture, the Lease or any transactions arising therefrom, or enforcement and/or interpretation of any of the foregoing. The Trustee and the Certificate Owners jointly and severally waive, to the extent permitted by law, any and all right to trial by jury in any action or proceeding relating to any of the financing documents related to this Lease, the obligations thereunder, any collateral securing the obligations or any transaction arising therefrom or connected thereto.

Section 9.12. Electronic Transactions. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 9.13. District Has No Liability Under Indenture. The District is not a party to and has no responsibility for and will incur no liability for any action or failure to act by the Trustee or the Certificate Owners under this Indenture, including but not limited to any failure by the Trustee to make payments to the Certificate Owners as and when required under this Indenture.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Indenture as of the date first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Signatory

[Signature Page to Indenture of Trust]

APPENDIX A

FORM OF CERTIFICATE

[OMITTED FOR PURPOSES OF THIS OFFICIAL STATEMENT]

APPENDIX B

FORM OF LEASED PROPERTY PROJECT ACCOUNT REQUISITION

[OMITTED FOR PURPOSES OF THIS OFFICIAL STATEMENT]

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity and interest rate of the Certificates, in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Registrar and Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by **SCHOOL DISTRICT NO. 1, IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO** (the “District”), in connection with its authorization, execution and delivery of a Lease Purchase Agreement, dated as of October 5, 2015 (the “Lease”), between **WELLS FARGO BANK, NATIONAL ASSOCIATION**, solely in its capacity as trustee under the Indenture described herein (the “Trustee”), as lessor, and the District, as lessee, and the execution and delivery of the Taxable Certificates of Participation, Series 2015A, in the aggregate principal amount of \$360,000 and Tax-Exempt Certificates of Participation, Series 2015B in the aggregate principal amount of \$8,570,000 (collectively, the “Certificates”), evidencing undivided interests in the right to receive certain revenues payable by the District under the Lease. The Certificates are being executed and delivered pursuant to an Indenture of Trust, dated as of October 5, 2015 (the “Indenture”), by the Trustee. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Certificates required to comply with the Rule in connection with an offering of the Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

a. The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the District's fiscal year of each year, commencing nine (9) months following the end of the District's fiscal year ending June 30, 2015, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report.

b. If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall file or cause to be filed with the MSRB a notice in substantially the form attached as Exhibit "A."

c. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the District, send written notice to the District at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Certificates.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The District shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The District shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Certificates:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- g. Modifications to rights of bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Certificates, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;^{*}
- m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

^{*} For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Certificates; (ii) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist the District in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The District will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Lease, and the sole remedy under this Disclosure Certificate in the

event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

DATE: October 5, 2015

SCHOOL DISTRICT NO. 1, IN THE CITY AND
COUNTY OF DENVER AND STATE OF
COLORADO

By _____
President, Board of Education

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School District No. 1, in the City and County of Denver and State of Colorado

Name of Bond Issue: Taxable Certificates of Participation, Series 2015A, in the aggregate principal amount of \$360,000 and Tax-Exempt Certificates of Participation, Series 2015B in the aggregate principal amount of \$8,570,000, each evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado, Under a Lease Purchase Agreement dated October 5, 2015, as lessee.

Date of Issuance: October 5, 2015.

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the Certificates as required by the Lease Purchase Agreement, dated as of October 5, 2015, and the Continuing Disclosure Certificate executed on October 5, 2015 by the District. The District anticipates that the Annual Report will be filed by _____, 20____.

Dated: _____, _____

SCHOOL DISTRICT NO. 1, IN THE CITY AND
COUNTY OF DENVER AND STATE OF
COLORADO

By _____
President, Board of Education

EXHIBIT “B”

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

See page -iv- of this Official Statement

APPENDIX E

FORM OF OPINION OF SPECIAL COUNSEL

[Closing date]

Denver Public Schools
900 Grant Street, Room 305
Denver, Colorado 80203

\$360,000

**Taxable Certificates of Participation, Series 2015A
and**

\$8,570,000

Tax-Exempt Certificates of Participation, Taxable Series 2015B

**Evidencing Undivided Interests in the Right to Receive Certain Revenues
Payable by School District No. 1, in the City and County of Denver and State of Colorado,
under a Lease Purchase Agreement dated as of October 5, 2015**

Ladies and Gentlemen:

We have acted as special counsel to School District No. 1, in the City and County of Denver and State of Colorado (the "District"), in connection with its authorization, execution and delivery of the Lease Purchase Agreement, dated as of October 5, 2015 (the "Lease"), between the District, as lessee, and Wells Fargo Bank, National Association, solely in its capacity as trustee (the "Trustee") under the Indenture (as hereinafter defined), as lessor, Taxable Certificates of Participation, Series 2015A, dated as of October 5, 2015, in the aggregate principal amount of \$360,000 (the "2015A Certificates") and Tax-Exempt Certificates of Participation, Taxable Series 2015B, dated as of October 5, 2015, in the aggregate principal amount of \$8,570,000 (the "2015B Certificates" or, together with the 2015A Certificates, the "Certificates"), are authorized under an Indenture of Trust, dated as of October 5, 2015 (the "Indenture"), executed and delivered by the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease and the Indenture. The Certificates evidence proportionate interests in the right to receive certain designated Revenues, including Base Rentals, pursuant to and as defined in the Lease and the Indenture.

In such capacity as special counsel, we have examined certified proceedings of the Board of Education of the District, the Lease, the Indenture, the Certificates, and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter.

Regarding questions of fact material to our opinions, we have relied upon the certified proceedings of the District, certifications of the Trustee, certifications of the Purchaser, and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as special counsel that:

1. The Lease has been duly authorized by the District and duly executed and delivered by authorized officials of the District and, assuming due authorization, execution and delivery by the Trustee, constitute valid and binding obligations of the District. Neither the Lease nor the Certificates constitute a general obligation, other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory debt limitation. Notwithstanding the foregoing, the District's failure specifically to budget and appropriate funds to make payments due under the Lease for the ensuing Fiscal Year will extinguish the obligations of the District to pay Base Rentals and Additional Rentals beyond the then current Fiscal Year.

2. Assuming the due authorization, execution, and delivery of the Lease and the Indenture by the Trustee, and the due execution and delivery of the Certificates by the Trustee, the Certificates evidence valid and binding proportionate interests in the right to receive certain payments under the Lease.

3. The portion of the Base Rentals which is designated in the Lease as interest and paid as interest on the 2015B Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and is excludable from Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof; except that we express no opinion as to the effect which any termination of the District's obligations under the Lease may have upon the treatment for federal or Colorado income tax purposes of any moneys received or paid under the Indenture subsequent to such termination. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District's certified proceedings and in certain other documents and certain other certifications furnished to us.

4. The portion of the Base Rentals which is designated in the Lease as interest and paid as interest on the 2015A Certificates is includable in gross income for federal and Colorado income tax purposes.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Certificates and the enforceability of the obligations of the District incurred pursuant to the Lease are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In rendering the foregoing opinions, we are not opining upon matters relating to the corporate status of the Trustee, the power of the Trustee to execute or deliver the Lease, the Indenture or the Certificates, or the enforceability of the Lease, the Indenture or the Certificates against the Trustee.

In this opinion letter issued in our capacity as special counsel, we are opining only upon those matters set forth herein and we are not passing upon the accuracy, adequacy or completeness of any statements made in connection with any offer or sale of the Certificates, or upon any federal or state tax consequences arising from the receipt or accrual of interest with respect to, or the rights and obligations under, the Lease or the Certificates, except those specifically addressed in paragraphs 3 and 4 above, or upon any matters pertaining to the priority of any security instrument executed in connection with this transaction, the existence of any liens or other encumbrances on the Leased Property, the ownership of or proper description of any property included in the Leased Property, or any other real estate matters related to the Leased Property.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

BUTLER SNOW LLP