

PRELIMINARY OFFICIAL STATEMENT DATED [MAY 12], 2015

NEW ISSUE - BOOK ENTRY ONLY

RATINGS: Moody's: "[]"
Standard & Poor's: "[]"
Fitch: "[]"
See "RATINGS" herein.

In the opinion of Becker Stowe Partners LLC and Kline Alvarado Veio, P.C., Co-Special Counsel, under existing law, (1) the interest portion of the Base Rentals to be paid with respect to the Series 2015A Certificates (the "Interest Portion") is excludible from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes, (2) the Interest Portion is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) to the extent the Interest Portion is excludible from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes, such Interest Portion is not subject to income taxation by the State of Colorado. See "TAX MATTERS" herein for a more detailed discussion.

\$ _____ *

CERTIFICATES OF PARTICIPATION, SERIES 2015A
(Fire Station and Library Facilities)

Evidencing Proportionate Interests in the Base Rentals and Other Revenues
Under an Annually Renewable Lease Purchase Agreement
between Denver Public Facilities Leasing Trust 2015A, as Lessor,
and the City and County of Denver, Colorado, as Lessee

Dated: Date of Execution and Delivery

Due: December 1, as shown on the inside cover page

The Series 2015A Certificates are fully registered certificates executed and delivered by the Trustee in book entry only form only in denominations of \$5,000 or integral multiples thereof. The Series 2015A Certificates are to be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), securities depository for the Series 2015A Certificates. Individual purchases are to be made in book entry only form in authorized denominations. Purchasers will not receive physical delivery of the Series 2015A Certificates. Capitalized terms not otherwise defined on this cover page have the meanings set forth in this Official Statement.

Interest on the Series 2015A Certificates is payable semiannually each June 1 and December 1, commencing December 1, 2015, to and including the maturity dates shown on the inside cover page, unless the Series 2015A Certificates are redeemed earlier.

The Series 2015A Certificates are subject to redemption prior to maturity as more fully described herein. See "THE SERIES 2015A CERTIFICATES – Redemption Provisions."

The Series 2015A Certificates evidence proportionate interests in the Base Rentals and certain other revenues under an annually renewable Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) to be dated its date of execution and delivery (the "2015A Lease") between the Denver Public Facilities Leasing Trust 2015A (the "Trust"), as lessor, and the City and County of Denver, Colorado (the "City"), as lessee. The Series 2015A Certificates are executed and delivered pursuant to a Declaration and Indenture of Trust (Fire Station and Library Facilities) to be dated its date of execution and delivery (the "2015A Indenture") by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee") for the Trust and the owners of the Series 2015A Certificates. See "THE SERIES 2015A CERTIFICATES."

Certain existing facilities (land and improvements) described as the Fire Stations Component (Station Nos. 18, 19 and 22) and the Library Component (Blair-Caldwell African American Research Library) are to be leased by the City, as lessor, to the Trust, as lessee, pursuant to Facilities Lease No. 2015A (Fire Station and Library Facilities) to be dated its date of execution and delivery (the "2015A Facilities Lease") upon payment, in advance and in full, from the net proceeds of the Series 2015A Certificates, of the rentals due under the 2015A Facilities Lease. The Trust is then to lease the Fire Stations Component and the Library Component back to the City pursuant to the 2015A Lease. The Fire Stations Component and the Library Component constitute two separate Components of the Leased Property under the 2015A Lease. The proceeds of the leasing of the Fire Stations Component and the Library Component by the City, as the lessor under the 2015A Facilities Lease, are to be used by the City to fund the costs of two capital improvement projects – a new 911 Communications Center and a new Fleet Service Center, each replacing existing facilities. See "THE LEASED PROPERTY," "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Series 2015A Certificates are payable solely from certain Revenues that include (1) annually budgeted and appropriated Base Rentals, Prepayments, Net Proceeds and any Purchase Option Price paid by the City under the 2015A Lease, (2) following an Event of Nonappropriation or an Event of Lease Default, any moneys received by the Trustee from the exercise of remedies under the 2015A Facilities Lease and the 2015A Lease, and (3) any money and securities, including investment income, held by the Trustee in certain Funds and Accounts established under the 2015A Indenture. Neither the 2015A Lease nor the Series 2015A Certificates constitute a general obligation or other indebtedness of the City. Neither the 2015A Lease nor the Series 2015A Certificates constitute a multiple fiscal year direct or indirect debt or other financial obligation of the City or obligate the City to make any payments beyond those appropriated for any fiscal year in which the 2015A Lease is in effect. The City may choose not to renew, and therefore terminate its obligations under, the 2015A Lease on an annual basis. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

This cover page is not a summary of the Series 2015A Certificates. Investors should read this Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

The Series 2015A Certificates are offered when, as and if executed and delivered by the Trustee, subject to approval of legality and other matters by Becker Stowe Partners LLC, Denver, Colorado, and Kline Alvarado Veio, P.C., Denver, Colorado, as Co-Special Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by D. Scott Martinez, Esq., City Attorney. Becker Stowe Partners LLC and Kline Alvarado Veio, P.C., in their Co-Special Counsel capacity, have also advised the City concerning, and have assisted in the preparation of, this Official Statement. Delivery of the Series 2015A Certificates through the facilities of DTC is expected on or about June [2], 2015.

The date of this Official Statement is _____, 2015

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, not shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The definitive Official Statement with respect to these securities will be made available concurrent with their sale.

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CERTIFICATES OF PARTICIPATION, SERIES 2015A
(Fire Station and Library Facilities)

Evidencing Proportionate Interests in the Base Rentals and Other Revenues
Under an Annually Renewable Lease Purchase Agreement
between Denver Public Facilities Leasing Trust 2015A, as Lessor,
and the City and County of Denver, Colorado, as Lessee

MATURITY SCHEDULE
(CUSIP 6-digit issuer number _____)¹

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Issue</u> <u>Number¹</u>
	\$	%	%		

* Preliminary, subject to change.

¹ The City takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the Owners of the Series 2015A Certificates.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2015A 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 Series 2015A Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the City.

The information set forth in this Official Statement has been furnished by the City and obtained from sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the City. 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 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 Series 2015A Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or in the information, estimates or opinions set forth herein, since the date of this Official Statement.

The offering of the Series 2015A Certificates is made only by means of this entire Official Statement. The order and placement of materials in this Official Statement, including appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions of this Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2015A Certificates. Neither the Trust nor the Trustee has or assumes any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” 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.

This Official Statement has been prepared only in connection with the original offering of the Series 2015A Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2015A Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the City, the Series 2015A Certificates and the terms of the offering, including the merits and risks involved. Neither the Securities and Exchange Commission nor the securities regulatory authority of any state has approved or disapproved the Series 2015A Certificates or this Official Statement. Any representation to the contrary is unlawful.

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OFFICIAL STATEMENT

Relating to

\$_____*

**CERTIFICATES OF PARTICIPATION, SERIES 2015A
(Fire Station and Library Facilities)**

**Evidencing Proportionate Interests in the Base Rentals and Other Revenues
Under an Annually Renewable Lease Purchase Agreement
between Denver Public Facilities Leasing Trust 2015A, as Lessor,
and the City and County of Denver, Colorado, as Lessee**

INTRODUCTION

This Official Statement, including its cover page, inside cover page and appendices, is provided in connection with the offer and sale of \$_____* aggregate principal amount of Certificates of Participation, Series 2015A (the “Series 2015A Certificates”). The Series 2015A Certificates evidence proportionate interests in the Base Rentals and certain other Revenues as defined in and pursuant to an annually renewable Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) dated as of the date of its execution and delivery (the “2015A Lease”), between the Denver Public Facilities Leasing Trust 2015A (the “Trust”), as lessor, and the City and County of Denver, Colorado (the “City”), as lessee. The Series 2015A Certificates are executed and delivered pursuant to a Declaration and Indenture of Trust (Fire Station and Library Facilities), dated as of the date of its execution and delivery (the “2015A Indenture”), by Zions First National Bank, Denver, Colorado, as trustee (the “Trustee”). See “THE SERIES 2015A CERTIFICATES.”

Unless otherwise defined herein, capitalized terms used herein are defined in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – Definitions.”

The Trust

The Trust is the lessee under a Facilities Lease No. 2015A (Fire Station and Library Facilities) dated as of its date of execution and delivery (the “2015A Facilities Lease”) with the City as lessor and the lessor under the 2015A Lease. The Trustee established the Trust pursuant to the 2015A Indenture. The Trust is being established for the benefit of the Owners (as defined herein) of the Series 2015A Certificates. See “THE TRUST” and “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Indenture.”

The City

The City is the lessor under the 2015A Facilities Lease and the lessee under the 2015A Lease. The City exists as a “home-rule” city under the City’s home rule charter. The City is the capital of the State of Colorado (the “State”) and is located on the front range of the Rocky Mountains in the north-central part of the State. See “APPENDIX C – THE CITY” for a description of the City.

* Preliminary, subject to change.

The 2015A Facilities Lease

The “Leased Property” under the 2015A Lease and the “Facilities Leased Property” under the 2015A Facilities Lease consist of the land, the buildings and other improvements constituting the City’s fire stations 18, 19 and 22 (the “Fire Stations Component”) and the City’s Blair-Caldwell African American Research Library (the “Library Component,” and together with the Fire Stations Component, the “Components”). The Fire Stations Component (Station Nos. 18, 19 and 22) and the Library Component (Blair-Caldwell African American Research Library) are to be leased by the City, as lessor, to the Trust, as lessee, pursuant to the 2015A Facilities Lease upon payment, in advance and in full, from the net proceeds of the Series 2015A Certificates, of the rentals due under the 2015A Facilities Lease. The Trust is then to lease the Fire Stations Component and the Library Component back to the City pursuant to the 2015A Lease. The Fire Stations Component and the Library Component constitute two separate Components of the Leased Property under the 2015A Lease. The proceeds of the leasing of the Fire Stations Component and the Library Component by the City, as the lessor under the 2015A Facilities Lease, are to be used by the City to fund the costs of two capital improvement projects – a new 911 Communications Center and a new Fleet Service Center (the “2015A Capital Projects”), each replacing existing facilities. See “The 2015A Lease” below, “THE 2015A FACILITIES LEASE,” “THE LEASED PROPERTY,” “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Results of Termination of 2015A Lease – Enforceability of Remedies.”

The 2015A Lease

The Trust, as lessor, will lease the Leased Property to the City, as lessee, pursuant to the 2015A Lease, subject only to Permitted Encumbrances, and the City will pay Base Rentals (as defined herein) to the Trust during the term of the 2015A Lease, which constitute payments payable by the City for and in consideration of the right to possess and use each Component of the Leased Property.

The 2015A Lease has an initial term expiring on December 31, 2015 (the “Initial Term”), but is subject to annual renewal by the City for subsequent one-year terms (each a “Renewal Term”), each of which coincides with the City’s “Fiscal Year” (calendar year), to and including Fiscal Year 2034. The Initial Term and all Renewal Terms (subject to termination by the City as described below) are collectively referred to as the “Lease Term.” The City may determine not to renew, and therefore terminate, all of the City’s obligations under the 2015A Lease on an annual basis. The exercise of the City’s option not to renew the 2015A Lease would be evidenced by a failure of the City Council to specifically appropriate moneys sufficient to pay all Base Rentals and reasonably estimated Additional Rentals for the next ensuing Fiscal Year (an “Event of Nonappropriation”). See “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Right of the City to Not Renew and to Terminate the 2015A Lease Annually,” “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Nonappropriation*” and “APPENDIX C – THE CITY.”

During the Initial Term and each Renewal Term for which the 2015A Lease has been renewed, the City is required to pay Base Rentals at the times and in the amounts sufficient to pay the principal of and interest coming due on the outstanding Series 2015A Certificates, and on any Additional Certificates that may be executed and delivered pursuant to the 2015A Indenture (together with the Series 2015A Certificates, the “Certificates”) during such Fiscal Year. The City also is required to pay Additional Rentals, which generally refers to (1) expenses and fees of the Trust and Trustee related to the preparation of reports or records, maintenance of the Trust’s existence, performance or discharge of responsibilities under the 2015A Lease or the 2015A Indenture, payment of insurance deductibles, and other fees and costs, (2) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Leased Property and (3) all other charges and costs that the City agrees to assume or pay as Additional Rentals under the 2015A Lease.

The 2015A Lease and the City's obligations thereunder do not constitute a mandatory charge or requirement of the City in any Fiscal Year beyond the then current Fiscal Year, do not constitute or give rise to a general obligation or other indebtedness of the City within the meaning of any constitutional, statutory or home rule charter debt limitation and do not constitute a multiple fiscal year direct or indirect City debt or other financial obligation whatsoever. The City is also under no obligation whatsoever to exercise its option to purchase its leasehold interest in either or both Components of the Leased Property. The execution and delivery by the Trustee of the Series 2015A Certificates does not directly or indirectly obligate the City to renew the 2015A Lease from Fiscal Year to Fiscal Year or to make any payments beyond those budgeted and appropriated for the City's then current Fiscal Year. *The City may determine to not renew, and therefore terminate the City's obligations under the 2015A Lease on an annual basis by failing to specifically appropriate moneys sufficient to pay all Base Rentals and reasonably estimated Additional Rentals for the ensuing Fiscal Year.*

The 2015A Lease is an "absolute net lease" and, subject to the annual budget and appropriation requirements thereof, the City is required to pay the Base Rentals, Additional Rentals and all expenses of, or other payments in respect of, the Leased Property as required under the 2015A Lease for which a specific appropriation has been effected by the City for such purpose, free of any deductions and without abatement, deduction or setoff (other than credits against Base Rentals expressly provided for in the 2015A Lease). The City may, however, terminate the 2015A Lease upon the occurrence of certain events of casualty or loss of title or use of the Leased Property as described in the 2015A Lease.

The City will enter into the 2015A Lease pursuant to authority granted by the constitution and laws of the State and the City's home rule charter (the "Charter"), and pursuant to an ordinance adopted by the City Council of the City. The 2015A Lease does not require prior voter approval as discussed in "APPENDIX C – THE CITY – LEGAL MATTERS – State Constitutional Revenue, Spending and Debt Limitations."

See generally "THE 2015A FACILITIES LEASE," "THE 2015A LEASE," "THE LEASED PROPERTY," "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – "The 2015A Facilities Lease" – "The 2015A Lease," "APPENDIX C – THE CITY" and "APPENDIX D – BASIC AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013."

The Series 2015A Certificates

Authorization. The Series 2015A Certificates are being executed and delivered pursuant to the 2015A Indenture and in accordance with the constitution and laws of the State. See "THE 2015A INDENTURE" and "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

Purpose. The net proceeds of the Series 2015A Certificates are to be disbursed by the Trustee in consideration for the City's grant of a leasehold interest in the Facilities Leased Property to the Trust pursuant to the 2015A Facilities Lease, and to pay the cost of execution and delivery of the Series 2015A Certificates. The Trust will then lease the Leased Property to the City pursuant to the 2015A Lease. See "THE LEASED PROPERTY," "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

General Provisions. The Series 2015A Certificates are to be dated the date of execution and delivery thereof and bear interest, mature and are subject to redemption prior to maturity as described on the cover page and inside cover page hereof and in "THE SERIES 2015A CERTIFICATES."

Book Entry Only System; Authorized Denominations. The Series 2015A Certificates are to be executed and delivered in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which is to serve as securities depository for the Series 2015A Certificates. Ownership interests in the Series 2015A Certificates (“Beneficial Ownership Interests”), in non-certificated book entry only form, may be purchased in minimum denominations of \$5,000 and integral multiples thereof (“Authorized Denominations”) by or through participants in the DTC system (“DTC Participants”). Beneficial Ownership Interests are to be recorded in the name of the purchasers thereof (“Beneficial Owners”) on the books of the DTC Participants from whom they are acquired, and governed as to payment, prior redemption, transfers, the receipt of notices and other communications with respect to the Series 2015A Certificates and various other matters by the rules and operating procedures applicable to the DTC book entry system as described in “THE SERIES 2015A CERTIFICATES – Book Entry Only Form.” Reference herein to the registered owners (the “Registered Owners”) of the Series 2015A Certificates means Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. See also “APPENDIX F – BOOK ENTRY ONLY FORM.”

Security and Sources of Payment. The Series 2015A Certificates evidence proportionate interests in the Base Rentals payable by the City under the 2015A Lease and certain other Revenues under the 2015A Indenture as, when and if the same are received by the Trustee, including: (1) all amounts payable by or on behalf of the City or with respect to the Leased Property pursuant to the 2015A Lease, including annually budgeted and appropriated Base Rentals, Prepayments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals; (2) any portion of the proceeds of the Series 2015A Certificates deposited with the Trustee in the Base Rentals Fund established by the 2015A Indenture (the “Base Rentals Fund”); and (3) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the 2015A Indenture (except the Rebate Fund). The Series 2015A Certificates are payable solely from the Revenues. Neither the 2015A Lease nor the Series 2015A Certificates constitute a general obligation or other indebtedness of the City or a multiple fiscal year direct or indirect debt or other financial obligation of the City, nor obligate the City to make any payments beyond those appropriated for any Fiscal Year in which the 2015A Lease is in effect. *The City has the right to renew or not renew, and therefore terminate, the 2015A Lease on an annual basis.* See “THE SERIES 2015A CERTIFICATES – Security.”

Redemption.

The Series 2015A Certificates are subject to redemption prior to maturity. See “THE SERIES 2015A CERTIFICATES – Redemption Provisions.”

Further Information. For further information regarding the Series 2015A Certificates, see generally “THE SERIES 2015A CERTIFICATES” and “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS.”

Risks and Other Investment Considerations

The purchase and ownership of the Series 2015A Certificates are subject to various investment risks, including those described under “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

Legal and Tax Matters

All legal matters incident to the validity, enforceability and tax-exempt status of the interest on the Series 2015A Certificates will be passed upon by Becker Stowe Partners LLC, Denver, Colorado, and Kline

Alvarado Veio, P.C., Denver, Colorado, as Co-Special Counsel, who will deliver their opinions on the Closing Date in substantially the form attached as Appendix A to this Official Statement. Certain legal matters will be passed upon for the City by D. Scott Martinez, Esq., City Attorney. Becker Stowe Partners LLC and Kline Alvarado Veio, P.C., in their Co-Special Counsel capacity, have also advised the City concerning, and have assisted in the preparation of, this Official Statement. See “LEGAL MATTERS.”

In the opinion of Co-Special Counsel, under existing law, (1) the interest portion of the Base Rentals to be paid with respect to the Series 2015A Certificates (the “Interest Portion”) is excludible from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes, (2) the Interest Portion is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) to the extent the Interest Portion is excludible from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes, such Interest Portion is not subject to income taxation by the State of Colorado. See “TAX MATTERS” herein for a more detailed discussion. See also “APPENDIX A – PROPOSED FORM OF OPINIONS OF CO-SPECIAL COUNSEL.”

Continuing Disclosure

Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), prohibits underwriters from purchasing or selling certain municipal securities unless the issuers of those securities or an obligated person for whom financial or operating data is presented in the final official statement agree to provide continuing disclosure information for the benefit of the owners of those securities. The City will execute and deliver a Continuing Disclosure Undertaking in which it will agree to annually provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system certain financial information and operating data and to provide notice of certain specified events. See “CONTINUING DISCLOSURE UNDERTAKING” and “APPENDIX E – PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING” for a description of the nature of the annual information, the events for which notice is to be provided and other terms of the Continuing Disclosure Undertaking. Within the five-year period from the date of this Official Statement, the City has complied in all material respects with previous undertakings.

Additional Information

Brief descriptions of the 2015A Indenture, the Trustee, the 2015A Facilities Lease, the 2015A Lease, the Leased Property, the Series 2015A Certificates, the City and certain other matters are included in this Official Statement and the appendices hereto. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2015A Certificates, copies of the documents described herein may be obtained from the Financial Advisor.

Forward Looking Statements

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” 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. See “FORWARD LOOKING STATEMENTS.”

Miscellaneous

The cover page, inside cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the Trust or the affairs of the City since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement is not to be construed as a contract or agreement between any party and the Registered Owners or Beneficial Owners (collectively, the “Owners”) of the Series 2015A Certificates.

THE TRUST

The Trust, denominated as the “Denver Public Facilities Leasing Trust 2015A,” is formed pursuant to the 2015A Indenture for the purpose of receiving a leasehold interest from the City pursuant to the 2015A Facilities Lease, in the Fire Stations Component and the Library Component, each a portion of the Leased Property under the 2015A Lease. The Trustee will provide for the execution and delivery of the Series 2015A Certificates and for the lease to the City of the Leased Property under the 2015A Lease, all for the benefit of the Owners of the Series 2015A Certificates. See “THE LEASED PROPERTY” below.

The Trust is not intended to be, is not to be deemed and is not to be treated as, a business trust, general partnership, investment company or joint stock company. Under the 2015A Indenture, the Trustee has been appointed to exercise, on behalf of the Trust, the rights and responsibilities of the Trust. Upon payment in full of the principal of and interest in the Series 2015A Certificates, the City will be the sole residual beneficiary of the Trust. After the 2015A Indenture has been discharged as provided therein, and under circumstances and upon conditions described therein, the Trustee, on behalf of the Trust, is to release its leasehold interest in any Components of the Leased Property then subject to the 2015A Facilities Lease. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Indenture – *Defeasance*.”

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2015A Certificates. Neither the Trust nor the Trustee has or assumes any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

THE 2015A FACILITIES LEASE

The “Leased Property” under the 2015A Lease and the “Facilities Leased Property” under the 2015A Facilities Lease consist of the land, the buildings and other improvements constituting the Fire Stations Component and the Library Component. The Fire Stations Component and the Library Component are to be leased by the City, as lessor, to the Trust, as lessee, pursuant to the 2015A Facilities Lease upon payment, in advance and in full, from the net proceeds of the Series 2015A Certificates, of the rentals due under the 2015A Facilities Lease. The Trust is then to lease the Fire Stations Component and the Library Component back to the City pursuant to the 2015A Lease. The Fire Stations Component and the Library Component constitute two separate Components of the Leased Property under the 2015A Lease. The proceeds of the leasing of the Fire Stations Component and the Library Component by the City, as the lessor under the 2015A Facilities Lease, are to be used by the City to fund the costs of the 2015A Capital Projects,

each replacing existing facilities. See “THE LEASED PROPERTY,” “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Results of Termination of 2015A Lease – Enforceability of Remedies.

The 2015A Facilities Lease commences on the date of execution and delivery of the 2015A Facilities Lease and terminates on December 1, 2044 (the “Facilities Lease Termination Date”), unless such term is sooner terminated as provided in the 2015A Facilities Lease. If prior to the Facilities Lease Termination Date, all Components of the Facilities Leased Property have been released by the Trust to the City pursuant to the 2015A Lease as a result of the City’s payment of (a) the Purchase Option Prices for both Components of the Facilities Leased Property or (b) all Base Rentals and Additional Rentals as provided in the 2015A Lease, then the term of the 2015A Facilities Lease is to end immediately thereafter. It is currently expected that the term of the 2015A Facilities Lease will terminate in respect of the Library Component on December 1, 2022, upon payment by the City of all Base Rentals and Additional Rentals relating to the Library Component as provided in the 2015A Lease. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Facilities Lease.”

THE 2015A LEASE

Generally

In connection with the execution and delivery of the Series 2015A Certificates, the Trust and the City are to enter into the 2015A Lease. The 2015A Lease has an initial term ending on December 31, 2015, and is subject to annual renewal and appropriation, at the sole option of the City, for a period of 19 additional one-year terms through and including December 31, 2034. The City has a right to renew or not renew, and therefore terminate, the 2015A Lease each Fiscal Year during the Lease Term. The Lease Term terminates under the 2015A Lease if an Event of Nonappropriation occurs under the 2015A Lease and is not cured, or if the City exercises its purchase option rights under the 2015A Lease that causes the Lease term to end and has the effect of releasing the Trust’s leasehold interest in the related Component of Leased Property. See “THE LEASED PROPERTY,” “THE SERIES 2015A CERTIFICATES – Security” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Rights of the City to Not Renew and to Terminate the 2015A Lease Annually.”

Pursuant to the 2015A Lease, upon the payment of a Purchase Option Price, the City may cause the leasehold interest of the Trust in both Components or either Component to be released, however, the City’s purchase option rights with respect to the Fire Stations Component may not be exercised unless the City has caused the leasehold interest in the Library Component to be released.

The 2015A Lease does not prohibit the City from entering into other lease purchase agreements with the Trust or any other lessor in respect of real or personal property. The property leased by the City under such other lease purchase agreements would not become the Leased Property under the 2015A Lease. An event of default or event of nonappropriation under any other lease purchase agreement into which the City has entered or may enter does not constitute an Event of Lease Default or Event of Nonappropriation under the 2015A Lease.

A summary of certain provisions of the 2015A Lease appears in Appendix B to this Official Statement.

Base Rentals

The 2015A Lease provides that the City will pay Base Rentals to the Trustee for and in consideration of the right to possess and use each Component of the Leased Property. Base Rental payments consist of principal portions and interest portions.

Set forth below is a combined schedule of the principal and interest portions of the Base Rentals due and payable under the 2015A Lease in respect of both Components of Leased Property for each Fiscal Year through the final maturity date of the Series 2015A Certificates:

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SCHEDULE OF BASE RENTALS*
Combined Schedule Relating to Series 2015A Certificates
(Both Components of Leased Property)

<u>Fiscal Year</u>	<u>Base Rentals Principal Portion⁽¹⁾</u>	<u>Base Rentals Interest Portion⁽²⁾</u>	<u>Total Base Rentals</u>
2015	\$	\$	\$
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	\$ _____	\$ _____	\$ _____

- (1) Principal payments are due December 1 of each year, commencing December 1, 2015.
(2) Interest is payable semiannually each June 1 and December 1, commencing December 1, 2015.

Under the 2015A Lease (1) each Component of the Leased Property has a separate schedule of Base Rentals payments and (2) the City has the option to purchase both Components, or either Component of the Leased Property, separately, based on its separate schedule of Base Rentals payments. If the City shall have paid all Base Rentals and Additional Rentals relating to the Library Component as provided in the 2015A Lease, the 2015A Lease will terminate in respect of the Library Component of the Facilities Leased Property on December 1, 2022, and the Library Component will be released as Leased Property under the 2015A Lease and, thereby, released as Facilities Leased Property under the 2015A Facilities Lease, and the 2015A Facilities Lease will terminate in respect of the Library Component.

Additional Rentals

In addition to Base Rentals, the 2015A Lease provides that the City will pay “Additional Rentals,” which do not constitute Base Rentals or other Revenues for purposes of making payments to the Owners of the Series 2015A Certificates. Additional Rentals generally include: (1) expenses and fees of the Trust and Trustee related to the preparation of reports or records, maintenance of the Trust’s existence, performance or discharge of responsibilities under the 2015A Lease or the 2015A Indenture, payment of insurance deductibles and other fees and costs; (2) taxes, assessments, insurance premiums, utility charges,

* Preliminary, subject to change.

maintenance, upkeep, repair and replacement with respect to the Leased Property; and (3) all other charges and costs that the City agrees to assume or pay as Additional Rentals under the 2015A Lease.

Purchase Options

So long as it is not in default under the 2015A Lease, and, with respect to the Fire Stations Component of the Leased Property, so long as the City has purchased the leasehold interest of the Trust in the Library Component of the Leased Property on or before the date on which the purchase by the City of the Fire Station Component of the Leased Property is effective, the City has the option to purchase the Trust's leasehold interest in all Components of the Leased Property, or any Component of the Leased Property, separately, at any time during the Lease Term if: (i) the City shall have paid the then applicable purchase price (the "Purchase Option Price") related to the Component of the Leased Property to be released plus any related fees and expenses then owing to the Trust and the Trustee; or (ii) the City shall have paid all related Base Rentals as set forth in the 2015A Lease for the entire maximum Lease Term and all then current Additional Rentals required to be paid thereunder. See "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Purchase Option.*"

THE LEASED PROPERTY

The land and buildings and other improvements located thereon that constitute the "Leased Property" under the 2015A Lease and the "Facilities Leased Property" under the 2015A Facilities Lease consist of three City-owned fire stations (station nos. 18, 19 and 22) located in various locations within the City limits (the "Fire Stations Component") and the Blair-Caldwell African American Research Library located near downtown Denver (the "Library Component," and together with the Fire Stations Component, the "Components").

The Library Component consists generally of a three story 40,000 square foot building, making it one of the largest in the Denver Public Library system. The Library Component was newly constructed in 2003 and, in addition to housing a neighborhood branch library and meeting rooms on the first floor, houses the Denver Public Library's African American archival and research collection on the second floor and the Western Legacies Museum and an art gallery featuring local art exhibitions on the third floor. Although the Library Component includes parking spaces for a minimum of 18 vehicles on the site constituting a portion of the Leased Property, the City is also a party to an agreement with a neighboring property owner to use additional parking spaces to accommodate approximately 67 additional vehicles (the "2001 Offsite Parking Agreement"). The City has agreed in the 2015 Facilities Lease to maintain the 2001 Offsite Parking Agreement, subject to annual appropriation, for so long as the Library Component is a portion of the Facilities Leased Property under the 2015A Facilities Lease.

The Fire Stations Component consists generally of three individual stations. Fire Station 18 is the City's newest fire station, built using Better Denver Bonds in the Lowry Neighborhood. Lowry was created as a residential neighborhood when the United States Air Force vacated the base beginning in the late 1990s. Fire Station 18 was built to LEED Gold standard, which incorporates environmentally sustainable approaches to conserve resources and save energy in keeping with the City's sustainability goals. Fire Station 19 serves the largely residential suburban area of East Denver/South Hilltop and houses a fire truck company in addition to an engine company. Built in 1964, Fire Station 19 is located on a .43 acre lot with a building consisting of 6,550 square feet. Fire Station 22 serves the mixed commercial and residential neighborhood of Southmoor Park and Hampden Avenue and houses a tower company in addition to its engine company. Built in 1966, Fire Station 22 is located on a .36 acre lot with the building consisting of 7,464 square feet.

Although they have not been independently appraised for purposes of the 2015A Lease, the Fire Stations Component has a combined insured value of \$9,932,069, and the Library Component has an insured value of \$13,625,664 as of the date of this Official Statement. It is not possible to predict the current or future value of the sale of a leasehold interest in, or of the sublease of, the Leased Property. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Results of Termination of the 2015A Lease.”

THE 2015A INDENTURE

Generally

Under the 2015A Indenture, the Trustee is to deliver the Series 2015A Certificates and accept certain duties to act on behalf of the Owners of the Series 2015A Certificates in the receipt and application of amounts that become payable under the 2015A Lease. In connection with the execution and delivery of the Series 2015A Certificates the City is entering into the 2015A Facilities Lease and the 2015A Lease to provide for the leasing of the Leased Property to the City pursuant to the 2015A Lease and the execution and delivery of the Series 2015A Certificates pursuant to the 2015A Indenture, all for benefit of the Owners of the Series 2015A Certificates. A summary of certain provisions of the 2015A Indenture appears in Appendix B to this Official Statement.

Funds and Accounts Created Under the 2015A Indenture

As further described in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Indenture – *Certain Funds Created under the 2015A Indenture*,” the 2015A Indenture provides for the maintenance by the Trustee of certain funds, including a Base Rentals Fund to be used for the deposit of all Revenues received by the Trustee. Moneys in the Base Rentals Fund are to be used solely for the payment of the principal of and interest on the Series 2015A Certificates.

PLAN OF FINANCE

After payment of certain expenses incurred in connection with the execution and delivery of the Series 2015A Certificates, the Trustee is to disburse the remaining proceeds of the Series 2015A Certificates to the City in consideration for the City’s grant of a leasehold interest in the Facilities Leased Property (the Fire Stations Component and the Library Component) to the Trust pursuant to the 2015A Facilities Lease.

The City plans to use such proceeds for the acquisition, improvement and equipping of the 2015A Capital Projects for the use and benefit of the City. The new 911 Communications Center will replace the City’s existing 911 communications center which houses emergency communications, call-taking and dispatching for police, fire and emergency medical services for the City under an operating agreement with Denver Health and Hospital Authority. The new facility will provide for additional capacity to address growing call volumes and personnel and will also have improved structural security and technology infrastructure. The new Fleet Service Center will replace the City’s existing Fleet Service Center and will house the City’s police fleet, electronic engineering bureau, and other City uses. The 2015A Capital Projects do not constitute Leased Property under the 2015A Lease.

SOURCES AND USES OF FUNDS

The following sources and uses of funds are anticipated in connection with the sale of the Series 2015A Certificates (Rounded):

Sources*	
Principal Amount of the Series 2015A Certificates	\$ _____
Total Sources	\$ _____
 Uses	
2015A Capital Projects ⁽¹⁾	\$ _____
Costs of Execution and Delivery of Series 2015A Certificates ⁽²⁾	\$ _____
Total Uses	\$ _____

⁽¹⁾ See “PLAN OF FINANCE.”

⁽²⁾ Includes legal fees, fees of the Trust, the Trustee and the Financial Advisor, the Underwriter’s discount and other costs of execution and delivery of the Series 2015A Certificates.

THE SERIES 2015A CERTIFICATES

The Series 2015A Certificates are being executed and delivered in the aggregate principal amounts set forth on the cover page and inside cover page hereof, and will be registered initially in the name of Cede & Co., as nominee of DTC, securities depository for the Series 2015A Certificates. Individual purchases may be made in book entry only form in Authorized Denominations. Purchasers, as Beneficial Owners, will not receive certificates evidencing their ownership interest in the Series 2015A Certificates.

The Series 2015A Certificates are executed and delivered by the Trustee solely as fully registered certificates of participation in the denomination of \$5,000 or integral multiples thereof. The Series 2015A Certificates are dated, mature and bear interest as described on the cover page and inside cover page hereof. For a schedule of the Base Rentals relating to the Series 2015A Certificates, see “THE 2015A LEASE – Base Rentals.”

Security

The Series 2015A Certificates evidence proportionate interests in the right of the Trust to receive Base Rentals under the 2015A Lease and other Revenues. The Series 2015A Certificates are payable solely from Revenues as, when and if the same are received by the Trustee. The 2015A Lease and the Series 2015A Certificates do not constitute a mandatory charge or requirement of the City in any ensuing Fiscal Year beyond the then current Fiscal Year, do not constitute or give rise to a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation and do not constitute a multiple fiscal year direct or indirect City debt or other financial obligation whatsoever. The Series 2015A Certificates do not directly or indirectly obligate the City to renew the 2015A Lease from Fiscal Year to Fiscal Year or to make any payments beyond those budgeted and appropriated for the City’s then current Fiscal Year.

Base Rentals; Payment of Series 2015A Certificates. The Series 2015A Certificates are payable annually solely from Base Rentals payable under the 2015A Lease and certain other limited funds. The City is required to pay the Base Rentals at the times and in the amounts sufficient to pay the principal of and interest coming due on the outstanding Series 2015A Certificates. The City may determine not to

* Preliminary, subject to change.

renew, and therefore terminate its obligations under, the 2015A Lease on an annual basis. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Nonappropriation*.” See also “THE LEASED PROPERTY – Base Rentals” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Right of the City to Not Renew and to Terminate the 2015A Lease Annually” and “– Results of Termination of the 2015A Lease.”

Pursuant to the 2015A Indenture, the Trust is to lease its leasehold interest in the Facilities Leased Property to the City for the benefit of the Owners of the Series 2015A Certificates. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Indenture – *Events of Default and Remedies*” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Enforceability of Remedies.”

Additional Certificates. The 2015A Indenture permits the execution and delivery by the Trustee of Additional Certificates on a parity with the Series 2015A Certificates. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Indenture – *Additional Certificates*.”

Payment of Principal and Interest

While the Series 2015A Certificates remain in book entry only form, payments to Beneficial Owners are governed by the rules of DTC as described below in “Book Entry Only Form.” If DTC ceases to act as securities depository for the Series 2015A Certificates, payment of the principal of and interest on the Series 2015A Certificates is to be made as provided in the 2015A Indenture.

Book Entry Only Form

The Series 2015A Certificates are being executed and delivered in book entry only form, and while the Series 2015A Certificates remain in such form, the Beneficial Owners of the Series 2015A Certificates are not entitled to receive physical delivery of Series 2015A Certificates. See “APPENDIX F – BOOK ENTRY ONLY FORM.”

Redemption Provisions

Optional Redemption. If the City exercises its rights to purchase the Trust’s leasehold interest in any Component of the Leased Property under the 2015A Lease or otherwise prepays Base Rentals and the amount of such prepayment has been deposited to the Prepayments Account on or before the Optional Redemption Date, the Series 2015A Certificates maturing on or after December 1, 2026, are subject to Optional Redemption, in whole or part, in integral multiples of \$5,000 on December 1, 2025, and on any date thereafter, at a redemption price equal to 100% of the principal thereof, plus accrued interest to the applicable Optional Redemption Date. Such redemption is to be made from moneys deposited therefor in the Prepayments Account in the Base Rentals Fund.

If part, but not all, of the Series 2015A Certificates are called for Optional Redemption, the Series 2015A Certificates to be redeemed are to be selected by the Trustee on a reasonably proportionate basis from the remaining maturity dates (including Mandatory Sinking Fund Redemption Dates), determined and effectuated as nearly as practicable by the Trustee by multiplying the total principal amount of the Series 2015A Certificates to be redeemed pursuant to such Optional Redemption by the ratio which the principal amount of all of the Series 2015A Certificates required to be redeemed on each remaining maturity date (including each Mandatory Sinking Fund Redemption Date), bears to the principal amount of all of the Series 2015A Certificates outstanding before such Optional Redemption. 2015A Certificates within each maturity date are to be selected for Optional Redemption by the Trustee by lot.

The Trustee is to recalculate the Base Rentals due under the 2015A Lease in the case of a Prepayment in part of Base Rentals under the 2015A Lease in a manner that is consistent with the manner in which the Certificates are redeemed pursuant to Optional Redemption, with written agreement of the Chief Financial Officer.

Mandatory Sinking Fund Redemption. The Series 2015A Certificates are to be redeemed prior to maturity, in part, by lot at 100% of the principal amount thereof plus interest accrued to the Mandatory Sinking Fund Redemption Date, on the following dates and in the following amounts:

Mandatory Sinking Fund Redemption Date (December 1)	<u>Principal Amount</u>	Mandatory Sinking Fund Redemption Date (December 1)	<u>Principal Amount</u>
	\$		\$

If, not less than sixty (60) prior to any Mandatory Sinking Fund Redemption Date, the City has delivered to the Trustee for cancellation any 2015A Certificates owned by it on such Mandatory Sinking Fund Redemption Date, the Trustee is to credit against such Mandatory Sinking Fund Redemption obligation 100% of the principal amount of the Series 2015A Certificates so delivered and shall correspondingly reduce (a) the principal portion of the Base Rentals payment next due from the City under the 2015A Lease and (b) the principal amount of outstanding 2015A Certificates to be called for redemption on such Mandatory Sinking Fund Redemption Date.

Extraordinary Mandatory Redemption. If the 2015A Lease is terminated by reason of the occurrence of:

- (a) an Event of Nonappropriation, or
- (b) an Event of Lease Default, or

(c) the Trustee, with the written consent of the City, fails to repair or replace any Component of the Leased Property if (1) any Component of the Leased Property is damaged or destroyed in whole or in part by fire or other casualty, or (2) title to, or the temporary or permanent use of, any Component of the Leased Property, or any portion thereof, has been taken by eminent domain by any governmental body or (3) breach of warranty or any material defect with respect to any Component of the Leased Property becomes apparent or (4) title to or the use of all or any portion of any Component of the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to any Component of the Leased Property, made available by reason of such occurrences, are insufficient to pay in full, the cost of repairing or replacing such Component of the Leased Property and the City does not appropriate sufficient funds for such purpose, the Series 2015A Certificates are to be called for Extraordinary Mandatory Redemption. If called for Extraordinary Mandatory Redemption, the Certificates are to be redeemed in whole on such date or dates as the Trustee may determine, for a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date (subject to the availability of funds as set forth below).

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the 2015A Lease, otherwise received and other moneys then available under the 2015A Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding, and upon indemnification as to costs and expenses as provided in the 2015A Indenture, without any further demand or notice, is required to exercise all or any combination of Lease Remedies as provided in the 2015A Lease and the Certificates are to be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates.

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are to be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys are to be paid to the City as an overpayment of the Purchase Option Price. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Trustee is entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys.

IF THE CERTIFICATES, INCLUDING THE SERIES 2015A CERTIFICATES, ARE REDEEMED PURSUANT TO THE 2015A INDENTURE FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT IS DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES, INCLUDING THE SERIES 2015A CERTIFICATES, HAS ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUST, THE TRUSTEE OR THE CITY.

Partial Redemption. If less than all of the Certificates are to be redeemed, the Certificates to be redeemed are selected, in the case of Optional Redemption, as described above under “*Optional Redemption*” and, in the case of Mandatory Sinking Fund Redemption, by the Trustee by lot within each maturity date. Certificates may be redeemed only in integral multiples of \$5,000. The Trustee is to treat any Certificate of denomination greater than \$5,000 as representing that number of separate Certificates each of the denomination of \$5,000 as can be obtained by dividing the actual principal amount of such Certificate by \$5,000. Upon surrender of any Certificate for redemption in part, the Trustee is to execute and deliver to the Owner thereof, at no expense of the Owner, a new Certificate or Certificates of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Certificates so surrendered.

Notice of Redemption. Whenever Certificates are to be redeemed, the Trustee, not less than thirty (30) and not more than sixty (60) days prior to the redemption date (except for Extraordinary Mandatory Redemption for which notice is to be immediate), is to mail notice of redemption to all Owners of all Certificates to be redeemed at their registered addresses, by first class mail, postage prepaid. In addition, the Trustee shall at all reasonable times make available to the Paying Agent and any Certificate Owner, including the Depository, if applicable, information as to Series 2015A Certificates that have been redeemed or called for redemption. Any notice of redemption is to:

- (1) identify the Certificates to be redeemed;
- (2) specify the redemption date and the redemption price;
- (3) (in the event the Series 2015A Certificates are being optionally redeemed) state that the City has given notice of its intent to exercise its option to prepay Base Rentals under the 2015A Lease.
- (4) state that such redemption is subject to the deposit of the funds on or before the stated redemption date; and
- (5) state that on the redemption date the Series 2015A Certificates called for redemption are payable at the principal corporate trust office of the Paying Agent and that from that date interest will cease to accrue.

RISKS AND OTHER INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2015A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2015A CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, GIVING PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2015A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2015A CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED. THE FOLLOWING DOES NOT PURPORT TO BE AN EXHAUSTIVE LISTING OF RISKS AND OTHER CONSIDERATIONS WHICH MAY BE RELEVANT TO INVESTING IN THE SERIES 2015A CERTIFICATES. IN ADDITION, THE ORDER IN WHICH THE FOLLOWING INFORMATION IS PRESENTED IS NOT INTENDED TO REFLECT THE RELATIVE IMPORTANCE OF SUCH RISKS.

Right of the City to Not Renew and to Terminate the 2015A Lease Annually

The City is required to pay Base Rentals and Additional Rentals under the 2015A Lease only if City Council appropriates funds therefor in each Fiscal Year and such funds are subject to an Encumbrance during such year. Although the City is contractually obligated to include Base Rentals and Additional Rentals in each budget submitted for City Council consideration, the City is not obligated to levy taxes or apply its general resources beyond appropriated funds for any Fiscal Year. The City may decide not to renew the 2015A Lease at any time during the Lease Term, in which event the 2015A Lease will terminate under its terms and, unless the City previously has exercised its purchase option, the Trust will retain a leasehold interest in the Components of the Leased Property that are then subject to the 2015A Facilities Lease until the end of the term of the 2015A Facilities Lease. There is no penalty to the City if it does not renew the 2015A Lease other than the loss of use of the Components of the Leased Property that are then subject to the 2015A Facilities Lease until the end of the term of the 2015A Facilities Lease. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Nonappropriation*.”

The likelihood that the 2015A Lease will continue in effect until the Series 2015A Certificates are paid is dependent upon factors that are beyond the control of the Owners of the Series 2015A Certificates. These factors include but are not limited to (1) the City’s continuing need for facilities such as the Leased Property and (2) the City’s continuing ability to generate sufficient funds from sales taxes, property taxes and other sources to pay the 2015A Lease obligations in particular and the City’s other obligations in general. Payment of the principal of and interest on the Series 2015A Certificates upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the

leasehold interest of the Trust created under the 2015A Facilities Lease in the Components of the Leased Property that are then subject to the 2015A Facilities Lease until the end of the term of the 2015A Facilities Lease in the event that the Trustee is able to sell such leasehold interest of the Trust or (2) any rental income from leasing (to others) the Components of the Leased Property that are then subject to the 2015A Facilities Lease until the end of the term of the 2015A Facilities Lease. See “THE LEASED PROPERTY.”

As described under “APPENDIX C – THE CITY – LEGAL MATTERS – State Constitutional Revenue, Spending and Debt Limitations,” the Colorado Constitution was amended in 1992 (“TABOR”) resulting in the imposition of various fiscal limits and requirements on the City, including a limitation on any increase in the City’s fiscal year spending and tax revenues from one year to the next, however, on November 6, 2012, Denver voters passed a ballot measure that permanently removed all TABOR restrictions regarding the collection and retention of all taxes. The measure permanently allows the City to collect, retain, and spend all lawful property and non-property taxes.

Results of Termination of the 2015A Lease

The 2015A Lease is subject to termination upon the occurrence of an Event of Nonappropriation or an Event of Lease Default. If, on or before the last day of each Fiscal Year during the Lease Term, the City does not budget and appropriate monies sufficient to pay all Base Rentals and reasonably estimated Additional Rentals coming due under the 2015A Lease for the ensuing Fiscal Year, an “Event of Nonappropriation” is deemed to have occurred. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Base Rentals and Additional Rentals*” and “– *Nonappropriation*” for a discussion of the results of an Event of Nonappropriation and the ability of the Trustee to waive, under certain circumstances, the effects of the occurrence of an Event of Nonappropriation without notice to or the consent of the Owners of the Series 2015A Certificates. In addition, an “Event of Lease Default” occurs if the City fails to make payments from funds which have been appropriated or if the City breaches any of its other obligations under the 2015A Lease.

If the 2015A Lease is terminated because an Event of Nonappropriation or an Event of Lease Default has occurred, the City is required to vacate or surrender possession of the Leased Property (1) by March 1 of the Renewal Term in respect of which an Event of Nonappropriation occurs (in the case of an Event of Nonappropriation) or (2) within 60 days after notice by the Trustee (in the case of an Event of Lease Default). Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Trustee’s Lease Remedies include the ability to sell its leasehold interest in, or lease, the Components of the Leased Property then subject to the 2015A Facilities Lease to the end of the term of the 2015A Facilities Lease. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Remedies on Default*.” Pursuit of Lease Remedies may be a time-consuming process and may entail various legal as well as economic risks. Proceeds realized from Lease Remedies, net of the expense of pursuing such Lease Remedies, may not be sufficient to pay the principal of and interest on the Series 2015A Certificates when due.

The City may also terminate the 2015A Lease as a result of certain events described herein in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Damage, Destruction and Condemnation*.”

The Net Proceeds derived from a transfer of the Trust’s leasehold interest in, or lease, of the Components of the Leased Property then subject to the 2015A Facilities Lease to the end of the term of the 2015A Facilities Lease or the exercise of other Lease Remedies, along with other monies then held by the Trustee under the 2015A Indenture (with certain exceptions as provided in the 2015A Lease and the 2015A Indenture), are required to be used to redeem the Series 2015A Certificates and any Additional Certificates

to the extent of such monies. See “THE SERIES 2015A CERTIFICATES – Redemption Provisions – *Extraordinary Mandatory Redemption.*”

The Facilities Leased Property consists of certain real property improvements that may not be easily converted to alternate uses. A potential purchaser of the Series 2015A Certificates should not assume that it will be possible to transfer the Trust’s leasehold interest in, or lease (to others), the Facilities Leased Property after the termination of the 2015A Lease (1) for an amount equal to the aggregate principal amount of the Series 2015A Certificates then Outstanding plus accrued interest thereon or (2) within a time period that would prevent a default in the timely payment of the principal of and interest on the Series 2015A Certificates. If the Series 2015A 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, no Owner of any Series 2015A Certificates has any further claim for payment against the Trustee or the City.

The Leased Property is to be insured by policies of property insurance and title insurance as described in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Insurance.*” In the event of the damage to, destruction of, or the discovery of a defect in construction or a title defect with respect to, the Leased Property, any amounts from such insurance policies constitute Net Proceeds, which are to be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property. If Net Proceeds, whether from such insurance policies or other sources, are insufficient to repair or replace the Leased Property, the City may (1) repair or replace the Leased Property by paying Additional Rentals, to the extent such amounts have been specifically appropriated by the City, for costs in excess of the amount of such Net Proceeds, (2) utilize such proceeds in order to purchase the Trust’s leasehold interest in the Components of the Leased Property then subject to the 2015A Facilities Lease in accordance with the 2015A Lease or (3) terminate its 2015A Lease obligations with respect to the Leased Property by failing to appropriate sufficient funds in amount sufficient to proceed as described above under either clause (1) or (2). See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2015A Lease – *Damage, Destruction and Condemnation.*”

Enforceability of Remedies

A termination of the 2015A Lease as a result of an Event of Nonappropriation or an Event of Lease Default will give the Trustee the right to take possession of and to sell the Trust’s leasehold interest in the Components of the Leased Property then subject to the 2015A Facilities Lease, or lease the Components of the Leased Property then subject to the 2015A Facilities Lease to the end of the term of the 2015A Facilities Lease, all in accordance with the provisions of the 2015A Facilities Lease, the 2015A Lease and the 2015A Indenture. Proceeds of such leasehold sale or leasing are required to be applied to the redemption of the Series 2015A Certificates. Net proceeds may not be sufficient to fully pay the Series 2015A Certificates. See “THE SERIES 2015A CERTIFICATES – Redemption Provisions – *Extraordinary Mandatory Redemption.*”

The enforceability of the 2015A Facilities Lease, the 2015A Lease, the 2015A Indenture and the Series 2015A Certificates is subject to applicable bankruptcy laws, principles of equity affecting the enforcement of creditors’ rights generally and liens securing such rights, if any, the police and condemnation powers of the State and its political subdivisions, including the City, and judicial discretion. In addition, the application of zoning and land use requirements and regulations of the City could adversely affect the ability of the Trustee to lease or sell the Trust’s leasehold interest in the Components of the Leased Property then subject to the 2015A Facilities Lease. Because of the delays inherent in enforcing the remedies of the Trustee upon the Leased Property through the courts, a potential purchaser of the Series 2015A Certificates should not anticipate that the remedies of the Trustee could be accomplished rapidly.

Any delays in resolving the Trustee's claim to possession of or the leasehold interest in the Leased Property may result in delays in the payment of the Series 2015A Certificates.

As a Colorado political subdivision with condemnation powers, the City may be able to assert various claims to possession of the Leased Property that may be superior to the Trustee's rights to possess and transfer its leasehold interest in the Components of the Leased Property then subject to the 2015A Facilities Lease to the end of the term of the 2015A Facilities Lease under the 2015A Lease and the 2015A Indenture. The City has not waived, and may not be able to waive, such claims.

Effects on the Series 2015A Certificates of an Event of Nonappropriation or an Event of Lease Default

Co-Special Counsel will not render any opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to transfers of Series 2015A Certificates subsequent to a termination of the 2015A Lease by reason of an Event of Nonappropriation or an Event of Lease Default. If the 2015A Lease is terminated by reason of an Event of Nonappropriation or an Event of Lease Default, there is no assurance that the Series 2015A Certificates may be transferred without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

In addition, Co-Special Counsel will render no opinion as to the treatment for federal or state income tax purposes of any amounts received by the Owners of the Series 2015A Certificates subsequent to an Event of Nonappropriation or an Event of Lease Default. There is no assurance that amounts received by the Owners of the Series 2015A Certificates as interest subsequent to an Event of Nonappropriation or an Event of Lease Default will be excludable from gross income for purposes of federal income taxation or exempt from State income taxes.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P's") and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "___," "___" and "___," respectively, to the Series 2015A Certificates. Each rating reflects only the views of the rating agency assigning such rating, and explanations of the methodology used by the respective rating agencies and the significance of each such rating may be obtained from such rating agency. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2015A Certificates.

LITIGATION

There is no litigation now pending, to the knowledge of the City officials responsible for the execution and performance of the 2015A Lease, which questions the validity of the 2015A Facilities Lease, the 2015A Lease or the 2015A Indenture or of any proceedings of the City taken with respect to the execution, delivery and performance thereof. See also "APPENDIX C – THE CITY – LITIGATION" for a description of certain outstanding litigation.

TAX MATTERS

The following discussion is a summary of the opinions of Co-Special Counsel, to be rendered with respect to the tax status of the Interest Portion (as defined below) of the Base Rentals to be paid with respect

to the Series 2015A Certificates and of certain federal and State income tax considerations that may be relevant to prospective purchasers of the Series 2015A Certificates.

The Series 2015A Certificates

General. In the opinions of Co-Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming continued compliance by the City with certain covenants designed to meet the requirements of Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), the interest portion of the Base Rentals to be paid with respect to the Series 2015A Certificates (the “Interest Portion”) is excludible from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes. Co-Special Counsel is also of the opinion that the Interest Portion will not be a specific item of tax preference under Section 57 of the Code for purposes of the federal individual or corporate alternative minimum taxes. Furthermore, Co-Special Counsel is of the opinion that under existing law and to the extent the Interest Portion is excludible from gross income for federal income tax purposes, such Interest Portion is not subject to income taxation by the State of Colorado.

The form of opinion expected to be delivered separately by each Co-Special Counsel is set forth in “APPENDIX A – PROPOSED FORM OF OPINIONS OF CO-SPECIAL COUNSEL.”

The Code imposes various restrictions, conditions and requirements relating to the qualification of the 2015A Lease, which underlies the Series 2015A Certificates, as a so-called “tax-exempt bond” with respect to the Interest Portion. The City has covenanted to comply with certain restrictions designed to ensure that the Interest Portion will not be includable in gross income of the Owners of the Series 2015A Certificates for federal income tax purposes. Failure to comply with these covenants could result in the 2015A Lease with respect to the Interest Portion not qualifying as a tax-exempt bond, and thus the Interest Portion being includable in gross income of the Owners of the Series 2015A Certificates for federal income tax purposes, and such inclusion may be required retroactively to the date of execution and delivery of the Series 2015A Certificates. The opinions of Co-Special Counsel assume compliance with these covenants. However, Co-Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Series 2015A Certificates may adversely affect the tax status of the Interest Portion.

Certain requirements and procedures contained or referred to in the 2015A Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2015A Certificates) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Special Counsel expresses no opinion as to the status of the 2015A Lease or the Interest Portion if any such change occurs or action is taken or omitted upon the advice or approval of bond or special counsel other than Becker Stowe Partners LLC and Kline Alvarado Veio, P.C.

Although Co-Special Counsel is of the opinion that the Interest Portion will be excludible from gross income for federal and Colorado income tax purposes, the ownership or disposition of the Series 2015A Certificates, or the accrual or receipt of the Interest Portion, may otherwise affect an Owner’s federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Co-Special Counsel express no opinions regarding any tax consequences other than what is set forth in their respective opinions and each Owner or potential Owner is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Series 2015A Certificates on the tax liabilities of the individual or entity.

The accrual or receipt of interest on the Series 2015A Certificates may otherwise affect the federal income tax liability of the Owners of the Series 2015A Certificates. The extent of these other tax consequences will depend upon such Owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015A Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015A Certificates. Finally, residence of the Owner of Series 2015A Certificates in a state other than Colorado or being subject to tax in a state other than Colorado may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2015A Certificates. See "Changes in Federal and State Tax Law" below.

Original Issue Premium. "Acquisition Premium" is the excess of the cost of a Series 2015A Certificate over the stated redemption price of such Series 2015A Certificate at maturity or, for Series 2015A Certificates that have one or more earlier call dates, generally the amount payable at the call date that results in the lowest yield on the applicable Series 2015A Certificate. The Series 2015A Certificates shown on the cover page and inside cover page hereof being offered and sold at a price of more than 100% (collectively, the "Premium Certificates") are being initially offered and sold to the public with Acquisition Premium.

For federal income tax purposes, the amount of Acquisition Premium on the Premium Certificates must be amortized and will reduce the Owner's adjusted basis in that Premium Certificate. The amount of any Acquisition Premium paid on the Premium Certificates that must be amortized during any period will be based on the "constant yield" method, using the original Owner's basis in such Premium Certificates and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis. However, no amount of amortized Acquisition Premium on the Premium Certificates may be deducted in determining an Owner's taxable income for federal income tax purposes.

If Premium Certificates are callable prior to their stated maturity, the required amortization period for the Acquisition Premium will depend on which call dates produce the greatest diminution in the yield for the Owner. For Premium Certificates that are not callable prior to their stated maturity date, the maturity date will determine the amortization period.

Owners of any Premium Certificates, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Tax Covenants. The Trust and the City make various covenants in the 2015A Lease, and the Trust makes various covenants in the 2015A Indenture, regarding compliance with the Code and the Tax Certificate, executed by the City with respect to the 2015A Lease, in order to preserve the excludibility of the Interest Portion from gross income of the Owners of the Series 2015A Certificates for federal income tax purposes.

Backup Withholding

Certain purchasers of the Series 2015A Certificates may be subject to backup withholding at the applicable rate determined by statute with respect to the Interest Portion if the purchasers, upon execution

and delivery of the Series 2015A Certificates, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service and to each purchaser setting forth the amount of the Interest Portion and the amount of tax withheld thereon.

Changes in Federal and State Tax Law

From time to time legislative proposals are made in Congress and in the states, federal and state regulatory actions are announced or proposed and litigation is threatened or commenced that if enacted, implemented or resolved in a certain manner could alter or otherwise affect the federal or state tax matters discussed above or adversely affect the market value of the Series 2015A Certificates. It cannot be predicted how any future legislation, regulations or judicial decisions might affect the federal or state tax matters discussed above or the market value of the Series 2015A Certificates.

Purchasers of the Series 2015A Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of execution and delivery of the Series 2015A Certificates, and Co-Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE UNDERTAKING

The City will execute and deliver the Continuing Disclosure Undertaking at the closing for the Series 2015A Certificates. The Continuing Disclosure Undertaking will be executed for the benefit of the Owners of the Series 2015A Certificates and in order to assist the Underwriter selected as a result of the competitive sale described under “UNDERWRITER” below, in complying with Rule 15c2-12. Under the Continuing Disclosure Undertaking, the City annually will provide to the MSRB through EMMA certain information, including audited financial statements, and will provide notice of certain specified events contemplated by the Rule. The proposed form of the Continuing Disclosure Undertaking is appended to this Official Statement as Appendix E. Within the five-year period from the date of this Official Statement, the City has complied in all material respects with previous undertakings.

The specific information required to be provided by the City under the Continuing Disclosure Undertaking includes the financial information or operating data with respect to the City substantially similar to the type set forth under the heading “APPENDIX C –THE CITY” and data concerning outstanding lease obligations included under the headings “APPENDIX C – THE CITY – DEBT STRUCTURE OF THE CITY – Certificated Lease Purchase Agreements” and any material financial information similar to the foregoing contained in the Audited Financial Statements.

Failure to perform the Continuing Disclosure Undertaking does not constitute an Event of Lease Default, but the Continuing Disclosure Undertaking does provide that in the event of a failure to perform the Continuing Disclosure Undertaking, the Trustee, on behalf of the Owners of the Series 2015A Certificates, has the right to seek a court order directing the City to perform its obligations thereunder.

FINANCIAL ADVISOR

First Southwest Company, LLC (the “Financial Advisor”) has served as financial advisor to the City with respect to the Series 2015A Certificates. The Financial Advisor has also assisted in the

preparation of this Official Statement and in other matters relating to the planning, structuring, ratings and execution and delivery of the Series 2015A Certificates. In its role as financial advisor to the City, the Financial Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement and the appendices hereto and is not permitted to underwrite the Series 2015A Certificates.

UNDERWRITING

The Series 2015A Certificates will be purchased from the Trust by _____ (the “Underwriter”), pursuant to a competitive sale conducted by the Trustee, on behalf of the Trust, for a purchase price of \$_____, being the principal amount of the Series 2015A Certificates plus an original issue premium of \$_____ and less an underwriting discount of \$_____.

LEGAL MATTERS

Legal matters incident to the authorization, execution and delivery of the 2015A Lease and the Series 2015A Certificates are subject to approval of legality by Becker Stowe Partners LLC, Denver, Colorado and Kline Alvarado Veio, P.C., Denver, Colorado, as Co-Special Counsel, whose opinions are expected to be delivered in the proposed form set forth in Appendix A hereto. Becker Stowe Partners LLC, Denver, Colorado and Kline Alvarado Veio, P.C., Denver, Colorado, in their Co-Special Counsel capacity, have also advised the City concerning, and have assisted in the preparation of, this Official Statement. Certain legal matters relating to the 2015A Lease will be passed upon for the City by D. Scott Martinez, Esq., City Attorney.

FINANCIAL STATEMENTS

The general purpose financial statements of the City for the fiscal year ended December 31, 2013, included in Appendix D to this Official Statement, have been audited by BKD, LLP, Denver, Colorado, independent public accountants, as stated in their report appearing therein. See “APPENDIX D – BASIC AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013.” BKD, LLP, the City’s independent external auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix D hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement. The consent of BKD, LLP to the inclusion of Appendix D was not sought or obtained.

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,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and 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.

MISCELLANEOUS

The cover page, inside cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2015A Certificates, copies of the 2015A Indenture, the 2015A Facilities Lease and the 2015A Lease may be obtained from the Financial Advisor.

So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement is not to be construed as a contract or agreement between any party and the Owners of the Series 2015A Certificates.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2015A Certificates. The Trustee does not have and does not assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents, except for information concerning and obtained from the Trustee for inclusion herein.

* * *

APPENDIX A

PROPOSED FORM OF OPINIONS OF CO-SPECIAL COUNSEL

June [2], 2015

City and County of Denver, Colorado
Zions First National Bank, Trustee
Denver Public Facilities Leasing Trust 2015A
_____, Underwriter

Re: \$_____ * Certificates of Participation, Series 2015A (Fire Station and Library Facilities), Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) dated June [2], 2015, between Denver Public Facilities Leasing Trust 2015A, as lessor, and the City and County of Denver, Colorado, as lessee

Ladies and Gentlemen:

We have acted as co-special counsel to the City and County of Denver, Colorado (the "City") in connection with the execution and delivery by the City of the captioned annually renewable Lease Purchase Agreement No. 2015A (the "2015A Lease"), between Denver Public Facilities Leasing Trust 2015A, as lessor (the "Trust"), and the City, as lessee, and the execution and delivery by Zions First National Bank, Denver, Colorado (the "Trustee") of the captioned Certificates of Participation, Series 2015A (the "Series 2015A Certificates"). The Series 2015A Certificates are executed and delivered on this date (the "Execution and Delivery Date") pursuant to a Declaration and Indenture of Trust (Fire Station and Library Facilities) dated the Execution and Delivery Date (the "2015A Indenture"), executed and delivered by the Trustee. *Capitalized terms used herein have the same meanings as in the 2015A Lease and the 2015A Indenture.*

The Series 2015A Certificates are executed and delivered in fully registered book entry only form, dated the Execution and Delivery Date, in minimum denominations of \$5,000 or any integral multiple thereof, and are initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, securities depository for the Series 2015A Certificates. The Series 2015A Certificates mature, bear interest, are subject to redemption and are payable as provided in the 2015A Indenture.

The Trust, denominated the "Denver Public Facilities Leasing Trust 2015A," is created under the 2015A Indenture. The Trustee is entering into the 2015A Indenture to provide for the execution and delivery of the Series 2015A Certificates and to provide for the leasing of the Fire Stations Component and the Library Component, together constituting the Leased Property, from the City, as lessor, under Facilities Lease No. 2015A (Fire Station and Library Facilities) dated the Execution and Delivery Date (the "2015A Facilities Lease") and, in turn, to the City, as lessee, under the 2015A Lease, all for the benefit of the Owners of the Series 2015A Certificates. The Series 2015A Certificates evidence proportionate interests in the right to receive payments of Base Rentals and other Revenues under the 2015A Lease.

The Series 2015A Certificates are payable solely from the sources described in the 2015A Indenture, including the Base Rentals to be paid by the City to the Trust under the 2015A Lease. Neither the 2015A Lease nor the Series 2015A Certificates constitutes a mandatory payment obligation of the City

* Preliminary, subject to change.

in any ensuing fiscal year beyond a fiscal year for which the City has specifically appropriated amounts to make payments under the 2015A Lease, nor directly or indirectly obligates the City beyond such fiscal year, nor constitute or give rise to a general obligation or a multiple fiscal year direct or indirect indebtedness or other financial obligation whatsoever of the City within the meaning of any constitutional, home rule charter or statutory provision.

Under the 2015A Lease, the City has been granted an option to purchase the Trust's leasehold interest in the Components of the Leased Property created under the 2015A Facilities Lease and to terminate its obligations under the 2015A Lease upon payment of the then applicable Purchase Option Price. In addition, the City has been granted the option to otherwise not renew, and thereby terminate its obligations under, the 2015A Lease for any reason, without payment of the Purchase Option Price, upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in the 2015A Lease.

In our capacity as co-special counsel, we have examined the constitution and the laws of the State of Colorado, the City's home rule charter, a certified copy of the record of proceedings of the City Council taken preliminary to the execution and delivery of the 2015A Lease, the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraphs 3 and 4 below, and certain other documents and closing certificates executed and delivered by the Trust, the City and the Trustee as of the date of delivery of the 2015A Lease, as well as such other documents as we deemed necessary in order to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the 2015A Lease and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon, subject to and limited by the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The 2015A Lease has been duly authorized, executed and delivered by the City and, assuming its due execution by the Trustee for the Trust, constitutes the valid and legally binding obligation of the City, enforceable against the City in accordance with its terms.

2. Assuming due execution of the 2015A Indenture and the Series 2015A Certificates by the Trustee, the Series 2015A Certificates evidence valid and binding proportionate interests in the rights to receive Base Rentals designated as Principal Portions and Interest Portions to be paid by the City under the 2015A Lease and to be paid to the Owners of the Series 2015A Certificates, and rights to receive certain other Revenues, which rights are enforceable against the City in accordance with the terms of the 2015A Lease.

3. Under the laws and regulations of the United States of America as presently enacted and construed, the Interest Portion of the Base Rentals paid by the City and received by the Owners of the Series 2015A Certificates (including any original issue discount properly allocable to such Owners) is excludible from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax, except that we express no opinion herein with respect to the effect of nonrenewal or termination of the 2015A Lease upon the federal income tax treatment of moneys received under the 2015A Lease subsequent to such nonrenewal or termination. The opinions set forth in the preceding sentence assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the 2015A Lease and the Series 2015A Certificates. Failure to comply with such requirements could cause the Interest Portion of the Base Rentals paid by the City and received by

the Owners of the Series 2015A Certificates to be includable in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the Execution and Delivery Date. The City has covenanted to comply with such requirements in the 2015A Lease and in a tax compliance certificate executed and delivered in connection with the execution and delivery of the 2015A Lease and the Series 2015A Certificates stating the reasonable expectations of the City as of the Execution and Delivery Date as to future events that are material for purposes of Sections 103 and 148 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the 2015A Lease and the Series 2015A Certificates. We note, however, that the Interest Portion of the Base Rentals paid by the City and received by the Owners of the Series 2015A Certificates is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

4. To the extent the Interest Portion of the Base Rentals paid by the City and received by the Owners of the Series 2015A Certificates is excludable from gross income for federal income tax purposes, such Interest Portion of the Base Rentals paid by the City and received by the Owners of the Series 2015A Certificates is not subject to income taxation by the State of Colorado, except that we express no opinion herein with respect to the effect of nonrenewal or termination of the 2015A Lease upon the income tax treatment by the State of Colorado of any moneys received under the 2015A Lease with respect to the Series 2015A Certificates subsequent to such nonrenewal or termination. We also express no opinion regarding other tax consequences arising with respect to the 2015A Lease and the Series 2015A Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2015A Certificates and the enforceability of the 2015A Lease may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of powers delegated to it by the United States Constitution.

As co-special counsel, we are passing only upon those matters set forth in this opinion. We express no opinion herein with respect to any real estate matters or with respect to the accuracy or completeness of any documents prepared or used or statements made in connection with the offering or sale of the Series 2015A Certificates, or with respect to any federal or Colorado tax consequences arising from the receipt or accrual of the Interest Portion of Base Rentals paid by the City and received by the Owners of the Series 2015A Certificates, except those specifically addressed herein.

This opinion is rendered as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

In performing our services as co-special counsel, the City is our sole client in this transaction and as special counsel we have not been engaged by, nor have we undertaken to advise, any other party or to opine as to matters not specifically covered herein.

Very truly yours,

APPENDIX B

DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

Set forth below are the definitions of some of the terms used in this Official Statement, the 2015A Facilities Lease, the 2015A Lease and the 2015A Facilities Lease and the 2015A Indenture, as well as a summary of certain provisions of the 2015A Facilities Lease, the 2015A Lease and the 2015A Indenture. Reference is made to the actual provisions of the 2015A Facilities Lease, the 2015A Lease and the 2015A Indenture for a complete recital of the terms defined therein and the complete provisions thereof, copies of which are available upon written request from the City's Department of Finance.

Definitions

"2015A Certificates" means the certificates of participation executed and delivered by the Trustee pursuant to the terms of the 2015A Indenture.

"2015A Certificates Account" means the account created in the Base Rentals Fund under the 2015A Indenture.

"2015A Facilities Lease" means the Facilities Lease No. 2015A (Fire Station and Library Facilities) dated its date of execution and delivery, between the City, as lessor, and the Trust, as lessee.

"2015A Indenture" means the Declaration and Indenture of Trust (Fire Station and Library Facilities) dated its date of execution and delivery, entered into by the Trustee.

"2015A Lease" means the Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) dated its date of execution and delivery, between the Trust, as lessor, and the City, as lessee.

"Additional Certificates" means Additional Certificates, if any, that may be executed and delivered by the Trustee pursuant to the 2015A Indenture.

"Additional Rentals" means, the payment or cost of all:

(a) (i) reasonable expenses and fees of the Trustee and/or the Trust related to the preparation of any reports or records of the Trust, including tax returns for the Trust, and maintenance of the existence of the Trust, (ii) reasonable expenses and fees of the Trust and the Trustee related to the performance or discharge of responsibilities under the provisions of the 2015A Facilities Lease, 2015A Lease or the 2015A Indenture, including the reasonable fees and expenses of any person or firm employed by the Trustee to make rebate calculations under the provisions of the 2015A Indenture, (iii) insurance deductible amounts in respect of insurance required to be maintained under the 2015A Lease if such amounts are paid by the Trust, and (iv) expenses and fees of the Trust or the Trustee incurred at the request of the City;

(b) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Leased Property or as otherwise required under the 2015A Lease; and

(c) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the City shall fail to pay the same, as specifically set forth in the 2015A Lease) which the City agrees to assume or pay as Additional Rentals under the 2015A Lease.

Payment by the City of any Additional Rentals, in addition to Appropriation or Supplemental Appropriation, requires the prior written approval of the Chief Financial Officer. Additional Rentals shall not include Base Rentals.

Additional Rentals does not include Base Rentals.

“Appropriations” means the collective procedure by which the City Council specifically appropriates funds for a purpose and the City effects an Encumbrance for such purpose. The term “Appropriation” includes an initial Appropriation and any Supplemental Appropriation.

“Approval of Special Counsel” means an opinion of Special Counsel to the effect that the matter proposed will not adversely affect the excludability from gross income for federal income tax purposes of the Interest Portion of the Base Rentals paid by the City under the 2015A Lease.

“Assets of the Trust” means the Initial Assets and any and all assets currently owned or hereafter acquired by the Trust, including the Leased Property and all improvements so acquired now or hereafter located thereon and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining (subject to Permitted Encumbrances) and any and all machinery owned or hereafter acquired by the Trust and used or usable in connection with any present or future operation of and now or hereafter located or installed on, under or in the Leased Property.

“Base Rentals” means the rental payments payable by the City during the Lease Term, which constitute payments payable by the City for and in consideration of the right to possess and use each Component of the Leased Property as set forth in the 2015A Lease, set forth collectively for both Components of Leased Property and separately for the Fire Stations Component and the Library Component, and relating to the Series 2015A Certificates. The term “Base Rentals” does not include Additional Rentals.

“Base Rentals Payment Dates” means the Base Rentals Payment Dates set forth in Exhibit C (Base Rentals Schedule) to the 2015A Lease.

“Business Day” means any day, other than a Saturday or a Sunday or day (a) on which banks located in Denver, Colorado are required or authorized by law or executive order to close, (b) on which the Federal Reserve System is closed or (c) on which the New York Stock Exchange is closed.

“Certificates” means the Series 2015A Certificates and any Additional Certificates.

“Chief Financial Officer” means the Chief Financial Officer of the City, as the Manager of Finance *ex-officio* Treasurer, of the City duly appointed pursuant to the Charter or the designee of the Chief Financial Officer.

“City Librarian” means the City Librarian for the Denver Public Library or the designee of the City Librarian.

“Closing” means the date of execution and delivery of the Series 2015A Certificates.

“Code” means the Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder.

“Component(s)” in respect of the Leased Property means (a) the Fire Stations Component, or the Library Component, as the case may be, (b) collectively, the Fire Stations Component and the Library Component, or (c) if the Library Component has been released as Leased Property under the 2015A Lease, and, in turn, released as Facilities Leased Property under the 2015A Facilities Lease, the Fire Stations Component.

“Costs of Execution and Delivery” means all items of expense directly or indirectly payable by the Trust or the Trustee, related to the authorization, sale, execution and delivery of the Certificates and to be paid from the Costs of Execution and Delivery Fund, including but not limited to, survey costs, title insurance policy premiums, closing costs and other costs relating to the Leased Property, costs of preparation and reproduction of documents, costs of printing the Certificates and the Preliminary and final Official Statements prepared in connection with the offering of the Certificates, costs of Rating Agencies and costs to provide information required by Rating Agencies for the rating or proposed rating of Certificates, initial fees and charges of the Trustee and Paying Agent, legal fees and charges, including fees and expenses of Special Counsel, fees and disbursements of professionals and the Financial Advisor, fees and charges for preparation, execution and safekeeping of the Certificates, and any other cost, charge or fee in connection with the original sale and the execution and delivery of the Certificates; provided, however, that Additional Rentals shall not be Costs of Execution and Delivery of the Series 2015A Certificates and will be paid by the City as provided in the 2015A Lease.

“Encumbrance” means (a) the act of submitting a written request of the City to the Purchasing Director of the City and (b) the certification in writing by the Controller for the applicable Fiscal Year that (i) there is an unencumbered balance in the appropriate fund chargeable therefor sufficient to provide for the Base Rentals and the Additional Rentals, as the case may be, for the period specified in the 2015A Lease and (ii) such amounts have been set aside for such purposes.

“Event(s) of Indenture Default” means any event of default under the 2015A Indenture.

“Event(s) of Lease Default” means any event of default under the 2015A Lease.

“Event of Nonappropriation” means the termination and nonrenewal of the 2015A Lease by the City, determined by the City’s exercise of its right, for any reason, to not enact by the last day of each Fiscal Year an appropriation ordinance for the ensuing Fiscal Year which includes (a) amounts authorized and directed to be used to pay all Base Rentals and (b) sufficient amounts to pay such Additional Rentals as are estimated to become due. An Event of Nonappropriation may also occur under certain other circumstances described in the 2015A Lease. The term also means a notice under the 2015A Lease of the City’s intention to not renew and therefore terminate the 2015A Lease or an event described in the 2015A Lease relating to the exercise by the City of its right to not appropriate amounts due as Additional Rentals in excess of the amounts for which an appropriation has been previously effected.

“Executive Director of Public Works” means the Executive Director of Public Works, as the Manager of Public Works of the City duly appointed pursuant to the Charter or the designee of the Executive Director of Public Works.

“Executive Director of Safety” means the Executive Director of Safety, as the Manager of Safety of the City duly appointed pursuant to the Charter or the designee of the Executive Director of Safety.

“Fire Chief” means the Fire Chief of the Denver Fire Department.

“Fire Stations Component” means the real property described as Fire Stations Nos. 18, 19 and 22 and, collectively, as “Fire Stations Component” on Exhibit A to the 2015A Lease and all related rights of the Trust under the Permitted Encumbrances described on Exhibit B to the 2015A Lease, constituting a Component of the Leased Property under the 2015A Lease.

“Fiscal Year” means the City’s fiscal year, which begins on January 1 and ends December 31 of the same year.

“*Force Majeure*” means, without limitation, the following: 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; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the Trust or the City in its capacity as lessee under the 2015A Lease.

“Initial Term” means the period which commences on the date of delivery of the 2015A Lease and terminates on December 31 of the same Fiscal Year.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2015.

“Interest Portion” means the Interest Portion of each Base Rentals payment that represents the payment of interest in respect of each Component of Leased Property as set forth in Exhibit C (Base Rentals Schedule) of the 2015A Lease, including the Interest Portion as stated for each Base Rentals Payment Date and Interest Portion if referencing all Interest Portions for the Base Rentals remaining to be paid in the aggregate through the Lease Term.

“Lease Balance” means the sum of the Total Aggregate Principal Portion of Base Rentals and under the 2015A Lease set forth on Exhibit C (Base Rentals Schedule) of the 2015A Lease, less the aggregate amount of Principal Portions of Base Rentals paid or prepaid by the City pursuant to the 2015A Lease.

“Lease Balance in Respect of a Component of Leased Property” means the Total Aggregate Principal Portion of the Base Rentals under the 2015A Lease at the time the 2015A Lease is executed and delivered allocated to each Component of Leased Property (Fire Stations Component or Library Component), as set forth in Exhibit C of the 2015A Lease less the aggregate amount of Principal Portions of Base Rentals paid or prepaid by the City in respect of each Component of Leased Property separately pursuant to the 2015A Lease.

“Lease Remedy” or “Lease Remedies” means any or all remedial steps provided in the 2015A Lease whenever an Event of Lease Default or an Event of Nonappropriation has happened and is continuing, which may be exercised by the Trustee, as provided in the 2015A Indenture.

“Lease Term” means the Initial Term and any Renewal Terms as to which the City may exercise its option to renew the 2015A Lease by effecting Appropriations of funds for the payment of Base Rentals and Additional Rentals thereunder. “Lease Term” refers to the time during which the City is the lessee of the Leased Property under the 2015A Lease.

“Leased Property” means the Fire Stations Component and the Library Component as described on Exhibit A to the 2015A Lease and defined as the “Facilities Leased Property” in the 2015A Facilities Lease, except as the Library Component may be released as Leased Property under the 2015A Lease and, thereby

released as Facilities Leased Property under the 2015A Facilities Lease, all on or before the date on which the Fire Stations Component is released.

“Leasehold Consideration Fund” means the fund created under the 2015A Indenture.

“Library Component” means the real property described as the “Library Component” on Exhibit A to the 2015A Lease and all related rights of the Trust under the Permitted Encumbrances described on Exhibit B to the 2015A Lease, constituting a Component of the Leased Property under the 2015A Lease.

“Mandatory Sinking Fund Redemption” means any redemption made pursuant to the 2015A Indenture and as provided in the form of the Series 2015A Certificates set forth in the 2015A Indenture.

“Mandatory Sinking Fund Redemption Date” means the dates for Mandatory Sinking Fund Redemption as set forth in the 2015A Indenture.

“Net Proceeds” means the proceeds of any performance or payment bond, or proceeds of insurance, including self-insurance, required by the 2015A Lease or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under any construction or other contract relating to improvements to the Leased Property, less (a) all expenses (including, without limitation, attorney’s fees and costs) incurred in the collection of such proceeds or award; and (b) all other fees, expenses and payments due to the City, the Trust or the Trustee.

“Outstanding” means, with respect to the Certificates, all Certificates executed and delivered pursuant to the 2015A Indenture as of the time in question, except:

- (a) All Certificates theretofore canceled or required to be canceled under the 2015A Indenture;
- (b) Certificates in substitution for which other Certificates have been executed and delivered under the 2015A Indenture;
- (c) Certificates which have been redeemed as provided in the 2015A Indenture;
- (d) Certificates for the payment or redemption of which provision has been made in accordance with the 2015A Indenture; provided that, if such Certificates are being redeemed, the required notice of redemption has been given or provision satisfactory to the Trustee has been made therefor; and
- (e) Certificates deemed to have been paid pursuant to the 2015A Indenture.

“Owners” means the Registered Owners of any Certificates and Beneficial Owners.

“Paying Agent” means the Trustee or any successor or additional paying agent appointed pursuant to the 2015A Indenture.

“Permitted Encumbrances,” with respect to the Leased Property, means, as of any particular time: (a) liens for taxes and assessments not then delinquent or liens which may remain unpaid pending contest pursuant to the provisions of the 2015A Lease; (b) the 2015A Facilities Lease, the 2015A Lease, the 2015A Indenture, any related fixture filing and any liens arising or granted pursuant to the 2015A Lease or the 2015A Indenture; (c) utility, access and other easements and rights of way, restrictions and other matters affecting title which, in the case of the Fire Stations Component, the Executive Director of Safety or the Fire Chief, and in the case of the Library Component, the City Librarian, represents will not impair the

effective use or interfere with the operation of the related Component of the Leased Property, including rights or privileges in the nature of easements, licenses, permits and party wall and other agreements and rights-of-way as provided in the 2015A Lease; and (d) any existing easements, covenants, restrictions, liens and encumbrances listed on the title insurance policies delivered in respect of the Leased Property, as shown on Exhibit B to the 2015A Lease and any other encumbrances agreed to by the City and the Trust.

“Prepayment” means any amount paid by the City pursuant to the provisions of the 2015A Lease as a prepayment of the Base Rentals due thereunder in respect of any Component of the Leased Property.

“Principal Portion” means the portion of each Base Rentals payment that represents the payment of principal in respect of any Component of the Leased Property set forth in Exhibit C (Base Rentals Schedule) to the 2015A Lease, including Principal Portion as stated for each Base Rentals Payment Date and Principal Portion if referencing all Principal Portions remaining to be paid in the aggregate through the Lease Term.

“Purchase Option Price” means the amount payable on any date, at the option of the City, to prepay Base Rentals, terminate the Lease Term in respect of all Components of the Leased Property (in which case such Purchase Option Price is to be in an amount sufficient to defease all of the Certificates) or in respect of any single Component of the Leased Property and purchase the leasehold interest in the related Component of the Leased Property, all as provided in the 2015A Lease.

“Renewal Term” means any portion of the Lease Term commencing on January 1 of any year and terminating on or before December 31 of the same year as provided in the 2015A Lease.

“Revenues” means (a) all amounts payable by or on behalf of the City or with respect to the Leased Property pursuant to the 2015A Lease including, but not limited to, all Base Rentals, Prepayments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals; (b) any portion of the proceeds of the Series 2015A Certificates deposited in the Base Rentals Fund; and (c) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the 2015A Indenture (except for moneys and securities, including investment income, held in the Rebate Fund).

“Series 2015A Certificates” means the Certificates of Participation, Series 2015A (Fire Station and Library Facilities) dated their date of execution and delivery, executed and delivered pursuant to the 2015A Indenture.

“Supplemental Appropriations” means any appropriation after an initial appropriation in respect of Base Rentals or Additional Rentals due under the 2015A Lease.

“Tax-Exempt Permitted Use Arrangement” means any arrangement between the City and a third party for the use of any portion of the Leased Property which meets any of the following criteria: (a) use by a nongovernmental person under a “qualified management contract” as that term is defined for purposes of Section 141 of the Code and the regulations, rulings and other guidance issued thereunder; (b) (*inapplicable*); (c) use by a nongovernmental person where the term of the arrangement (including all renewal options) does not exceed a maximum of one hundred (100) actual days of use, if such use is based on uniformly applied rates; however, the use permitted under this subsection (c) is not of the type available to a natural person not engaged in a trade or business; (d) use by a nongovernmental person pursuant to a negotiated arms-length (non uniform) arrangement where the term of the arrangement (including all renewal options) does not exceed a maximum of fifty (50) actual days of use; or (e) any other arrangement subject to Approval of Special Counsel.

“Trust” means the “Denver Public Facilities Leasing Trust 2015A” created and denominated under the 2015A Indenture.

“Trustee” means Zions First National Bank, in its capacity as Trustee of the Trust and for the benefit of the Owners of the Series 2015A Certificates and any Additional Certificates, under the 2015A Indenture, and its successors and assigns.

“Trust Estate” means collectively, (a) the Assets of the Trust and (b) all of the right, title and interest of the Trust in and to the 2015A Lease, including all Revenues as defined in the 2015A Indenture.

The 2015A Facilities Lease

Lease; Term. The City is the owner in fee of the Land, subject only to the Permitted Encumbrances described in the 2015A Facilities Lease, and is the owner of all of the fire station and library buildings and improvements which, together with the Land, constitute the “Facilities Leased Property” under the 2015A Facilities Lease. Pursuant to the 2015A Facilities Lease, the City is to lease both Components of the Facilities Leased Property to the Trust pursuant to the terms and conditions set forth in the 2015A Facilities Lease. The term of the 2015A Facilities Lease commences on the date of execution and delivery of the 2015A Facilities Lease and ends on December 1, 2044 (the “Facilities Lease Termination Date”), unless prior to the Facilities Lease Termination Date both of the Components of the Facilities Leased Property have been released by the Trust to the City as a result of the City’s payment of (a) the Purchase Option Prices for both Components of the Facilities Leased Property or (b) all Base Rentals and Additional Rentals as provided in the 2015A Lease. It is currently expected that the term of the 2015A Facilities Lease will terminate in respect of the Library Component of the Facilities Leased Property on December 1, 2022, if the City has paid all Base Rentals and Additional Rentals relating to the Library Component as provided in the 2015A Lease and as separately set forth in Exhibit C to the 2015A Lease.

Rental. The City is to receive from the Trust, as and for all rentals under the 2015A Facilities Lease, the net proceeds of the Series 2015A Certificates, paid in advance and in full as consideration for (a) the leasehold interest in the Facilities Leased Property; and (b) the execution and delivery of the 2015A Lease.

Purpose. So long as no Event of Lease Default or Event of Nonappropriation has occurred, the Trust is to use the Facilities Leased Property solely for the purpose of leasing the Facilities Leased Property to the City pursuant to the 2015A Lease. Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the City is required to vacate the Facilities Leased Property as provided in the 2015A Lease and the Trustee, on behalf of the Trust, is entitled to exercise the remedies provided in the 2015A Facilities Lease and the 2015A Lease.

Sales, Assignments and Subleases. So long as neither an Event of Nonappropriation nor an Event of Lease Default has occurred, and except as may otherwise be provided in the 2015A Lease, the Trustee, on behalf of the Trust, may not sell or assign the rights and interests of the Trust or sublet any Component of the Facilities Leased Property then subject of the 2015A Facilities Lease without the written consent of the Chief Financial Officer. However, if the 2015A Lease is terminated for any reason, and the 2015A Facilities Lease is not terminated in respect of both Components of the Facilities Leased Property, the Trustee, on behalf of the Trust, may sublease the Facilities Leased Property, or any portion thereof then subject of the 2015A Facilities Lease or sell or assign the Trust’s leasehold interests under the 2015A Facilities Lease. Except as provided in the 2015A Facilities Lease, none of the City, the Trust or any purchaser from or lessee or assignee of the Trust may sell, mortgage or encumber the Facilities Leased

Property or any portion thereof then subject to the 2015A Facilities Lease during the term of the 2015A Facilities Lease.

Termination. Upon termination of the 2015A Facilities Lease in respect of any Component of the Facilities Leased Property, the Trust agrees to quit and surrender such Component of the Facilities Leased Property to the City, including any permanent improvements and structures existing upon the released Component of the Facilities Leased Property.

Quiet Enjoyment and Acknowledgment of Ownership; Release of Components of Leased Property. The City covenants that the Trust at all times during the term of the 2015A Facilities Lease will peaceably and quietly have, hold and enjoy the Components of the Facilities Leased Property, subject to the provisions of the 2015A Lease, and acknowledges that the Trust has a leasehold interest in the Components of the Facilities Leased Property and all additional improvements or additions to be made to the Facilities Leased Property subject to the 2015A Lease. Upon the occurrence of certain circumstances under the terms of the 2015A Lease, Components of Leased Property are to be released from the 2015A Facilities Lease and will then not constitute Facilities Leased Property under the 2015A Facilities Lease.

Taxes; Maintenance; Insurance. The City agrees that, during the Lease Term of the 2015A Lease in respect of any Components of the Facilities Leased Property then subject to the 2015A Facilities Lease and in accordance with the provisions thereof, it will pay any and all assessments of any kind or character and all taxes, including possessory interest taxes, levied or assessed upon such Facilities Leased Property and all maintenance costs and utility charges in connection with such Facilities Leased Property.

In the event that (a) the 2015A Lease is terminated for any reason, (b) the 2015A Facilities Lease is not terminated in respect of both Components of the Facilities Leased Property, and (c) the Trustee, on behalf of the Trust, subleases all or any portion of the Facilities Leased Property then subject to the 2015A Facilities Lease or sells an assignment of its interest in the 2015A Facilities Lease, the Trustee, on behalf of the Trust, or any sublessee or assignee of the Facilities Leased Property then subject to the 2015A Facilities Lease, is required to pay or cause to be paid when due, solely from the proceeds of such sale, subleasing or assignment, all taxes and assessments imposed on the Facilities Leased Property and maintain such Facilities Leased Property in good condition and in good working order, unless such taxes and assessments are paid directly by the purchaser, sublessee or assignee of the Facilities Leased Property.

So long as the 2015A Lease is in effect, the provisions thereof are to apply to and govern the maintenance of insurance under the 2015A Facilities Lease. In the event that the 2015A Lease is terminated for any reason that does not cause the 2015A Facilities Lease to be terminated and the Trustee subleases all or any portion of the Facilities Leased Property or sells or assigns its leasehold interest in the 2015A Facilities Lease, the Trustee, on behalf of the Trust, or any sublessee, purchaser or assignee of the Facility Leased Property, will be required to obtain and keep in force, (1) commercial general liability insurance against claims for personal injury, death or damage to property of others occurring on or in the Facilities Leased Property in an amount not less than \$1,000,000 per occurrence/\$2,000,000 in the aggregate, and (2) property insurance in an amount not less than the full replacement value of the Facilities Leased Property. Any such insurance that is to be obtained by the Trustee, on behalf of the Trust, is to be paid for solely from the proceeds of such subleasing, sale or assignment or from moneys furnished to the Trustee under the 2015A Indenture. All such insurance is to name the Trust, the Trustee, any sublessee, purchaser or assignee and the City as insureds. The Trust, the Trustee and the City agree to waive any rights of subrogation with respect to the Trust, the Trustee and the City and any sublessee or assignee of the Trust, and their members, directors, officers, agents and employees, while acting within the scope of their employment, and each such insurance policy is required to contain such a waiver of subrogation by the issuer of such policy.

Damage, Destruction or Condemnation. So long as the 2015A Lease is in effect, the provisions of the 2015A Lease shall govern matters with respect to any damage, destruction or condemnation of all Components of the Facilities Leased Property then subject to the 2015A Facilities Lease. In the event that the 2015A Lease is terminated for any reason and the 2015A Lease is not terminated in respect of all Components of the Facilities Leased Property then subject to the 2015A Facilities Lease, and either (1) such Facilities Leased Property or any portion thereof is damaged or destroyed, in whole or in part, by fire or other casualty, or (2) title to or use of such Facilities Leased Property or any party thereof is taken under the exercise of the power of eminent domain, the City, the Trust and the Trustee, or any sublessee, purchaser or assignee of such Facilities Leased Property from the Trust is to cause the Net Proceeds of any insurance claim or condemnation award to be applied in accordance with the provisions of the 2015A Lease.

No Merger. The City, the Trust and the Trustee intend that the legal doctrine of merger will have no application to the 2015A Facilities Lease and that neither the execution and delivery of the 2015A Lease by the Trustee, on behalf of the Trust, and the City nor the exercise of any remedies under the 2015A Facilities Lease or the 2015A Lease will operate to terminate or extinguish the 2015A Facilities Lease or the 2015A Lease, except as specifically provided therein.

The 2015A Lease

Lease Term. The Lease Term commences on the date of execution and delivery of the 2015A Lease. The Initial Term terminates on December 31, 2015. The 2015A Lease may be annually renewed, solely at the option of the City, for the number of Renewal Terms set forth in the 2015A Lease. The maximum Lease Term in respect of each Component of the Leased Property separately does not exceed the remaining weighted average useful life of the related Component of the Leased Property at the time the 2015A Lease is executed and delivered. The Lease Term terminates upon the earliest of: (a) the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs (except that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured as provided in the 2015A Lease); (b) the release of the Trust's leasehold interest in all Components of the Leased Property under the 2015A Lease to the City upon payment of the Purchase Option Price in respect of Leased Property or the payment of all Base Rentals and Additional Rentals, for which an Appropriation has been effected by the City, in respect of all Components of the Leased Property; or (c) the occurrence of an uncured Event of Lease Default and termination of the 2015A Lease by the Trustee.

Termination of the Lease Term terminates all unaccrued obligations of the City under the 2015A Lease and the City's rights of possession under the 2015A Lease (except to the extent of the holdover provisions and except for any release of a Component of Leased Property from the Trust's leasehold interest in such Component). All obligations of the City accrued prior to such termination continue until the Trustee agrees that such accrued obligations have been satisfied.

Budget and Appropriations Procedures. The City's Chief Financial Officer, the Chief Financial Officer's designee or other officer of the City at any time charged with the responsibility of formulating budget proposals is directed in the 2015A Lease to include in the annual budget proposals submitted to the City Council, in any year in which the 2015A Lease is in effect, items for all payments required for the ensuing Renewal Term until such time, if any, as the City may determine to not renew and terminate the 2015A Lease.

Base Rentals and Additional Rentals. Under the 2015A Lease, the City is to pay Base Rentals for which an Appropriation or Supplemental Appropriation has been effected by the City, directly to the Trustee during the Initial Term and any Renewal Term. The City receives credit against its obligation to

pay Base Rentals to the extent moneys are held by the Trustee on deposit in a Base Rentals Fund created under the 2015A Indenture and are available to pay Base Rentals.

The 2015A Lease provides that the City may, on any date, pay the then applicable Purchase Option Price (1) for the purpose of terminating the 2015A Lease in whole and causing the termination of the 2015A Facilities Lease in respect of all Components of the Leased Property then remaining subject to this 2015A Lease and the 2015A Facilities Lease or (2) for the purpose of terminating the 2015A Lease and the 2015A Facilities Lease in respect of any single Component of the Leased Property. The Library Component shall be the first Component to be so released, as further provided in the 2015A Lease. Subject to the Approval of Special Counsel, the City may also, at any time during the Lease Term, (1) prepay any portion of the Base Rentals due under the 2015A Lease in respect of any Component of the Leased Property, so long as the Library Component is released prior to the release of the Fire Stations Component and (2) in connection with such prepayment, recalculate the Base Rentals set forth in the 2015A Lease in respect of any or all of the Components of the Leased Property. The City is required to give the Trustee notice of its intention to exercise its purchase option or prepayment right not less than 35 days in advance of the date of termination and release or prepayment and to deposit with the Trustee by not later than the date of such exercise or prepayment an amount equal to the Purchase Option Price due on the selected date for payment of the Purchase Option Price or the applicable amount of Base Rentals to be prepaid on the selected prepayment date.

The City acknowledges in the 2015A Lease that, upon receipt by the Trustee of Base Rentals, the Trustee is to deposit the amount of such Base Rentals in the Base Rentals Fund pursuant to the 2015A Indenture.

Nonappropriation. If the City gives notice that it intends to not renew the 2015A Lease or the City does not effect an Appropriation or Supplemental Appropriation, on or before December 31 of each Fiscal Year, or of moneys to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the next ensuing Renewal Term, an Event of Nonappropriation is deemed to have occurred; subject, however, to the 2015A Lease provisions summarized below:

(a) If the Trustee does not receive written notice or evidence that an Appropriation or Supplemental Appropriation has been effected by the City on or before December 31 of a Fiscal Year, then the Trustee is to declare an Event of Nonappropriation on the first Business Day of the January following such Fiscal Year or the Trustee is to make such declaration on any earlier date on which the Trustee receives official written notice from the City that the 2015A Lease will not be renewed or on which the Trustee determines that a Supplemental Appropriation has not been effected by the City with respect to any Base Rentals remaining to be paid in the then current Lease Term.

(b) The Trustee is to waive any Event of Nonappropriation which is cured by the City within 21 days of the receipt by the City of notice from the Trustee described in (a) above, by a duly effected Appropriation or Supplemental Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term.

(c) Pursuant to the 2015A Indenture, the Trustee may waive any Event of Nonappropriation which is cured by the City within a reasonable time following the 21-day period referred to in (b) above.

If, during the Initial Term or any Renewal Term, any Additional Rentals become due which were not included in a duly effected Appropriation or Supplemental Appropriation and moneys are not

specifically budgeted and appropriated or otherwise made available to pay such Additional Rentals within 60 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation is deemed to have occurred, upon notice by the Trustee to the City to such effect (subject to waiver by the Trustee as described above).

If an Event of Nonappropriation occurs, and except as described in the immediately following sentence, the City is not obligated to make payment of the Base Rentals or Additional Rentals or any other payments under the 2015A Lease which accrue after the last day of the Initial Term or any Renewal Term during which such Event of Nonappropriation occurs. Except as limited by certain other provisions of the 2015A Lease, the City continues to be liable for Base Rentals and Additional Rentals allocable to any period during which the City continues to occupy, use or retain possession of the Leased Property.

Subject to the holdover provisions of the 2015A Lease, the City is required in all events to vacate or surrender possession of the Leased Property by March 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred. After March 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred, the Trustee may proceed to exercise all or any Lease Remedies.

Upon the occurrence of an Event of Nonappropriation, (1) the Trustee is entitled to all moneys then being held in all funds created under the 2015A Indenture to be used as described therein and (2) all property, funds and rights acquired by the Trustee upon the termination of the 2015A Lease by reason of an Event of Nonappropriation are to be held by the Trustee as set forth in the 2015A Indenture.

Holdover Tenant. If the City fails to vacate the Leased Property after termination of the 2015A Lease, with the written permission of the Trustee, the City is deemed a holdover tenant on a month-to-month basis and is bound by all of the other terms, covenants and agreements of the 2015A Lease. Any holding over by the City without the written permission of the Trustee is considered to be at sufferance.

Title to the Leased Property. At all times during the Lease Term, title to the Facilities Leased Property is to remain in the City, subject to the 2015A Facilities Lease, the 2015A Lease and any other Permitted Encumbrances. Except for personal property purchased by the City at its own expense, a leasehold interest in the Leased Property including any and all additions, modifications and replacements is in the name of the Trust until the Trustee has exercised Lease Remedies or until the Trust's leasehold interest in the Leased Property is released as provided in the 2015A Lease notwithstanding (a) the occurrence of an Event of Nonappropriation; (b) the occurrence of any Event of Lease Default; (c) the occurrence of any event of damage, destruction or condemnation, or any construction, manufacturing or design defect or title defect; or (d) the violation by the Trust of any provision of the 2015A Lease.

Maintenance of Leased Property. Subject to its right to not appropriate and as otherwise provided in the 2015A Lease, the City must, at all times during the Lease Term (a) 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, and (b) from time to time make or cause to be made all necessary and proper repairs, including replacements, if necessary. Neither the Trust nor the Trustee has any maintenance responsibility or any responsibility for making any additions, modifications or replacements to the Leased Property.

Modification of the Leased Property; Installation of Furnishings and Machinery of the City. The City is permitted to make substitutions, additions, modifications and improvements to the Leased Property, at its own cost and expense. Any such substitutions, additions, modifications and improvements to the Leased Property are subject to the leasehold interest of the Trust, subject to the provisions of the 2015A Facilities Lease and the 2015A Lease and are to be included under the terms of the 2015A Facilities Lease and the 2015A Lease. Such substitutions, additions, modifications and improvements may not

damage the Leased Property or cause the Leased Property to be used for purposes other than lawful governmental or proprietary functions of the City (except to the extent of permitted subleasing). The Leased Property, as improved or altered, is required to be of a value not less than the value of the Leased Property immediately prior to such making of substitutions, additions, modifications and improvements.

The City may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Leased Property. All such machinery, equipment and other tangible property remains the sole property of the City in which neither the Trust nor the Trustee has any interests. However, a leasehold ownership interest in any such machinery, equipment, and other tangible property which becomes permanently affixed to the Leased Property is required to be in the Trust, subject to the 2015A Facilities Lease, and is required to be included under the terms of the 2015A Lease and the 2015A Facilities Lease, if the Trustee reasonably determines that the Leased Property would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Insurance. The City is required, at no expense to the Trust, to cause property insurance to be carried and maintained, or, at the City's option, to self-insure with respect to the Leased Property in an amount equal to (a) the Lease Balance or (b) the estimated replacement cost of the Leased Property, whichever is greater. The City may, in its discretion, insure the Leased Property under blanket insurance policies which insure not only the Leased Property, but other property as well, as long as the blanket insurance policies comply with the requirements of the 2015A Lease. Each property damage insurance policy required by the 2015A Lease is to be written or endorsed so as to show the Trust and the Trustee as loss payee.

The City is required, at its own expense, to cause commercial general liability insurance for the 2015A Lease to be carried and maintained or, at the City's option, may self-insure in connection with the use and possession of the Leased Property. Such coverage must be in amounts not less than the limits of liability per occurrence set by the Colorado Governmental Immunity Act, as amended, for claims to which the defense of sovereign immunity applies. The commercial general liability insurance required may be by blanket insurance policies. Any commercial general liability insurance policy must be written or endorsed to show the Trustee as an additional insured.

The City, at its own expense, must procure or cause worker's compensation insurance and the worker's compensation insurance to be maintained covering the City's employees working in or on the Leased Property. The City may self-insure worker's compensation insurance so long as such self-insurance (a) is approved by the Colorado Department of Labor's Division of Worker's Compensation and (b) the self-insurance fund is held in a trust fund created for this purpose. Such insurance, if issued by a private carrier, must contain a provision that such coverage may not be canceled without at least 30 days' prior written notice or, in the event of nonpayment of premiums, ten days' prior written notice, to the City and the Trustee. The worker's compensation insurance required by the 2015A Lease may be by blanket insurance policy or policies.

Each property and liability policy, other than worker's compensation, must contain a provision to the effect that the insurance company may not cancel the policy without at least 30 days' prior written notice or, in the event of nonpayment of premiums, ten days' prior written notice, to the City and the Trustee. If the City receives such notice of cancellation, it is to immediately notify the Trust and the Trustee.

In connection with the execution and delivery of the 2015A Lease, Trustee is to be provided with a title insurance policy in respect of the Leased Property under which the Trust's leasehold interest in the Leased Property is insured, in an aggregate amount no less than the original Lease Balance and subject only to Permitted Encumbrances.

Granting of Easements. As long as no Event of Nonappropriation or Event of Default has happened and is continuing, the Trustee, on behalf of the Trust, must, upon the request of the City (a) grant or enter into easements, permits, licenses, party wall and other agreements, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements, permits, licenses, party wall and other agreements with respect to the Leased Property (whether such rights are in the nature of surface rights, sub-surface rights or air space rights), free from the 2015A Lease and any security interest or other encumbrance created hereunder; (b) release existing easements, permits, licenses, party wall and other agreements, rights-of-way, and other rights and privileges with respect to the Leased Property, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to grant or release any such easement, permit, license, party wall or other agreement, right-of-way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant, agreement or release and (ii) in the case of the Fire Stations Component, a written application signed by the Executive Director of Safety or the Fire Chief and, if applicable, the Executive Director of Public Works, and, in the case of the Library Component, a written application signed by the City Librarian and, if applicable, the Executive Director of Public Works, in each case requesting such grant, agreement or release and stating that such grant, agreement or release will not impair the effective use or interfere with the operation of the applicable Component of the Leased Property.

Damage, Destruction and Condemnation. If, (a) all or any Components of the Leased Property is destroyed (in whole or in part), or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of all Components or any Component of the Leased Property or the estate of the City or the Trust in the Leased Property is taken by eminent domain by any governmental body or by any person, firm or entity acting under governmental authority, (c) a breach of warranty or a material defect in the construction, manufacture or design of all Components or any Component of the Leased Property becomes apparent; or (d) title to or the use of all Components or any Component of the Leased Property is lost by reason of a defect in title thereto, then the City is obligated to continue to pay the amounts budgeted and appropriated for Base Rentals and Additional Rentals, subject to the City's right not to appropriate such funds.

The City and the Trustee, to the extent Net Proceeds are within their respective control and are related to the Leased Property, are required to deposit the Net Proceeds in a separate trust fund. All Net Proceeds so deposited are to be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the Trustee or the City upon receipt of requisitions acceptable to the Trustee signed by (i) in the case of the Fire Stations Component, the Executive Director of Safety or the Fire Chief and, if applicable, the Executive Director of Public Works, and (ii) in the case of the Library Component, the City Librarian and, if applicable, the Executive Director of Public Works.

The balance of any Net Proceeds remaining after such repair, restoration, modification, improvement or replacement has been completed are to be used by the City to (a) add to, modify or alter the Leased Property or (b) prepay Base Rentals with a corresponding adjustment in the amount of Base Rentals payable under the 2015A Lease, or (c) accomplish a combination of (a) and (b). Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds is the property of the Trust, subject to the 2015A Lease, and is to be included as part of the Leased Property under the 2015A Lease.

If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property required by the 2015A Lease, the City may elect to:

(a) complete the work or replace such Leased Property (or portion thereof) with similar property of a value equal to or in excess of such portion of the Leased Property and pay as Additional Rentals, to the extent amounts for Additional Rentals which have been specifically appropriated by the City are available for payment of such cost, any cost in excess of the amount of the Net Proceeds, and the City agrees that, if by reason of any such insufficiency of such Net Proceeds, the City will make any payments pursuant to the provisions of this paragraph, the City will not be entitled to any reimbursement therefor from the Trust or the Trustee, nor will the City be entitled to any diminution of the Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the City for such purpose, payable under the 2015A Lease; or

(b) apply the Net Proceeds to the payment of the Purchase Option Price in respect of the related Component of the Leased Property in accordance with the 2015A Lease, or an appropriate portion thereof. In the event of an insufficiency of the Net Proceeds for such purpose, the City must, subject to the limitations of the 2015A Lease, pay such amounts as may be necessary to equal that portion of the Purchase Option Price which is attributable to the Component of the Leased Property for which such Net Proceeds have been received (as certified to the Trustee by the City); and in the event such Net Proceeds shall exceed such portion of the Purchase Option Price, such excess must be used as directed by the City in the same manner as set forth in the 2015A Lease; or

(c) if the City does not timely budget and appropriate sufficient funds to proceed under either (a) or (b) above, an Event of Nonappropriation will be deemed to have occurred and, subject to the City's right to cure, the Trustee may pursue remedies available to it following an Event of Nonappropriation.

Purchase Option. The City has the option to purchase the Trust's leasehold interest in all Components of the Leased Property or any Component of the Leased Property, separately, but only if (a) an Event of Lease Default or an Event of Nonappropriation has not occurred and is not continuing and (b) in respect of the Fire Stations Component, the City has purchased the leasehold interest of the Trust in the Library Component of the Leased Property on or before the date on which the purchase by the City of the Fire Stations Component of the Leased Property is effective. The City may exercise its options on any date by complying with one of the conditions set forth in the 2015A Lease. The City is required to give the Trustee notice of its intention to exercise its options not less than 35 days in advance of the date of exercise and to deposit the related Purchase Option Price with the Trustee on or before the selected Purchase Option Date. If the City exercises its option to purchase the Trust's leasehold interest in any Component of the Leased Property, any amount then on hand in the Base Rentals Fund, and allocable to the Component to be purchased, must to be applied toward the payment of the applicable Purchase Option Price to be paid by the City. If the City has given notice to the Trustee of its intention to purchase the Trust's leasehold interest in any Component of the Leased Property, but has not deposited the amounts with the Trustee on the date specified in such notice, the City is required to continue to pay Base Rentals which have been specifically appropriated by the City for such purpose as if no such notice had been given.

Assignment, Subleasing and Tax-Exempt Permitted Use Arrangements by the City. The 2015A Lease may not be assigned by the City for any reason other than to a successor by operation of law. However, the Leased Property may (1) subject to one or more Tax-Exempt Permitted Use Arrangements, in whole, or (2) be subleased, as a whole or in part, by the City, without the necessity of obtaining the consent of the Trust, the Trustee or any of the Owners of the Series 2015A Certificates, subject to each of the following conditions: (a) the Leased Property may be subleased, in whole or in part, only to an agency, department or political subdivision of the State or, with Approval of Special Counsel, to another entity or entities; (b) the 2015A Lease and the obligations of the City thereunder, at all times during the Lease Term,

remain obligations of the City and the City maintains its direct relationships with the Trust and the Trustee, notwithstanding any sublease; and (c) the City furnishes or causes to be furnished to the Trustee a copy of any sublease agreement.

Events of Lease Default. Any one of the following is an “Event of Lease Default” under the 2015A Lease:

(a) failure by the City to pay any Base Rentals or Additional Rentals, which have been specifically appropriated by the City for such purpose, during the Initial Term or any Renewal Term, within five Business Days of the date on which they are due; or

(b) subject to the holdover tenant provisions of the 2015A Lease, failure by the City to vacate or surrender possession of the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation has occurred; or

(c) failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the 2015A Lease, other than as referred to in (a) or (b), for a period of 45 days after written notice, specifying such failure and requesting that it be remedied is received by the City from the Trustee, unless the Trustee agrees in writing to an extension of such time prior to its expiration; however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not withhold its consent to an extension of such time if, in the Trustee’s reasonable judgment, corrective action can be instituted by the City within the applicable period and diligently pursued until the default is corrected.

(d) failure by the City to comply with the terms of the 2015A Facilities Lease.

The foregoing provisions of the 2015A Lease are subject to the following limitations: (a) the City is obligated to pay the Base Rentals and Additional Rentals, which have been specifically appropriated by the City for such purpose, only during the Lease Term, except as otherwise expressly provided in the 2015A Lease; and (b) if, by reason of *Force Majeure*, the City or the Trust is unable in whole or in part to carry out any agreement on their respective parts contained in the 2015A Lease other than the City’s agreement to pay the Base Rentals and Additional Rentals due under the 2015A Lease, the City or the Trust will not be deemed in default during the continuance of such inability. The City and the Trust each agree, however, to remedy, as promptly as legally and reasonably possible, the causes preventing the City or the Trust, as the case may be, from carrying out their respective agreements; provided that the settlement of strikes, lockouts and other industrial disturbances are entirely within the discretion of the City.

Remedies on Default. Whenever any Event of Lease Default has happened and is continuing beyond any applicable cure period, the Trustee, on behalf of the Trust, may, without any further demand or notice, take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the City to vacate and surrender possession of the Leased Property which vacation and surrender the City agrees to complete within 60 days from the date of such notice;

(b) sell, trade-in, repossess or liquidate the Trust’s leasehold interest in the Leased Property or any part thereof in any lawful manner;

(c) lease or sublease the Leased Property or sell an assignment of the Trust’s leasehold interest in the Leased Property;

(d) recover from the City: (1) the portion of Base Rentals and Additional Rentals for which a specific Appropriation has been effected by the City for such purpose, which would otherwise have been payable under the 2015A Lease, during any period in which the City continues to occupy, use or possess the Leased Property; and (2) Base Rentals and Additional Rentals which have been specifically appropriated by the City for such purpose, which would otherwise have been payable by the City under the 2015A Lease during the remainder, after the City vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or

(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 the 2015A Lease and the 2015A Indenture.

Limitations on Remedies; No Remedy Exclusive. A judgment requiring a payment of money may be entered against the City by reason of an Event of Lease Default only as to the City's liabilities for Base Rentals and Additional Rentals which have been specifically appropriated by the City for such purpose. A judgment requiring a payment of money may be entered against the City by reason of an Event of Nonappropriation only to the extent that the City fails to vacate and surrender possession of the Leased Property as required by the 2015A Lease, and only for Base Rentals and Additional Rentals for the period of such failure.

No remedy conferred upon or reserved to the Trustee on behalf of the Trust is exclusive and every remedy is cumulative and in addition to every other remedy given under the 2015A Lease or existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or is to 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.

The 2015A Indenture

Certain Funds Created under the 2015A Indenture. The 2015A Indenture provides for the establishment of a Base Rentals Fund, a Costs of Execution and Delivery Fund, a Rebate Fund and a Leasehold Consideration Fund. Any income from the investment of these funds is to be applied by the Trustee as provided in the 2015A Indenture.

Additional Certificates. So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the 2015A Indenture.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Series 2015A Certificates to provide moneys to pay: (a) the costs of making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property; or (b) for the purpose of refunding or refinancing all or any portion of Outstanding Series 2015A Certificates. In such case, the Costs of Execution and Delivery of the Additional Certificates, deposits to a related reserve fund or account, if any, and other costs reasonably related to the purposes for which Additional Certificates are being executed and delivered may be included as agreed by the Trustee, on behalf of the Trust.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee: (a) originally executed counterparts of the related supplemental 2015A Indenture and amendment

to the 2015A Lease; (b) a written opinion of Special Counsel, acceptable to the Trustee, to the effect that: (i) the execution and delivery of Additional Certificates have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled; (ii) the exclusion of interest from gross income for federal income tax purposes on Outstanding Series 2015A Certificates, including, if applicable, any Additional Certificates theretofore executed and delivered, will not be adversely affected by the execution and delivery of the Additional Certificates being executed and delivered; and (iii) the sale, execution and delivery of the Additional Certificates, in and of themselves, will not constitute an Event of Indenture Default or an Event of Lease Default nor cause any violation of the covenants or representations in the 2015A Indenture or in the 2015A Lease; (c) written directions from the underwriter or placement agent with respect of the Additional Certificates, together with written acknowledgment of the City, to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered pursuant to the 2015A Indenture must evidence a proportionate interest in the assignment of the rights to receive the Revenues under the 2015A Indenture and is to be ratably secured with all Outstanding Certificates and in respect of all Revenues is to be ranked *pari passu* with such Outstanding Series 2015A Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

Application of Revenues and Other Moneys. The Base Rentals payable under the 2015A Lease and other Revenues are to be paid directly to the Trustee. The Trustee must deposit all Revenues and other payments received on account of the 2015A Lease immediately upon receipt thereof, to the Series 2015A Certificates Account in the Base Rentals Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Series 2015A Certificates on the next Interest Payment Date.

Events of Indenture Default. Each of the following events is an Event of Indenture Default under the 2015A Indenture:

- (a) the occurrence of an Event of Nonappropriation; or
- (b) the occurrence of an Event of Lease Default.

Upon the occurrence of any Event of Indenture Default, the Trustee must give notice thereof to the Owners of the Series 2015A Certificates. The Trustee may waive any Event of Nonappropriation as described under “The 2015A Lease – *Nonappropriation*” above.

Remedies. If any Event of Indenture Default occurs and is continuing, the Trustee may enforce for the benefit of the Owners of the Certificates each and every right of the Trust as the owner of the Leased Property and as the lessor under the 2015A Lease. In exercising such rights of the Trust and the rights given the Trustee under the 2015A Indenture, the Trustee may take such action as, in its judgment, would best serve the interests of the Owners of the Certificates, including calling the Certificates for extraordinary mandatory redemption prior to their maturity in the manner and subject to the provisions of the 2015A Indenture and exercising the Lease Remedies provided in the 2015A Lease.

If any Event of Indenture Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Outstanding Certificates and receipt of indemnity to its satisfaction, is required to, in its own name and in the name of the Trust: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners of the Certificates, including enforcing any rights of the Trust as owner of a leasehold interest in

the Leased Property and as lessor under the 2015A Lease and the 2015A Indenture and to enforce the provisions of the 2015A Indenture and any collateral rights thereunder for the benefit of the Owners of the Certificates; or (b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Certificates.

Except as otherwise provided in the 2015A Indenture, the Owners of a majority in aggregate principal amount of the Certificates have the right, after furnishing indemnity acceptable to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction does not conflict with any rule or law or with the 2015A Indenture or unduly prejudice the rights of minority Owners of Certificates.

No Owner of Certificates has any right to pursue any remedy unless: (a) the Trustee has been given written notice of an Event of Indenture Default; (b) the Owners of at least a majority in aggregate principal amount of all Outstanding Certificates have requested the Trustee, in writing, to exercise the powers granted to the Trustee or pursue such remedy in its or their name or names; (c) the Trustee has been offered indemnity acceptable to it against costs, expenses and liabilities; and (d) the Trustee has failed to comply with such request within a reasonable time.

Application of Moneys in Event of Indenture Default. Notwithstanding anything in the 2015A Indenture to the contrary, any moneys received, collected or held by the Trustee as a result of action taken to remedy an Event of Indenture Default, and any other moneys held as part of the Trust Estate, are to be applied in the following order:

(a) To the costs, fees, liabilities and advances of the Trustee, including but not limited to counsel fees and expenses, and disbursements of the Trustee with interest thereon at the prime rate then in effect with the Trustee, and the payment of its reasonable compensation, including any amounts remaining unpaid;

(b) To the payment of costs and expenses of the Trust, including but not limited to counsel fees, incurred in connection with the Event of Indenture Default;

(c) To the payment of interest then owing on the Certificates, and in case such moneys are insufficient to pay the same in full, then to the payment of interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and

(d) To the payment of principal or redemption price (as the case may be) then owing on the Certificates, and in case such moneys are insufficient to pay the same in full, then to the payment of principal or redemption price ratably, without preference or priority of one Certificate over another;

The surplus, if any, is to be paid to the City.

Certain Duties of the Trustee. The Trustee is required, within 30 days after it receives written notice of the occurrence thereof, to give written notice by first-class mail to the Owners of the Certificates of all Events of Indenture Default known to the Trustee and send a copy of such notice to the City, unless such defaults have been remedied. The Trustee is not required to take notice of or be deemed to have notice of any Event of Indenture Default unless it has actual knowledge thereof or has been notified in writing of such default by the Owners of at least 25% in principal amount of the Outstanding Certificates. The Trustee may, however, at any time request the City to provide full information as to the performance of any covenant

under the 2015A Lease; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into any matter related to the 2015A Lease and the Leased Property.

If any Event of Default has occurred and is continuing, the Trustee is required to exercise such of the rights and powers vested in it by the 2015A Indenture and is to use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of its own affairs in exercising any rights or remedies or performing any of its duties under the 2015A Indenture, provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it is not obligated to take such action unless it is furnished with indemnity satisfactory to it.

Resignation or Removal of Trustee. The Trustee may resign and be discharged of the trusts created by the 2015A Indenture by written resignation filed with the Chief Financial Officer not less than 60 days before the date when it is to take effect, provided that such notice of such resignation is required to be mailed to each Owner of each Outstanding Certificate. Such resignation takes effect only upon the appointment of and acceptance by a successor trustee.

The Trustee may be removed at any time, after payment of all outstanding fees and expenses of the Trustee being so removed, by an instrument appointing a successor to the Trustee, executed by the Owners of a majority in principal amount of the Certificates then Outstanding and filed with the Trustee and the City. Such removal takes effect only upon the appointment of and acceptance by a successor Trustee.

The Trustee. The Trustee is liable only for its own negligence or willful misconduct, but is not liable for any error of judgment made in good faith so long as the Trustee was not negligent in ascertaining the pertinent facts. The Trustee may exercise any powers under the 2015A Indenture and perform any duties required of it through attorneys, agents, officers, receivers or employees, and is entitled to the advice or opinion of counsel concerning all matters involving the Trust and the Trustee's duties under the 2015A Indenture.

The Trustee is to be indemnified and held harmless by the Owners from and against any and all liabilities or notifications of potential liability, penalties, fines, forfeitures, demands, claims, causes of action, suits, costs and expenses, including the cost of defense and settlement, and other reasonable attorneys' fees relating to the 2015A Lease, the Leased Property and the 2015A Indenture (collectively, the "liability"), including, but not limited to, such liability as may arise or be claimed to arise because of any action taken by the Trustee under certain provisions of, or any action or inaction taken by the Trustee under, the 2015A Indenture, the 2015A Lease or otherwise in connection with the Series 2015A Certificates or such liability as may arise under any federal, state or local laws and regulations. Such indemnification applies regardless of the fault or negligence of the Trustee in acquiring, holding or managing the Leased Property constituting any portion of the Trust Estate, but does not extend to any liability which arises out of any grossly negligent or reckless act or omission of the Trustee. Payment by the Trust of amounts due under this indemnification shall be an expense of the Trust Estate.

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 the 2015A Indenture or of the Series 2015A Certificates. The Trustee is not accountable for the use or application of any Series 2015A Certificates or the proceeds thereof by the Owner thereof, or of any money paid to or upon the order of the City under any provision of the 2015A Lease.

The Trustee is not required to give any bond or surety in respect to the execution of its trusts and powers under the 2015A Indenture or otherwise with respect to the Leased Property.

Supplemental Indentures. The Trustee may, with the written consent of the City, but without the consent of, or notice to, the Owners, enter into such indentures or agreements supplemental to the 2015A Indenture for any one or more or all of the following purposes: (a) to grant additional powers or rights to the Trustee; (b) to make any amendments necessary or desirable to obtain or maintain a rating from any rating agency rating the Certificates; (c) to authorize the execution and delivery of Additional Certificates pursuant to the terms of the 2015A Indenture; (d) to preserve or protect the excludability from gross income for federal income tax purposes of interest evidenced and represented by the Certificates; or (e) for any purpose not inconsistent with the terms of the 2015A Indenture or to cure any ambiguity or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision contained in the 2015A Indenture, or to make such other provisions in regard to matters arising under the 2015A Indenture which are not inconsistent with the provisions of the 2015A Indenture and which do not adversely affect the interests of the Owners of the Certificates.

With respect to matters other than those described in the paragraph immediately above, the 2015A Indenture may be amended by a supplemental indenture approved by the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding, except with respect to (1) the principal or interest payable upon any Outstanding Certificates, (2) the Interest Payment Dates, the dates of maturity or the redemption provisions of any Outstanding Certificates, and (3) provisions of the 2015A Indenture whereby the 2015A Indenture or the 2015A Lease may be supplemented or amended.

Amendment of 2015A Lease. The Trustee and the City have the right to amend the 2015A Lease, without the consent of the Certificate Owners for one or more of the following purposes: (a) to add covenants of the Trust or the City or to grant additional powers or rights to the Trustee; (b) to make any amendments necessary or desirable to obtain or maintain a rating from any rating agency of the Certificates; (c) in order to more precisely identify the Components of the Leased Property, including any substitutions, additions or modifications to the Leased Property as may be authorized under the 2015A Lease; (d) to make additions to Leased Property, amend the schedule of Base Rentals and make all other amendments necessary for the execution and delivery of Additional Certificates in accordance with the 2015A Indenture; (e) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals and, in turn, interest evidenced and represented by the Certificates, or (f) for any purpose not inconsistent with the terms of the 2015A Indenture or cure any ambiguity or to correct or supplement any provision contained in the 2015A Indenture which may be defective or inconsistent with any other provision contained therein or in the 2015A Lease, or to make such other provisions in regard to matters or questions arising under the 2015A Lease which are not inconsistent with the existing provisions thereof and which do not adversely affect the interests of the Owners of the Series 2015A Certificates.

If the Trustee or the City proposes to amend the 2015A Lease in such a way as would adversely affect the interests of the Owners of the Certificates, the Trustee must notify the Owners of the Certificates of the proposed amendment and may consent thereto only with the consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates. However, the Trustee may not, without the unanimous consent of the Owners of all Certificates, consent to any amendment which would (1) decrease the amounts payable in respect of the 2015A Lease, or (2) change the Base Rentals Payment Dates or (3) change any of the prepayment provisions of the 2015A Lease.

Defeasance. When the principal or redemption price (as the case may be) of, and interest on, all of the Certificates executed and delivered under the 2015A Indenture have been paid or provision has been made for payment of the same, together with the compensation of the Trustee and all other sums payable under the 2015A Indenture relating to such Certificates, the right, title and interest of the Trustee ceases and the Trustee, on direction of the City, must (1) release the 2015A Indenture and the 2015A Lease, (2)

execute such documents to evidence such releases as may be reasonably required by the City, (3) if the City has satisfied all of its obligations under the 2015A Lease, release the leasehold interest of the Trust in the Leased Property to the City as provided in the 2015A Lease, (4) turn over to the City all balances then held by the Trustee in the Funds or Accounts except for amounts held in the Rebate Fund, and (5) the Trust must be terminated, subject to the survival of any rights of the Trustee to be held harmless, or to insurance proceeds or other amounts due. If payment or provision therefor is made with respect to less than all of the Certificates, the particular Certificates (or portion thereof) for which provision for payment is to be considered made are to be selected by lot by the Trustee or in such equitable manner as the Trustee may determine.

Provision for the payment of the Certificates is deemed to have been made when the Trustee holds in the Base Rentals Fund (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Federal Securities) in an amount sufficient to make all payments specified above, or (2) Federal Securities maturing on or before the date or dates when the payments with respect to the Certificates become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (3) any combination of such cash and such Federal Securities the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all such payments.

Unclaimed Money to be Returned. So long as the Trust and the City are not in default with respect to the terms and conditions contained in the 2015A Indenture, the Certificates or the 2015A Lease, any moneys deposited with the Trustee to be used for the payment of principal, premium (if any), or interest on the Certificates and remaining unclaimed by the Owners of the Certificates for a period of four years after the final due date of any Certificate, whether the final date of maturity or the final redemption date, subject to any escheat laws will, upon the written request of the City, be paid to the City, without liability for interest thereon, and such Owners may thereafter look only to the City for payment and then only (a) to the extent of the amounts so received by the City from the Trustee without interest thereon, (b) subject to the defense of any applicable statute of limitations and (c) subject to the City's appropriation of such payment. After payment by the Trustee of all of the foregoing, if any moneys are then remaining under the 2015A Indenture, the Trustee is to pay such moneys to the City as an overpayment of Base Rentals.

APPENDIX C

THE CITY

APPENDIX C

THE CITY

This Appendix provides information concerning the City and County of Denver, Colorado (the “City”), as Lessee under the 2015A Lease.

General Information

The City and County of Denver is located on the front range of the Rocky Mountains in the north-central part of the State of Colorado. Denver is the capital of the State and is the service, retail, financial, transportation and distribution center of the Rocky Mountain region. Over 3 million people, representing more than half of the population of the State, currently reside in the Denver metropolitan area, of which approximately 662,670 reside in the City limits.

Organization

The City was originally incorporated by a special act passed at the first session of the Legislative Assembly of the Territory of Colorado, adopted and approved on November 7, 1861. The State Constitution was adopted by the people of the State on March 14, 1876, and the Territory was admitted into the Union as a State by proclamation of President Grant on August 1, 1876. Article XX was added to the State Constitution at the State’s general election in November 1902. The City was reorganized as the consolidated municipal government known as the City and County of Denver and exists as a “home-rule” city under the City Charter adopted by the qualified electors of the City on March 29, 1904, as amended from time to time. The City is a single governmental entity performing both municipal and county functions.

Government

The City Charter establishes a “strong-mayor” form of government. The Mayor of the City is the chief executive, exercising all administrative and executive powers granted to the City, except as otherwise delegated by the City Charter. The Mayor is elected every four years and is limited to three consecutive terms. The legislative powers of the City are vested in the City Council, except as otherwise provided in the City Charter. The City Council consists of thirteen members, two of whom are elected on an at-large basis and eleven of whom are elected from districts, all for four-year terms with a three consecutive-term limit. Seven members constitute a quorum, and the vote of seven members is necessary to adopt any ordinance or resolution. Ordinances passed by the City Council are subject to a qualified veto by the Mayor (except certain ordinances concerning charter amendments or conventions). The Mayor’s veto may be overridden by the vote of nine City Council members.

The elected officials of the City, all of whose current terms expire in July, 2015, are as follows:

Michael B. Hancock	Mayor
Dennis J. Gallagher*	Auditor
Albus Brooks	Councilmember — District 8
Charlie Brown*	Councilmember — District 6
Jeanne Faatz*	Councilmember — District 2
Christopher Herndon	Councilmember and President — District 11
Robin Kneich	Councilmember — At-Large
Peggy Lehmann*	Councilmember — District 4
Paul D. López	Councilmember — District 3

Judy H. Montero*	Councilmember — District 9
Chris Nevitt*	Councilmember — District 7
Deborah Ortega	Councilmember — At-Large
Jeanne Robb*	Councilmember — District 10
Susan K. Shepherd	Councilmember — District 1
Mary Beth Susman	Councilmember — District 5
Debra Johnson	Clerk and Recorder

* Term-limited; not eligible for re-election.

The next City election will be held on May 5, 2015 and elected officials will take office on July 20, 2015.

The City Auditor is responsible for internal audits of the City and, with the Audit Committee, oversees the audit of the City’s Comprehensive Annual Financial Report (CAFR). The Auditor is elected every four years and is limited to three consecutive terms. Powers to conduct financial and performance audits are carried out by the City Auditor in that office’s audit capacity. The current City Auditor is Dennis J. Gallagher, who is term-limited as described above.

The Clerk and Recorder is responsible for performing all the duties of the City Clerk as provided for in the City Charter and City ordinances, as well as the duties of the Public Trustee and the County Clerk and Recorder provided by the State Constitution and statutes, with the exception of those relating to the registration of motor vehicles. The Clerk and Recorder also has oversight of the Election Division. The Clerk and Recorder is elected every four years and is limited to three consecutive terms. The current Clerk and Recorder is Debra Johnson.

The Chief Financial Officer serves on the Mayor’s cabinet and is responsible for the management of the City’s debt and financial obligations and the appointment of the Manager of Cash, Risk & Capital Funding, Controller, Treasurer, Budget Manager and Assessor. Responsibilities for issuance of payments, payroll and other general accounting functions are performed by the Department of Finance. The current Chief Financial Officer is Cary Kennedy.

In May 2011, the City held its municipal election and Michael B. Hancock was elected Mayor. The current appointed members of the Mayor’s cabinet are the following individuals:

Cary Kennedy	Deputy Mayor, Chief Financial Officer, as the Manager of Finance/ <i>Ex-Officio</i> Treasurer
Adrienne Benavidez	Executive Director of the Department of General Services
Lauri Dannemiller	Executive Director of the Department of Parks and Recreation
Kim Day	Executive Director of the Department of Aviation
Jose Cornejo	Executive Director of the Department of Public Works
Doug Linkhart	Executive Director of the Department of Environmental Health
Stephanie O’Malley	Executive Director of the Department of Safety
Penny May	Executive Director of the Department of Human Services
Brad Buchanan	Executive Director of Community Planning and Development
D. Scott Martinez, Esq.	City Attorney

In addition to the members of the cabinet, other advisers include Chief of Staff Janice Sinden and Deputy Chief of Staff Evan Dreyer.

The City Charter provides that a vacancy in the office of Mayor is to be filled by a special election except that, if the vacancy occurs within the final six months of a term of office, the acting Mayor, determined as described in this paragraph, is to discharge the duties of the Mayor for the unexpired portion of the term. Prior to the special election or for the remainder of the unexpired portion of the term, in the event a vacancy occurs in the office of Mayor, the City Charter provides for succession to such office by the Deputy Mayor, who is to resign and become Mayor. If the Deputy Mayor refuses or is unable to serve as Mayor, the President of the City Council is to resign as President and become Mayor. If the President of the Council refuses or is unable to serve as Mayor, the City Council is to elect one of their members to fulfill the duties of the Mayor.

FINANCIAL INFORMATION CONCERNING THE CITY

Budget Policy

The City Charter establishes a fiscal year for the City that begins on January 1 and ends on December 31 (the “Fiscal Year”). Before the third Monday in October of each Fiscal Year, the Mayor submits an operating and capital budget for the ensuing Fiscal Year to the City Council for its approval. The City Council may accept the budget with a majority vote or may vote to override all or any part of the Mayor’s budget with a two-thirds majority vote. After the budget is approved (no later than the second Monday in November), the Mayor is empowered to administer the operating and capital budget for the next Fiscal Year. If the City Council fails to adopt a budget by the required date, the proposed budget, together with any amendments approved by the City Council, becomes the official budget.

The budget proposed by the Mayor may not include expenditures in excess of estimated opening balances and anticipated revenues. In addition, the General Fund budget is required by the City Charter to include a year-end closing balance, which can only be expended upon a two-thirds majority vote of the City Council during that Fiscal Year, but may be considered income for the ensuing Fiscal Year. The annual budget includes a Contingency Reserve of no less than 2% of total estimated expenditures. In addition, an Emergency Reserve equal to 3% of fiscal year spending excluding debt service is required by State constitutional provisions (TABOR Reserve) to be included in the budget. In March 2014, the City Council approved fulfilling the TABOR Reserve requirement by pledging real property in lieu of cash. This reserve may only be applied for emergency purposes as specified in the Colorado Constitution. By Department of Finance policy, the General Fund targeted reserve is 15%, and should not be drawn below 10%.

The City administration utilizes multi-year planning and forecasting methods for General Fund budgeting and for capital projects planning.

General Fund

The General Fund is the principal operating fund of the City. Information contained in this section has been drawn from the annual financial reports of the City, the General Fund budget for the years 2014 and 2015, and information prepared by the Department of Finance.

Major Revenue Sources. Two major revenue sources for the City’s General Fund are sales and use taxes and the City’s property tax. Other revenue sources include intergovernmental revenues, charges for services, franchise fees and other taxes.

The general sales tax, at the end of December 31, 2014, was a fixed-rate (3.62%) tax imposed on the sale of all tangible personal property not specifically exempted and on certain services. Included in the sales tax rate is 0.12% authorized by voters to fund increased access to and quality of preschool programs for City residents. The revenue from this increase is only available for such purpose, and cannot be used for General Fund purposes. The general sales tax and the preschool tax are charged on all medical marijuana sales but retail recreational marijuana sales are charged an additional 3.5% tax which is deposited in the general fund for expenditures authorized in the Denver Revised Municipal Code §53-86. The general use tax, at the end of December 31, 2014, was a fixed-rate (3.62%) tax imposed on the storage, use and consumption of tangible personal property not specifically exempted. The City's voters approved a ballot measure on the November 2014 ballot for the extension of the 0.12% preschool sales and use tax through December 31, 2026, and increasing the rate by 0.03% to 0.15%. The revenue from this increase is only available for the described purpose. In practice, sales and use taxes are accounted for on a combined basis.

Property taxes are levied on all real property, personal property and public utilities within the City, except for certain property that has been specifically exempted in whole or in part. General categories of exempt property include property used for religious or charitable purposes and property owned by governmental entities.

Additional amounts collected by the City and accounted for in the General Fund include the lodgers' tax, prepared food and beverage tax, short-term auto rental tax, the automobile ownership tax, occupational privilege taxes ("OPT" or "Head Tax"), franchise fees and the telecommunications business tax. A portion of the lodgers', short term auto rental and prepared food and beverage taxes are pledged to debt service on excise tax revenue bonds of the City. OPT is also pledged to debt service on excise tax revenue bonds of the City.

Franchise fees include the utility franchise fees imposed upon Xcel Energy for its franchise to serve customers in the City and the franchise fee imposed on Comcast for operation of its cable television franchise within the City. The telecommunications business tax is imposed on providers of local exchange telecommunication service based upon the number of local service lines.

Charges for services are another major revenue source for the City's General Fund. General Fund agencies bill individuals, businesses and other City funds for various services, supplies and materials. Charges vary depending upon cost and are assessed to the individual or entity benefiting from the provision of a specific service, supply or material.

Intergovernmental revenues received by the City include State grants and other revenues. Various highway taxes and fees collected by the State are shared with local governments including the City. As of the date of this Preliminary Official Statement, a portion of the State-imposed cigarette tax and wholesale marijuana tax is also shared with the City and included in intergovernmental revenues.

Major Expenditure Categories. The General Fund accounts for all expenditures normally associated with basic municipal functions. Expenditures under the General Fund include General Government, Public Safety, Public Works, Health, Parks and Recreation, and Cultural Activities. The largest portion of the 2014 appropriated expenditure Budget (46.9%) was allocated to Public Safety, which is primarily responsible for administering police, fire and the sheriff's departments' services. For the 2015 adopted Budget, Public Safety represents 42.6% of the General Fund.

Management Discussion of Recent Financial Results

Rather than relying on tax increases, the City maintains a policy of managing General Fund resources to the level of funds available by reallocating resources selectively to initiate new services,

eliminating cash deficits in other funds and targeting year-end unrestricted General Fund balances equal to 15% of estimated expenditures.

2010. Sales and use tax collections for 2010 were 5.7% higher than 2009. Additionally, the City contributed a one-time use of excess fire pension mill levy funds in an amount of \$18 million to the General Fund. The fire pension mill levy funds are typically used to pay for the City's contribution towards the Old and New Hire Fire Pension Plans and the unfunded liability that exists for the Old Hire Pension Plan. There was no required contribution towards the unfunded liability on the Old Hire Fire Pension Plan in 2010, allowing these funds to be spent on General Fund fire operating costs. See "RETIREMENT PLANS." With this contribution, total General Fund revenues increased by 6.9% over 2009. With respect to expenditures, City departments saved over \$30 million from the original 2010 budget. This was done through both permanent savings such as reducing positions, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible.

2011. 2011 General Fund revenue collections of sales tax was 4.6% higher than 2010 due primarily to tax audit revenues being collected in 2011 rather than 2012 because of a one-time sales tax amnesty program . This early collection accounts for \$18.6 million or 3.1% of the 4.6% General Fund revenue growth rate. With respect to expenditures, City departments saved over \$14 million from the original 2011 budget. This was done through both permanent savings such as reducing positions, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, grew 2.9% from 2010.

2012. 2012 General Fund revenue collections of sales tax were 7.4% higher than 2011 due primarily to strong economic performance in retail sales. Total 2012 revenues performed 3.5% over 2011. With respect to expenditures, City departments saved \$8 million from the original 2012 budget. This in-year savings was achieved by holding positions vacant, five employee furlough days, and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, grew 6.3% from 2011.

2013. 2013 General Fund core revenue collections of sales and use tax, which do not include audit revenues, were 7.5% higher than 2012 primarily as a result of a recovering economy following the economic downturn. Including audit revenues, total sales and use tax revenue collections for the General Fund were 9.2% higher than 2012. Total 2013 revenues performed 10.4% over 2012. With respect to expenditures, City departments saved over \$17 million from the original 2013 budget, adjusted for the passage of ballot measure 2A in November 2012. See "GENERAL FUND – Major Revenue Sources." This was due to expected unspent appropriations, in large part by achieving savings measures put in place to respond to the recession, including compensation savings and equipment replacement deferrals. Total General Fund expenditures, including transfers out, increased by 5.1% from 2012, primarily driven by personnel cost increases and transfers to other funds.

2014 (Unaudited). 2014 core revenue collections of sales and use tax, which do not include audit revenues, were [11.7]% higher than 2013 primarily as a result of the continued robust recovery of the economy. Including audit revenues, total sales and use tax revenue collections for the General Fund were [12.7]% higher than 2013. Total 2014 revenues performed [8.6]% over 2013. With respect to expenditures, [.]%. Total General Fund expenditures, including transfers out, increased by [.]% from 2013, primarily driven by [.]%.

Management Discussion of 2015 Budget

2015 Budget. The 2015 Budget, adopted in November 2014, projected total General Fund revenue of \$1.164 billion in 2015, up 4.8% over the 2014 revised budget due primarily to strong sales and use tax collections attributed to the growing economy. Core sales and use tax revenues (minus audits) are projected to increase 5.6% in 2015. General Fund expenditures are projected to grow to \$1.214 billion in 2015, up by 13.3% over the 2014 revised budget, as base expenditures grow 6.6% with an additional \$63 million of non-permanent capital investments to address deferred infrastructure needs. Other high-priority investments include increasing sheriff staffing and reform efforts, new affordable and workforce housing, accelerated police and fire hiring, increases to parks maintenance staff, street repaving, and investments in recreation, after-school programs and child-care services for Denver youth. The 2015 Budget also includes \$47 million of capital and operating investments in the North Denver Cornerstone Collaborative (NDCC) project, which will begin the revitalization of Brighton Boulevard, continue the development of the River North park system, and allow the City to integrate the Colorado Department of Transportation reconstruction of Interstate 70. Although not part of the 2015 Budget, the City anticipates seeking City Council approval this summer to place a November 2015 ballot measure for voter authorization of excise tax revenue bonds to support the Colorado Convention Center and National Western Center projects. The City has been engaged in confidential discussions with Adams County, Colorado and various cities within Adams County regarding certain limitations on the development of property within the Denver International Airport area provided in the Intergovernmental Agreement on a New Airport dated April 21, 1988 (the “DIA IGA”). The DIA IGA provided for the annexation of the land for the Airport by the City of Denver from Adams County and addressed a variety of related matters. Any agreement that may be reached regarding the development of this property at the conclusion of these negotiations will be subject to the ordinary approval processes of the governmental entities involved and the City cannot predict the impact that the final results of these negotiations may have on the General Fund. Reserves are projected to continue to increase and the undesignated fund balance is anticipated to be 15.2% of projected expenditures, or \$185 million, by the end of 2015. For the Mayor’s complete 2015 Budget, visit www.denvergov.org/budget.

General Fund Financials

The following pages include Table 1, General Fund Balance Sheet; Table 2, Statement of Revenues, Expenditures and Changes in Fund Balance for 2010 through 2014 (unaudited); Table 3, General Fund Budget Summary in dollars; and Table 4, General Fund Budget Summary by percentage.

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Table 1

**CITY AND COUNTY OF DENVER
GENERAL FUND BALANCE SHEET
For the years ending December 31
(\$ in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Unaudited</u> <u>2014</u>
ASSETS					
Cash and cash equivalents	\$116,023	\$120,191	\$146,392	\$195,214	
Cash on hand	32	101	70	143	
Receivables (net of allowances for uncollectibles):					
Taxes	123,142	134,806	163,031	170,018	
Notes	1,652	641	480	2,804	
Accounts	18,931	20,187	21,140	20,109	
Accrued interest	646	1,135	1,030	1,440	
Due from other funds	2	150	-	-	
Interfund receivable	24,122	15,537	9,204	12,528	
Prepaid items and other assets	1,064	330	159	268	
Restricted assets:					
Cash and cash equivalents	19,952	42,528	45,283	48,203	
Assets held for disposition	-	11,436	11,436	11,436	
TOTAL ASSETS	<u>\$259,738</u>	<u>\$347,042</u>	<u>\$398,225</u>	<u>\$462,163</u>	
LIABILITIES					
Vouchers payable	\$13,097	\$16,362	\$16,719	\$17,037	
Accrued liabilities	25,683	26,622	30,200	32,423	
Due to other funds	31	65	111	274	
Interfund Payable	2,940	1,964	3,199	2,122	
Deferred revenue	82,757	87,701	121,104	122,972	
Compensated Absences	-	-	26	-	
Advances	151	18	18	-	
TOTAL LIABILITIES	<u>\$124,659</u>	<u>\$132,732</u>	<u>\$171,377</u>	<u>\$174,828</u>	
FUND BALANCE¹					
Reserved for prepaid items and other assets	-	-	-	-	
Undesignated	-	-	-	-	
Nonspendable	1,064	330	159	268	
Restricted	52,652	54,049	56,566	62,443	
Committed	-	12,039	15,084	23,594	
Unassigned	127,191	147,892	155,039	201,030	
TOTAL FUND BALANCE	<u>180,907</u>	<u>214,310</u>	<u>226,848</u>	<u>287,335</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$305,566</u>	<u>\$347,042</u>	<u>\$398,225</u>	<u>\$462,163</u>	

¹ Beginning with the 2011 CAFR, the City implemented the provision of GASB 54, which clarifies existing fund type definitions. The effect of the implementation resulted in a restatement of fund balance in the 2011 and 2012 results column that was previously reported in the Human Services Fund and Other Governmental Funds. The 2010 results were restated to reflect the implementation of GASB 54 in 2011.

(Source: City and County of Denver's Comprehensive Annual Financial Reports, 2010 – 2013; and City Finance Department as to the 2014 Unaudited Financials.)

Table 2

**CITY AND COUNTY OF DENVER GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the years ending December 31
(\$ in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Unaudited 2014</u>
REVENUES					
Taxes:					
Property	\$83,763	\$73,331	\$79,199	\$108,522	
Sales and Use	409,816	441,187	451,352	493,002	
Other	74,757	76,061	81,579	85,816	
Licenses and Permits	28,571	29,714	33,906	42,916	
Intergovernmental Revenues	28,377	26,274	25,913	27,669	
Charges for Services	146,654	153,861	162,086	167,864	
Investment Income	7,885	8,096	4,606	1,890	
Fines and Forfeitures	44,322	55,090	53,227	54,818	
Other Revenues	<u>13,632</u>	<u>9,164</u>	<u>7,414</u>	<u>10,314</u>	
TOTAL REVENUES	<u>837,777</u>	<u>872,778</u>	<u>899,282</u>	<u>992,811</u>	
EXPENDITURES					
Current:					
General Government	169,548	168,801	174,272	181,635	
Public Safety	434,128	444,721	469,039	475,654	
Public Works	80,368	84,263	90,007	98,178	
Health	43,145	43,109	43,765	44,636	
Parks and Recreation	46,642	48,100	53,188	55,279	
Culture and Entertainment	32,585	33,152	34,736	39,192	
Community Development	14,864	14,608	15,687	15,998	
Economic Opportunity	456	353	205	574	
Obligation Retirement	<u>3,990</u>	<u>4,445</u>	<u>4,602</u>	<u>4,785</u>	
TOTAL EXPENDITURES	<u>825,726</u>	<u>841,552</u>	<u>885,501</u>	<u>915,931</u>	
Excess of Revenues Over Expenditures	<u>12,051</u>	<u>31,226</u>	<u>13,781</u>	<u>76,880</u>	
OTHER FINANCING SOURCES (USES)					
Other	3,677	463	1,379	305	
Operating Transfers In	54,321	31,578	36,073	38,589	
Operating Transfers Out	<u>(47,226)</u>	<u>(29,864)</u>	<u>(38,695)</u>	<u>(55,287)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,772</u>	<u>2,177</u>	<u>(1,243)</u>	<u>(16,393)</u>	
Net Change in Fund Balance	22,823	33,403	12,538	60,487	
Fund Balance – January 1, as originally reported	113,220	136,061	155,039	226,848	
Change in accounting principle – GASB 54 ¹	<u>44,864</u>	<u>44,846</u>	<u>44,846</u>	<u>-</u>	
Fund Balance - January 1, as restated ¹	<u>158,084</u>	<u>180,907</u>	<u>214,310</u>	<u>226,848</u>	
Fund Balance - December 31	<u>\$180,907</u>	<u>\$214,310</u>	<u>\$226,848</u>	<u>\$287,335</u>	

¹ Beginning with the 2011 CAFR, the City implemented the provision of GASB 54, which clarifies existing fund type definitions. The effect of the implementation resulted in a restatement of fund balance in the 2011 and 2012 results column that was previously reported in the Human Services Fund and Other Governmental Funds. The 2010 results were restated to reflect the implementation of GASB 54 in 2011.

(Source: City and County of Denver’s Comprehensive Annual Financial Reports, 2010 – 2013; and City Finance Department as to the 2014 Unaudited Financials.)

Table 3
GENERAL FUND BUDGET SUMMARY
2014 ACTUAL RESULTS (Unaudited), 2014 BUDGET AND 2015 BUDGET
Prepared in Budgetary Format
(\$ in thousands)

	<u>Unaudited</u> <u>2014</u> <u>Actual¹</u>	<u>2014</u> <u>Revised</u> <u>Budget</u>	<u>2015</u> <u>Adopted</u> <u>Budget</u>
REVENUES			
Taxes			
Property		\$108,617	\$108,837
Sales and Use		543,557	576,295
Other		98,271	100,364
Intergovernmental Revenues		30,433	30,407
Licenses and Permits		36,646	38,341
Fines and Forfeitures		57,135	57,788
Charges for Services		177,473	187,849
Investment Income		3,879	4,164
Transfers In		45,542	49,755
Other Revenues		<u>8,389</u>	<u>9,772</u>
TOTAL FINANCIAL SOURCES		<u>1,109,941</u>	<u>1,163,571</u>
EXPENDITURES			
General Government		251,143	274,762
Public Safety		503,063	517,657
Public Works		96,632	108,863
Health		48,948	49,862
Parks and Recreation		54,929	56,452
Cultural Activities		39,500	41,350
Debt Service			
Transfers Out		66,198	140,879
General Fund Contingency		19,075	36,589
Estimated Unspent Appropriations		<u>(8,000)</u>	<u>(12,000)</u>
TOTAL EXPENDITURES BUDGET		<u>1,071,488</u>	<u>1,214,413</u>
FUND BALANCES²			
Net Change in Fund Balance		38,453	(50,842)
Fund Balance January 1			
Fund Balance December 31			
Undesignated Fund Balance January 1		196,943	235,396
Undesignated Fund Balance December 31		235,396	184,554
Prepaid items and other Reserves		=	=
Total Fund Balance December 31		<u>\$235,396</u>	<u>\$184,554</u>

¹ The City's Comprehensive Annual Financial Reports and Budgets use slightly different reporting codes for specific revenue and expenditure categories. Accordingly, there may be differences in some line item descriptions and totals.

² For the 2014 Unaudited Financials, the City follows GASB 54, which clarifies existing fund type definitions. The Unaudited Financials lists Fund Balance as a change in all fund balances, which includes the General Fund and other Governmental Funds. The Office of Management and Budget does not use this methodology for the Budget, therefore Fund balances should only be compared within the Budget Columns in the table set forth above.

(Sources: 2014 Unaudited Financials, 2014 Budget Book; 2015 Budget Book)

Table 4

**GENERAL FUND BUDGET SUMMARY
2014 ACTUAL RESULTS (Unaudited), 2014 BUDGET; 2015 BUDGET
(by percentage)**

	Unaudited 2014 <u>Actual</u>¹	2014 Revised <u>Budget</u>	2015 Adopted <u>Budget</u>
REVENUES			
Taxes			
Property		9.8%	9.4%
Sales and Use		49.0	49.5
Other		8.9	8.6
Intergovernmental Revenues		2.7	2.6
Licenses and Permits		3.3	3.3
Fines and Forfeitures		5.1	5.0
Charges for Services		16.0	16.1
Investment Income		0.3	0.4
Transfers In		4.1	4.3
Other Revenues		<u>0.8</u>	<u>0.8</u>
TOTAL FINANCIAL SOURCES		100.0%	100.0%
EXPENDITURES			
General Government		23.4%	22.6%
Public Safety		46.9	42.6
Public Works		9.0	9.0
Health		4.6	4.1
Parks and Recreation		5.1	4.6
Cultural Activities		3.7	3.4
Debt Service		-	-
Transfers Out		6.2	11.6
General Fund Contingency		1.8	3.0
Estimated Unspent Appropriations		<u>(0.7)</u>	<u>(1.0)</u>
TOTAL EXPENDITURES BUDGET		100.0%	100.0%

¹ The City's Comprehensive Annual Financial Reports and budgets use slightly different reporting codes for specific revenue and expenditure categories. Accordingly, there may be differences in some line item descriptions and totals.

Collection of Taxes

The City Charter provides that the Chief Financial Officer collect taxes in the same manner and at the same time as State taxes are collected. All laws of the State for the assessment and collection of general taxes, including laws for the sale of property for taxes and the redemption of the same, apply to the City, except as modified by the City Charter.

Sales and Use Taxes

The City's sales and use tax collections historically account for approximately one-half of the General Fund revenues. A fixed-rate general sales tax of 3.65% is imposed on the sale of all tangible personal property not specifically exempted and on certain services. The general use tax, also a fixed-rate of 3.65%, is imposed on the storage, use and consumption of tangible personal property not specifically exempted. The sales and use tax rate includes a 0.12% portion to fund increased access to and quality of preschool programs for City residents for the years 2007 through 2014. In November 2014, City voters

approved a single ballot measure extending the 0.12% preschool sales and use tax through December 31, 2026, and increasing the rate by 0.03% to 0.15% effective January 1, 2015. The revenue from this increase is only available for the described purpose. The City’s practice is to account for sales and use taxes on a combined basis.

The City imposes specific tax rates for the following goods or services:

**GENERAL FUND SALES AND USE TAX RATES
EFFECTIVE FOR 2015**

<u>Taxation of Certain Goods or Services</u>	<u>City Tax Rate</u>
Non-exempt retail sales, lease or rentals of tangible personal property and on certain services	3.65% ¹
Special retail marijuana sales tax	3.5%
Prepared food and drink	4.0%
Aviation fuel	\$0.04 per gallon
Automobile rental for thirty (30) days or less	7.25%
Lodging for thirty (30) days or less	10.75%

¹ Includes 0.15% City sales tax dedicated to increasing access to and quality of preschool programs for City residents. The revenue from this portion of the sales tax is only available for such purpose, and cannot be used for General Fund revenue. Collection of this dedicated sales tax increase started January 1, 2007, at 0.12% and was increased to 0.15% effective January 1, 2015.

The above General Fund Sales and Use Tax Rates effective for 2015 reflect the City’s total tax rate for goods and services as set forth; however, portions of the prepared food and beverage tax, short term automobile rental tax and lodgers’ taxes are reflected in the General Fund’s Sales and Use Tax category while the remainder is either contractually pledged to the Denver Metropolitan Convention and Visitors Bureau or to certain Excise Tax Revenue Bonds and recorded in other Funds.

Table 5 reflects the City’s General Fund sales and use tax collections for the past ten years.

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Table 5

**CITY AND COUNTY OF DENVER
GENERAL FUND SALES AND USE TAX REVENUES
2005 — 2014
(\$ In Thousands)**

<u>Year</u>	<u>Revenues</u> ¹	<u>Percent Change</u> ¹
2005	\$389,731	7.66%
2006	397,163	1.91
2007	418,177	5.29
2008	430,928	3.05
2009	387,838	(10.00)
2010	409,817	5.67
2011	441,187	7.65
2012	451,352	2.30
2013	493,002	9.23
2014 ²		

¹ The revenues and percent changes reflect changes including amounts received as a result of sales tax audit collections.

² Unaudited.

(Source: Department of Finance)

Financial Statements

The basic financial statements of the City for the year ending December 31, 2013, included in APPENDIX D to this Official Statement have been audited by BKD LLP (“BKD”), independent public accountants, as stated in their report appearing herein. The agreement between the City and BKD relating to provision of audit services provides that the City is not required to obtain BKD’s consent for the inclusion of financial statements in the City’s offering documents. Accordingly, the consent of BKD to the inclusion of APPENDIX D was not sought or obtained. BKD has not performed any procedures on any financial statements or other financial information of the City, including without limitation any of the information contained in this Official Statement, since the date of this report and BKD should not be considered to be associated with the Official Statement in any manner.

Financial statements of the City for fiscal years ending on or prior to December 31, 2013 are available for inspection at the Department of Finance, 201 West Colfax, Department 1004, Denver, Colorado 80202, or on the City’s website (denvergov.org) under the Controller’s webpage. The information presented on the City’s website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2015A Certificates.

Property Taxation

Assessed Valuation. The assessed value of real property for tax purposes is computed using statutory actual values as determined from manuals published by the Administrator of the State Division of Property Taxation and from data developed by the Chief Financial Officer, *ex officio* Assessor, based on evidence collected from the marketplace. Table 6 sets forth the State property appraisal method for assessment years 2005 through 2014.

Table 6

STATE PROPERTY APPRAISAL METHOD

<u>Collection Year</u>	<u>Assessment Year</u>	<u>Value Calculated As of</u>	<u>Based on the Market Period</u>
2006	2005	July 1, 2004	January 1, 2003 to June 30, 2004
2007	2006	July 1, 2004	January 1, 2003 to June 30, 2004
2008	2007	July 1, 2006	January 1, 2005 to June 30, 2006
2009	2008	July 1, 2006	January 1, 2005 to June 30, 2006
2010	2009	July 1, 2008	January 1, 2007 to June 30, 2008
2011	2010	July 1, 2008	January 1, 2007 to June 30, 2008
2012	2011	July 1, 2010	January 1, 2009 to June 30, 2010
2013	2012	July 1, 2010	January 1, 2009 to June 30, 2010
2014	2013	July 1, 2012	January 1, 2011 to June 30, 2012
2015	2014	July 1, 2012	January 1, 2011 to June 30, 2012

As of January 1, 1985, the State General Assembly was required to determine the percentage of the aggregate statewide valuation for assessment that is attributable to residential real property. For each subsequent year, the General Assembly was and is required to re-determine the percentage of the aggregate statewide valuation for assessment which is attributable to each class of taxable property, after adding any increased valuation for assessment attributable to new construction and increased oil and gas production. For each year in which there is a change in the level of value, the General Assembly is required to adjust the assessed valuation ratio for residential real property as necessary to maintain the previous year's percentage of aggregate statewide valuation attributable to residential real property. The Colorado General Assembly set the residential real property assessed valuation ratio at 7.96% of its statutory actual value for assessment years 2005 through 2014. All other taxable property (with certain specified exceptions) has had an assessed valuation ratio throughout these tax years of 29% of statutory actual value.

The City's assessed valuation is established by the Assessor of the City, except for public utility property, which is assessed by the Administrator of the State Division of Property Taxation. Property taxes are levied on all real and personal property, except certain categories of exempt property. Classes of property not subject to property taxes include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; property of school districts; property used as an integral part of a licensed school childcare center, inventories of merchandise and supplies that are held for consumption by a business or are held primarily for sale; agricultural and livestock products; agricultural equipment; property used for religious or charitable purposes; and noncommercial personal property.

Property Taxes. Property taxes are due January 1 of each year. They may be paid in full on or before April 30 or in two equal installments, the first due the last day of February and the second due June 15. The first half becomes delinquent after the last day of February. The second half becomes delinquent after June 15. If the entire tax is paid at one time on or before April 30, no interest is charged.

Delinquent general property taxes draw interest where the following circumstances exist. If the first installment is not paid by the last day of February, penalty interest accrues at the rate of 1% per month from March 1 until June 16 or to the date of payment if such installment is paid prior to June 16. After June 15, the entire tax becomes delinquent and accrues interest at the rate of 1% per month until the date of payment, which penalty interest is in addition to any penalty interest which may have accrued on the same taxes prior to June 16. If the full amount of taxes is paid in a single payment after the last day of April,

interest is added to the full amount of taxes due in the amount of 1% per month and accrues from the first day of May until the date of payment.

The Treasurer is empowered to sell at public auction property upon which levied taxes remain unpaid, after due process of law. Tax lien sales are held in November of the year in which the taxes become delinquent. All tax certificates not sold to buyers at the annual tax lien sale are attributed to the City. Three years after the date of sale, a tax deed may be issued by the Treasurer for unredeemed tax certificates.

The City Charter imposes a tax limit of 15 mills for all general municipal purposes. This limit does not apply to taxes levied for the payment of general obligation bonded indebtedness, to fund the City's Social Services Fund, to provide for fire and police pensions, to fund a City program for the developmentally disabled, to fund early childhood education, or taxes levied pursuant to a voter authorized 2.5 mill levy increase for deferred capital maintenance. State case law permits the City to impose an additional General Fund levy for functions ordinarily performed by counties in the State. Current State statutes limiting mill levies imposed by counties do not apply to the City.

In 2007, Denver voters approved a 2.5 mill levy designated for capital maintenance projects in the City. This earmarked tax is exempt from TABOR revenue limits. In 2014, this capital maintenance levy was 2.542 due to prior year refunds and abatements, generating approximately \$28.9 million.

Table 7 sets forth the mill levies for the City, School District No. 1, and the Urban Drainage and Flood Control District for the last five levy years.

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Table 7

**CITY AND COUNTY OF DENVER
CITY-WIDE MILL LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS¹
(By year assessed)**

<u>Taxing Entity</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City and County of Denver:					
General Fund	6.174	7.174	10.610	10.458	10.436
Bond Principal Fund	4.470	3.980	4.170	4.330	4.100
Bond Interest Fund	3.110	3.600	3.780	4.103	4.333
Social Services	3.556	4.101	4.520	4.480	4.470
Developmentally Disabled	1.019	1.030	1.033	1.021	1.016
Fire Pension	1.317	1.519	1.587	1.572	1.568
Police Pension	1.572	1.812	1.893	1.875	1.870
Capital Maintenance	2.544 ²	2.572 ²	2.581 ²	2.553 ²	2.542 ²
Capital Improvement	<u>2.281</u>	<u>2.631</u>	<u>2.752</u>	<u>2.727</u>	<u>2.720</u>
TOTAL DENVER MILL LEVY	<u>26.044</u>	<u>28.419</u>	<u>32.926</u>	<u>33.119</u>	<u>33.055</u>
School District No. 1	39.972	42.265	50.488	49.299	49.299
Urban Drainage and Flood Control District	<u>0.576</u>	<u>0.623</u>	<u>0.657</u>	<u>0.672</u>	<u>0.700</u>
TOTAL MILL LEVY:	<u>66.592</u>	<u>71.307</u>	<u>84.071</u>	<u>83.090</u>	<u>83.054</u>

Note: A mill equals one-tenth of one percent of assessed valuation.

- ¹ The columnar heading shows the year for which property is assessed and property taxes are levied. Taxes are collected the following year. The table excludes certain overlapping government entities that impose mill levies in certain discrete portions of the City, but whose boundaries are not co-terminus with the City's boundaries. For "Overlapping Taxing Districts with General Obligation Debt" see Table 13.
- ² A levy in excess of the 2.5 mills approved by voters is allowable due to prior year refunds and abatements.

(Source: Department of Finance)

Table 8 summarizes the statutory actual and assessed valuation of property in the City and taxes levied and collected by the City for the last five assessment years.

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Table 8

**PROPERTY VALUATIONS, TAX LEVIES AND COLLECTIONS
LAST FIVE YEARS
(\$ in millions)**

ACTUAL AND ASSESSED VALUATION:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Statutory Actual Valuation (est.) ¹	<u>\$83,151</u>	<u>\$77,143</u>	<u>\$76,697</u>	<u>\$79,581</u>	<u>\$80,891</u>
Assessed Valuation:					
Real Property – Land	\$3,546	\$3,387	\$3,358	\$3,252	\$3,218
Real Property – Improvement	6,839	5,936	5,868	6,441	6,564
Personal Property	739	726	723	742	765
Public Utilities	<u>836</u>	<u>888</u>	<u>808</u>	<u>829</u>	<u>838</u>
Total Assessed Valuations ²	<u>\$11,960</u>	<u>\$10,937</u>	<u>\$10,757</u>	<u>\$11,264</u>	<u>\$11,385</u>
Percentage Change ³	-0.44%	-8.55%	-1.65%	4.71%	1.07%
LEVIES AND COLLECTIONS:^{4,5}					
Taxes Levied:	<u>\$258,519</u>	<u>\$255,918</u>	<u>\$295,438</u>	<u>\$310,922</u>	<u>\$312,228</u>
Total Collections	\$254,755	\$251,004	\$293,970	\$306,893	N/A
Total Collections at Year End (as Percentage of Original Levy)	98.54%	98.08%	99.50%	98.70%	N/A

¹ Colorado statutes establish property valuation methods with actual valuation representing estimated appraisal value before the respective assessment ratios are applied. In general, an income and expense value is used for commercial property, and market value is used for residential property.

² This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to the Denver Urban Renewal Authority (“DURA”) and are not retained by the City. See “DEBT STRUCTURE OF THE CITY – Overlapping Debt and Taxing Entities.”

³ Changes in assessed valuations for the years shown are due in part to changes in the years used to compute values which occur every two years and adjustments attributable to a legislative extension of time permitted for appeals of assessed values. See “Property Taxation – Assessed Valuation” and Table 6 above.

⁴ The columnar headings show the years for which property taxes have been assessed and levied. Taxes shown in a column are actually collected in the following year. For example, property taxes levied in 2014 are collected in 2015.

⁵ Total collections do not include mills levied for the Fire Pension and Police Pension funds.

(Source: Department of Finance)

Assessed Valuation of Major Taxpayers

Table 9 lists the top ten property taxpayers based on assessed valuations for the 2013 assessment year.

Table 9
CITY AND COUNTY OF DENVER
MAJOR PROPERTY TAXPAYERS - ASSESSED VALUATIONS 2013
(FOR COLLECTION 2014)
(\$ in thousands)

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Percentage of City's Total Assessed Valuation¹</u>
Public Service Co.	Utility	\$245,136	2.18%
Brookfield Properties	Real Estate	159,001	1.41
Century Link, Inc.	Utility	154,809	1.37
Beacon Capital Partners	Real Estate	140,004	1.24
Columbia-Healthone, LLC	Health Care	91,814	0.82
Taubman Centers Inc.	Real Estate	82,545	0.73
UBS Realty Investors	Real Estate	79,685	0.71
United Continental Holdings	Airline	78,818	0.70
Callahan Capital Partners	Real Estate	76,442	0.68
LBA Realty Fund	Real Estate	<u>72,044</u>	<u>0.64</u>
TOTAL:		<u>\$1,180,299</u>	<u>10.48%</u>

¹ Based on a December 31, 2013 certified assessed valuation of \$11,264,201,810. This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See "DEBT STRUCTURE OF THE CITY--Overlapping Debt and Taxing Entities."

(Source: Department of Finance)

Insurance

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In addition, the City is party to numerous pending or threatened lawsuits under which it may be required to pay certain amounts upon final disposition of these matters. The City has historically retained these risks, except where it has determined that commercial insurance is more cost beneficial or legally required. The City has covered all claim settlements and judgments out of its General Fund resources, except where specifically identifiable to an enterprise fund. The City currently reports substantially all of its risk management activities, except workers' compensation, in the General Fund.

Retirement Plans

Substantially all of the general employees of the City are covered under the Denver Employees Retirement Plan ("DERP"); however, employees of the police department, fire department, and the Denver Water Board are covered by separate retirement systems. The information included in this section relating to DERP and other retirement plans covering City employees relies on information produced by such plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the retirement plans and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future. See "FORWARD LOOKING STATEMENTS" in the body of the Official Statement.

Denver Employment Retirement Plan. The following information is provided from 2014 unaudited information from the Denver Employees Retirement Plan (“DERP”) and has not been verified by the City.

DERP is a defined benefit plan. Its purpose is to provide retirement benefits to qualified members of the City and County of Denver and the Denver Health and Hospital Authority. DERP has separate legal standing and has no financial responsibility to the City. The assets of DERP are funds held in trust by DERP for the exclusive purpose of paying pension and certain post-retirement health benefits to eligible members.

The Denver Health and Hospital Authority (DHHA) was established in 1996, and effective January 1, 1997, DHHA made contributions to DERP on behalf of its Denver Career Service Authority employees who were members of DERP.

DERP membership consisted of the following as of December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Retirees and beneficiaries currently receiving benefits	8,481	8,815
Terminated employees entitled to benefits but not yet receiving such benefits	3,414	3,466
Current employees:		
Vested	5,977	5,584
Non-vested	<u>2,327</u>	<u>2,905</u>
TOTAL	<u>20,199</u>	<u>20,770</u>

DERP provides retirement benefits plus death and disability benefits. Members who were hired before July 1, 2011, and retire at or after the age of 65 (or at age 55 if the sum of their age and credited years of service is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member’s highest salary during a 36 consecutive month period of credited service. Members with 5 years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

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

Annual cost of living adjustments to retirement benefits are authorized only by vote of the Retirement Board, and only when sufficient excess funds are available to cover the cost of any such increase in benefits over the lifetime of all retired members, however no cost of living adjustment has been made since 2002. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the DERP’s board and enacted into ordinance by the Denver City Council.

The following are DERP contribution requirements and effective dates.

	January 1, 2005	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014
City Contribution	8.50%	8.50%	9.50%	10.25%	11.00%	11.20%
Employee Contribution	<u>2.50%</u>	<u>4.50%</u>	<u>5.50%</u>	<u>6.25%</u>	<u>7.00%</u>	<u>7.30%</u>
Total	11.00%	13.00%	15.00%	16.50%	18.00%	18.50%

As of December 31, 2014, the total net plan assets were \$2,133,128,481. Per unaudited information provided by DERP, as of January 1, 2014, the most recent actuarial valuation, 76.4% of the plan's actuarial accrued liabilities were covered by actuarial value of assets.

Other Post Employment Benefits. In addition to the retirement benefits cited above, the City allows health insurance participation to eligible retirees and their qualifying dependents. Current and retired employees participate in the same group plans with blended premium rates creating an implicit benefit for the retirees. The City's contribution toward the implicit rate subsidy is based on pay-as-you-go financing for the retirees.

DERP retirees are responsible for 100% of the blended premium rate. They may choose to use their health benefit toward the premium costs. The health benefit associated with the DERP pension provides monthly health insurance premium reduction of \$12.50 per year of service for retired participants under the age of 65 and \$6.25 per year of service for retirees 65 and older. Per 2014 unaudited information provided by DERP, 55.2% of the plan's accrued liabilities were covered by valuation assets.

Fire and Police Pension Plans. All full-time fire fighters and police officers in the classified service of the City hired on or after April 8, 1978 ("New Hires") participate in the Statewide Defined health insurance contribution Plan ("New Hire Plan"), a cost-sharing multiple-employer public employee retirement system. The New Hire Plan is administered by the Fire and Police Pension Association ("FPPA"). Full-time City firefighters and police officers in the classified service hired prior to April 8, 1978 ("Old Hires") participate in the City's Old Hire Pension Plans, unless the Old Hires elected to become covered by the New Hire Plan before March 1, 1981. The FPPA manages investments, and administers the contributions to, and distributions from, the Police and Firefighters Old Hire Plans. Denver's Police Pension and Relief Board and the Trustees of the Firefighters Pension Fund administer various other matters relating to the Old Hire Plans.

As of January 1, 2014, the most recent valuation, actuarial reports stated that the plans for fire fighters and police officers hired before April 8, 1978, were funded at 73.3% and 90.8% respectively. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2014, 2013 and 2012 were \$28,458,000, \$30,206,000 and \$24,715,000, respectively.

For FPPA, covered employees under the New Hire Plan contribute at the rate of at least 8% of base salary. The City also made contributions for the years ended December 31, 2014, 2013 and 2012 for New Hire police officers and fire fighters under the New Hire Plan, in the amounts of \$14,229,000, \$14,650,000 and \$15,445,000, respectively. As of January 1, 2014, the most recent valuation, the actuarial report states that under current law benefits, which assume no cost-of-living adjustments, the New Hire Plan is funded at 100.9%

DEBT STRUCTURE OF THE CITY

General Obligation Bonds

General obligation bonds are backed by the full faith and credit of the City and are payable from ad valorem property taxes and other general revenues. Except for refunding bonds issued to achieve savings, Denver voters must approve general obligation debt prior to issuance. Under the City Charter, general obligation bonded debt is subject to a limitation of three percent (3%) of the actual value of the taxable property within the City.

As of December 31, 2014, the City had outstanding general obligation bonds in the aggregate principal amount of \$867,645,500, which does not include accrued interest of \$4,042,547 on compound interest bonds.

Table 10 sets forth the computation of the general obligation debt margin of the City as of December 31, 2014.

Table 10

**COMPUTATION OF THE GENERAL OBLIGATION DEBT MARGIN
(\$ in thousands)**

TOTAL ESTIMATED ACTUAL VALUATION – December 31, 2014	<u>\$80,891,083</u>
Maximum general obligation debt, limited to 3% of actual valuation	2,426,732
Less outstanding bonds chargeable to limit ¹	<u>867,646</u>
LEGAL DEBT MARGIN – December 31, 2014	<u>\$1,559,087</u>

¹ This figure represents outstanding gross principal of the City's General Obligation Bonds. Debt Margin calculation in the City's CAFR is outstanding principal net of the Debt Service fund balance as of December 31, 2014 allocated to Bond Principal in the amount of approximately \$21.7 million. Amounts in the Debt Service fund may be applied to both principal and interest of the General Obligation Bonds.

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General Obligation Debt

Table 11 lists the City's outstanding general obligation bonded debt as of December 31, 2014.

Table 11
OUTSTANDING GENERAL OBLIGATION DEBT
(\$ in thousands)

<u>Issue</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
General Obligation Justice System Facilities and Zoo Bonds, Series 2005 ¹	\$77,000	\$3,655
General Obligation Justice System Facilities Bonds, Series 2006 ¹	125,000	13,265
General Obligation Justice System Facilities Bonds (Denver Mini-Bond Program), Series 2007 ²	8,861	8,861
General Obligation Justice System Facilities Bonds, Series 2008	174,135	132,830
General Obligations Better Denver and Zoo Bonds, Series 2009A	104,500	76,735
General Obligation Various Purpose Bonds, Series 2009B	14,415	2,595
General Obligation Better Denver Bonds, Series 2010A	37,910	13,560
General Obligation Better Denver Build America Bonds, Series 2010B	312,055	312,055
General Obligation Better Denver Bonds, Series 2010D	44,650	34,510
General Obligation Better Denver Bonds, Series 2011A	16,455	16,455
General Obligation Better Denver and Refunding Bonds, Series 2013A	120,925	105,175
General Obligation Refunding Bonds, Series 2013B1-B2 ¹	137,435	135,950
General Obligation Better Denver Bonds (Denver Mini-Bond Program), Series 2014A ³	<u>12,000</u>	<u>12,000</u>
TOTAL:	<u>\$1,185,341</u>	<u>\$867,646</u>

¹ The Series 2013B1-B2 bonds refunded portions of the Series 2005 bonds and Series 2006 bonds; direct bank placement.

² Amount excludes \$3,851,567 of compound interest on the Series 2007 Capital Appreciation Bonds.

³ Amount excludes \$190,980 of compound interest on the Series 2014A Capital Appreciation Bonds.

(Source: Department of Finance.)

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Table 12 sets forth certain debt ratios based on the City’s actual and assessed valuations and general obligation bonded debt as of December 31, 2014.

Table 12
SUMMARY OF
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
(\$ in thousands)

Total Direct General Obligation Bonded Debt	\$867,646
Overlapping General Obligation Bonded Debt ¹	<u>\$1,364,745</u>
Total Direct and Overlapping General Obligation Bonded Debt	<u>\$2,232,391</u>
Actual Valuation	\$80,891,083
Assessed Valuation ²	\$11,385,251

-
- ¹ The overlapping general obligation debt represents the outstanding general obligation debt of School District No. 1. See “DEBT STRUCTURE OF THE CITY – Overlapping Debt and Taxing Entities” for information relating to other overlapping entities.
- ² This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See “DEBT STRUCTURE OF THE CITY – Overlapping Debt and Taxing Entities.”

DEBT RATIOS

	<u>Actual Valuation</u>	<u>Assessed Valuation</u>	<u>Per Capita¹</u>
Total Direct G.O. Bonded Debt	<u>1.07%</u>	<u>7.62%</u>	<u>\$1,309</u>
Total Direct and Overlapping G.O. Bonded Debt	<u>2.76%</u>	<u>19.61%</u>	<u>\$3,369</u>

¹ Based upon a 2014 population estimate of 662,670.

(Sources: Department of Finance; Office of the Assessor)

Overlapping Debt and Taxing Entities

The following information has been supplied by the overlapping entities described below and the City has not attempted to verify the accuracy thereof.

School District No. 1 in the City and County of Denver. School District No. 1 (the “School District”) has identical boundaries with the City. As of December 31, 2014, the School District had \$1,364,745,175 aggregate principal amount of general obligation bonds outstanding.

The School District has entered into annually renewable lease purchase arrangements from time to time in which certificates of participation have been executed and delivered by trustees for the transactions. As of December 31, 2014, the aggregate principal amount of such certificates outstanding

was \$1,025,673,563. Neither the lease purchase agreements nor the related certificates executed and delivered by the trustees are considered debt or multiple-fiscal year financial obligations of the School District for State law purposes. The obligations of the School District to make lease payments for each year are subject to annual appropriations by the Board of Education.

Metro Wastewater Reclamation District. Metro Wastewater Reclamation District (the “Sewage District”), a governmental and political subdivision of the State, was organized in 1961 and currently includes the City and numerous other adjacent municipal units. Each municipal unit presently owns and operates a sewer system and voluntarily became part of the Sewage District in order to construct and operate a sewage disposal system in the Denver metropolitan area. Under service contracts with the Sewage District, each municipal unit is obligated to pay the Sewage District for the costs of services rendered (including debt service) based on usage of the Sewage District’s facilities. Each municipal unit imposes taxes or charges sufficient to fund its share of Sewage District costs.

The City is meeting its obligation to the Sewage District from a sewer service charge collected from the System’s users. The Sewage District assessed the City charges of \$44,200,243 for 2014. The Sewage District had \$618,635,000 aggregate principal amount of bonds outstanding as of December 31, 2014.

Regional Transportation District. The Regional Transportation District (“RTD”), a governmental and political subdivision of the State, was established in 1969, and currently includes the City, Boulder, City and County of Broomfield and Jefferson Counties and portions of Adams, Arapahoe, Weld and Douglas Counties. RTD is empowered to develop, maintain and operate a mass transportation system within its boundaries. RTD may levy up to one-half of one mill on all taxable property within the RTD for the payment of its expenses in situations of deficiencies, subject to the provisions of State constitutional revenue and spending limitations. RTD has not exercised its power to levy a general ad valorem property tax since 1976. At an election held within the RTD in 2004, voters approved an increase to the RTD’s sales tax rate from 0.6% to 1.0% and authorized debt in the amount of \$3.477 billion to be spent on the construction and operation of a transit expansion plan known as FasTracks. As of December 31, 2014, approximately \$2.492 billion of FasTracks debt has been issued and \$2.449 billion of principal is currently outstanding. RTD also has \$167,105,000 of principal outstanding on non-FasTracks debt and \$1,064,745,000 of principal outstanding on certificates of participation related to various lease purchase and installment sales arrangements under which RTD is the lessee or purchaser.

RTD is in the process of expanding commuter and light rail service throughout the greater Denver metropolitan area, the “RTD FasTracks Program.” RTD has awarded a design-build-operate-maintain contract for the “East Corridor” of the program, to consist of a commuter rail line connecting Denver Union Station, located in downtown Denver, with Denver International Airport (the “Airport”). The East Corridor rail service currently is planned by RTD to commence in 2016 and will be funded largely by Denver Transit Partners, a concessionaire selected by RTD to design, construct, operate and maintain the line. Neither the City nor the Department of Aviation has any obligation in respect of the design, construction, operation or maintenance of the rail line, nor will they receive any revenue from the use of the commuter rail service. In March 2010, the City, for and on behalf of the Department of Aviation, and RTD entered into the Intergovernmental Agreement for the FasTracks East Corridor Project (the “FasTracks East Corridor IGA”), and while the City does not have responsibility for the commuter rail line or service, the City does have certain duties under the FasTracks East Corridor IGA. Under the FasTracks East Corridor IGA, pursuant to which RTD agreed to lease property at the Airport and construct the rail lines and supporting infrastructure for the East Corridor project, and the Department of Aviation, among other things, is required to finance and build a “terminal-to-station” interface at the Airport. On December 31, 2013, the Department of Aviation met its obligation under the FasTracks East Corridor IGA to have the Airport Rail Station substantially completed by January 1, 2014, allowing RTD complete and uninterrupted access in order that RTD may complete the installation and begin operation testing of the commuter rail line. The Department of Aviation will be responsible for operating and maintaining only certain portions of the Airport Rail

Station. The term of the FasTracks East Corridor IGA extends through 2056, unless earlier terminated in writing by mutual consent of the parties, or by court order. The FasTracks East Corridor IGA provides that the Department of Aviation will grant a lease of certain property at the Airport to RTD with an initial term of 50 years, and up to three renewal periods of 15 years each, with each renewal being subject to FAA approval.

The FasTracks East Corridor IGA was amended in 2012 to provide for various double track improvements and the City funded its obligations under the amendment through a 2012C1-C3 Lease Purchase Agreement dated May 17, 2012, with Denver Properties Leasing Trust, as lessor, which executed and delivered Certificates of Participation in a principal amount of \$45,000,000. See also Table 15.

Urban Drainage and Flood Control District. The Urban Drainage and Flood Control District (the “Drainage District”), a governmental and political subdivision of the State, was established in 1969 and includes the City and portions of Adams, Arapahoe, Boulder, Broomfield, Douglas and Jefferson Counties. The Drainage District was established to provide flood control and drainage facilities for the areas within the Drainage District. The Drainage District may levy up to 1/10 mill to defray engineering and operating expenses, up to 4/10 mill for construction costs and up to 4/10 mill for maintenance expenses. Beginning with taxes levied in 1986 and collected in 1987, a 1/10 mill for a special revenue fund for the South Platte River basin was authorized. Authorization for an additional levy may be obtained by voter approval. The Drainage District has no outstanding bonded indebtedness. Projects undertaken by the Drainage District to date have been financed from ad valorem taxes and local government matching contributions.

Other Overlapping Taxing Entities. There are a number of taxing entities whose boundaries overlap the City or portions thereof and have general obligation debt which is paid from property taxes levied upon property of land owners within the City. Assessed valuation and mill levy information for these taxing districts is provided in the following table:

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Table 13

**CITY AND COUNTY OF DENVER
OVERLAPPING TAXING DISTRICTS WITH GENERAL OBLIGATION DEBT
Year Ending December 31, 2014**

<u>Taxing District⁴</u>	<u>Assessed Valuation Attributable to Denver</u>	<u>% of Total Denver Assessed Value</u>	<u>2014 Mill Levy³</u>
Bowles Metro ¹	\$24,292,390	0.21%	42.000
Central Platte Valley Metro	71,105,490	0.62%	49.000
Central Platte Valley Metro (debt)	57,577,400	0.51%	16.000
Cherry Creek North B.I.D.	159,219,860	1.40%	17.642
Colorado Intl. Cntr. Metro No. 14	8,446,680	0.07%	60.000
Denver Gateway Center Metro	3,054,020	0.03%	37.865
Denver Intl. Bus. Center Metro No. 1	16,200,030	0.14%	40.000
Ebert Metro	58,361,060	0.51%	75.000
Ebert Metro (debt)	1,906,680	0.02%	58.000
Fairlake Metro	19,031,180	0.17%	32.681
Fairlake Metro (debt)	8,787,020	0.08%	22.000
Gateway Regional Metro	34,962,090	0.31%	15.000
Gateway Village G.I.D.	17,861,970	0.16%	32.500
Goldsmith Metro ¹	226,551,070	1.99%	12.750
Greenwood Metro ¹	1,859,440	0.02%	13.839
GVR Metro	61,464,870	0.54%	20.094
Madre Metro No. 2	6,288,980	0.06%	50.000
Mile High Business Ctr. Metro.	20,253,580	0.18%	35.000
Sand Creek Metro ¹	25,376,190	0.22%	35.500
Sand Creek Metro (debt) ¹	9,016,070	0.08%	20.000
SBC Metro	62,212,660	0.55%	35.000
Section 14 Metro ¹	7,870,650	0.07%	23.552
Section 14 Metro (Racoon Creek) ¹	3,028,900	0.03%	19.038
Section 14 Metro (Fairmark) ¹	3,369,410	0.03%	6.846
Southeast Public Improvement	226,836,510	1.99%	2.000
Westerly Creek Metro	<u>329,249,660</u>	<u>2.89%</u>	55.986
Special District Total Assessed Value	<u>\$1,464,183,860</u>	<u>12.86%</u>	
Denver Total Assessed Value ²	\$11,385,251,250		

¹ District also has assessed value located in more than one county.

² This includes the assessed valuation that generates tax increment revenues, a portion of which are paid to DURA and are not retained by the City. See "DEBT STRUCTURE OF THE CITY - Overlapping Debt and Taxing Entities."

³ The mill levy represented is the total mill levy for each respective district, not only the bond mill levy.

⁴ List of taxing districts with general obligation debt is as of December 31, 2013.

Source: Office of the Assessor.

Denver Convention Center Hotel Authority Discretionary Economic Development Payments

In the spring of 2003, the City created the Denver Convention Center Hotel Authority for the express purpose of acquiring, constructing, equipping, operating and financing a convention center

headquarters hotel, parking garage and supporting facilities across the street from the Colorado Convention Center. In June 2003, the Authority issued its own special limited obligation revenue bonds in the amount of \$354 million to finance the hotel and contract independently with a developer and operator for the hotel. The hotel opened as scheduled on December 20, 2005. In April 2006, the Authority issued \$356 million in refunding bonds to fully refund the 2003 revenue bonds. The refunding bonds are payable from hotel revenues, and the hotel is mortgaged by the Authority to the bond trustee to secure the bonds. The Authority has no taxing power. The City did not pledge its own credit to support the hotel project and did not create any multiple-fiscal year direct or indirect debt or other financial obligation of the City in connection with the financings. However, the City entered into an Economic Development Agreement with the Authority under which, the City makes payments in consideration of various agreements with the Authority regarding the hotel's construction and operation in respect of the Convention Center and of the economic benefits to the City expected to be derived from the construction and operation of the hotel, subject to annual appropriation by the City Council. The City has made all payments under the Economic Development Agreement through December 31, 2014. The remaining Economic Development Payments are set forth in Table 14. The Economic Development Agreement is subject to termination on each December 31 according to its terms and expires no later than December 31 of the thirty-fifth calendar year after the opening of the Denver Convention Center Hotel.

Table 14

**DENVER CONVENTION CENTER HOTEL
ECONOMIC DEVELOPMENT PAYMENTS**

<u>On or Before the 14th Day Prior to the Following Date:</u>	<u>Amount</u>
June 1, 2015	\$5,000,000
December 1, 2015	5,000,000
June 1, 2016	5,250,000
December 1, 2016	5,250,000
June 1, 2017	5,375,000
December 1, 2017	5,375,000
Each December 1 and June 1 thereafter	5,500,000

Denver Urban Renewal Authority Contingent and Discretionary Payments

The Denver Urban Renewal Authority (“DURA”) issued its Stapleton Senior Subordinate Tax Increment Revenue Bonds, Series 2010B-1 (the “Series 2010B-1 DURA Bonds”) in the aggregate principal amount of \$100,740,000. The Series 2010B-1 DURA Bonds are secured by certain tax increment revenues (the “DURA Pledged Revenues”) and a debt service reserve fund (the “DURA Series 2010B-1 Reserve Fund”) in the initial amount of \$6 million. The Series 2010B-1 DURA Bonds are scheduled to be outstanding until December 1, 2025. In order to support the redevelopment activities funded by the Series 2010B-1 DURA Bonds, the City has entered into a Services Agreement, dated April 1, 2010 (the “2010 Services Agreement”) with DURA in which the City’s Chief Financial Officer has agreed to request that the City Council consider appropriating funds to replenish the DURA Series 2010B-1 Reserve Fund to the extent that DURA Pledged Revenues are not sufficient to pay the principal and interest on the Series 2010B-1 DURA Bonds in any year and amounts are withdrawn from the DURA Series 2010B-1 Reserve Fund. In any year, the City’s Chief Financial Officer is not obligated to seek an appropriation which would exceed the maximum annual debt service payments due on the Series 2010B-1 DURA Bonds and the requested amount is not to exceed \$12 million annually. The City Council’s decision to appropriate such funds is to be by ordinance without compulsion and solely in the City Council’s discretion. The City Council has

never been requested to appropriate funds under the 2010 Services Agreement. DURA has agreed to repay amounts appropriated by the City with interest, subject to senior DURA financial commitments.

Denver Union Station Project Authority Contingent and Discretionary Payments

The City is cooperating with RTD, the Colorado Department of Transportation (“CDOT”) and the Denver Regional Council of Governments (“DRCOG”) to finance and construct a multi-modal hub for the region’s transit system at the Denver Union Station site (the “DUS Project”). The City created the Denver Union Station Project Authority (“DUSPA”), a Colorado nonprofit corporation and instrumentality of the City, for the purpose of financing, owning, constructing, operating and maintaining the DUS Project. In order to finance the transportation elements of the DUS Project, DUSPA negotiated loans (collectively, the “DOT Loans”) with the U.S. Department of Transportation to fund the DUS Project. The DOT Loans are secured by an indenture (the “DOT Indenture”) which provides for debt service reserve funds (the “DOT Reserve Funds”) to be drawn upon in the event that DUSPA does not make required payments when due under the DOT Loans. In consideration of the benefits to be derived by the City as a result of the completion of the DUS Project, the City has entered into a Contingent Commitment and Services Agreement, dated February 9, 2010 (the “Contingent Commitment Agreement”), with DUSPA and the trustee under the DOT Indenture pursuant to which the City has agreed, subject to annual appropriation, to replenish one of the DOT Reserve Funds up to an amount agreed upon within the DOT Indenture (but in no event greater than \$7.15 million) in the event of a draw on such fund. The City Council’s decision to appropriate such funds is by ordinance without compulsion and solely in the City Council’s discretion. The City Council has never been requested to appropriate funds under the Contingent Commitment Agreement. DUSPA is required under the terms of the Contingent Commitment Agreement to reimburse the City for the amount of its payments with interest, subject to prior DUSPA financial commitments.

Lease Purchase Agreements

Certificated Lease Purchase Agreements. The City has completed lease purchase transactions structured with an independent lessor who sells Certificates of Participation (COPs) representing proportionate interests in the lessor’s right to receive rentals and revenues paid by the City pursuant to lease purchase agreements executed to facilitate the financing of certain public capital projects. Neither the lease purchase agreements nor the COPs constitute general obligations or other indebtedness of the City within the meaning of any constitutional, statutory, or Charter debt limitations. Under its various lease purchase agreements, the City has the right to appropriate or not appropriate the rental payments due for the then current fiscal year. In the event of nonappropriation, the respective lease purchase agreement terminates and the related COPs are then payable solely from the proceeds received by the trustee for the benefit of the owners of the COPs. If appropriated for the applicable fiscal year, the City has the obligation to pay rentals for that year.

Certificated Lease Purchase Transactions. Certificates of participation have been executed and delivered in conjunction with various lease purchase agreements discussed in the paragraph above. Principal portions of Base Rentals under these lease purchase agreements outstanding as of December 31, 2014 are summarized in Table 15.

Table 15

**SCHEDULE OF LEASE PURCHASE TRANSACTIONS
AND RELEASE DATES
AS OF DECEMBER 31, 2014**

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Leased Property</u>	<u>Date Lease Property Scheduled to be Acquired</u>
2005A	\$19,000,000	Human Services Campus	May 1, 2020
2008A1-A3	236,275,000	Wellington E. Webb Office Building	December 1, 2031
2008B	16,665,000	Denver Botanic Gardens Parking Facility	December 1, 2028
2010A ¹	19,410,000	Central Platte Campus	December 1, 2030
2010B	19,445,000	Wastewater Office Building/Roslyn Maintenance Facility	December 1, 2021
2012A	8,330,000	Denver Cultural Center Parking Garage	December 1, 2021
2012C1-C3 ¹	42,710,000	Denver Properties Leasing Trust	December 1, 2031
2013A	<u>33,755,000</u>	Buell Theatre	December 1, 2023
TOTAL	<u>\$395,590,000</u>		

¹ Direct bank placements; no official statement prepared.

Revenue Bonds

The City has outstanding certain enterprise and excise tax revenue bonds payable from specifically pledged revenues, excluding ad valorem taxes. As of December 31, 2014, the City’s Airport Enterprise (the “Airport Enterprise”) had \$4,284,025,000 of airport system revenue bonds outstanding. Of this total, there are fixed-payment swaps hedging variable rate mode debt totaling \$829,400,000.

In March 2006, the City created a Golf Enterprise as a Division of its Department of Parks and Recreation (the “Golf Enterprise”), and issued on behalf of the Enterprise revenue bonds in the aggregate principal amount of \$7,365,000. As of December 31, 2014, \$3,485,000 of such bonds remains outstanding. The proceeds of the issue were used to acquire, improve and equip certain of the City’s public golf facilities.

In January of 2012, the City, for and on behalf of the Wastewater Management Division of its Department of Public Works, issued \$50,425,000 of Wastewater Revenue Bonds. The proceeds were used to defease the outstanding 2002 series revenue bonds and to finance \$32,500,000 capital improvements to storm drainage facilities. As of December 31, 2014, \$43,425,000 was outstanding.

As of December 31, 2014, the City had outstanding excise tax revenue and excise tax refunding bonds in the amount of \$191,150,000, the majority of which proceeds were used for the expansion of the Colorado Convention Center which was completed in December, 2004. All excise tax revenue bonds, except for refunding bonds at a lower interest rate, require prior elector approval under the State Constitution.

The City anticipates seeking City Council approval this summer to place a November 2015 ballot measure for voter authorization of excise tax revenue bonds to support the Colorado Convention Center and National Western Center projects. Public information about the National Western Center is available at: <https://www.denvergov.org/mayor/MayorsOffice/ProgramsInitiatives/NorthDenverCornerstoneCollaborative/NationalWesternStockShow/tabid/444513/Default.aspx>.

Denver Water Revenue Bonds

The City Charter also establishes the Denver Water Department, which is under the control of a five-member, nonpartisan Board of Water Commissioners (the “Denver Water Board”), and vests the charge and control of the City’s water system and plant in the Denver Water Board. All revenues of the water system are accounted for in the Water Works Fund, disbursements from which are controlled by the Denver Water Board. Members of the Denver Water Board are appointed by the Mayor for six-year overlapping terms.

The Denver Water Board is an independent, autonomous and non-political agency of the City organized and existing under the City Charter. The Denver Water Board may issue revenue bonds that are payable solely from the net revenues of the operations of the Denver Water Board but, since 2003, the Denver Water Board has not had the authority under the City Charter to issue general obligation bonds and there are no Denver Water Board general obligation bonds outstanding. Financial Statements for Denver Water are available at: <http://www.denverwater.org/AboutUs/FinancialInformation/>.

LEGAL MATTERS

Constitutional Revenue, Spending and Debt Limitations

In 1992, the voters of the State approved an amendment to the State Constitution known as the “Taxpayer’s Bill of Rights” (“TABOR”), which limits the powers of public entities to borrow, tax and spend.

TABOR restricts the total amount of expenditures and reserve increases (excluding changes in debt service payments) that may be made by the City for all purposes by limiting the City’s revenues to the total amount of revenues received by the City in the preceding year, adjusted for inflation and local growth. Under TABOR, excess revenues are required to be refunded to citizens the next fiscal year unless the voters approve a public entity to retain excess revenues. In November 2000, Denver voters approved an exemption from the TABOR limits for all non-tax revenues received by the City in Fiscal Year 1999 and thereafter. Denver voters approved an additional TABOR waiver in November 2005, which authorizes the City to exempt all non-property tax revenues received by the City in Fiscal Years 2005 through 2014, provided that the revenues retained in excess of the limits are to be appropriated for public safety, public works, parks and recreation, health care, libraries and other essential services. In Fiscal Year 2015 and thereafter, the revenue cap was to be determined by the highest excess revenue for any given year during the preceding ten fiscal years from 2005 through 2014 as adjusted for inflation and certain other factors. On November 6, 2012, Denver voters passed ballot measure 2A that permanently removed all TABOR restrictions regarding the collection and retention of all taxes. The measure permanently allows the City to collect, retain, and spend all lawful property and non-property taxes.

TABOR requires voter approval prior to the City undertaking any multiple fiscal year debt or other financial obligation, subject to certain exceptions, including refinancing outstanding bonds at a lower interest rate. TABOR contains an exception for “enterprises,” defined in TABOR as a government-owned business authorized to issue its own revenue bonds and receiving less than 10% of its annual revenues from all State and local governments combined. The effect of “enterprise” status is to exempt an enterprise from the restrictions and limitations otherwise applicable under TABOR. The City has designated as enterprises for purposes of TABOR the operations of its sanitary and storm sewerage utilities, the Department of Aviation, the Department of Environmental Services, and City-owned golf courses.

Litigation

The City is party to numerous pending lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. Generally, the City is self-insured, except for the City's Airport System and the City's theaters and arena facilities.

For Fiscal Year 2015, the City Attorney's office has received an appropriation of approximately \$3.0 million, for payment of claims and judgments for items not covered by existing insurance. The City anticipates additional claims could be filed that may require a request for the City Council to transfer additional funds into the claims account in excess of the amounts described above.

The City is one of several hundred localities nationwide selected by the Department of Justice's Project Civic Access for an Americans with Disability Act ("ADA") compliance review. In 2012, Project Civic Access conducted a compliance review of City facilities. In 2014, the City received the results of the compliance review and will be engaging with Project Civic Access to agree on necessary public improvements which are anticipated to require an additional appropriation, of a sum to be determined, from the City's general fund.

Two local organizations, the Civil Rights Education and Enforcement Center ("CREEC") and the Colorado Cross-Disability Coalition ("CCDC") served a demand letter on the City alleging violations of the ADA by the City. In this letter, CREEC and CCDC allege that the City failed to install curb ramps required by the ADA and the Rehabilitation Act. CREEC and CCDC claim that if this matter is not settled they would be entitled to injunctive relief requiring that the City install missing ramps as well as attorney's fees and costs. The City, CREEC and CCDC have executed a tolling agreement and are attempting to negotiate a resolution. No claim has been filed. At this time, the City believes a voluntary resolution is likely and therefore that the likelihood of an unfavorable outcome is low. It is not possible to estimate the range of potential costs at this time, but if amounts available to pay such costs are insufficient, an additional appropriation would be requested to be made by City Council.

Pursuant to State law and subject to constitutional limitations, if a monetary judgment is rendered against the City, and the City fails to provide for the payment of such judgment, the City Council must levy a tax (not to exceed 10 mills per annum) upon all of the taxable property within the City for the purpose of making provision for the payment of the judgment. The City is required to continue to levy such tax until the judgment is discharged. Such mill levy is in addition to all other mill levies for other purposes.

Governmental 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 City, 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; 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. 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, 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; (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000; except in such instance, no person may recover in excess of \$350,000. These maximums are to be adjusted by the Colorado Secretary of State every four years beginning January 1, 2018, based upon the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index. The City may increase any maximum amount that may be recovered from the City for certain types of injuries. However, the City may not be held liable either directly or by indemnification for punitive or exemplary damages unless the City voluntarily resolves to pay such damages in accordance with State law. The City has not acted to increase the damage limitations in the Immunity Act.

The City may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon 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 City 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.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

The following contains an economic and demographic overview of the Denver Metropolitan Area as of May 1, 2015.

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APPENDIX D

**BASIC AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2013**



1700 Lincoln Street, Suite 1400 // Denver, CO 80203-4514
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Report

Audit Committee
City and County of Denver
Denver, Colorado

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City and County of Denver (the City) as of and for the year ended December 31, 2013, and the related notes to the basic financial statements, which collectively comprise the City'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 Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Colfax Business Improvement District, Denver Union Station Project Authority, and Denver Preschool Program, Inc., all of which are included as discretely presented component units, which represent 77.05 percent of total assets and 58.32 percent of total revenues of the aggregate discretely presented component units as of and for the year ended December 31, 2013, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion on the aggregate discretely presented component units, insofar as it relates to the amounts included for the Denver Convention Center Hotel Authority, Cherry Creek North Business Improvement District No. 1, Downtown Denver Business Improvement District, Colfax Business Improvement District, Denver Union Station Project Authority, and Denver Preschool Program, Inc., is based solely on the reports of the other auditors. Additionally, we did not audit the financial statements of the Gateway Village General Improvement District included as a blended component unit, and the Denver Employee Retirement Plan, a fiduciary component unit, which represent 52.33 percent of total assets and 39.88 percent of total revenues of the aggregate remaining fund information as of and for the year ended December 31, 2013, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion on the aggregate remaining fund information, insofar as it relates to the amounts included for the Gateway Village General Improvement District and the Denver Employee Retirement Plan 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Audit Committee
City and County of Denver

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 report 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 City and County of Denver, as of December 31, 2013, 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 I.E, during the year ended December 31, 2013, the City adopted new accounting guidance, Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Audit Committee
City and County of Denver

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, listed in the table of contents, is presented for purposes of additional analysis and is 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 2013 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 2013 information is fairly stated in all material respects in relation to the basic financial statements as of and for the year ended December 31, 2013, as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements as of and for the year ended December 31, 2012, which are not presented with the accompanying financial statements. In our report dated May 30, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the general fund balance sheet as of December 31, 2012 and related statement of revenues, expenditures, and changes in fund balance for the year then ended supplementary information are fairly stated in all material respects in relation to the basic financial statements as of and for the year ended December 31, 2012, taken as a whole.

Other Information

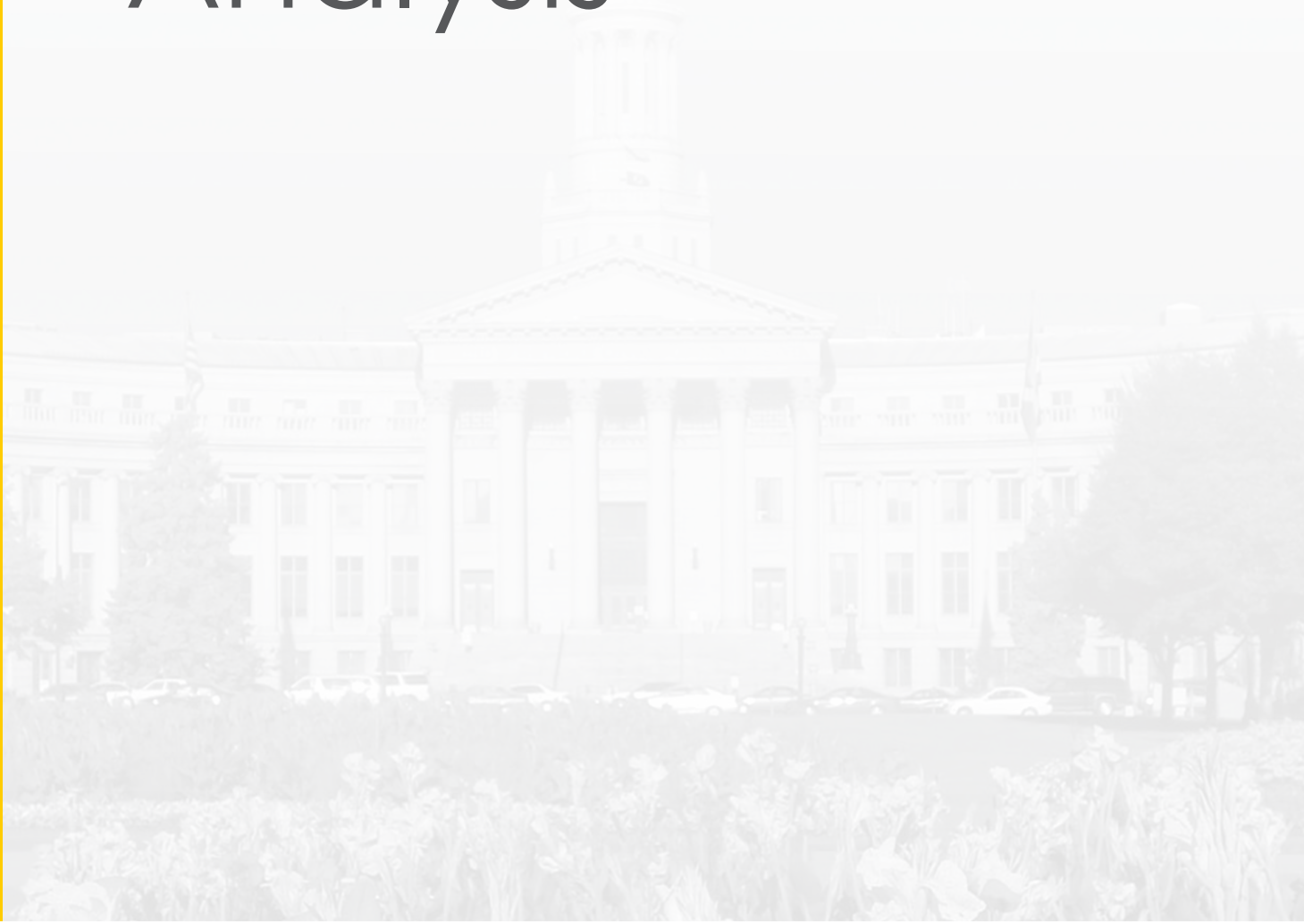
Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introduction section and statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such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

BKD, LLP

Denver, Colorado
May 30, 2014

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Management's Discussion and Analysis



Management of the City and County of Denver (City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal. The focus of the information herein is on the primary government.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred inflows of resources exceeded its liabilities at the close of the fiscal year by \$3,086,679,000 (net position). Of this amount, \$759,165,000 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's total net position increased by \$188,658,000, or 6.5% from the restated beginning net position as a result of the change in accounting principle – GASB 65, *Items Previously Reported as Assets and Liabilities*.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$773,705,000, an increase of \$85,460,000 from the prior year. Approximately 25.98% or \$201,030,000 of the fund balance (unassigned fund balance) is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$201,030,000 which represents 20.7% of total General Fund expenditures, including transfers out.
- The City's total bonded debt increased by \$529,930,000 during the year. Increases occurred in the general obligation bonds and revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The City maintains 22 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Human Services special revenue fund, each of which is considered to be a major fund. Data from the other 20 governmental funds are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the City's budgetary comparison schedules and the implicit rate subsidy on other postemployment benefits.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$3,086,679,000 at the close of the most recent fiscal year.

A portion of the City's net position, \$759,165,000 (24.6%), is unrestricted and may be used to meet the City's ongoing financial obligations. This portion represents resources that are not restricted by external requirements nor invested in capital assets.

Net position of \$1,174,260,000 (38%) reflects investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net positions of the City also include \$1,153,254,000 (37.4%) of restricted net position. These are resources subject to external restrictions as to how they may be used by the City.

Table 1 reflects the City's net position (dollars in thousands) as of December 31, 2013 and 2012:

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,352,355	\$ 1,253,715	\$ 2,339,092	\$ 1,978,213	\$ 3,691,447	\$ 3,231,928
Capital assets	2,848,895	2,848,075	3,762,887	3,650,401	6,611,782	6,498,476
Total assets	4,201,250	4,101,790	6,101,979	5,628,614	10,303,229	9,730,404
Deferred outflows	36,765	43,816	229,667	42,900	266,432	86,716
Noncurrent liabilities	1,783,592	1,835,276	4,723,596	3,944,974	6,507,188	5,780,250
Other liabilities	176,783	528,068	447,994	575,529	624,777	1,103,597
Total liabilities	1,960,375	2,363,344	5,171,590	4,520,503	7,131,965	6,883,847
Deferred inflows	347,482	-	3,535	-	351,017	-
Net position						
Net investment in capital assets	1,366,632	1,315,237	(192,372)	(13,036)	1,174,260	1,302,201
Restricted	481,937	457,614	671,317	656,174	1,153,254	1,113,788
Unrestricted	81,589	9,411	677,576	507,873	759,165	517,284
Total net position	\$ 1,930,158	\$ 1,782,262	\$ 1,156,521	\$ 1,151,011	\$ 3,086,679	\$ 2,933,273

Table 2 reflects the City's changes in net position (dollars in thousands) for the years ended December 31, 2013 and 2012:

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012 ¹	2013	2012 ¹	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 346,842	\$ 324,826	\$ 795,617	\$ 854,783	\$ 1,142,459	\$ 1,179,609
Operating grants and contributions	179,412	253,319	103,513	675	282,925	253,994
Capital grants and contributions	69,512	33,557	38,701	29,886	108,213	63,443
General revenues:						
Facilities development admissions tax	8,721	8,986	-	-	8,721	8,986
Lodgers tax	63,482	57,956	-	-	63,482	57,956
Motor vehicle ownership fee	21,000	19,784	-	-	21,000	19,784
Occupational privilege tax	44,515	43,227	-	-	44,515	43,227
Property tax	331,914	287,062	-	-	331,914	287,062
Sales and use tax	539,348	494,495	-	-	539,348	494,495
Specific ownership tax	193	191	-	-	193	191
Telephone tax	8,964	9,979	-	-	8,964	9,979
Investment income	2,525	11,259	24,357	48,275	26,882	59,534
Other revenues	35,368	31,921	948	17	36,316	31,938
Total revenues	1,651,796	1,576,562	963,136	933,636	2,614,932	2,510,198
Expenses						
General government	398,733	247,659	-	-	398,733	247,659
Public safety	563,651	570,111	-	-	563,651	570,111
Public works	92,425	195,168	-	-	92,425	195,168
Human services	114,624	111,067	-	-	114,624	111,067
Health	54,453	53,755	-	-	54,453	53,755
Parks and recreation	29,687	80,480	-	-	29,687	80,480
Cultural activities	119,018	110,885	-	-	119,018	110,885
Community development	35,142	40,262	-	-	35,142	40,262
Economic opportunity	21,218	21,481	-	-	21,218	21,481
Interest on long-term debt	70,030	74,901	-	-	70,030	74,901
Wastewater management	-	-	105,679	99,179	105,679	99,179
Denver airport system	-	-	801,786	763,249	801,786	763,249
Other enterprise funds	-	-	19,828	15,944	19,828	15,944
Total expenses	1,498,981	1,505,769	927,293	878,372	2,426,274	2,384,141
Change in net position before transfers	152,815	70,793	35,843	55,264	188,658	126,057
Transfers	275	275	(275)	(275)	-	-
Change in net position	153,090	71,068	35,568	54,989	188,658	126,057
Net position - January 1, as previously reported	1,782,262	1,711,194	1,151,011	1,096,022	2,933,273	2,807,216
Change in accounting principle - GASB 65	(5,194)	-	(30,058)	-	(35,252)	-
Net position - January 1, as restated	1,777,068	1,711,194	1,120,953	1,096,022	2,898,021	2,807,216
Net position - December 31	\$ 1,930,158	\$ 1,782,262	\$ 1,156,521	\$ 1,151,011	\$ 3,086,679	\$ 2,933,273

¹ Amounts do not reflect the change in accounting principle - GASB 65 because it was not practical to do so.

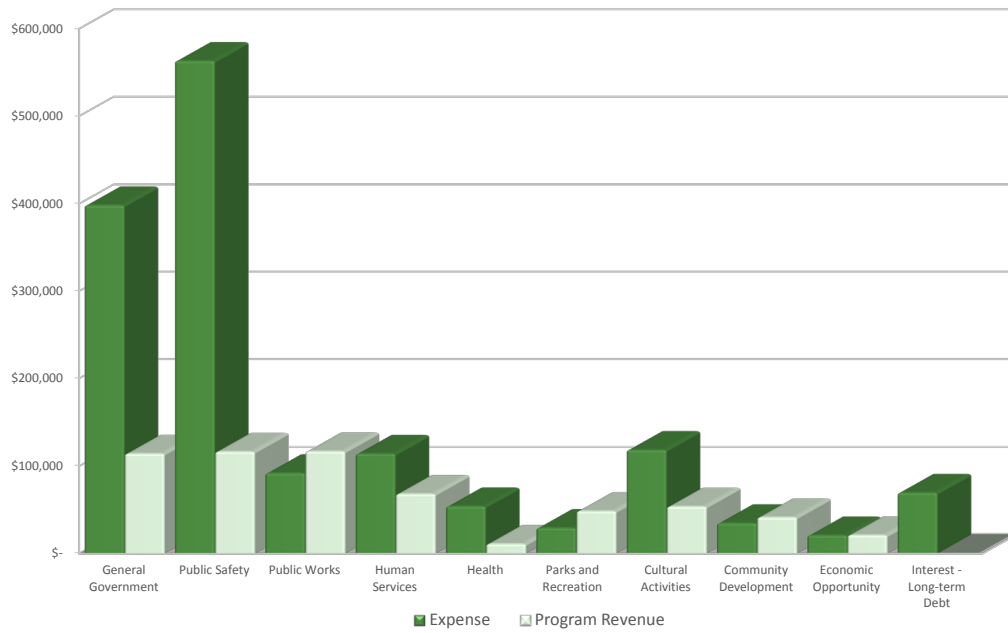
Governmental activities increased the City's net position by \$153,090,000 for the year ended December 31, 2013. Key elements of the increase are as follows:

- Property tax and sales and use taxes totaled 85.6% of all tax revenues and 52.7% of all governmental activities' revenues. Property tax recorded in the governmental funds totaled \$331,914,000 for an increase of \$44,852,000 (15.6%) while sales and use tax revenues of \$539,348,000 were up \$44,853,000 (9.1%) compared to 2012, reflecting a moderate growth in the 2013 economy.
- Investment income decreased by \$8,734,000 (77.6%) due to the decrease in interest rates nationally, and a decrease in the unrealized gains for the investment portfolio.
- Total expenses decreased by \$6,788,000 (.5%) primarily due to the cost savings measures developed by the City.

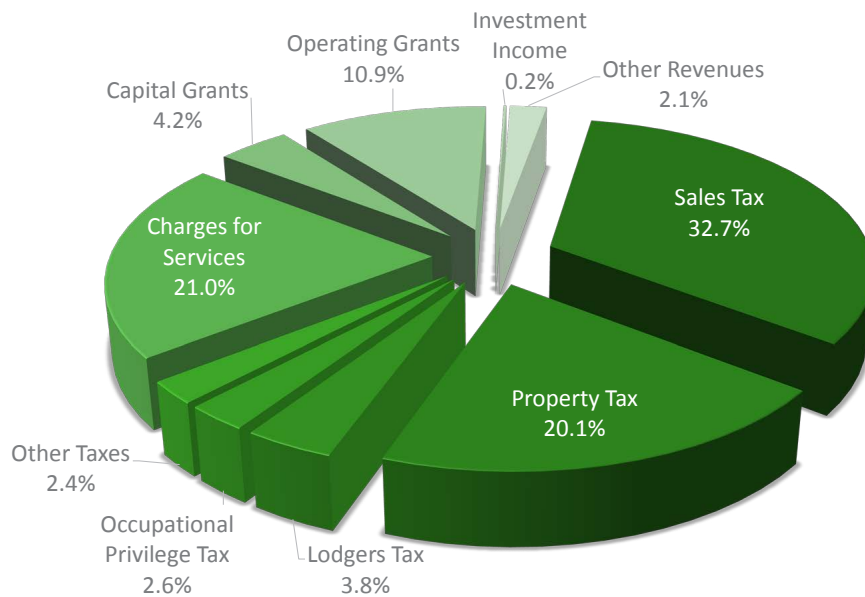
General government expenses in 2013 were \$398,733,000 (26.6%) of total expenses. Public safety expenses were \$563,651,000 (37.6%) of total expenses. Public works' expenses were \$92,425,000 (6.2%) of total expenses. Cultural activities were \$119,018,000 (7.9%) of total expenses. Human services' expenses were \$114,624,000 (7.7%) of total expenses. The remainder of the governmental activities expenses is comprised of health with \$54,453,000 (3.6%), parks and recreation with \$29,687,000 (2%), community development with \$35,142,000 (2.3%), economic opportunity with \$21,218,000 (1.4%), and interest on long-term debt of \$70,030,000 (4.7%).

Expenses and Program Revenues - Governmental Activities

dollars in thousands



Revenues by Source - Governmental Activities

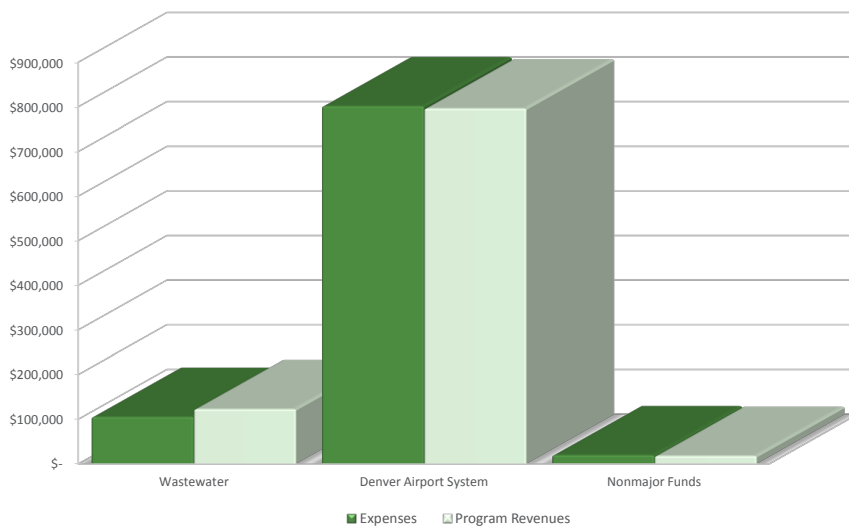


Business-type activities increased the City's net position by \$35,568,000. Key elements of this modest increase are as follows:

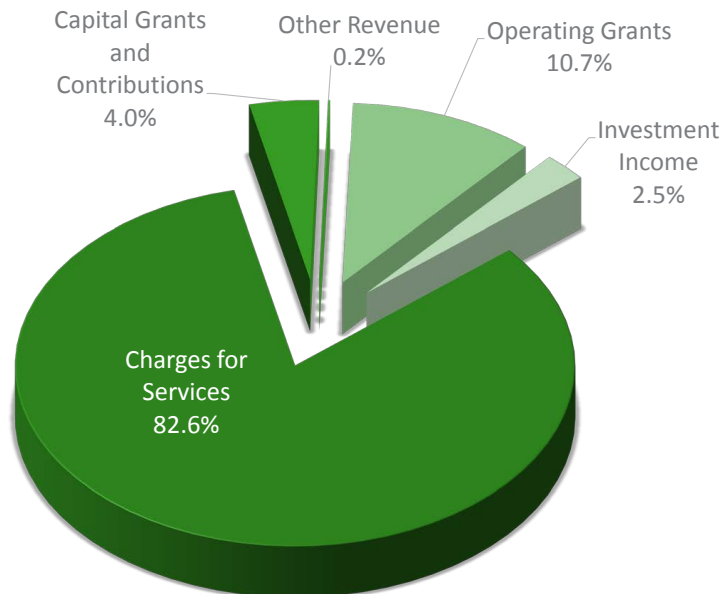
- Total revenues of \$963,136,000 were \$29,500,000 (3.2%) higher compared to prior year amounts.
- Total expenses of \$927,293,000 increased by \$48,921,000 (5.6%) when compared to the prior year. Wastewater Management expenses in 2013 totaled \$105,679,000 (11.4%) of total business-type activities. Denver Airport System expenses totaled \$801,786,000 (86.5%) of business-type activities. The remaining \$19,828,000 (2.1%) of expenses in business-type activities were related to Environmental Services and Golf activities.

Expenses and Program Revenues - Business-Type Activities

dollars in thousands



Revenues by Source - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$774,000, an increase of \$85,460 in comparison with the prior year. Approximately 26% or \$201,030,000 of the total fund balance amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. As of December 31, 2013, unassigned fund balance of the General Fund was \$201,030,000 while total fund balance was \$287,335,000. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.7% of total General Fund expenditures, including transfers out, of \$971,218,000, while total fund balance represents 29.6% of the same amount.

The total fund balance of the City's General Fund increased by \$60,487,000 (26.7%) during the year ended December 31, 2013. This is a result of recovering revenues following the economic downturn and cost savings measures implemented to reduce overall expenditures.

Almost every revenue source increased slightly in 2013 due to a recovery of the economy. Total General Fund revenues, including transfers in, of \$1,031,400,000 increased by \$96,045,000 or 10.3%. Certain revenues in the General Fund that increased from 2012 to 2013 include:

- Sales and use taxes earned were higher by \$41,650,000. This increase is primarily attributable to improvements in the economy.
- Motor Vehicle ownership revenue increased by \$1,216,000 as a result of an increase in vehicle registrations.
- Property taxes were higher by \$29,323,000 primarily due to higher collections allowed by TABOR.
- Licenses and permits revenues increased by \$9,010,000 largely due to an increase in construction activity as well as an increase in the value of the activity.
- Charges for services increased by \$5,778,000. Factors contributing to this increase include additional revenue reimbursement from enterprise funds, growth in plan review revenue associated with improvements in local construction activity, and various other fee increases.
- Fines and forfeitures increased by \$1,591,000. Factors contributing to this increase are higher collections in Photo Radar and traffic court fines.

Some revenues in the General Fund decreased from 2012 to 2013, including:

- Investment income decreased by \$2,716,000 due to the investment portfolio securities' unrealized gains being less at year end than the prior year.

The national and local economies continued to recover in 2013 following the recession of 2009. The City continued to monitor 2013 expenditures. Total General Fund expenditures, including transfers out, increased by \$47,022,000, or 5.1%. The primary drivers of this increase are personnel cost increases and transfers out.

The Human Services special revenue fund had a total fund balance of \$40,391,000. This amounts to a net increase in fund balance of \$6,950,000 during the current year. The underlying reasons for the change include increased cash and decreased liabilities at year-end when compared to 2012 due to increased property tax revenue resulting from an improving economy.

PROPRIETARY FUNDS

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

Total net position of Wastewater Management was \$542,618,000 and for the Denver Airport System net position was \$573,524,000. Net position for all enterprise funds increased \$36,255,000. Other significant factors concerning the finances of the enterprise funds can be found in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Original revenue estimates for 2013, prepared in the summer of 2012, were based on a gradual growth in the economy. The original projection was for sales and use tax growth of 4.0% above 2012 amounts and an overall growth rate in the General Fund of 3.5% over 2012 revised figures. The revenue forecast, including transfers in, was revised upward by \$66,307,000 or 7%, over original projections, during 2013 to primarily due to the passage of ballot measure 2A in November 2012. The major revisions by individual revenue type are listed below:

- Property tax collections were revised up by \$32,901,000, or 44.5%, due to restoring credited mills that had been used to stay under TABOR revenue growth limits.
- The sales and use tax estimate was revised upward by \$12,181,000, or 2.6%, due to collections exceeding original growth expectations.
- The occupational privilege tax estimate was revised upward by \$825,000, or 2.0%, to better align with year-to-date collections and projected job growth for the State.
- Licenses and permitting revenue projections were revised upward by \$6,884,000, or 30.2%, due to an increase in construction activity.
- Transfers in was revised upward by \$1,851,000, or 5.3%, to account for additional Convention Center excise tax revenue being transferred to the General Fund.

Differences between the final amended budget and actual revenues and expenditures are briefly summarized in the following paragraph. While the national economy continues to slowly improve, Denver's economy has performed stronger than anticipated and outperforms the nation.

In 2013, actual General Fund revenues, including transfers in, were approximately \$23,757,000 higher than the revised budget for 2013, or 2.3%, primarily due to various revenues performing better than expected. General Fund budget basis expenditures were approximately \$17,343,000 less than the final budget. This is due to achieving expected unspent appropriations, due in large part of savings measures put in place to respond to the recession, including compensation savings and equipment replacement deferrals.

CAPITAL ASSETS AND BONDED DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of December 31, 2013, were \$6,611,782,000 (net of accumulated depreciation). This investment in capital assets includes land and land rights, collections, buildings and improvements, equipment and other, park facilities, and, for governmental activities, infrastructure (including streets, alleys, traffic signals, bridges, fiber optic cable, and trails). Infrastructure-type assets of business-type activities are reported as buildings and improvements. The City's capital assets by type at December 31, 2013 and 2012 are shown in **Table 3** (dollars in thousands):

Table 3

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and construction in progress	\$ 380,878	\$ 379,899	\$ 765,747	\$ 508,552	\$ 1,146,625	\$ 888,451
Buildings and Improvements	2,299,029	2,256,276	5,100,647	5,086,021	7,399,676	7,342,297
Equipment and other	320,602	302,418	789,536	791,280	1,110,138	1,093,698
Collections	53,741	62,324	-	-	53,741	62,324
Infrastructure	1,417,729	1,345,162	-	-	1,417,729	1,345,162
Less accumulated depreciation	(1,623,084)	(1,498,004)	(2,893,043)	(2,723,052)	(4,516,127)	(4,221,056)
Total	\$ 2,848,895	\$ 2,848,075	\$ 3,762,887	\$ 3,662,801	\$ 6,611,782	\$ 6,510,876

Major capital asset activity for the year ended December 31, 2013 included the following:

- Governmental Activities – The Police Command Vehicle Garage and Justice Center Staff Services Area projects were all placed in service in 2013 as part of the Better Denver Bond projects.
- Business-type Activities – Additions to the Wastewater Collection system of \$14,734,000 occurred in 2013 and Denver Airport System continued construction on the South Terminal Redevelopment Program.

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

BONDED DEBT

At December 31, 2013, the City had total bonded indebtedness of \$5,606,654,000 (excluding GID Bond of \$4,920,000). Of this amount, \$903,939,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt, \$4,702,715,000, represents bonds and commercial paper notes secured by specified revenue sources (i.e., revenue bonds of the Denver Airport System, Wastewater Management, and excise tax revenue bonds). The City has no outstanding commercial paper notes as of December 31, 2013.

As of December 31, 2013, the City's general obligation debt is rated AAA by Standard & Poor's rating agency, Fitch Ratings, and Moody's Investors Service.

On July 15, 2013, the Airport System issued \$326,260,000 and \$393,655,000 of Airport System Subordinate Revenue bonds Series 2013A and Series 2013B, respectively, in a fixed rate mode to finance a portion of the costs of the Airports 2013-2018 Capital Program.

Outstanding bonded debt at December 31, 2013, and 2012, is reflected in **Table 4** (dollars in thousands):

Table 4

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 903,939	\$ 895,649	\$ -	\$ -	\$ 903,939	\$ 895,649
Revenue bonds	211,325	230,650	4,491,390	3,950,425	4,702,715	4,181,075
Total	\$ 1,115,264	\$ 1,126,299	\$ 4,491,390	\$ 3,950,425	\$ 5,606,654	\$ 5,076,724

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The original 2014 budget assumes moderate growth in the local economy. The 2014 General Fund original revenues, including transfers in, are projected to be \$1,043,457,000, which is an increase of 1.2% from actual 2013 revenues. It is anticipated that 2014 revenues will be revised upward to reflect better than expected performance in 2013 and the early part of 2014. Measures have been taken to have expenditures be in line with anticipated revenues.

It is anticipated that fund balance will increase during 2014 and the City remains committed to growing General Fund reserves.

REQUESTS FOR INFORMATION

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

Basic Financial



Statement of Net Position

December 31, 2013 (dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash on hand	\$ 10,684	\$ -	\$ 10,684	\$ -
Cash and cash equivalents	657,616	103,612	761,228	22,411
Investments	-	627,937	627,937	-
Receivables (net of allowances):				
Taxes	416,351	-	416,351	86,167
Notes	74,166	-	74,166	-
Accounts	21,538	58,244	79,782	539
Accrued interest	3,323	7,061	10,384	202
Other	-	-	-	11,726
Due from other governments	38,424	-	38,424	-
Internal balances	5,355	(5,355)	-	-
Inventories	3,018	9,663	12,681	-
Prepaid items and other assets	3,783	2,920	6,703	1,295
Restricted assets:				
Cash and cash equivalents	56,113	123,547	179,660	159,527
Investments	-	1,330,481	1,330,481	9,300
Accounts receivable	-	9,038	9,038	-
Accrued interest receivable	-	3,765	3,765	-
Other receivables	-	3,383	3,383	-
Prepaid items	-	4,388	4,388	-
Long-term receivables (net of allowances)	47,794	14,320	62,114	157,065
Denver Water CIS (net of amortization)	-	3,369	3,369	-
Prepaid expense	-	4,487	4,487	-
Prepaid bond insurance and other assets	934	-	934	6,756
Interest rate swaps	-	38,232	38,232	-
Assets held for disposition	13,256	-	13,256	-
Capital assets:				
Land and construction in progress	380,878	765,747	1,146,625	40,444
Buildings, improvements, infrastructure, collections, and equipment, net of accumulated depreciation	2,468,017	2,997,140	5,465,157	218,870
Total Assets	4,201,250	6,101,979	10,303,229	714,302
Deferred outflow of resources				
Accumulated decrease in fair value of hedging derivatives	20,692	13,967	34,659	-
Deferred loss on refunding	16,073	215,700	231,773	30,134
Liabilities				
Vouchers payable	66,120	40,341	106,461	8,427
Accrued liabilities	58,072	47,087	105,159	49,316
Unearned revenue	16,449	39,289	55,738	113
Interest rate swaps	26,221	201,820	228,041	-
Advances	9,480	-	9,480	2,402
Due to taxing unit	441	-	441	-
Due to other governments	-	5,324	5,324	4,759
Liabilities payable from restricted assets	-	114,133	114,133	-
Noncurrent liabilities:				
Due within one year	110,317	146,489	256,806	23,662
Due in more than one year	1,673,275	4,577,107	6,250,382	899,011
Total Liabilities	1,960,375	5,171,590	7,131,965	987,690
Deferred inflow of resources				
Gain on refundings	-	3,535	3,535	-
Property taxes	347,482	-	347,482	74,910
Net Position				
Net investment in capital assets	1,366,632	(192,372)	1,174,260	(112,232)
Restricted for:				
Capital projects and grants	336,815	18,095	354,910	71,756
Emergency use	39,087	-	39,087	252
Debt service	86,117	653,222	739,339	60,803
Donor and other restrictions:				
Expendable	11,004	-	11,004	4,005
Nonexpendable	3,000	-	3,000	-
Other purposes	5,914	-	5,914	-
Unrestricted (deficit)	81,589	677,576	759,165	(342,748)
Total Net Position (Deficit)	\$ 1,930,158	\$ 1,156,521	\$ 3,086,679	\$ (318,164)

See accompanying notes to basic financial statements.

Statement of Activities

For the Year Ended December 31, 2013 (dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 398,733	\$ 87,988	\$ 26,716	\$ 64
Public safety	563,651	87,996	29,023	-
Public works	92,425	68,666	19,370	29,408
Human services	114,624	376	68,244	-
Health	54,453	2,322	9,056	-
Parks and recreation	29,687	8,891	864	39,223
Cultural activities	119,018	52,740	1,115	339
Community development	35,142	25,615	15,800	478
Economic opportunity	21,218	12,248	9,224	-
Interest on long-term debt	70,030	-	-	-
Total Governmental Activities	1,498,981	346,842	179,412	69,512
Business-type Activities:				
Wastewater management	105,679	115,872	-	7,289
Denver airport system	801,786	661,637	103,513	31,412
Environmental services	9,354	8,586	-	-
Golf course	10,474	9,522	-	-
Total Business-type Activities	927,293	795,617	103,513	38,701
Total Primary Government	\$ 2,426,274	\$ 1,142,459	\$ 282,925	\$ 108,213
Component Units	\$ 283,398	\$ 82,388	\$ 5,536	\$ -

General revenues:

Taxes:

Facilities development admissions

Lodgers

Motor vehicle ownership fee

Occupational privilege

Property

Sales and use

Specific ownership

Telephone

Investment and interest income

Other revenues

Transfers

Total General Revenues and Transfers

Change in net position

Net position (deficit) - January 1, as previously reported

Change in accounting principle - GASB 65

Net position - January 1, as restated

Net Position (Deficit) - December 31

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (283,965)	\$ -	\$ (283,965)	
(446,632)	-	(446,632)	
25,019	-	25,019	
(46,004)	-	(46,004)	
(43,075)	-	(43,075)	
19,291	-	19,291	
(64,824)	-	(64,824)	
6,751	-	6,751	
254	-	254	
(70,030)	-	(70,030)	
(903,215)	-	(903,215)	
-	17,482	17,482	
-	(5,224)	(5,224)	
-	(768)	(768)	
-	(952)	(952)	
-	10,538	10,538	
(903,215)	10,538	(892,677)	
			\$ (195,474)
8,721	-	8,721	-
63,482	-	63,482	1,600
21,000	-	21,000	-
44,515	-	44,515	-
331,914	-	331,914	80,403
539,348	-	539,348	25,723
193	-	193	194
8,964	-	8,964	-
2,525	24,357	26,882	10,987
35,368	948	36,316	12,038
275	(275)	-	-
1,056,305	25,030	1,081,335	130,945
153,090	35,568	188,658	(64,529)
1,782,262	1,151,011	2,933,273	(246,182)
(5,194)	(30,058)	(35,252)	(7,453)
1,777,068	1,120,953	2,898,021	(253,635)
\$ 1,930,158	\$ 1,156,521	\$ 3,086,679	\$ (318,164)

Balance Sheet - Governmental Funds

December 31, 2013 (dollars in thousands)

	General	Human Services	Other Governmental Funds	Total Governmental Funds
Assets				
Cash on hand	\$ 143	\$ 518	\$ 10,023	\$ 10,684
Cash and cash equivalents	195,214	42,844	368,034	606,092
Receivables (net of allowances of \$123,807)				
Taxes	170,018	58,119	188,214	416,351
Notes	2,804	-	71,362	74,166
Accounts	20,109	7,533	40,217	67,859
Accrued interest	1,440	-	1,570	3,010
Interfund receivable	12,528	21	1,392	13,941
Due from other governments	-	1,659	36,765	38,424
Prepaid items and other assets	268	-	3,515	3,783
Restricted assets:				
Cash and cash equivalents	48,203	-	7,910	56,113
Assets held for disposition	11,436	-	1,820	13,256
Total Assets	<u>\$ 462,163</u>	<u>\$ 110,694</u>	<u>\$ 730,822</u>	<u>\$ 1,303,679</u>
Liabilities and Fund Balances				
Liabilities:				
Vouchers payable	\$ 17,037	\$ 5,422	\$ 41,805	\$ 64,264
Accrued liabilities	32,423	2,467	1,607	36,497
Due to taxing units	274	-	167	441
Interfund payable	2,122	2,241	6,049	10,412
Unearned revenue	939	1,322	14,188	16,449
Advances	-	505	6,975	7,480
Compensated absences	-	-	62	62
Total Liabilities	<u>52,795</u>	<u>11,957</u>	<u>70,853</u>	<u>135,605</u>
Deferred Inflows of Resources				
Property tax	109,343	58,346	180,011	347,700
Unavailable revenues - long-term receivables	12,690	-	33,979	46,669
Total Deferred Inflows of Resources	<u>122,033</u>	<u>58,346</u>	<u>213,990</u>	<u>394,369</u>
Fund Balances:				
Nonspendable	268	-	6,515	6,783
Restricted	62,443	40,391	372,617	475,451
Committed	23,594	-	37,804	61,398
Assigned	-	-	29,043	29,043
Unassigned	201,030	-	-	201,030
Total Fund Balances	<u>287,335</u>	<u>40,391</u>	<u>445,979</u>	<u>773,705</u>
Total Liabilities and Fund Balances	<u>\$ 462,163</u>	<u>\$ 110,694</u>	<u>\$ 730,822</u>	<u>\$ 1,303,679</u>

See accompanying notes to basic financial statements.

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

December 31, 2013 (dollars in thousands)

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

Total fund balance-governmental funds.	\$ 773,705
Capital assets used in governmental activities, excluding internal service funds of \$19,329, are not financial resources, and therefore, are not reported in the funds.	2,829,566
Accrued interest payable not included in the funds.	(21,092)
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.	48,011
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:	
Accumulated decrease in fair value of hedging derivatives	20,692
Loss on refunding	16,073
Interest rate swap liability.	(26,221)
Prepaid bond insurance, net of accumulated amortization.	934
Internal service funds are used by management to charge the cost of these funds to their primary users-governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	21,983
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds (this excludes internal service liabilities of \$50,099).	(1,733,493)
Net position of governmental activities	<u>\$ 1,930,158</u>

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2013 (dollars in thousands)

	General	Human Services	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Facilities development admission	\$ -	\$ -	\$ 8,721	\$ 8,721
Lodgers	17,602	-	45,880	63,482
Motor vehicle ownership fee	21,000	-	-	21,000
Occupational privilege	44,504	-	11	44,515
Property	108,522	55,990	167,402	331,914
Sales and use	493,002	-	46,346	539,348
Specific ownership	-	-	193	193
Telephone	2,710	-	6,254	8,964
Special assessments	-	-	1,702	1,702
Licenses and permits	42,916	-	1,499	44,415
Intergovernmental revenues	27,669	67,587	111,622	206,878
Charges for services	167,864	376	56,929	225,169
Investment and interest income	1,890	-	113	2,003
Fines and forfeitures	54,818	-	2,651	57,469
Contributions	49	657	6,380	7,086
Other revenue	10,265	442	44,957	55,664
Total Revenues	992,811	125,052	500,660	1,618,523
Expenditures				
Current:				
General government	181,635	-	76,773	258,408
Public safety	475,654	-	77,009	552,663
Public works	98,178	-	71,951	170,129
Health	44,636	-	9,569	54,205
Human services	-	114,079	-	114,079
Parks and recreation	55,279	-	11,713	66,992
Cultural activities	39,192	-	58,846	98,038
Community development	15,998	-	19,032	35,030
Economic opportunity	574	-	20,747	21,321
Debt service:				
Principal retirement	2,633	3,644	93,248	99,525
Interest	2,152	1,130	69,560	72,842
Capital outlay	-	-	45,877	45,877
Total Expenditures	915,931	118,853	554,325	1,589,109
Excess (deficiency) of revenues over (under) expenditures	76,880	6,199	(53,665)	29,414
Other Financing Sources (Uses)				
Sale of capital assets and assets held for disposition	-	743	(615)	128
Issuance of certificates of participation	-	-	34,030	34,030
Payments to escrow	-	-	(256,518)	(256,518)
Bond premium	-	-	19,659	19,659
Bond proceeds	-	-	48,660	48,660
Bond proceeds - refunding	-	-	209,700	209,700
Insurance recoveries	305	8	436	749
Transfers in	38,589	75	69,457	108,121
Transfers out	(55,287)	(75)	(53,121)	(108,483)
Total Other Financing Sources (Uses), Net	(16,393)	751	71,688	56,046
Net change in fund balances	60,487	6,950	18,023	85,460
Fund balances - January 1	226,848	33,441	427,956	688,245
Fund Balances - December 31	\$ 287,335	\$ 40,391	\$ 445,979	\$ 773,705

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2013 (dollars in thousands)

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

Net change in fund balances - total governmental funds	\$ 85,460
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:	
Capital outlay, including sale of assets	114,098
Depreciation expense (excluding internal service)	(146,546)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	31,834
The issuance of long-term debt and other obligations (e.g., bonds, certificates of participation, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on change in net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:	
General obligation bonds issued	(259,201)
Capital lease obligations	(34,030)
Principal retirement on bonds	269,765
Premium, discounts, and deferred gain (loss) on refunding	7,700
Capital lease principal payments	67,564
Principal payments on note payable	5,948
Principal payments on intergovernmental agreement	766
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences (excluding internal service)	4,966
Accrued interest payable	2,812
Legal liability	2,762
Pollution remediation	47
Net OPEB obligation	(1,667)
Amortization of imputed debt-swap	522
Internal service funds are used by management to charge their cost to individual funds. The net expense of certain activities of internal service funds is reported within governmental activities.	290
Change in net position of governmental activities	\$ 153,090

See accompanying notes to basic financial statements.

Statement of Net Position - Proprietary Funds

December 31, 2013 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,423	\$ 76,218
Investments	7,830	447,196
Receivables (net of allowance for uncollectibles of \$1,700):		
Accounts	12,829	43,275
Accrued interest	322	6,639
Inventories	-	9,496
Interfund receivable	491	1
Prepaid items and other assets	959	1,961
Restricted assets:		
Cash and cash equivalents	-	121,554
Investments	5,506	581,398
Accounts receivable	-	9,038
Accrued interest receivable	-	3,750
Other receivables	-	3,383
Prepaid items	-	4,388
Total Current Assets	35,360	1,308,297
Noncurrent assets:		
Investments - restricted	23,025	720,552
Investments - unrestricted	32,744	140,167
Capital assets:		
Land and construction in progress	25,709	734,514
Buildings and improvements	16,736	2,009,211
Improvements other than buildings	771,355	2,274,526
Machinery and equipment	15,783	768,354
Accumulated depreciation	(284,711)	(2,589,187)
Net capital assets	544,872	3,197,418
Long-term receivables (net of allowances)	-	10,320
CIS net	3,369	-
Prepaid expense and other	-	4,487
Interest rate swaps	-	38,232
Total Noncurrent Assets	604,010	4,111,176
Total Assets	639,370	5,419,473
Deferred Outflow		
Accumulated decrease in fair value of hedging derivatives	-	13,967
Deferred amount on refunding	737	214,963

See accompanying notes to basic financial statements.

				Governmental	
				Activities	
Other		Total		Internal	
Enterprise		Enterprise		Service	
Funds		Funds		Funds	
\$	19,971	\$	103,612	\$	51,524
	-		455,026		-
	2,140		58,244		1,473
	100		7,061		313
	167		9,663		3,018
	4		496		1,894
	-		2,920		-
	1,993		123,547		-
	-		586,904		-
	-		9,038		-
	15		3,765		-
	-		3,383		-
	-		4,388		-
	24,390		1,368,047		58,222
	-		743,577		-
	-		172,911		-
	5,524		765,747		5,653
	13,463		2,039,410		18,154
	15,356		3,061,237		-
	5,399		789,536		6,790
	(19,145)		(2,893,043)		(11,268)
	20,597		3,762,887		19,329
	4,000		14,320		-
	-		3,369		-
	-		4,487		-
	-		38,232		-
	24,597		4,739,783		19,329
	48,987		6,107,830		77,551
	-		13,967		-
	-		215,700		-

continued

Statement of Net Position - Proprietary Funds, continued

December 31, 2013 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
Liabilities		
Current liabilities:		
Vouchers payable	\$ 549	\$ 37,911
Revenue bonds payable	2,590	-
Accrued liabilities	1,151	42,341
Unearned revenue	16,986	22,026
Interfund payable	1,409	4,318
Advances	-	-
Capital lease obligations	548	-
Compensated absences	860	2,491
Construction payable	3,114	-
Due to other governments	5,324	-
Current liabilities (payable from restricted assets):		
Vouchers payable	-	51,934
Retainages payable	-	24,043
Notes payable	-	5,488
Accrued interest and other liabilities	-	26,534
Other accrued liabilities	-	11,622
Revenue bonds payable	-	133,495
Total Current Liabilities	32,531	362,203
Noncurrent liabilities:		
Interest rate swaps	-	201,820
Notes payable	-	20,316
Revenue bonds payable, net	48,586	4,480,582
Capital lease obligations	7,419	-
Compensated absences	1,944	6,423
Other accrued liabilities	7,009	-
Claims reserve	-	-
Total Noncurrent Liabilities	64,958	4,709,141
Total Liabilities	97,489	5,071,344
Deferred Inflows of Resources		
Gain on refundings	-	3,535
Other - long-term receivables	-	-
Net Position		
Net investment in capital assets	511,147	(719,304)
Restricted for:		
Capital projects	-	16,087
Debt service	-	653,222
Unrestricted	31,471	623,519
Total Net Position	\$ 542,618	\$ 573,524

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

See accompanying notes to basic financial statements.

				Governmental	
				Activities	
Other		Total		Internal	
Enterprise		Enterprise		Service	
Funds		Funds		Funds	
\$	1,881	\$	40,341	\$	1,856
	495		3,085		-
	481		43,973		421
	277		39,289		-
	73		5,800		119
	-		-		2,000
	290		838		760
	232		3,583		594
	-		3,114		-
	-		5,324		-
	-		51,934		-
	-		24,043		-
	-		5,488		-
	-		26,534		-
	-		11,622		-
	-		133,495		-
	3,729		398,463		5,750
	-		201,820		-
	-		20,316		-
	3,498		4,532,666		-
	529		7,948		17,358
	801		9,168		590
	-		7,009		-
	-		-		30,797
	4,828		4,778,927		48,745
	8,557		5,177,390		54,495
	-		3,535		-
	-		-		1,124
	15,785		(192,372)		1,211
	2,008		18,095		-
	-		653,222		-
	22,637		677,627		20,721
\$	40,430		1,156,572	\$	21,932
			(51)		
		\$	1,156,521		

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

For the Year Ended December 31, 2013 (dollars in thousands)

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Wastewater Management</u>	<u>Denver Airport System</u>
Operating Revenues		
Charges for services	\$ 115,872	\$ 661,637
Other revenue	-	-
Change in claims reserve	-	-
Total Operating Revenues	115,872	661,637
Operating Expenses		
Personnel services	21,430	125,608
Contractual services	19,687	194,666
Supplies and materials	1,589	111,661
Depreciation and amortization	16,499	184,721
District water treatment charges	44,860	-
Claims payments	-	-
Other operating expenses	-	-
Total Operating Expenses	104,065	616,656
Operating income (loss)	11,807	44,981
Nonoperating Revenues (Expenses)		
Investment and interest income	(555)	25,205
Passenger facility charges	-	103,032
Intergovernmental revenue	888	-
Disposition of assets	60	-
Grants	-	481
Interest expense	(1,479)	(183,359)
Other expense	-	(1,265)
Total Nonoperating Revenues (Expenses)	(1,086)	(55,906)
Income (loss) before capital grants, contributions, and transfers	10,721	(10,925)
Capital grants and contributions	7,289	31,412
Transfers in	-	-
Transfers out	(25)	-
Change in net position	17,985	20,487
Net position - January 1, as previously reported	525,297	582,336
Change in accounting position - GASB 65	(664)	(29,299)
Net position - January 1, as restated	524,633	553,037
Net Position - December 31	\$ 542,618	\$ 573,524
Change in net position of enterprise funds		
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds		
Change in net position of business-type activities		

See accompanying notes to basic financial statements.

			Governmental Activities
	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	\$ 17,794	\$ 795,303	\$ 40,712
	314	314	1,044
	-	-	2,089
	18,108	795,617	43,845
	8,202	155,240	9,633
	5,905	220,258	668
	1,687	114,937	21,430
	1,011	202,231	1,854
	-	44,860	-
	-	-	7,903
	2,753	2,753	2,469
	19,558	740,279	43,957
	(1,450)	55,338	(112)
	(293)	24,357	(307)
	-	103,032	-
	-	888	-
	-	60	-
	-	481	-
	(224)	(185,062)	(615)
	-	(1,265)	-
	(517)	(57,509)	(922)
	(1,967)	(2,171)	(1,034)
	-	38,701	-
	-	-	637
	(250)	(275)	-
	(2,217)	36,255	(397)
	42,742	1,150,375	22,329
	(95)	(30,058)	-
	42,647	1,120,317	22,329
	\$ 40,430	\$ 1,156,572	\$ 21,932
		\$ 36,255	
		(687)	
		\$ 35,568	

Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2013 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
Cash Flows From Operating Activities		
Receipts from customers	\$ 115,741	\$ 635,398
Payments to suppliers	(57,393)	(283,886)
Payments to employees	(21,603)	(125,379)
Other receipts	-	-
Interfund activity	(9,003)	(19,274)
Claims paid	-	-
Net Cash Provided (Used) by Operating Activities	27,742	206,859
Cash Flows From Noncapital Financing Activities		
Operating grants received	-	425
Transfers in	-	-
Transfers out	(25)	-
Net Cash Provided (Used) By Noncapital Financing Activities	(25)	425
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	-	740,737
Bond issue costs	-	(3,347)
Principal payments	(5,677)	(182,702)
Interest payments	(2,122)	(166,797)
Passenger facility charges	-	105,630
Payments on capital assets acquired through construction payables	(2,502)	(82,719)
Acquisition and construction of capital assets	(11,681)	(182,723)
Reimbursement from City for capital asset costs and proceeds from sale of assets	60	834
Contributions and advances	1,565	38,050
Intergovernmental revenues	888	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,469)	266,963
Cash Flows From Investing Activities		
Purchases of investments	(215,237)	(5,023,863)
Proceeds from sale of investments	205,527	4,504,798
Sale of assets held for disposition; payments to maintain assets held	-	2,241
Insurance proceeds from remediation of asset held for disposition	-	4,724
Interest received	396	27,397
Interest rate swap settlements	-	(38,139)
Net Cash Provided by Investing Activities	(9,314)	(522,842)
Net increase (decrease) in cash and cash equivalents	(1,066)	(48,595)
Cash and cash equivalents - January 1	8,489	246,367
Cash and Cash Equivalents - December 31	\$ 7,423	\$ 197,772

See accompanying notes to basic financial statements.

	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
	\$ 17,723	\$ 768,862	\$ 40,740
	(11,228)	(352,507)	(23,431)
	(8,067)	(155,049)	(9,742)
	(3,686)	(3,686)	1,994
	-	(28,277)	-
	-	-	(7,903)
	(5,258)	229,343	1,658
	-	425	-
	-	-	637
	(250)	(275)	-
	(250)	150	637
	(641)	740,096	-
	-	(3,347)	-
	-	(188,379)	(728)
	(231)	(169,150)	(616)
	-	105,630	-
	-	(85,221)	-
	840	(193,564)	(162)
	-	894	-
	-	39,615	-
	-	888	-
	(32)	247,462	(1,506)
	-	(5,239,100)	-
	-	4,710,325	-
	-	2,241	-
	-	4,724	-
	(290)	27,503	(401)
	-	(38,139)	-
	(290)	(532,446)	(401)
	(5,830)	(55,491)	388
	27,794	282,650	51,136
	\$ 21,964	\$ 227,159	\$ 51,524

continued

Statement of Cash Flows - Proprietary Funds, continued

For the Year Ended December 31, 2013 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 11,807	\$ 44,981
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	16,499	184,721
Miscellaneous revenue	-	1,331
Accounts receivable, net of allowance	(529)	(7,227)
Interfund receivable	(387)	-
Inventories	-	1,028
Prepaid items and other assets	30	(2,018)
Vouchers payable	(67)	4,655
Unearned revenue	785	9,587
Accrued and other liabilities	(711)	(31,020)
Interfund payable	315	821
Deferred revenue	-	-
Claims reserved	-	-
Net Cash Provided (Used) by Operating Activities	\$ 27,742	\$ 206,859
Noncash Activities		
The Airport System issued bonds in the amount of \$719,915,000 in 2013 in order to refund debt and fund capital projects. Original issue premiums on bonds of \$24,464,553 were realized on the issuance of bonds.		
Assets acquired through capital contributions	\$ 5,724	\$ -
Unrealized loss on investments	-	(46,782)
Unrealized gain on derivatives	-	45,113
Capital assets acquired through accounts payable	3,114	74,954
Amortization of bond premiums and deferred losses and gains on bond refundings	191	5,342

See accompanying notes to basic financial statements.

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ (1,450)	\$ 55,338	\$ (112)
1,011	202,231	1,854
-	1,331	-
(58)	(7,814)	(394)
(4,000)	(4,387)	(168)
(1,032)	(4)	(339)
-	(1,988)	-
1,131	5,719	532
(13)	10,359	-
(848)	(32,579)	(109)
1	1,137	2,107
-	-	376
-	-	(2,089)
<u>\$ (5,258)</u>	<u>\$ 229,343</u>	<u>\$ 1,658</u>

\$ -	\$ 5,724	\$ -
-	(46,782)	-
-	45,113	-
-	78,068	-
-	5,533	-

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2013 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets			
Cash on hand	\$ -	\$ 268	\$ 2,377
Cash and cash equivalents	41,501	577	29,464
Securities lending collateral	230,030	-	-
Receivables (net of allowance for uncollectibles of \$5,627):			
Taxes	-	-	675,376
Accounts	327	-	135
Accrued interest	1,743	-	-
Investments, at fair value:			
U.S. Government obligations	61,939	-	-
Domestic stocks and bonds	841,381	-	-
International stocks	567,092	-	-
Mutual funds	80,565	-	-
Real estate	648,729	-	-
Other	441,066	-	-
Total Investments	2,640,772	-	-
Capital assets, net of accumulated depreciation	5,407	-	-
Total Assets	2,919,780	845	\$ 707,352
Liabilities			
Vouchers payable	5,596	282	418
Securities lending obligation	230,030	-	-
Other accrued liabilities	-	-	16,141
Due to taxing units	-	267	690,793
Total Liabilities	235,626	549	\$ 707,352
Net Position			
Net position held in trust for pension benefits	2,030,539	-	-
Net position held in trust for OPEB benefits	79,877	-	-
Net position held in trust for deferred compensation benefits	573,738	-	-
Net position held in trust for other purposes	-	296	-
Net Position Held in Trust for Pension Benefits and Other Purposes	\$ 2,684,154	\$ 296	

See accompanying notes to basic financial statements.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Year Ended December 31, 2013 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds
Additions		
Contributions:		
City and County of Denver	\$ 53,424	\$ -
Denver Health and Hospital Authority	7,138	-
Plan members	67,040	-
Total Contributions	127,602	-
Investment earnings:		
Net appreciation in fair value of investments	301,828	-
Interest and dividends	123,640	-
Total Investment Earnings	425,468	-
Less investment expense	(13,169)	-
Net Investment Earnings	412,299	-
Securities lending earnings		
Securities lending expenses:	442	-
Borrower rebates	902	-
Agent fees	(336)	-
Net Earnings from Securities Lending	1,008	-
Total Net Investment Earnings	413,307	-
Total Additions	540,909	-
Deductions		
Benefits	258,583	-
Refunds of contributions	1,093	-
Administrative expenses	3,850	-
Other deductions	-	(3)
Total Deductions	263,526	(3)
Change in net position	277,383	3
Net position - January 1	2,406,771	293
Net Position -December 31	\$ 2,684,154	\$ 296

See accompanying notes to basic financial statements.

Statement of Net Position - Component Units

December 31, 2013 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Union Station Project Authority	Denver Urban Renewal Authority	Other Component Units	Total
Assets					
Cash and cash equivalents	\$ 3,713	\$ 637	\$ 7,484	\$ 10,577	\$ 22,411
Receivables (net of allowances):					
Taxes	1,464	2,453	70,199	12,051	86,167
Accounts	-	-	204	335	539
Accrued interest	-	-	202	-	202
Other	-	8,563	3,163	-	11,726
Prepaid items and other assets	1,179	-	60	56	1,295
Restricted Assets:					
Cash and cash equivalents	72,067	16,185	69,084	2,191	159,527
Investments	-	-	9,300	-	9,300
Long-term receivables	-	157,065	-	-	157,065
Other assets	6,756	-	-	-	6,756
Capital Assets:					
Land and construction in progress	26,463	13,981	-	-	40,444
Buildings and improvements	235,511	-	-	19,823	255,334
Machinery and equipment	39,139	-	-	1,722	40,861
Accumulated depreciation	(74,420)	-	-	(2,905)	(77,325)
Net Capital Assets	226,693	13,981	-	18,640	259,314
Total Assets	311,872	198,884	159,696	43,850	714,302
Deferred outflow of resources					
Deferred loss on refunding	5,699	-	24,435	-	30,134
Total Deferred outflow of resources	5,699	-	24,435	-	30,134
Liabilities					
Vouchers payable	6,237	-	-	2,190	8,427
Accrued liabilities	8,249	31,513	4,793	4,761	49,316
Unearned revenue	-	-	-	113	113
Advances	1,564	-	838	-	2,402
Due to other governments	-	-	1,004	3,755	4,759
Noncurrent liabilities:					
Due within one year	4,900	-	18,393	369	23,662
Due in more than one year	341,139	275,418	265,857	16,597	899,011
Total Liabilities	362,089	306,931	290,885	27,785	987,690
Deferred inflow of resources					
Property taxes	-	2,453	64,161	8,296	74,910
Net Position					
Net investment in capital assets	(115,119)	706	-	2,181	(112,232)
Restricted for:					
Capital projects	37,545	-	34,211	-	71,756
Emergency use	-	-	-	252	252
Debt service	41,593	-	17,905	1,305	60,803
Donor and other restrictions:					
Expendable	-	-	4,005	-	4,005
Unrestricted (deficit)	(8,537)	(111,206)	(227,036)	4,031	(342,748)
Total Net Position (Deficit)	\$ (44,518)	\$ (110,500)	\$ (170,915)	\$ 7,769	\$ (318,164)

See accompanying notes to basic financial statements.

Statement of Activities - Component Units

For the Year Ended December 31, 2013 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Union Station Project Authority	Denver Urban Renewal Authority	Other Component Units	Total
Expenses	\$ 101,565	\$ 95,800	\$ 63,124	\$ 22,909	\$ 283,398
Program Revenues					
Charges for services	80,124	-	2,011	253	82,388
Operating grants and contributions	-	2,901	-	2,635	5,536
Total Program Revenues	80,124	2,901	2,011	2,888	87,924
Net expenses	(21,441)	(92,899)	(61,113)	(20,021)	(195,474)
General Revenues					
Taxes:					
Lodgers	-	-	1,600	-	1,600
Property	-	-	59,216	21,187	80,403
Sales and use	-	1,052	24,671	-	25,723
Specific ownership	-	-	-	194	194
Investment and interest income	65	9,432	1,478	12	10,987
Other revenues	9,000	-	2,056	982	12,038
Net General Revenues	9,065	10,484	89,021	22,375	130,945
Change in net position	(12,376)	(82,415)	27,908	2,354	(64,529)
Net position (deficit) - January 1, as previously reported	(29,733)	(28,085)	(193,974)	5,610	(246,182)
Change in accounting position - GASB 65	(2,409)	-	(4,849)	(195)	(7,453)
Net position (deficit) - January 1, as restated	(32,142)	(28,085)	(198,823)	5,415	(253,635)
Net Position (Deficit) - December 31	\$ (44,518)	\$ (110,500)	\$ (170,915)	\$ 7,769	\$ (318,164)

See accompanying notes to basic financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE A – REPORTING ENTITY

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

As required by U.S. GAAP, these financial statements present the City (primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. Certain amounts reported in the individual component unit financial statements have been reclassified to conform to the City's accounting policies. Each component unit has a December 31st year end.

1. Blended Component Units.

Gateway Village General Improvement District and Denver 14th Street General Improvement District – The districts were created by the City as separate legal entities pursuant to state statute. Per statute, the City Council serves as ex officio Board of Directors for the districts. District Advisory Boards, appointed by the City Council, conduct and manage all affairs of the districts, which provide services entirely to the City, subject to overall approval and supervision of the ex officio Board of Directors. The districts are reported herein in the City's special revenue and debt service funds.

2. Discretely Presented Component Units.

9th Avenue, Cherry Creek North, Cherry Creek Subarea, Colfax, Downtown Denver, Old South Gaylord, West Colfax, Federal Boulevard, and Bluebird Business Improvement Districts (BID) – Each BID was created by the City as a separate legal entity pursuant to state statute for the purpose of maintaining public improvements and planning development activities within each BID's geographic boundaries. The City appoints the governing boards of the BIDs and is able to impose its will through the approval of the BID's operating budgets. The 9th Avenue, Federal Boulevard, and Bluebird BID's had no financial activity in 2013 or net position to report as of December 31, 2013.

Denver Convention Center Hotel Authority (DCCHA) – The DCCHA was organized by the City as a nonprofit corporation in accordance with State law for the purpose of owning, acquiring, constructing, equipping, operating and financing a hotel adjacent to the City's convention center. The Mayor appoints the Board of Directors of the DCCHA, subject to City Council confirmation, and a financial benefit/burden relationship exists as a result of an economic development agreement between the City and DCCHA. According to the agreement DCCHA distributes certain excess revenues to the City, makes payments in lieu of taxes to the City, and has entered into a room block agreement which coordinates the reservation of hotel room blocks with events scheduled at the City's convention center. The City makes semi-annual economic development payments to the DCCHA, which totaled \$9,000,000 in 2013, and will gradually increase to an annual maximum of \$11,000,000 in 2018. The City also has the right to purchase the hotel at the purchase option price per the agreement.

Denver Downtown Development Authority (DDDA) – The DDDA was created for the purpose of promoting public health, safety, prosperity, security, and general welfare in order to halt or prevent deterioration of property values or structures within the central business district and to assist in the development and redevelopment of the central business district, especially to benefit the property within the boundaries of the Authority. The City entered into a cooperation agreement with DDDA in 2009 authorizing the Authority to collect and disburse property and sales tax increment revenues. The DDDA collects property and sales tax increment revenue from the City and disburses it to the Denver Union Station Project Authority and the Denver Union Station Metro Districts. The Central Platte Valley Metropolitan District also exists within the boundaries of DDDA and it receives property tax revenue from the DDDA. The Board of Directors is appointed by the Mayor and confirmed by City Council, and City Council may remove any director at will. These appointments and the ability of the City to impose its will on the Authority make the City financially accountable for the Authority.

Denver Preschool Program, Inc. (DPP) – DPP is a nonprofit corporation organized to administer the Denver Preschool Program that provides tuition credits for children of Denver families the year before the child is eligible for kindergarten. The City is legally obligated to provide financial support to DPP, as the program is funded by a sales and use tax increase of twelve one-hundredths of one percent (0.12%) that was voter-approved through December 2016. The Mayor appoints six of the seven DPP board members and City Council appoints a council member as the other board member. The City appointments to the governing body and its financial obligations to DPP make the City financially accountable for the DPP.

Denver Union Station Project Authority (DUSPA) – In 2001, the City, the Regional Transportation District (RTD), the Denver Regional Council of Governments, and the Colorado Department of Transportation entered into an intergovernmental agreement for the redevelopment of Denver Union Station and its surrounding environs as a multimodal transportation hub in the City's metropolitan area. The Denver Union Station Project Authority was created by City ordinance in 2008, as a permanent, centralized agency to accomplish the Denver Union Station Project (the Project) which will specifically deal with the financing, acquiring, equipping, designing, constructing, operating and maintaining of the Project. DUSPA is a Colorado nonprofit organization. The Mayor appoints six of the eleven voting DUSPA board members, which are then confirmed by City Council. The Mayor can remove any City appointed board member at will, giving the City the ability to impose its will on the Authority. The ability to appoint the majority of voting members and to impose its will on DUSPA makes the City financially accountable for the Authority. Tax increment revenue from the City provides funding for the Project, which creates a financial burden relationship between the City and DUSPA. In addition to the tax increment revenue, DUSPA also receives federal loans, federal and state grants, and RTD bond proceeds. DUSPA is authorized to issue revenue bonds for the Project, which for federal income tax purposes are considered to be issued on behalf of the City, however these bonds, and any other obligation incurred by DUSPA, are not liabilities of the City.

Denver Urban Renewal Authority (DURA) – DURA was created as a separate legal entity by the City pursuant to the state Urban Renewal Law to acquire, clear, rehabilitate, conserve, develop or redevelop identified slum or blighted areas existing within the City and to prevent future blight from developing. In addition, for health and safety purposes, DURA provides housing rehabilitation assistance in the form of low-interest loans to low-income Denver homeowners through two City housing rehabilitation programs. The Mayor appoints the DURA board of directors subject to City Council approval. Any urban renewal project undertaken by DURA must receive prior approval by the City. A significant amount of DURA's financing comes from incremental property and sales tax revenue from the City. In 2009, DURA established Denver Neighborhood Revitalization, Inc. (DNRI), a registered State of Colorado not-for-profit organization and component unit of DURA, to address the needs in the Denver community related to foreclosed and/or abandoned homes. DNRI administers and executes the Neighborhood Stabilization Program (NSP) funds awarded by the City and County of Denver. DNRI activities include acquisition and rehabilitation of foreclosed residential properties in targeted neighborhoods within the City and County of Denver. For presentation purposes, DURA and DNRI financial activity is combined.

Complete financial statements, as applicable, for the following individual discretely presented component units can be obtained from their respective administrative offices:

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

Cherry Creek Subarea BID
1573 South Jamaica Street
Denver, Colorado 80012

Colfax BID
P. O. Box 18853
Denver, Colorado 80218

Downtown Denver BID
511 16th Street, Suite 200
Denver, Colorado 80202

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

West Colfax BID
4500 West Colfax Avenue
Denver, Colorado 80204

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

Denver Downtown Development Authority
201 West Colfax Avenue, Department 1109
Denver, Colorado 80202

Denver Preschool Program, Inc.
305 Park Avenue West, Suite B
Denver, Colorado 80205

Denver Union Station Project Authority
1225 17th Street, Suite 3050
Denver, Colorado 80202

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

3. Fiduciary Component Unit.

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

4. Related Organizations.

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

Denver Health and Hospital Authority (Authority) – The Authority is a political subdivision and body corporate of the State of Colorado. The Authority is governed by a nine member board, all appointed by the Mayor. The Authority entered into contractual agreements with the City to obtain and operate the City's existing hospital system. In accordance with the contractual agreements between the Authority and the City, the City paid the Authority \$54,300,000 for providing various health related services to the City and its residents during 2013. In addition, the Authority made payments in the amount of \$2,007,000 to the City for human services, fleet, sheriff, and various human resources services.

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

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

Denver Water Board – The Denver Water Board was created pursuant to the City Charter as a separate legal entity to oversee the City's water system. The Denver Water Board's five-member governing body is appointed by the Mayor, but the City is not financially accountable for the Denver Water Board because the Denver Water Board has the power to levy property taxes to support general obligation bonds issued by the Denver Water Board and the Denver Water Boards' determination of the necessity for the mill levy would not be subject to approval or modification by the City. The Denver Water Board had no general obligation bonds outstanding as of December 31, 2013, and no longer has authority to issue general obligation bonds.

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

Stapleton Development Corporation (SDC) – The City and DURA created a nonprofit corporation whose objectives would include, but not be limited to, planning an orderly public purpose assessment and redevelopment program for the former Stapleton International Airport property and implementing the redevelopment plan for the property. The SDC board of directors is composed of 11 voting members; the Mayor appoints 9 and 2 are appointed by DURA. All 11 members are confirmed by the City Council. Neither the City nor DURA is financially accountable for SDC, as the City and DURA cannot impose their will on SDC, nor does a financial benefit or burden exist between the entities.

NOTE B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

- The Wastewater Management fund accounts for the City's storm and sewer operations. This fund is financed primarily by sanitary sewer and storm drainage charges.
- The Denver Airport System fund accounts for the operation of the City's airport system which includes Denver International Airport. This fund is financed primarily by facility rentals, parking revenues, and landing fees.

The City reports the Denver Convention Center Hotel Authority, Denver Union Station Project Authority, and Denver Urban Renewal Authority component units as major component units.

Additionally, the City reports the following fund-types:

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

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

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

When both restricted and unrestricted resources are available for use, the City uses the restricted resources first, then unrestricted resources as needed. If no other restrictions exist, the order of spending of resources will be committed, assigned, and lastly unassigned.

NOTE D – ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION OR FUND BALANCES

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

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

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

- 3. Property Taxes Receivable.** Property taxes are reported as a receivable and as deferred inflows of resources when the levy is certified by the City's Assessor on or before December 15 of each year, unless there is a special election. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on March 1 and June 16, respectively. Tax rate levy authority for the 2013 fiscal year was approved when Resolution 164, Series of 2013, was adopted by the City Council and approved by the Mayor.
- 4. Water and Wastewater Service Accounts.** Sanitary sewer accounts are maintained, billed, and collected by the Water Board in connection with its water accounts. The Wastewater Management enterprise fund is responsible for billing and collecting storm drainage charges using a cycle billing system. Flat rate accounts and certain cycle billings are billed in advance on a monthly basis and revenues relating to future years are classified as unearned revenue. Metered accounts are billed in arrears and have been accrued.
- 5. Interfund Receivables/Payables.** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances from these transactions are classified as "interfund receivable" or "interfund payable" on the balance sheet/statement of net position. Other interfund receivables/payables between individual funds have occurred because some funds have overdrawn their equity share of pooled cash.
- 6. Due From Other Governments.** Due from other governments includes amounts due from grantors for grants for specific programs and capital projects. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are unearned. In the governmental funds, revenue recognition also depends on the timing of cash collections (availability).
- 7. Inventories and Prepaid Items.** The City values inventories at cost, which approximates market, and accounts for them using either the weighted average method or the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

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

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

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

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

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

9. Capital Assets. Land, collections, construction in progress, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities, or component unit columns of the government-wide financial statements. Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the City is \$5,000 except for internally generated software which has a threshold of \$50,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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

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

Buildings and improvements	5 to 100 years
Motor vehicles and motorized equipment	5 to 20 years
Furniture, machinery, and equipment	3 to 20 years
Collections, excluding library books	15 years
Library books	4 years
Infrastructure	6 to 50 years

Library books are depreciated over a 4-year life using the composite method. The Western History artwork collection is not capitalized because these assets are held for public exhibition rather than financial gain and the value cannot be determined. They are protected and preserved and proceeds from any sales must be used to acquire other items for collection. In addition, artwork acquired through the Estate of Clyfford Still is not capitalized because the collection must be held for public exhibition and sale of the collection, or any piece of the collection, is prohibited, under the terms of the will and the donation agreement. A value has not been assigned to the Clyfford Still collection and due to the rarity of the collection combined with restrictions within the will for its ownership and exhibition, its ultimate value may be impossible to establish with any certainty.

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

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

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

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

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

Employees may accumulate earned but unused benefits up to a specified maximum. The City has recorded an accrued liability for compensated absences in the government-wide and proprietary fund financial statements that was calculated using the vesting method.

12. Unearned Revenues. Unearned revenues reflect amounts that have been received before the City has a legal claim to the funds. In subsequent periods, when revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue is removed from the statement of net position/balance sheet and revenue is recognized.

13. Deferred Outflows of Resources and Deferred Inflows of Resources. A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the City consist of the accumulated decrease in fair value of hedging derivatives and the loss on refunding.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Property tax receivables are reported as deferred inflow of resources when levied in the fund statements.

Deferred inflows of resources are comprised of property tax and long-term receivables that are unavailable in the fund statements but are recognized as revenue in the government wide statements. A gain on refunding is also included in deferred inflows of resources relating to the Denver Airport System. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Net Position. In the government-wide and fund financial statements, net position is the difference between assets, liabilities, deferred inflows, and deferred outflows. Net investment in capital assets, represents capital assets; less accumulated depreciation; and less any outstanding borrowings related to the acquisition, construction, or improvement of those assets. Certain net positions are restricted for capital projects, emergency use, debt service, and by donor restrictions.

15. Fund Balance. In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balance classifications based on the nature and extent of the constraints placed on the fund balances.

16. Encumbrances. Encumbrances for contracts and purchase orders are unencumbered at year end and reappropriated against the subsequent year's budget. As of December 31, 2013, \$23,594,000 was reappropriated against the General Fund 2014 budget for remaining prior year encumbrances.

NOTE E – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Governmental Accounting Standards Board Statement No. 65. In 2013, the City 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 the following changes in net position as of January 1, 2013: a decrease of \$5,194,000 for the Governmental Activities and a decrease of \$30,058,000 for Business-type Activities, which included a decrease of \$29,299,000 for the Denver Airport System, a decrease of \$664,000 for Wastewater Management, a decrease of \$95,000 for the Golf Course Fund, and a decrease of \$7,453,000 for component units. These changes 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 gain or loss on refunding of debt is reclassified as a deferred outflow of resources (loss) or a deferred inflow of resources (gain).

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE A – DEFICIT FUND EQUITY

At December 31, 2013, the Denver Convention Center Hotel Authority (DCCHA), the Denver Union Station Project Authority (DUSPA), and the Denver Urban Renewal Authority (DURA) component units had deficit net position in the amounts of \$44,518,000, \$110,500,000, and \$170,915,000, respectively.

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

NOTE B – EXCESS EXPENDITURES OVER AUTHORIZATIONS

Budget basis expenditures exceeded authorizations for the projects shown in **Table 1**.

Table 1

Excess Expenditures Over Authorizations

For the Year Ended December 31, 2013 (dollars in thousands)

	Authorization	Budget Basis Expenditures	Excess over Authorization
Arts and Venues	\$ 2,153	\$ 2,334	\$ 181
Board of Ethics	114	115	1
Human Rights and Community Partnerships	1,158	1,168	10
Adams Mark Tax Increment	1,418	1,600	182

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

III. DETAILED NOTES FOR ALL FUNDS

NOTE A – DEPOSITS AND INVESTMENTS

- Deposits.** The City Charter, Section 2.5.3(c), requires all banking or savings and loan institutions to pledge sufficient collateral as required by law (Public Deposit Protection Act (C.R.S., 11-10.5-101)) before any public funds are deposited. In addition, the City's Investment Policy requires that certificates of deposit be purchased from institutions that are certified

as Eligible Public Depositories by the appropriate state regulatory agency. Under the Colorado Public Deposit Protection Act (PDPA), all deposits exceeding the amount insured by the FDIC are to be fully collateralized at 102.0% of the deposits with specific approved securities identified in the act. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institutions' trust department or agent in the "City's name."

Custodial credit risk is the risk that, in the event of a failure of a financial institution or counterparty, the City would not be able to recover its deposits, investments or collateral securities. At December 31, 2013, the bank balance and carrying amounts of accounts managed by the City Treasurer were \$53,196,000 and \$57,734,000, respectively (which includes \$35,000,000 of Certificates of Deposit). The City's deposits, except for the pension trust fund and certain component units' deposits are subject to, and in accordance with PDPA.

All deposits for DURA, DUSPA, and DCCHA were not subject to custodial credit risk at December 31, 2013, since they were covered by FDIC or PDPA.

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

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

At December 31, 2013, the City's investment balances were as shown in **Table 2**.

Table 2

City Investment Balances

December 31, 2013 (dollars in thousands)

	Fair Value
Repurchase agreements	\$ 1,581
Money market funds	151
Local government investment pool	107,134
Commercial paper	369,436
Common stock	1,116,808
Mutual funds	327,568
State and local government securities	3,274
Municipal bonds	12,316
U.S. Treasury securities	659,946
U.S. agency securities	1,766,011
Corporate, governmental, mortgage, and asset backed bonds	291,665
Annuity contracts	234,615
Real estate	167,168
Other	464,606
Total Investments	\$ 5,522,279

The DERP pension trust fund had securities lending collateral of \$293,194,000 at December 31, 2013; see **Note III-A-5** for additional discussion related to this balance.

At December 31, 2013, the investment balances of the discretely presented component units were as shown in **Table 3**.

Table 3**Component Units Investment Balances**

December 31, 2013 (dollars in thousands)

	Fair Value
Money market funds	\$ 81,463
Local government investment pool	16,327
Investment contracts	9,300
Total Investments	\$ 107,090

A reconciliation of cash and investments as shown in the basic financial statements as of December 31, 2013, is shown in **Table 4**.

Table 4**Reconciliation of Cash and Investments**

December 31, 2013 (dollars in thousands)

	Primary Government	Component Units	Total
Governmental and Business-type Activities			
Cash on hand	\$ 10,684	\$ -	\$ 10,684
Cash and cash equivalents	761,228	22,411	783,639
Investments	627,937	-	627,937
Restricted cash and cash equivalents	179,660	159,527	339,187
Restricted investments	1,330,481	9,300	1,339,781
Total Governmental and Business-type Activities	2,909,990	191,238	3,101,228
Fiduciary			
Cash on hand	2,645	-	2,645
Cash and cash equivalents	71,542	-	71,542
Investments	2,640,772	-	2,640,772
Total Fiduciary	2,714,959	-	2,714,959
Total	5,624,949	191,238	5,816,187
Less deposit balance	(102,670) ¹	(84,148)	(186,818)
Total Investments	\$ 5,522,279	\$ 107,090	\$ 5,629,369

¹The carrying amount of the City's deposits, \$57,734 plus fiduciary deposits of \$41,501, less uncashed warrants of \$9,655, plus other cash amounts of \$13,090, equal \$102,670.

Interest Rate Risk. Interest rate risk is the risk that changes in financial market interest rates will adversely affect the value of an investment. The City's Investment Policy limits interest rate risk for investments under the control of the Manager by limiting the maximum maturity of investments. Investments in commercial paper have a maximum maturity of 366 days. At December 31, 2013, the City's commercial paper maturity dates ranged from January 2, 2014 to July 16, 2014. U.S. Treasury and agency securities can have a maximum maturity of ten years. The Manager is authorized to waive certain portfolio constraints when such action is deemed to be in the best interest of the City. The Manager has waived the maximum maturity for certain investments in U.S. agency securities that are part of the Denver Airport System structured pool created to facilitate an economic defeasance of a portion of the future debt service payments due on certain airport system bonds, and also the investments held for the Cable Land Trust and Workman's Compensation. Maturities of the underlying investments in the local government investment pool are limited by the pool's investment policies to less than one year.

At December 31, 2013, the City's investment balances and maturities for those investments subject to interest rate risk (excluding the DERP) is shown in **Table 5** (dollars in thousands):

Table 5

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
Commercial paper	\$ 369,436	\$ 369,436	\$ -	\$ -	\$ -
Municipal bond	12,316	-	-	-	12,316
U.S. Treasury securities	602,936	41,679	460,513	100,369	375
U.S. agency securities	1,761,081	157,257	1,149,277	405,782	48,765
Total	\$ 2,745,769	\$ 568,372	\$ 1,609,790	\$ 506,151	\$ 61,456

The City's portfolio of U.S. agency securities includes callable securities. If a callable investment is purchased at a discount, the maturity date is assumed to be the maturity date of the investment. If the investment is bought at a premium, the maturity date is assumed to be the call date. As of December 31, 2013, the City owned callable securities with a fair value of \$131,537,000.

The DERP manages interest rate risk through the constraints on duration specified in each manager's investment guidelines included in the Plan's Investment Policy. At December 31, 2013, the DERP pension trust fund investment balances and maturities for those investments subject to interest rate risk are shown in **Table 6** (dollars in thousands).

Table 6

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Treasury securities	\$ 57,011	\$ 2,547	\$ 23,520	\$ 16,959	\$ 13,985
U.S. agency securities	4,929	2	1,850	1,884	1,193
Asset backed	470	-	171	139	160
Corporate bonds	170,073	19,009	78,345	55,868	16,851
Government bonds	87,551	6,265	56,601	18,045	6,640
Mortgage backed	33,571	13	13,948	12,546	7,064
Total	\$ 353,605	\$ 27,836	\$ 174,435	\$ 105,441	\$ 45,893

Credit Quality Risk. Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the City. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are assigned credit quality ratings of AAA by Fitch and Moody's, however both agencies assigned a negative outlook in 2012. In August 2011, Standard and Poor's downgraded its rating of the U.S. Government from AAA to AA+. Of the City's investments at December 31, 2013, commercial paper, municipal bonds, and local government investment pools were subject to credit quality risk. The City's Investment Policy requires that commercial paper be rated by at least two recognized rating agencies and have a minimum rating of A-1, P-1, and F-1 from Standard & Poor's, Moody's and Fitch, respectively, at the time of purchase. The Investment Policy requires that the municipal bonds have a minimum underlying issuer rating from at least one of the three rating agencies of A from Standard and Poor's and Fitch and A2 from Moody's. State and local government securities and U.S. agency securities include securities issued by government sponsored enterprises (GSEs). These securities are debt securities that are not explicitly guaranteed by the federal government. The senior debt of these GSEs is rated AAA/Aaa, while the subordinated debt is currently rated AA-/Aa-. The Investment Policy also requires the local government investment pool to have over \$1 billion in assets or have the highest current rating from one or more nationally recognized rating agencies.

As of December 31, 2013, the City owned commercial paper with a fair value of \$369,436,000 that had two ratings of at least A-1 as rated by Standard & Poor's, P-1 as rated by Moody's, or F1 as rated by Fitch. The City owned \$12,316,000 of municipal bonds that had ratings of at least A1 by Moody's or AA- by Standard & Poor's or Fitch. The City also had \$107,134,000 invested in local government investment pools with a rating of AAAM by Standard & Poor's.

The DERP manages credit risk through the constraints on investments specified in each manager's investment guidelines included in the Plan's Investment Policy. Securities implicitly governed by the U.S. Government are included.

Information on the credit ratings associated with the DERP investments in debt securities at December 31, 2013, is shown in **Table 7** (dollars in thousands).

Table 7

S&P	Moody's	Asset Backed	Corporate Bonds	Government Bonds	Mortgage Bonds	Total
AAA	Aaa	\$ 272	\$ 20,647	\$ -	\$ 23,506	\$ 44,425
AAA	NR	-	-	-	1,197	1,197
AA+ to AA-	Aa3 to A1	17	1,787	87,551	1,519	90,874
A+ to A-	A1 to Baa2	40	7,868	-	3,582	11,490
BBB+ to BBB-	A3 to Baa3	41	14,301	-	3,710	18,052
BB+ to BB-	Ba3 to B1	-	22,310	-	-	22,310
B+ to B-	B1 to Caa1	-	23,769	-	-	23,769
CCC+ to CCC	B3 to Caa2	100	3,467	-	-	3,567
NR	Aaa to Baa2	-	24,832	-	57	24,889
NR	NR	-	51,092	-	-	51,092
Total		\$ 470	\$ 170,073	\$ 87,551	\$ 33,571	\$ 291,665

NR - no rating available.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the City's name. None of the City's investments owned at December 31, 2013, were subject to custodial credit risk.

In accordance with the City's Investment Policy, all of the City's repurchase agreements are collateralized at 102.0% of the market value of the portfolio by U.S. agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week, and adjusted on an as needed basis. Collateral for all investments, including repurchase agreements, are held in the City's name by the City's custodian, J.P. Morgan.

One City agency, the Office of Economic Development, owned repurchase agreements that are related to several bank accounts at Vectra Bank in relation to its HUD Section 108 programs. The cash in these accounts is invested each night in repurchase agreements issued by Vectra. The amounts in these accounts are held in the City's name and protected by the PDPA. In addition, Vectra pledges securities that are direct obligations of the U.S. Government, at a minimum collateralized value of 102.0% in compliance with HUD's investment requirements. The total repurchase agreements at December 31, 2013, were \$1,581,000.

DERP has no formal policy for custodial credit risk. At December 31, 2013, there were no investments or collateral securities subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's Investment Policy states that a maximum of 5.0% of the portfolio may be invested in commercial paper, municipal securities, or certificates of deposit issued by any one provider. The City's Investment Policy also limits investments in money market funds to 25.0% of total investments and investments in municipal securities to 15.0% of total investments.

As of December 31, 2013, all investments in commercial paper, money market funds, and municipal securities were in compliance with this policy.

The DERP Investment Policy mandates that no managed account may invest more than 5.0% of managed assets in the securities of a single issuer. As of December 31, 2013, all DERP investments were in compliance with this policy.

Foreign Currency Risk. Foreign Currency risk is the risk that changes in exchange rates will adversely affect their value of an investment or deposit. The City's Investment Policy, excluding the DERP pension trust fund, does not allow for investments in foreign currency. The DERP pension trust fund Investment Policy allows 21.0% to 31.0% of total investments to be invested in international equities and 0.01% to 3.5% of total investments to be invested in international fixed income. The DERP pension trust fund exposure to foreign currency risk as of December 31, 2013, is reflected in **Table 8** (dollars in thousands).

Table 8

Foreign Currency	Equities	Fixed Income	Total
Australian Dollar	\$ 21,577	\$ -	\$ 21,577
Brazilian Real	19,679	1,635	21,314
British Pound Sterling	88,693	-	88,693
Canadian Dollar	12,907	-	12,907
Chilean Peso	1,707	26	1,733
Chinese Yuan	23,627	269	23,896
Columbian Peso	558	957	1,515
Czech Koruna	1,639	-	1,639
Danish Krone	4,518	-	4,518
Egyptian Pound	287	-	287
Euro	117,236	-	117,236
Hong Kong Dollar	21,447	2	21,449
Hungarian Forint	1,774	1,677	3,451
Indian Rupee	9,952	-	9,952
Indonesian Rupiah	2,991	1,801	4,792
Japanese Yen	78,609	-	78,609
Malaysian Ringgit	4,545	2,634	7,179
Mexican Peso	6,049	2,907	8,956
New Israeli Shekel	2,504	-	2,504
New Zealand Dollar	592	-	592
Norwegian Krone	5,545	-	5,545
Philippine Peso	304	515	819
Polish Zloty	1,825	2,442	4,267
Russian Ruble	12,926	2,264	15,190
Singapore Dollar	8,388	-	8,388
South African Rand	12,825	2,420	15,245
South Korean Won	31,368	-	31,368
Swedish Krona	11,551	-	11,551
Swiss Franc	30,043	-	30,043
Taiwan Dollar	20,382	-	20,382
Thai Baht	5,508	2,218	7,726
Turkish Lira	4,258	2,288	6,546
Other	230	1,590	1,820
Total Foreign Deposits and Investments	\$ 566,044	\$ 25,645	\$ 591,689

3. **Denver Convention Center Hotel Authority (DCCHA).** DCCHA's investments were not subject to custodial credit risk at December 31, 2013, since they consisted solely of money market funds that are not evidenced by securities and are in DCCHA's name.
4. **Denver Urban Renewal Authority (DURA).** Although it does not have a formal policy to limit exposure to interest rate risk, DURA limits the maximum maturity of investments. At December 31, 2013, DURA's investment balances and maturities are shown in **Table 9** (dollars in thousands).

Table 9

Investment Type	Investment Maturities in Years		
	Fair Value	Less than 1	1 - 5
Money market funds	\$ 9,396	\$ 9,396	\$ -
Guaranteed investment contracts	9,300	-	9,300
Local government investment pool	15,676	15,676	-
Total	\$ 34,372	\$ 25,072	\$ 9,300

5. **Securities Lending.** The City participates in a securities lending program with certain qualified dealers. The securities are loaned to the dealer up to a maximum of one year in exchange for a predetermined fee. The City continues to receive interest earnings on the loaned securities. The securities are collateralized by the dealer. The collateral is held in the City's name by J.P. Morgan, the City's custodian. Collateral is limited to U.S. Government and/or its Agencies' securities with a maximum maturity of 30 years. Only those securities issued by Agencies approved for purchase under the City's Investment Policy are acceptable as collateral for these agreements. The initial market value of the collateral for each investment position maintained with a dealer shall be 102.0% of the market value of the securities being collateralized. Market value includes investment principal plus accrued interest. Collateral valuation levels with each dealer must be determined on at least a weekly basis, and deficiencies from the required 102.0% level must be cured no later than the following business day. The City had no securities on loan as of December 31, 2013.

The DERP pension trust fund participates in a securities lending program to augment income. The program is administered by the DERP custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the DERP. Loans of domestic securities are initially collateralized at 102.0% of the fair value of securities lent. Loans of international securities are initially collateralized at 105.0% of the fair value of securities lent. The DERP continues to receive interest and dividends during the loan period as well as a fee from the borrower. There are no restrictions on the amount of securities that can be lent at one time. The duration of securities lending loans generally matches the maturation of the investments made with cash collateral. At December 31, 2013, the fair value of underlying securities lent was \$282,903,000. The fair value of associated collateral was \$293,194,000; of this amount, \$230,030,000 represents the fair value of cash collateral and \$63,164,000 is the fair value of non-cash collateral. The DERP pension trust fund does not have the ability to pledge or sell non-cash collateral unless the borrower defaults, therefore it is not reported on the financial statements.

NOTE B – RECEIVABLES

1. **Accounts Receivables and Allowances.** The City reviews its accounts receivables periodically and allowances for doubtful accounts are established based upon management's assessment of collection. **Table 10** represents the accounts receivables and allowances for doubtful accounts at December 31, 2013.

Table 10

Accounts Receivables and Allowances Summary

December 31, 2013 (dollars in thousands)

Receivable	Governmental Activities					Business-type Activities				Fiduciary Funds
	General	Human Services	Governmental Funds	Other Internal Service Funds	Total	Wastewater Management	Denver Airport System	Nonmajor Business-type	Total	Agency and DERP
Property taxes	\$ 109,655	\$ 58,593	\$ 180,712	\$ -	\$ 348,960	\$ -	\$ -	\$ -	\$ -	\$ 672,658
Other taxes	61,145	31	9,060	-	70,236	-	482	-	482	8,345
Notes	10,594	-	-	-	10,594	-	-	-	-	-
Accounts	7,419	7,533	6,157	349	21,458	14,486	55,257	2,140	71,883	462
Long-term accounts	48,709	-	40,557	4,217	93,483	-	10,320	4,000	14,320	-
Accrued interest	1,440	-	1,570	313	3,323	322	10,389	115	10,826	1,743
Loans	-	-	142,018	-	142,018	-	-	-	-	-
Gross Receivable	238,962	66,157	380,074	4,879	690,072	14,808	76,448	6,255	97,511	683,208
Allowances	(44,591)	(505)	(78,711)	(3,093)	(126,900)	(1,657)	(43)	-	(1,700)	(5,627)
Net Receivable	\$ 194,371	\$ 65,652	\$ 301,363	\$ 1,786	\$ 563,172	\$ 13,151	\$ 76,405	\$ 6,255	\$ 95,811	\$ 677,581

2. **Notes Receivable.** The special revenue funds' and General Fund notes receivable balance at December 31, 2013, is shown in **Table 11** (dollars in thousands).

Table 11

Neighborhood Development Loans	\$ 11,299
Economic Development Loans	43,642
Housing Development Loans	97,671
Total Office of Economic Development	152,612
Less allowances for delinquent loans	(8,863)
Less allowances for forgivable loans	(69,583)
Notes Receivable, Net	\$ 74,166

Allowance for uncollectibles for notes receivable of \$78,446,000 is included in the accounts receivable allowance of \$126,900,000 above. The Neighborhood, Economic and Housing Development loans are funded from both federal U.S. Housing and Urban Development grants and City monies designated for affordable housing. Recipients of affordable housing loans target low and moderate income households, special needs and the homeless. Rental and occupancy covenants are recorded on these properties for affordability periods of 20 years or more. Housing loans may be fully forgivable at the end of the affordability period, due and payable in full, or due and payable based on occupancy rates or other conditions. The Economic Development loans are made to qualified program recipients under the Community Development Block Grant to provide business owners with funds to promote job creation and growth in targeted areas. Loans are collateralized by the underlying properties.

3. **Long-Term Receivables Allowance.** Included in long-term receivables are amounts related to reimbursement for construction costs, parking fines, court fines, and library fines. The City recorded an allowance for uncollectible accounts for governmental activities of \$45,691,000. The DURA component unit recorded an allowance of \$3,238,000.

4. **Operating Leases.** The Denver Airport System leases portions of its Denver International Airport buildings and improvements to airline and concession tenants under non-cancelable operating leases. Lease terms vary from 1 to 30 years. The operating leases require retail concessions to pay a minimum guarantee or percentage of gross receipts, whichever is greater. Revenue from these operating leases of \$81,668,000 was recognized in the Denver Airport System enterprise fund during the year ended December 31, 2013. Minimum future rentals due from concessions under operating leases are shown in **Table 12** (dollars in thousands).

Table 12

Year	
2014	\$ 65,145
2015	20,231
2016	19,305
2017	15,797
2018	11,245
2019 - 2023	34,688
2024 - 2028	815
Total	\$ 167,226

The United Airlines lease provides it can be terminated by the airline if the airline's cost per enplaned passenger exceeds \$20 in 1990 dollars. Rental rates for airlines are established using the rate making methodology whereby a compensatory method is used to set terminal rental rates and a residual method is used to set landing fees. Rentals, fees, and charges must generate gross revenues together with other available funds sufficient to meet rate maintenance covenants per governing bond ordinances.

NOTE C – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Tables 13 and 14 (dollars in thousands) reflect the City's interfund balances as of December 31, 2013.

1. Interfund Payables/Receivables.

Table 13

Receivable Fund	Payable Fund							Total
	General Fund	Human Services	Nonmajor Governmental	Wastewater Management	Denver Airport System	Nonmajor Business-type	Internal Service	
General Fund	\$ -	\$ 867	\$ 6,013	\$ 1,328	\$ 4,137	\$ 68	\$ 115	\$ 12,528
Human Services	21	-	-	-	-	-	-	21
Nonmajor Governmental	20	1,372	-	-	-	-	-	1,392
Wastewater Management	310	-	-	-	181	-	-	491
Denver Airport System	1	-	-	-	-	-	-	1
Internal Service	1,770	2	32	81	-	5	4	1,894
Nonmajor Business-type	-	-	4	-	-	-	-	4
Total	\$ 2,122	\$ 2,241	\$ 6,049	\$ 1,409	\$ 4,318	\$ 73	\$ 119	\$ 16,331

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

2. Transfers.

Table 14

Transfers In	Transfers Out					Total
	General Fund	Human Services	Nonmajor Governmental	Wastewater Management	Nonmajor Business-type	
General Fund	\$ -	\$ -	\$ 38,589	\$ -	\$ -	\$ 38,589
Human Services	75	-	-	-	-	75
Nonmajor Governmental	55,212	75	13,895	25	250	69,457
Internal Service	-	-	637	-	-	637
Total	\$ 55,287	\$ 75	\$ 53,121	\$ 25	\$ 250	\$ 108,758

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

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, are shown in **Tables 15** and **16**.

1. Governmental Activities.

Table 15

Governmental Activities

For the Year Ended December 31, 2013 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
Capital assets not being depreciated:					
Land and land rights	\$ 291,843	\$ 4,514	\$ -	\$ -	\$ 296,357
Construction in progress	88,056	45,776	-	(49,311)	84,521
Total capital assets not being depreciated	379,899	50,290	-	(49,311)	380,878
Capital assets being depreciated:					
Buildings and improvements	2,256,276	29,546	(1,342)	14,549	2,299,029
Equipment and other	302,418	25,286	(7,369)	267	320,602
Collections	62,324	4,657	(13,917)	677	53,741
Intangibles	10,797	145	-	1,929	12,871
Infrastructure	1,334,365	38,814	(210)	31,889	1,404,858
Total capital assets being depreciated	3,966,180	98,448	(22,838)	49,311	4,091,101
Less accumulated depreciation for:					
Buildings and improvements	(591,743)	(70,902)	1,896	-	(660,749)
Equipment and other	(244,444)	(26,381)	7,333	-	(263,492)
Collections	(44,844)	(3,870)	13,881	-	(34,833)
Intangibles	(507)	(2,753)	-	-	(3,260)
Infrastructure	(616,466)	(44,494)	210	-	(660,750)
Total accumulated depreciation	(1,498,004)	(148,400)	23,320	-	(1,623,084)
Total capital assets being depreciated, net	2,468,176	(49,952)	482	49,311	2,468,017
Governmental Activities Capital Assets, net	\$ 2,848,075	\$ 338	\$ 482	\$ -	\$ 2,848,895

2. Business-type Activities.

Table 16

Business-type Activities

For the Year Ended December 31, 2013 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
Capital assets not being depreciated:					
Land and land rights	\$ 322,202	\$ 143	\$ -	\$ 13	\$ 322,358
Construction in progress	186,350	292,361	(45)	(35,277)	443,389
Total capital assets not being depreciated	508,552	292,504	(45)	(35,264)	765,747
Capital assets being depreciated:					
Buildings and improvements	2,038,012	41	(4,594)	5,951	2,039,410
Improvements other than buildings	3,048,009	5,725	(2,993)	10,496	3,061,237
Machinery and equipment	791,280	10,480	(31,041)	18,817	789,536
Total capital assets being depreciated	5,877,301	16,246	(38,628)	35,264	5,890,183
Less accumulated depreciation for:					
Buildings and improvements	(951,900)	(60,967)	2,107	-	(1,010,760)
Improvements other than buildings	(1,162,758)	(81,593)	1,103	-	(1,243,248)
Machinery and equipment	(608,394)	(59,166)	28,525	-	(639,035)
Total accumulated depreciation	(2,723,052)	(201,726)	31,735	-	(2,893,043)
Total capital assets being depreciated, net	3,154,249	(185,480)	(6,893)	35,264	2,997,140
Business-type Activities Capital Assets, net	\$ 3,662,801	\$ 107,024	\$ (6,938)	\$ -	\$ 3,762,887

Note: Interest costs of \$27,721 were capitalized during 2013.

3. Discretely Presented Component Units. Capital Asset activity for the Denver Convention Center Hotel Authority and Denver Union Station Project Authority component units is shown in Table 17.

Table 17

Discretely Presented Component Units

For the Year Ended December 31, 2013 (dollars in thousands)

	January 1	Additions and Transfers	Deletions	December 31
Capital assets not being depreciated:				
Land and land rights	\$ 23,421	\$ -	\$ -	\$ 23,421
Construction in progress	13,511	3,512	-	17,023
Total capital assets not being depreciated	36,932	3,512	-	40,444
Capital assets being depreciated:				
Buildings and improvements	230,214	7,855	(2,558)	235,511
Machinery and equipment	41,331	9,327	(11,519)	39,139
Total capital assets being depreciated	271,545	17,182	(14,077)	274,650
Less accumulated depreciation for:				
Buildings and improvements	(39,915)	(10,250)	3,790	(46,375)
Machinery and equipment	(32,697)	(5,439)	10,091	(28,045)
Total accumulated depreciation	(72,612)	(15,689)	13,881	(74,420)
Total capital assets being depreciated, net	198,933	1,493	(196)	200,230
Discretely Presented Component Units Capital Assets, net	\$ 235,865	\$ 5,005	\$ (196)	\$ 240,674 ¹

¹Excludes net capital assets of \$18,640 of Other Component Units.

4. **Depreciation Expense.** Depreciation expense that was charged to governmental activities' functions is shown in **Table 18** (dollars in thousands).

Table 18

General government	\$ 23,535
Public safety	17,775
Public works, including depreciation of infrastructure	52,181
Human services	882
Health	548
Parks and recreation	22,738
Cultural activities	28,865
Community development	22
Capital assets held by internal service funds	1,854
Total	\$ 148,400

5. **Construction Commitments.** The City's governmental and business-type activities have entered into construction and professional services contracts having remaining commitments under contract as of December 31, 2013, as shown in **Table 19** (dollars in thousands).

Table 19

Governmental Activities:	
Winter Park Capital	\$ 214
Capital Improvements	23,138
Conservation Trust	740
Bond Projects	26,180
Other Capital Projects	32,017
Entertainment and Culture	361
Total Governmental Activities	\$ 82,650
Business-type Activities:	
Wastewater Management	\$ 27,200
Denver Airport System	173,700
Total Business-type Activities	\$ 200,900

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

NOTE E – LEASE OBLIGATIONS

1. **Capitalized Leases.** The governmental activities capital leases are for various properties including the Wellington Webb Municipal Office Building, 2000 West Third Avenue Wastewater building, Arie P.Taylor Building, the Denver office building at 200 W. 14th Ave., District 1, 2, 3, and 5 Police Stations, Fire Station #10, certain Human Services facilities, the Buell Theatre, the 5440 Roslyn maintenance facility property, the Central Platte Valley Campus facilities, a jail dorm building, and portions of three parking garage/facilities. The capital leases also include certain computer software and network equipment, and public works, safety, and parks and recreation equipment.

In October 2013, the City executed and delivered \$34,030,000 of Certificates of Participation (COPs), Series 2013A (Buell Theatre Property). The proceeds of the 2013A certificates were used to current refund the remaining \$39,180,000 of outstanding Series 2003B COPs (Buell Theatre/Jail Dorm Bldg. 20 Properties), providing a reduction of \$4,909,000 in debt service between the refunding and refunded series over the next 10 years with a net present value savings of \$4,653,000. The 2013A COPs are fixed rate serial certificates bearing interest from 3.00% to 5.00% with a final maturity in December 2023.

The City provided funding for the construction of parking facilities adjacent to the Denver Museum of Nature and Sciences (DMNS) the Denver Zoo, and the Denver Botanic Gardens (DBG) from proceeds of certificates of participation (COP) financings. Under separate agreements, the DMNS, the Denver Zoological Foundation Inc., and DBG agreed to increase their admission charges and provide a portion of their admission revenues to help make the COP lease payments. In 2013, the DMNS collected and remitted \$577,000 to the City to be applied to the lease payments. The Zoo collected and remitted \$641,000. DBG collected and deposited \$1,166,000 with a trustee to be applied to lease payments.

In addition to base rental payments, the lease agreement related to the Wellington Webb Municipal Office Building requires the City to make all payments for any swap agreements relating to the Series 2008A Certificates of Participation (COPs) entered into by the lessor. There are 3 swap agreements considered to be hybrid instruments embedded in the lease. See **Note III-G-7** for detailed information regarding swaps.

The related net book values of plant and equipment under capital lease obligations as of December 31, 2013, are shown in **Table 20** (dollars in thousands).

Table 20

	Governmental Activities	Business-type Activities
Buildings	\$ 376,541	\$ -
Land	32,193	-
Equipment	25,207	1,307
Less accumulated depreciation	(130,860)	(330)
Net Book Value	<u>\$ 303,081</u>	<u>\$ 977</u>

Table 21 (dollars in thousands) is a schedule by year of future minimum lease obligations together with the present value of the net minimum lease payments as of December 31, 2013.

Table 21

Year	Governmental Activities	Business-type Activities
2014	\$ 30,466	\$ 1,069
2015	28,479	1,035
2016	29,549	1,036
2017	30,034	763
2018	27,022	801
2019 - 2023	130,582	4,557
2024 - 2028	104,582	984
2029 - 2032	83,732	-
Total minimum lease payments	<u>464,446</u>	<u>10,245</u>
Less amounts representing interest	(51,029)	(1,460)
Present Value of Minimum Lease Payments	<u>\$ 413,417</u>	<u>\$ 8,785</u>

2. **Operating Leases.** The City is committed under various cancelable leases for property and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended December 31, 2013, were approximately \$4,143,000, for governmental activities and \$750,000 for business-type activities. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments should be approximately the same amount.

NOTE F – RATES AND CHARGES

The Denver Airport System establishes annually, as adjusted semi-annually, airline facility rentals, landing fees, and other charges sufficient to recover the costs of operations, maintenance, and debt service related to the airfield and space utilized by the airlines. Any differences between amounts collected and actual costs allocated to the airline's leased space are credited or billed to the airlines. As of December 31, 2013, the Denver Airport System has accrued a receivable of \$7,342,000 for such amounts due to the airlines.

For the years ended December 31, 2001 through 2005, 75.0% of net revenues (as defined by bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50.0%, capped at \$40,000,000. The net revenues credited to the airlines for the year ended December 31, 2013 were \$40,000,000 and have been accrued as a liability at year end.

NOTE G – LONG-TERM DEBT

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 15 to 20-year serial bonds, except for refunding issues. General obligation bonds outstanding, excluding unamortized premium of \$33,527,000, at December 31, 2013, are \$903,939,000. Interest rates vary from 2.00% to 5.65% with a net interest cost of 1.53% to 6.77%.

In October 2013, the City issued \$120,925,000 of Series 2013A General Obligation Better Denver and Refunding Bonds to provide new money for the Better Denver Bond Projects and to advance refund the remaining Series 2002A Art Museum General Obligation Bonds in the amount of \$17,635,000, the remaining 2003A Auditorium Theater and Zoo General Obligation Bonds in the amount of \$3,970,000, and the remaining 2003B General Obligation Medical Facilities Bonds in the amount of \$58,100,000. The refunding of the Series 2002A Bonds resulted in a net present value savings of \$1,319,000 and a reduction of \$2,822,000 in debt service between the refunding and refunded bonds over the next 4 years. The refunding of the Series 2003A Bonds resulted in a net present value savings of \$276,000 and a reduction of \$289,000 in debt service between the refunding and refunded bonds over the next 5 years. The refunding of the Series 2003B Bonds resulted in a net present value savings of \$4,884,000, and a reduction in debt service of \$5,167,000 between the refunding and refunded bonds over the next 5 years. The 2013A Bonds are fixed rate bonds with coupon rates from 3.00% to 5.00%, and final maturity in 2030.

In October 2013, the City also issued \$48,020,000 of Series 2013B1 General Obligation Refunding Bonds and \$89,415,000 of 2013B2 General Obligation Refunding Bonds in a private placement with JP Morgan Chase Bank. Proceeds of the 2013B1 Bonds were used to partially advance refund the Series 2005 General Obligation Justice System Facilities and Zoo Bonds in the

amount of \$43,955,000, resulting in a net present value savings of \$4,372,000 and a reduction of \$4,616,000 in debt service between the refunding and refunded bonds over the next 12 years. Proceeds of the 2013B2 Bonds were used to partially advance refund the Series 2006 General Obligation Justice System Facilities Bonds in the amount of \$78,655,000, resulting in a net present value savings of \$4,967,000 and a reduction of \$5,213,000 in debt service between the refunding and refunded bonds over the next 12 years.

As of December 31, 2013, there remains \$12,000,000 of authorized but unissued general obligation bonds attributable to the 2007 authorization for the Better Denver Bond Projects. This is the City's only unissued bond authorization.

General obligation bonds have been issued by the Gateway Village General Improvement District (GID) and the Denver 14th Street GID; however, these bonds are solely the obligation of the Districts and not the primary government. As of December 31, 2013, there are bonds outstanding in the amount of \$1,115,000 for the Gateway GID and \$3,805,000 for the Denver 14th Street GID.

Annual debt service requirements to maturity for general obligation bonds are shown in **Table 22** (dollars in thousands).

Table 22

Year	Governmental Activities			
	General Government		General Improvement District	
	Principal ¹	Interest ²	Principal	Interest
2014	\$ 48,294	\$ 42,745	\$ 385	\$ 308
2015	51,970	39,045	405	291
2016	54,270	36,759	595	273
2017	56,825	34,143	105	248
2018	59,930	31,675	110	240
2019 - 2023	243,900	134,874	685	1,072
2024 - 2028	273,135	74,327	960	797
2029 - 2033	115,615	9,721	1,345	410
2034	-	-	330	23
Total	\$ 903,939	\$ 403,289	\$ 4,920	\$ 3,662

¹ Does not include \$3,112 and \$3,269 of compound interest on the Series 1999A and 2007 mini-bonds respectively, unamortized premium of \$33,527, or deferred amount on refunding of (\$14,484).

² Excludes Build America Bonds interest subsidy. The City is eligible to receive \$84 million over the remaining life of its Direct Pay Build America Bonds to subsidize interest payments.

- 2. Revenue Bonds.** The City and component units issue bonds and notes where income derived from acquired or constructed assets is pledged to pay debt service. Certain Airport system revenue bonds are subject to mandatory redemption requirements in 2013, and subsequent years. Revenue bonds outstanding, excluding unamortized premium (net of discount) of \$186,052,000 and deferred amount on refunding of (\$213,755,000), for the primary government, at December 31, 2013, are shown in **Table 23** (dollars in thousands).

Table 23

Purpose	Net Interest Cost	Interest Rates	Amount
Excise tax refunding	2.93% to 5.42%	3.00% to 6.00%	\$ 211,325
Wastewater Management	2.41%	3.00% to 5.00%	46,015
Golf Enterprise	4.80%	4.50% to 5.00%	3,980
Denver Airport System	1.42% to 6.76%	0.08% to 6.41%	4,441,395
Total primary government			4,702,715
DCCHA component unit		4.125% to 5.25%	339,860
Total			\$ 5,042,575

Revenue bonds' debt service requirements to maturity are shown in **Tables 24** and **25** (dollars in thousands).

Table 24

	Governmental Activities		Business-type Activities					
	Principal ¹	Interest	Golf Enterprise		Wastewater Management		Denver Airport System	
			Principal ²	Interest	Principal ³	Interest	Principal ⁴	Interest
2014	\$ 20,175	\$ 11,358	\$ 495	\$ 191	\$ 2,590	\$ 1,744	\$ 133,495	\$ 184,178
2015	19,785	10,433	515	169	2,715	1,614	146,165	178,591
2016	18,120	9,451	540	145	2,850	1,478	165,995	171,948
2017	18,965	8,500	565	120	2,995	1,336	166,820	164,061
2018	19,810	7,552	590	92	3,105	1,216	157,355	156,063
2019 - 2023	114,470	20,941	1,275	93	15,235	4,120	1,123,295	672,105
2024 - 2028	-	-	-	-	8,635	1,989	1,301,800	428,942
2029 - 2033	-	-	-	-	7,890	611	660,915	245,193
2034 - 2038	-	-	-	-	-	-	311,530	394,534
2039 - 2043	-	-	-	-	-	-	274,025	316,139
Total	\$ 211,325	\$ 68,235	\$ 3,980	\$ 810	\$ 46,015	\$ 14,108	\$ 4,441,395	\$ 2,911,754

¹Does not include unamortized premium of \$8,197.

²Does not include unamortized premium of \$13.

³Does not include unamortized premium of \$5,161.

⁴Does not include unamortized premium of \$172,681.

Table 25

Year	Component Unit	
	DCCHA	
	Principal ¹	Interest
2014	\$ 4,900	\$ 16,843
2015	5,485	16,586
2016	6,110	16,298
2017	6,710	16,032
2018	7,380	15,706
2019 - 2023	50,405	72,297
2024 - 2028	75,410	57,328
2029 - 2033	107,260	35,553
2034 - 2035	76,200	6,292
Total	\$ 339,860	\$ 252,935

¹Does not include unamortized premium of \$6,179 and deferred amount on refunding of (\$5,699).

The City has pledged future facilities development admission tax and occupational privilege tax for payment of debt service on \$28,245,000 of Series 2003 Excise Tax Revenue Refunding Bonds issued in April 2003. The bonds were issued for the purpose of refunding outstanding excise tax revenue bonds that financed the construction of the Colorado Convention Center. The total principal and interest remaining to be paid on the bonds is \$6,108,000, with annual requirements of approximately \$3,054,000. Over the past 10 years annual net revenues available for debt service have averaged \$50,659,000. In 2013, debt service paid and net revenue available for debt service was \$3,058,000 and \$53,236,000, respectively.

The City has pledged portions of future lodger's tax, food and beverage tax, and short term auto rental tax for debt service on \$33,940,000 of Series 2009B Excise Tax Revenue Refunding Bonds issued in June 2009. The bonds were issued for the purpose of refunding bonds that financed the expansion of the Colorado Convention Center and are payable through 2014. The total principal and interest remaining to be paid on the bonds in 2014 is \$8,655,000. Over the past 10 years annual net revenues available for debt service have averaged \$32,331,000. In 2013, debt service paid and net revenue available for debt service was \$8,647,000 and \$40,978,000, respectively.

In January 2000, the City increased the tax rate on its lodger's tax and short term auto rental tax. The City has pledged the increase portion of those taxes for debt service on \$149,190,000 of Series 2005A Excise Tax Revenue Refunding Bonds issued in August 2005, and \$73,630,000 of Series 2009A Excise Tax Revenue Refunding Bonds issued in May 2009. The bonds were

issued for the purpose of refunding bonds that financed the expansion of the Colorado Convention Center and are payable through 2023. The total principal and interest remaining to be paid on the bonds is \$264,797,000, with annual combined debt service requirements ranging from \$19,824,000 to \$27,571,000. Over the past 10 years annual net revenues available for debt service have averaged \$39,415,000. In 2013, debt service paid and net revenue available for debt service was \$19,868,000 and \$50,918,000, respectively. The revenue available figures include excess revenues pledged to the 2009B bonds that may be used for debt service on the 2005A and 2009A bonds if revenues from the increase are insufficient.

The City, through its Department of Aviation, has pledged future Airport System Net Revenues, as defined in the 1984 Airport System General Bond Ordinance as supplemented and amended and the 1990 Airport System Subordinate Bond Ordinance as supplemented and amended. The \$4,441,395,000 of outstanding bonds were issued for the purpose of financing capital projects at the airport and for refinancing earlier bond issues and have maturities ranging from 2014 to 2043. The total principal and estimated interest remaining to be paid on the bonds is \$7,353,149,000. Over the past 10 years annual net revenues available for debt service have averaged \$405,546,000. In 2013, debt service paid and net revenue available for debt service was \$333,113,000 and \$443,523,000, respectively.

On July 17, 2013, the Airport System issued \$326,260,000 and \$393,655,000 of Airport System Subordinate Revenue bonds Series 2013A and Series 2013B respectively, in a fixed rate mode with rates ranging from 3.0% to 5.5%, to finance a portion of the costs of the Airport's 2013-2018 Capital Program

The City, through its Wastewater Management Division, has pledged future income from its storm drainage and sanitary sewerage facilities, net of operating expenses, for debt service on \$50,425,000 of Series 2012 Wastewater Revenue Bonds issued on January 19, 2012. The Series 2012 bonds are fixed rate serial bonds with final maturity November 1, 2032, and interest rates ranging from 2.00% to 5.00%. The bonds were issued for the purpose of refunding the remaining \$20,350,000 of Series 2002 Wastewater Revenue Bonds outstanding and to finance improvements to the storm drainage facilities. Over the past 10 years annual net revenues available for debt service have averaged \$18,159,000. In 2013, debt service paid and net revenue available for debt service was \$4,334,000 and \$28,016,000, respectively.

The City, through its Golf Division, has pledged future income from its golf facilities, net of operating expenses, for debt service on \$7,365,000 of Series 2005 Golf Enterprise Revenue Bonds issued in March 2006. The bonds were issued for the purpose of financing the construction of certain golf facilities of the City and are payable through 2020. The total principal and interest remaining to be paid on the bonds is \$4,790,000, with annual requirements of approximately \$684,000. Over the past 8 years annual net revenues available for debt service have averaged \$1,669,000. In 2013, debt service paid and net revenue available for debt service was \$682,000 and \$1,634,000, respectively.

Included in the revenue bonds are certain bonds which bear interest at flexible or weekly rates and are subject to mandatory redemption upon conversion to a different rate type or rate period. If the bonds are in a weekly (or monthly) mode, the bonds are subject to purchase on demand of the holder at a price of par plus accrued interest. Each series is supported by an irrevocable letter of credit or standby bond purchase agreement that contains provisions for a take-out agreement that would convert the obligation to an installment loan with the provider of that agreement. If the take-out agreement were to be exercised, interest payments would be required that are expected to be higher than the interest amount on the bonds. **Table 26** (dollars in thousands) provides details of the irrevocable letters of credit and standby bond purchase agreements (SBPA) that were issued as collateral for the airport's demand bonds.

Table 26

Bonds	Par Amount Outstanding	Letter of Credit or SBPA Amount	Annual Commitment Fee	Letter of Credit or SBPA Expiration Date
Airport Series 1992F	\$ 20,200	\$ 21,441	0.163%	October 2, 2014
Airport Series 1992G	16,700	17,784	0.163%	October 2, 2014
Airport Series 2002C	30,300	30,797	0.163%	October 2, 2014
Airport Series 2007G1-G2	146,200	146,982	0.280%	November 13, 2014

As of December 31, 2013, no amounts were outstanding that have been drawn under any of the existing agreements.

For detailed information on individual bond issues see **Other Supplementary Schedules – Combined Schedule of Bonds Payable and Escrows**.

3. **Other Debt.** DURA component unit note payable and tax increment bonds, exclusive of deferred amount on refundings of (\$24,435,000) and unamortized premium of \$26,750,000 at December 31, 2013, are comprised of the following individual issues shown in **Table 27** (dollars in thousands).

Table 27

Purpose	Interest Rates	Amount
Series 2007A	5.25%	\$ 2,775
Series 2010B-1	2.00% - 5.00%	87,435
Series 2013A-1	5.00%	161,560
Series 2013D-1	8.50%	778
Note payable	2.00%	4,823
Total		\$ 257,371

Debt service requirements to maturity for DURA's bond issues are shown in **Table 28** (dollars in thousands).

Table 28

Year	Principal	Interest
2014	\$ 18,393	\$ 12,271
2015	15,630	11,385
2016	18,365	10,649
2017	18,850	9,867
2018	21,420	8,923
2019 - 2023	97,990	29,483
2024 - 2026	61,900	5,078
Total	\$ 252,548	\$ 87,656

Debt service for DURA's note, payable to the City, is dependent on the availability of tax increment financing (TIF) revenue. Due to the uncertainty of this revenue the payments cannot be estimated. Payments will be made quarterly on the 10th of January, April, June and October, and will consist of the entirety of DURA's receipt of TIF revenues.

4. **Indentures and Reporting Requirements.** The City is subject to a number of limitations and restrictions contained in various indentures. Such limitations and covenants include: continued collection of pledged revenues, segregation of pledged revenues, and maintenance of specified levels of bond reserve funds, permissible investment of bond proceeds and pledged revenues, and ongoing disclosure to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12. The City is in compliance with all significant covenants.
5. **Notes payable.** The Airport System entered into a Master Installment Purchase Agreements on March 15, 2004, with GE Capital Public Finance Inc. for \$13,000,000, to finance various capital equipment purchases at rates and terms of 3.64% based on a 30/360 calculation for 2004. Payments are due quarterly to GE Capital Public Finance. The Airport System entered into Master Installment Purchase Agreements on October 26, 2006. These include an agreement with Koch

Financial Corporation for \$23 million and an agreement with GE Capital Public Finance for \$9,000,000. These transactions will finance capital equipment purchases at rates and terms of 4.34% and 4.16% based on a 30/360 calculation for 2007. The Airport System entered into a \$15,300,000 Master Installment Purchase Agreement with Chase Equipment Leasing Inc. on August 5, 2008, to finance capital equipment purchases, at a rate of 3.33% based on 30/360 calculation for 2008. The Airport System entered into a \$20,500,000 Master Installment Purchase Agreement with Sovereign Leasing, LLC on January 10, 2012, to finance capital equipment purchases, at a rate of 1.96% based on a 30/360 calculation for 2012. The payment schedules relating to the loan requirements as of December 31, 2013, are shown in **Table 29** (dollars in thousands).

Table 29

Year	Denver International Airport	
	Principal	Interest
2014	\$ 5,488	\$ 621
2015	5,666	443
2016	3,389	278
2017	2,057	206
2018	2,097	165
2019 - 2021	7,107	246
Total	\$ 25,804	\$ 1,959

Wastewater Management entered into an intergovernmental agreement with the City and County of Denver Board of Water Commissioners whereby Wastewater Management agreed to pay the Water Board a monthly supplemental service fee in an amount sufficient for the Water Board to recover costs it incurred in the development of a Customer Information System (CIS). Wastewater extinguished this debt in September 2013 by prepaying remaining principal and interest in the amount of \$1,781,000.

The City has a note payable with JP Morgan Chase Bank of New York in the amount of \$7,856,000 as of December 31, 2013. This represents Housing and Urban Development (HUD) loans that are due regardless of amounts received from borrowers.

6. Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2013, is shown in **Tables 30 and 31** (dollars in thousands).

Table 30

Governmental Activities	January 1	Additions	Deletions	December 31	Due within one year
Legal liability	\$ 6,603	\$ 941	\$ 3,703	\$ 3,841	\$ -
Pollution remediation	456	-	47	409	47
Compensated absences:					
Classified service employees - 3,072	97,841	15,582	20,586	92,837	4,676
Career Service employees - 5,507	46,396	25,453	25,540	46,309	3,695
Net other postemployment benefit obligation	9,045	1,667	-	10,712	-
Claims payable	32,886	3,908	5,997	30,797	9,398
General obligation bonds ¹	901,188	259,201	250,070	910,319	48,254
GID general obligation bonds	5,290	-	370	4,920	385
Excise tax revenue bonds	230,650	-	19,325	211,325	20,175
Capitalized lease obligations	447,679	34,030	68,292	413,417	23,127
Unamortized premium	40,927	19,659	13,478	47,108	-
Intergovernmental agreement	4,508	-	766	3,742	560
Other governmental funds - note payable	13,804	-	5,948	7,856	-
Total Governmental Activities	\$ 1,837,273	\$ 360,441	\$ 414,122	\$ 1,783,592	\$ 110,317

¹Additions to general obligation bonds represent mini-bond accretion of \$842. Ending balance includes compound interest from the 1999A and 2007 mini-bonds of \$6,371.

Table 31

	January 1 ³	Additions	Deletions	December 31	Due within one year
Business-type Activities					
Wastewater Management					
Revenue bonds	\$ 48,555	\$ -	\$ 2,540	\$ 46,015	\$ 2,590
Unamortized premium	5,435	-	274	5,161	-
Capitalized lease obligations	8,500	-	534	7,966	548
Notes payable	2,603	-	2,603	-	-
Compensated absences	2,836	43	74	2,805	860
Other long-term liabilities	5,046	2,684	721	7,009	-
Total Wastewater Management	72,975	2,727	6,746	68,956	3,998
Denver Airport System:					
Revenue bonds	3,897,420	719,915	175,940	4,441,395	133,495
Unamortized premium	167,603	24,464	19,385	172,682	-
Notes payable	32,566	-	6,762	25,804	5,488
Compensated absences	8,999	3,373	3,458	8,914	2,491
Total Denver Airport System	4,106,588	747,752	205,545	4,648,795	141,474
Nonmajor enterprise funds:					
Revenue bonds	4,450	-	470	3,980	495
Unamortized net premium	19	-	6	13	-
Capitalized lease obligations	1,269	-	450	819	290
Compensated absences	911	1,105	983	1,033	232
Total nonmajor enterprise funds	6,649	1,105	1,909	5,845	1,017
Total Business-type Activities	\$ 4,186,212	\$ 751,584	\$ 214,200	\$ 4,723,596	\$ 146,489
Major Component Units:					
Revenue bonds ¹	\$ 350,811	\$ -	\$ 4,772	\$ 346,039	\$ 4,900
Increment bonds and notes payable ²	469,133	286,566	196,161	559,538	18,393
Compensated absences	130	102	102	130	-
Total Major Component Units	\$ 820,074	\$ 286,668	\$ 201,035	\$ 905,707	\$ 23,293

¹Includes unamortized premium of \$6,179.

²Includes unamortized premium of \$26,750.

³As restated.

The legal liability, compensated absences, net other post employment benefit (OPEB) obligation and other accrued liabilities in the governmental activities are generally liquidated by the General Fund. The other governmental funds include a note payable liquidated by the Community Development special revenue fund and a claims payable liquidated by the Workers' Compensation internal service fund. The amount available for long-term debt in the debt service funds and in the special revenue fund was \$66,163,000.

- 7. Swap Agreements.** Included in the City's governmental activities are three derivatives that are embedded in the City's certificated lease for the Webb Municipal Office Building. The intent of the three pay-fixed, receive-variable interest rate swaps is to protect against rising interest rates on the variable rate 2008A Certificates of Participation (COPs). In 2003, Civic Center Office Building, Inc., the lessor, entered into two swap agreements with JP Morgan, associated with the 2003C1 and 2003C2 COPs, and one swap agreement with Lehman Brothers that was associated with the 2003C3 COPs. In October 2008, due to the deteriorating credit rating of the insurer (AMBAC), the outstanding COPs were refunded by the Series 2008A1-A3 Refunding Certificates of Participation, terminating the three swaps. To maintain the interest rate hedge related to the lease payments, the derivative instruments with JP Morgan were amended and new swaps were entered into that were associated with the 2008A1 and 2008A2 COPs. The derivative instrument with Lehman Brothers was terminated and replaced with an agreement with Royal Bank of Canada (RBC). A new swap was initiated under the RBC agreement that was associated with the 2008A3 COPs. At the time of termination of the 2003 swaps, the JP Morgan swaps had negative fair values, and no termination payments were made. In addition to a termination payment made

to Lehman Brothers by the City, an up-front payment of \$475,000 was received from RBC at the initiation of the 2008 replacement swap. These events resulted in off-market components of the swaps that are being treated as implied loans for accounting purposes and are being amortized through investment revenues over the life of the new hedges.

As of December 31, 2013, all three swaps are effective cash flow hedges and the fair values and changes in fair values are reported in the government-wide Statement of Net Position as deferred outflows of governmental activities. The combined fair market value of the three swaps as of December 31, 2013 was (\$26,222,000). The year-end fair values were calculated using the mid-market LIBOR swap curves as of December 31, 2013. The fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2013. When the present value of payments to be made by the City exceeds the present value of payments to be received, the swap has a negative value to the City. When the present value of payments to be received by the City exceeds that of payments to be made, the swap has a positive value to the City.

Table 32 provides the swap associated debt rates as of December 31, 2013.

Table 32

Swap	2008A1	2008A2	2008A3
Associated debt	2008A1 COP	2008A2 COP	2008A3 COP
Fixed payment to counterparty	3.400%	3.400%	3.130%
Variable payment from counterparty (68% LIBOR)	(0.114%)	(0.114%)	(0.114%)
Net swap interest rate	3.286%	3.286%	3.016%
Variable-rate certificate coupon payment	0.040%	0.040%	0.040%
Net swap and certificate rate	3.326%	3.326%	3.056%

As rates vary, lease interest payments and net swap payments will vary. As of December 31, 2013, lease payment requirements of the related variable rate COPs and the net swap payments, assuming current rates remain the same, for their terms, are summarized in **Table 33** (dollars in thousands).

Table 33

Year	Principal	Interest	Interest Rate		Total
			Swaps	Net	
2014	\$ 7,000	\$ 99	\$ 7,108	\$ 14,207	
2015	7,805	94	7,527	15,426	
2016	8,190	91	7,273	15,554	
2017	8,695	88	7,002	15,785	
2018	9,235	85	6,754	16,074	
2019 - 2023	55,465	363	28,660	84,488	
2024 - 2028	73,960	238	18,558	92,756	
2029 - 2031	72,925	67	5,061	78,053	
Total	\$ 243,275	\$ 1,125	\$ 87,943	\$ 332,343	

Table 34 (dollars in thousands) provides the fair values and the 2013 changes in fair value of the on-market and the implied loan portions of the swaps as of December 31, 2013, and the accounting classifications of the changes in fair value for the year then ended.

Table 34

Counterparty	Effective Date	Notional Amount	Termination Date	Associated Debt Series	Fair Values 12/31/12	Change in Fair Value	Accounting Classification
2008A1 Swap Agreements							
JP Morgan Chase Bank	7/17/03	\$ 84,150	12/1/29	2008A1 COP	\$ 9,613	\$ (6,874)	Deferred outflow
						\$ (273)	Investment revenue
2008A2 Swap Agreements							
JP Morgan Chase Bank	7/17/03	70,985	12/1/29	2008A2 COP	8,107	(5,797)	Deferred outflow
						(231)	Investment revenue
2008A3 Swap Agreements							
Royal Bank of Canada	10/1/08	88,140	12/1/31	2008A3 COP	8,502	(10,453)	Deferred outflow
						(18)	Investment revenue
Total		\$ 243,275			\$ 26,222	\$ (23,124)	\$ (522)

Note: Certain City derivatives have been reported as investment derivatives in accordance with the provisions of GASB 53. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments.

The risk involved in the three swaps flows through the lease from Civic Center Office Building, Inc. (the "lessor") to the City. The following risks are generally associated with swap agreements:

- **Credit risk** - All of the governmental activity swaps rely on the performance of the respective swap counterparties. The City is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the lessor. The City measures the extent of the risk based on the credit ratings of each counterparty and the fair value of the swap agreement. As of December 31, 2013, there was no risk of loss to the City, as the swap agreements had negative fair values. The credit ratings of the counterparties as of December 31, 2013 are shown in **Table 35**.

Table 35

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
JP Morgan Chase Bank	A+	Aa3	A+
Royal Bank of Canada	AA-	Aa3	AA

- **Termination risk** – Any party to these swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the lessor may terminate any of the swap agreements at any time at its sole discretion. If the swap had a negative fair value at the time of termination the City could be liable to the counterparty for a termination payment equal to the fair market value of the swap. If any of the swaps were terminated, the associated variable rate certificates would no longer have the benefit of the interest rate hedge.
- **Interest rate risk** – The City is exposed to interest rate risk on the swaps. In regards to the pay fixed, receive variable swaps, as the London Interbank Offered Rate (LIBOR) index rate decreases, the City's net payments on the swaps increase.

- **Basis risk** – The City pays interest at variable rates on the COPs associated with the swaps. Each of the swap agreements provide for the applicable counterparty to make variable rate payments based on the LIBOR index. To the extent that the variable rate paid on the certificates is different than the rate received from the counterparties based on LIBOR, there may be a net loss or benefit to the City.

The Airport System has entered into interest rate swap agreements in order to protect against rising interest rates. The 1998, 1999 and 2009A swap agreements are pay fixed, receive variable rate, cash flow hedges, with the variable payment from the counterparty based on the USD-SIFMA Municipal Swap Index and the variable rate of the bonds. The rest of the Airport System's swap agreements are considered investment derivatives as defined by GASB 53. **Table 36** provides a profile of the terms of the Airport's swap agreements (all rates as of December 31, 2013).

Table 36

SWAP	1999, 2002	2005	2006A	1998	2008B
	2009A	2006B	2008A		
Associated Debt	2002C, 2008B	2006A, 2007D	2007F-G	2008C2-C3	2008C1
	2009C	2007D	2002C		2002C
Payment to counterparty	5.663%	3.722%	4.008%	4.740%	4.760%
Payment from counterparty	(0.188%)	(4.203%)	(0.117%)	(0.217%)	(0.272%)
Net swap interest rate	5.475%	-0.481%	3.891%	4.523%	4.488%
Associated bond interest rate	0.952%	4.950%	0.333%	0.867%	1.095%
Net swap and bond rate	6.427%	4.469%	4.224%	5.390%	5.583%

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2013, debt service requirements of the related variable rate debt and net swap payments for the Airport System's cash flow hedges (1998, 1999 and 2009A swap agreements), assuming current interest rates remain the same, for their terms, are reflected in **Table 37** (dollars in thousands).

Table 37

Year	Principal	Interest	Interest Rate	
			Swaps Net	Total
2014	\$ 6,900	\$ 3,639	\$ 20,062	\$ 30,601
2015	7,200	3,580	20,062	30,842
2016	7,500	3,520	20,062	31,082
2017	7,800	3,457	20,062	31,319
2018	23,130	3,392	20,062	46,584
2019 - 2023	262,460	10,084	53,497	326,041
2024 - 2025	85,010	1,178	4,929	91,117
Total	\$ 400,000	\$ 28,850	\$ 158,736	\$ 587,586

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2013.

Table 38 (dollars in thousands) provides a summary of the Airport's interest rate swap transactions.**Table 38**

Counterparty	Effective Date	Notional Amount	Bond/Swap Termination Date	Associated Debt Series	Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Values 12/31/12
							Classification	Amount	
Hedging Derivatives									
1998 Swap Agreements									
Goldman Sachs Capital Markets, LP.	10/4/00	\$ 100,000	11/15/25	2008C2-C3	4.7600%	70% LIBOR + 0.10%	Deferred outflow	\$ (7,521)	\$ (21,606)
							Investment income	(2,216)	
Societe Generale, New York Branch	10/4/00	100,000	11/15/25	2008C2-C3	4.7190%	70% LIBOR + 0.10%	Deferred outflow	(7,505)	(21,282)
							Investment income	(2,183)	
1999 Swap Agreements									
Goldman Sachs Capital Markets, LP.	10/4/01	100,000	11/1/22	¹	5.6179%	SIFMA	Deferred outflow	(6,785)	(24,746)
							Investment income	(2,478)	
Merrill Lynch Capital Services, Inc.	10/4/01	50,000	11/1/22	¹	5.5529%	SIFMA	Deferred outflow	(3,385)	(12,155)
							Investment income	(1,212)	
2009A Swap Agreements									
Loop Financial Products I, LLC	1/12/10	50,000	11/15/22	¹	5.6229%	SIFMA	Deferred outflow	(3,738)	(12,389)
							Investment income	(897)	
Investment Derivatives									
2002 Swap Agreements									
Goldman Sachs Capital Markets, LP.	4/15/02	100,000	11/1/22	¹	SIFMA	76.33% LIBOR	Investment income	(491)	(543)
2005 Swap Agreements									
Royal Bank of Canada	11/15/06	55,917	11/15/25	2006A/2007D	3.6560%	70% LIBOR	Investment income	(4,562)	(7,351)
JP Morgan Chase Bank, N.A.	11/15/06	55,917	11/15/25	2006A/2007D	3.6874%	70% LIBOR	Investment income	(4,583)	(7,483)
Jackson Financial Products, LLC	11/15/06	111,834	11/15/25	2006A/2007D	3.6560%	70% LIBOR	Investment income	(9,123)	(14,701)
Piper Jaffray Financial Products, Inc.	11/15/06	55,917	11/15/25	2006A/2007D	3.6560%	70% LIBOR	Investment income	(4,561)	(7,351)
2006A Swap Agreements									
JP Morgan Chase Bank, N.A.	11/15/07	177,550	11/15/25	2007F-G	² 4.0085%	70% LIBOR	Investment income	(13,392)	(25,212)
GKB Financial Services Corp.	11/15/07	59,183	11/15/25	2007F-G	² 4.0085%	70% LIBOR	Investment income	(4,464)	(8,404)
2006B Swap Agreements									
Royal Bank of Canada	11/15/06	55,917	11/15/25	2006A/2007D	SIFMA	4.0855%	Investment income	4,918	7,646
JP Morgan Chase Bank, N.A.	11/15/06	55,917	11/15/25	2006A/2007D	SIFMA	4.0855%	Investment income	4,918	7,646
Jackson Financial Products, LLC	11/15/06	111,834	11/15/25	2006A/2007D	SIFMA	4.0855%	Investment income	9,836	15,293
Piper Jaffray Financial Products, Inc.	11/15/06	55,917	11/15/25	2006A/2007D	SIFMA	4.0855%	Investment income	4,918	7,646
2008A Swap Agreements									
Royal Bank of Canada	12/18/08	118,367	11/15/25	2007F-G	² 4.0085%	70% LIBOR	Investment income	(8,929)	(16,804)
2008B Swap Agreements									
Loop Financial Products I, LLC	1/8/09	100,000	11/15/25	2008C1	² 4.7600%	70% LIBOR + 0.10%	Investment income	(10,614)	(21,792)
TOTAL									\$ (163,588)

¹ Swaps are currently associated with Series 2009C bonds, Series 2008B and a portion of the 2002C bonds.

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

Note: Certain City derivatives have been reported as investment derivatives in accordance with the provisions of GASB 53. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 53. The City does not enter into derivative transactions for investment purposes, nor does the City Charter allow for the investment in derivative investments.

Payments by the Airport System to counterparties relating to these swap agreements, including termination payments, are Subordinate Obligations, subordinate to debt service payments on the Airport System's Senior Bonds, and on parity with the Airport System's Subordinate Bonds. The year-end fair values were calculated using the mid-market LIBOR and BMA swap curves as of December 31, 2013. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2013. When the present value of payments to be made by the Airport System exceeds the present value of payments to be received, the swap has a negative value to the Airport System. When the present value of payments to be received by the Airport System exceeds that of payments to be made, the swap has a positive value to the Airport System.

The following risks are generally associated with swap agreements:

- Credit Risk** – All of the Airport System's swap agreements rely upon the performance of swap counterparties. The Airport System is exposed to the risk of these counterparties being unable to fulfill their financial obligations to the Airport System. The Airport System measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the swap agreement. If the Airport System delivers a surety policy or other credit support document guaranteeing its obligations under the swap agreement that is rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch, for any swap agreement, the counterparty to that agreement is obligated to either be rated, or provide credit support securing its obligations under the swap agreement rated in the highest rating category of either Standard & Poor's, Moody's Investors Service or Fitch; or, under certain circumstances, provide collateral. The Airport System is obligated, under the swap agreements, to provide such surety policy or credit support if the unsecured and unenhanced ratings of the Airport System's Senior Bonds is below any two of BBB by Standard & Poor's, Baa2 by Moody's Investors Service or BBB by Fitch. As of December 31, 2013, the ratings of the Airport System's Senior Bonds were A+ by Standard & Poor's (with a stable outlook), A1 by Moody's Investors Service (with a negative outlook) and A+ by Fitch (with a stable outlook). Therefore, no surety policy or credit has been provided to the counterparties by the Airport System. Failure of either the Airport System or the counterparty to provide credit support or collateral, as described in the swap agreements, is a termination event under the swap agreements (see termination risk below). The ratings of the counterparties, or their credit support providers, as of December 31, 2013, are shown in **Table 39**.

Table 39

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
GKB Financial Services Corporation II, Inc. (Societe Generale New York Branch)	A	A2	A
Goldman Sachs Capital Markets, L.P. (Goldman Sachs Group, Inc.)	A-	Baa1	A
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	NR	Baa2	A
JP Morgan Chase Bank, N.A.	A+	Aa3	A+
Loop Financial Products I, LLC (Deutsche Bank, AG, New York Branch)	A	A2	A+
Merrill Lynch Capital Services, Inc. (Merrill Lynch & Co., Inc.)	NR	Baa2	A
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A-	Baa2	A
Royal Bank of Canada	AA-	Aa3	AA
Societe Generale, New York Branch	A	A2	A

As of December 31, 2013, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivative's fair value.

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

The Denver Urban Renewal Authority (DURA) had entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. The 2008A1 and 2008A2 revenue bonds that were associated with DURA’s 2008A swaps were refunded in 2013 and proceeds of the refunding bonds, along with certain other funds, were used to terminate the associated swaps. With respect to the 2008A-1 swap agreements, DURA made termination payments of \$6,924,000 to Merrill Lynch Capital Services, Inc. and \$3,957,000 to Bank of America, N.A. With respect to the replacement 2008A-1 swap agreements, DURA made a termination payment of \$1,751,000 to Royal Bank of Canada. A termination payment of \$25,424,000 was made to Merrill Lynch Capital Services, Inc. for the 2008A-2 swap agreement. The 2006 swap agreement that was associated with DURA’s 2006 revenue bonds matured in 2013, terminating the swap in accordance with its terms. As a result of these terminations, DURA has no outstanding swaps at December 31, 2013.

NOTE H – FUND BALANCES

In accordance with GASB Statement No. 54, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. When expenditures are incurred that use funds from more than one classification, the City will generally determine the order which the funds are used on a case-by-case basis, taking into account any application requirements of grant agreements, contracts, business circumstances, or other constraints. If no restrictions otherwise exist, the order of spending of resources will be restricted, committed, assigned and lastly, unassigned.

The City has a target of maintaining a General Fund balance reserve that is 15.0% of budgeted expenditures and should not go below 10.0% of budgeted expenditures, except in response to a severe crisis, economic or otherwise.

Fund balances by classification are detailed in **Table 40** (dollars in thousands).

Table 40

	General	Human Services	Other Governmental Funds	Total Governmental Funds
Nonspendable	\$ 268	\$ -	\$ 6,515	\$ 6,783
Restricted:				
General government	-	-	5,492	5,492
Public safety	611	-	25,645	26,256
Public works	-	-	71,535	71,535
Human services	-	40,391	948	41,339
Health	-	-	406	406
Parks & recreation	-	-	41,229	41,229
Cultural activities	-	-	81,351	81,351
Community development	-	-	4,031	4,031
Economic opportunity	-	-	37	37
Assets held for resale	-	-	1,820	1,820
Loans receivable	2,804	-	73,950	76,754
Long-term debt	19,951	-	66,163	86,114
Emergency use - assets held for resale	11,436	-	-	11,436
Emergency use	27,641	-	10	27,651
Total Restricted	62,443	40,391	372,617	475,451
Committed:				
General government	10,310	-	2,303	12,613
Public safety	3,635	-	-	3,635
Public works	8,472	-	31,711	40,183
Human services	-	-	-	-
Health	153	-	-	153
Parks & recreation	836	-	3,790	4,626
Cultural activities	-	-	-	-
Community development	188	-	-	188
Economic opportunity	-	-	-	-
Total Committed	23,594	-	37,804	61,398
Assigned:				
General government	-	-	15,928	15,928
Public safety	-	-	262	262
Public works	-	-	426	426
Economic opportunity	-	-	-	-
Parks & recreation	-	-	2,485	2,485
Cultural activities	-	-	9,942	9,942
Total Assigned	-	-	29,043	29,043
Unassigned	201,030	-	-	201,030
Total Fund Balances	\$ 287,335	\$ 40,391	\$ 445,979	\$ 773,705

- **Nonspendable Fund Balances** – Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

The City has \$3,783,000 in prepaids and \$3,000,000 in an endowment. The prepaids are in a nonspendable form and the endowment is in a permanent fund whose earnings are used for the maintenance of the residence known as Cableland.

- **Restricted Fund Balances** – Restricted fund balances represent amounts constrained by external parties, enabling legislation and/or constitutional provisions.

General Government has \$5,492,000 restricted of which \$2,029,000 is restricted for future grant expenditures, \$2,507,000 is restricted for technology projects and \$956,000 is restricted for capital assets.

Public Safety has \$25,645,000 restricted for future capital projects of which \$4,277,000 is in the non major capital funds and \$21,368,000 is in special revenue funds within the special projects funds. The restrictions in the non major capital funds include

\$3,341,000 for capital assets for the Detention Center and Jail and \$936,000 for County Jail maintenance. In the special revenue funds, \$11,015,000 is restricted for 911 expenses, \$10,353,000 is for grants, and \$611,000 is restricted in the General Fund for confidential police funds.

Public Works has a total of \$71,535,000 restricted for future projects of which \$61,098,000 is restricted in the various non major bond funds for infrastructure. This includes \$4,971,000 for Josephine & University Street Improvements, \$4,195,000 for Traffic Signal Upgrades and Hazard Eliminations, \$8,324,000 for I-25 & Broadway Access Improvements, \$3,040,000 for the North Denver Cornerstone Collaborative, \$2,670,000 for the Blake St. Bridge Rehabilitation, \$1,695,000 for Bridge Maintenance, \$4,800,000 for South Broadway reconstruction, \$3,982,000 for Federal Boulevard & 6th Avenue, and \$26,518,000 for 79 various building and street projects. The Special Assessment funds also have \$903,000 restricted for Public Works improvements.

In addition to the \$61,098,000 discussed above, Public Works has \$10,437,000 restricted in various nonmajor funds for sign, pavement, bridge and facilities maintenance.

Human Services has \$41,339,000 restricted of which \$40,391,000 is for grant expenditures. The remaining \$948,000 is restricted in the non major capital project funds for maintenance.

Health has \$406,000 restricted in the non major capital projects fund which includes \$51,000 for the Denver Animal Shelter and the Lowry Childcare Center and \$3,000 for maintenance. Additionally, \$352,000 is restricted in the special revenue fund for grants.

Parks and Recreation has \$41,229,000 restricted of which \$40,154,000 is in non major capital projects funds for various irrigation projects and maintenance. This includes \$3,892,000 in the Winter Park fund for park maintenance, \$1,135,000 restricted for park maintenance and \$21,600,000 for the Central Denver Recreation Center in the Capital Improvements fund, \$541,000 for infrastructure including playgrounds and irrigation and \$345,000 for maintenance in the Conservation Trust fund, \$12,217,000 for capital assets which includes \$11,103,000 for Denver Botanic Gardens and \$1,114,000 for various Park improvements, and \$424,000 for maintenance in the Bond Projects fund. In addition, Parks and Recreation has \$583,000 for Cableland maintenance and \$492,000 restricted in special revenue funds for grant expenses.

Cultural Activities has \$81,351,000 restricted of which \$79,399,000 is restricted in the non major capital projects funds for the following: \$8,344,000 for a new west Denver Library branch, \$1,765,000 for the Coliseum, and Red Rocks, and \$9,932,000 for the Boettcher Concert Hall, Denver Performing Arts Center Studio, and the Colorado Convention Center. There is \$6,820,000 restricted for maintenance, \$2,012,000 restricted for various capital assets, and the remaining \$50,526,000 is restricted for other Cultural Activities projects. Cultural Activities also has \$1,952,000 restricted in special revenue funds for future grant expenditures.

Community Development Activities has \$4,031,000 restricted of which \$1,000 is restricted in the bond projects fund for a Neighborhood House Alternative project and \$4,030,000 is restricted in special revenue funds for grant expenditures.

Economic Opportunity has \$37,000 restricted in the special revenues funds for future grant expenditures.

The City is also holding \$1,820,000 of foreclosed assets restricted in the Special Revenue Community Development fund to be used for future loans.

The City has \$76,754,000 in restricted loans receivable that originated from grants of which \$2,804,000 is in the General Fund, \$14,760,000 of restricted loans receivable is in the General Government special revenue fund and \$59,190,000 is in the Community Development special revenue fund.

There is \$86,114,000 restricted for long-term debt of which \$19,951,000 is in the General Fund, \$1,581,000 in the Community Development special revenue funds, \$1,755,000 in the Special Funds special revenue funds, \$62,462,000 in the debt service funds and \$365,000 in a General Improvement District. This is restricted cash for payment of principal and interest.

- **Committed Fund Balances** – Committed funds can only be used for specific purposes pursuant to constraints imposed by City Council, the highest level of decision-making authority in the City. City Council's formal action to establish committed funds, and to rescind committed funds, is through passage of an ordinance. General Government has \$2,303,000 in committed fund balance for nonfederal grant expenses and Public Works has \$27,369,000 committed for various street reconstruction and \$4,342,000 for various building projects. Parks has \$3,790,000 in committed fund balance for Parks maintenance. The General Fund has \$23,594,000 in committed fund balance which includes \$5,644,000 for fleet replacement, \$3,635,000 for crime prevention, \$1,541,000 for business incentives, and \$12,774,000 for various capital and community projects.
- **Assigned Fund Balances** – Assigned fund balances are intended for specific purposes but do not require an action by City Council. Although City Council can assign funds, this is generally performed by the Budget and Management Office. The City has \$29,043,000 in assigned fund balance of which \$15,928,000 is in the General Government special revenue funds, \$262,000 is for Public Safety, \$426,000 is for Public Works, \$2,485,000 is for Parks and Recreation and \$9,942,000 is for Cultural Activities. The Budget and Management Office has the authority to assign funds based on their goals.
- **Unassigned Fund Balance** – Unassigned fund balance is the residual classification for the General Fund. A negative unassigned fund balance occurs when expenditures exceed amounts that are nonspendable, restricted, committed, or assigned. The General Fund has \$201,030,000 in unassigned fund balance.

IV. OTHER NOTE DISCLOSURES

NOTE A – RISK MANAGEMENT

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

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

With respect to matters expecting to be settled subsequent to 2013, the City Attorney estimates the amount of liability determined as probable (in accordance with GASB Statement No. 62, Paragraphs 96 - 113) and incurred but not reported claims and judgments at December 31, 2013, to be approximately \$3,841,000. The City Attorney also estimates that pending cases having a reasonably possible likelihood of resulting in an additional liability aggregating approximately \$2,575,000 at December 31, 2013.

Changes in the long-term legal liability during the past two years are shown in **Table 41** (dollars in thousands).

Table 41

	2013	2012
Beginning balance - January 1	\$ 6,603	\$ 3,551
Current year claims and changes in estimates	2,272	4,390
Changes in estimates	(3,703)	-
Claims settled	(1,331)	(1,338)
Ending Balance - December 31	\$ 3,841	\$ 6,603

Pursuant to Colorado law, if a monetary judgment is rendered against the City, and the City fails to provide for the payment of such judgment, the Board of County Commissioners must levy a tax (not to exceed 10 mills per annum) upon all of the taxable property within the City for the purpose of making provision for the payment of the judgment. The City must continue to levy such tax until the judgment is discharged. Such mill levy is in addition to all other mill levies for other purposes. The Colorado Governmental Immunity Act establishes limits for claims made against governmental entities. These limits are \$478,000 per injury or \$990,000 per occurrence.

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

NOTE B – POLLUTION REMEDIATION

The City has four underground storage tanks that leaked and are under remediation. Funds spent on remediation are partially reimbursed up to 50 percent of the cost by the Colorado Petroleum Storage Tank Trust. As of December 31, 2013, the City accrued a current liability, measured at its expected amount, using the expected cash flow technique, of \$409,000 in the Environmental Services fund for its share of remediation costs related to these underground storage tanks. The City determined the liability amount by estimating a reasonable range of potential outlays, with no amount within the range considered a better estimate than any other amount.

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

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

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

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

NOTE C – WORKERS' COMPENSATION

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

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

The Department of Labor and Employment of the State of Colorado establishes the amount of funding required each year for the City to maintain its self-insured permit. The requirement is calculated using the average amount of claims paid over the previous three years plus the outstanding liability for claims as of the end of the previous year. This requirement at December 31, 2013, for 2014, was \$22,984,000. The Workers' Compensation internal service fund has current assets and appropriations set aside in 2013 to satisfy this requirement. These funds may only be used for payment of workers' compensation benefits and administrative costs.

The City has purchased reinsurance coverage in order to reduce its risk. For the period from January 1, 2013 through December 31, 2013, the self-retention amount was \$2,500,000 for all employees. The City had no settlements in the past three years that exceeded its self-retention levels.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, and includes an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, and other economic and social factors. The liability is reported in the Workers' Compensation internal service fund and was discounted for investment income. Changes in the liability during the past two years are shown in **Table 42** (dollars in thousands).

Table 42

	2013	2012
Beginning balance, undiscounted - January 1	\$ 32,886	\$ 35,876
Current year claims and changes in estimates	10,648	9,074
Claims paid	(5,997)	(7,092)
Ending balance undiscounted	37,537	37,858
Less discount	(6,740)	(4,972)
Ending Balance - December 31	\$ 30,797	\$ 32,886

NOTE D – SUBSEQUENT EVENTS

- 1. Deferred Compensation Plan.** On January 1, 2014, the City changed the plan administrator for the 457(b) deferred compensation plan. The Deferred Compensation Governing Committee of the City designated a third party administrator, Teachers Insurance Annuity Association (TIAA), to replace ICMA Retirement Corporation and Cooney Associates, Inc.
- 2. Capital Lease.** On April 15, 2014 the City entered into a lease agreement with JP Morgan Chase Bank to acquire 55 police patrol cars, and various other heavy-duty equipment including trash trucks, road graders and plows, for the Department of Public Works. The 5 year capital lease is for \$18,763,000 at 1.55% interest.
- 3. Denver International Airport** - In May 2014, the Airport received initial committee approval from the City for the Airport's plan to repair 400 deteriorating runway panels for nearly \$7.2 million. The Federal Aviation Administration plans to contribute up to \$5.4 million for the repairs.

NOTE E – CONTINGENCIES

- 1. Legal Debt Margin.** Per the City Charter, the City's indebtedness for general obligation bonds shall not exceed three percent of actual value as determined by the last final assessment of the taxable property within the City. At December 31, 2013, the City's general obligation debt outstanding was \$903,939,000 and the City's legal debt margin was \$1,510,015,000.
- 2. Prior Years' Defeased Bonds.** At various dates in prior years, the City and certain component units have placed proceeds from bond issues and cash contributions in irrevocable refunding escrow accounts. The amounts deposited in the irrevocable escrow accounts are invested in U.S. Treasury obligations that, together with interest earned thereon, would provide amounts sufficient for payment of all principal and interest of the bond issues on each remaining payment date. The likelihood of the earnings and principal maturities of the U.S. Treasury obligations not being sufficient to pay

the defeased bond issues appears remote. Accordingly, the escrow accounts and outstanding defeased bonds are not included in the accompanying financial statements. Defeased bonds principal outstanding at December 31, 2013, for the City was \$51,400,000.

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

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

Table 43 (dollars in thousands) lists Denver County electronic benefit transfers (EBT) authorizations, warrant expenditures, and total expenditures associated with the Human Services special revenue fund for the year ended December 31, 2013.

Table 43

Program	City EBT Authorizations	City Share of Authorizations	Expenditures by City Warrant	City EBT Authorized Plus Expenditures by City Warrant	Total Expenditures
ADP Pass Thru	\$ -	\$ -	\$ 950	\$ 950	\$ 950
Adult Foster Care	19	1	-	19	1
Adult Protective Services	-	-	1,013	1,013	1,013
Aid to Needy & Disabled	3,461	692	-	3,461	692
Child Care	11,863	2,322	1,637	13,501	3,959
Child Support Enforcement ¹	54	54	10,849	10,903	10,903
Child Welfare Grants - IV-E Waiver	-	-	16	16	16
Child Welfare	22,816	4,769	30,573	53,388	35,343
Colorado Works	20,225	2,913	14,137	34,361	17,049
Core Services	4,769	655	2,357	7,126	3,012
County Administration	-	-	11,411	11,411	11,411
County Only Pass Thru	-	-	9,292	9,292	9,292
Federal Grants	-	-	6,528	6,528	6,528
Food Assistance Benefits	146,495	-	-	146,495	-
Food Assistance Fraud	-	-	409	409	409
Food Assistance Job Search	-	-	1,599	1,599	1,599
Foster Care/Adoption Recruitment	-	-	3	3	3
Home Care Allowance	1,012	51	-	1,012	51
Low Income Energy Assistance	3,556	-	525	4,081	525
Non-allocated Programs	182	178	1,816	1,998	1,994
Old Age Pension	26,337	-	442	26,779	442
SSI - Home Care Allowance	1,151	58	-	1,151	58
TANF Collections - EBT	(220)	(44)	-	(220)	(44)
Title XX Caseworker Training	-	-	15	15	15
Title IV-B Sub Part 2 - PSSF	-	-	636	636	636
Title IV-E Independent Living	-	-	221	221	221
Total	\$ 241,720	\$ 11,649	\$ 94,429	\$ 336,148	\$ 106,078

¹The State pays Direct Settled items for EBT administration, IRS fees and Locator fees and then charges the counties for those costs. These are not true EBT payments, but are amounts settled via CFMS.

²Does not include audit adjustments, TANF Collections - IV-D Retained, Medicaid Collections and programs not settled in CFMS, with the exception of federal grants, which are also captured in the CAFR. It also excludes County Wide Cost Allocation Pass Thru, as these amounts are not earned by expenses incurred by Human Services.

- 4. Conduit Debt Obligations.** From time to time, the City issues industrial development revenue bonds, single-family mortgage revenue bonds, multi-family mortgage revenue bonds, construction loan revenue bonds, and special obligation revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of private, industrial, and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Not the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2013, the aggregate principal amount payable for the bonds, excluding the Airport's Special Facility Revenue bonds, was approximately \$91,650,000.

To finance the acquisition and construction of various facilities at Denver International Airport, the City issued three series of Special Facility Revenue Bonds. These bonds are special limited obligations of the City, payable and secured by a pledge of certain revenues to be received from lease agreements for these facilities. The bonds do not constitute a debt or pledge of the full faith and credit of the City or the Airport System, and accordingly, have not been reported in the accompanying financial statements. As of December 31, 2013, Airport Special Facility Revenue Bonds outstanding totaled \$270,025,000.

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

There is no noise penalty due for 2013.

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

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

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

Effective October 1, 1997, the City renegotiated its contract with Waste Management of Colorado, Inc. (WMC), the current operator of DADS. As a result, the City assigned its responsibility for all closure and post-closure costs to WMC. To cover these costs, WMC has provided a performance bond of \$3,000,000, provided a corporate guarantee from their parent company, Waste Management, Inc (WMI), and posted a financial assurance plan with the State of Colorado (including an insurance certificate of \$19,070,000 as of April 2014). Due to this assignment of closure and post-closure costs to WMC, the City no longer recognizes the related closure and post-closure costs liability in its financial statements.

- 7. Denver Urban Renewal Authority.** In connection with DURA's development of the Denver Dry Building, DURA has guaranteed certain loans made to the Denver Building Housing, Ltd. by the Bank of Denver with an outstanding balance of \$2,658,000 at December 31, 2013. In addition, DURA has guaranteed all obligations of the Denver Dry Development Corporation as general partner, under the terms and conditions of the limited partnership agreement of the Denver Building Housing, Ltd. No amounts have been recorded as a liability in the financial statements, as DURA management believes the possibility of having to make payments under these guarantees is remote.
- 8. Tabor.** At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution limiting the ability of the State and local governments, such as the City, to increase revenues, debt and spending, and restricting property, income and other taxes. In addition, the amendment requires that the State and local governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years." The amendment excludes from its restrictions the borrowings and fiscal operations of "enterprises." Enterprises are defined to include government-owned businesses authorized to issue their own revenue bonds and receiving less than 10.0% of their revenues in grants from all Colorado State and local governments combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service for all years subsequent to 1994. The City has established an emergency reserve of \$39,087,000. The amendment is also applicable to several component units, which have established emergency reserves of \$252,000.

In November 2005, local voters approved Referred Measure 1B to allow the City to retain revenues collected, with the exception of property tax revenue, in excess of the limits established by the state amendment to the constitution for ten fiscal years beginning with fiscal year 2005 and thereafter retain and spend any excess revenues up to the amount of the revenue cap as defined. For 2013, Tabor revenues exceeded the established limits by \$163,863,000.

In November 2012, Denver voters approved Referred Measure 2A to allow the City to retain all revenues collected beginning in 2013.

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

NOTE F – DEFERRED COMPENSATION PLAN

- 1. Description of the Plan.** The Deferred Compensation Plan (Plan) was adopted by the City to provide a means by which public employees could defer a portion of their current income and related income taxes to future years. Under Section 457 of the Internal Revenue Code, amounts deferred and income earned on those funds are not taxed until made available to the participant. The Plan's publicly available financial report can be obtained by contacting the City of Denver Controller's Office at 201 West Colfax Avenue, Department 1109, Denver, Colorado, 80202.

- 2. Administration of the Plan.** The Deferred Compensation Governing Committee of the City manages the Plan. The Committee has designated a third-party administrator for the Plan to account for all deferred compensation, withdrawals, interest income credited, and the individual balance for each participant. In addition, the administrators execute individual participant agreements and provide Plan information and counseling to all eligible employees.
- 3. Investments.** Investments are recorded at fair value. In compliance with the City Charter, the Deferred Compensation Governing Committee has approved certain options for investment. All investments are transferred to mutual investment funds offered by the Hartford Variable Annuity Life Insurance Company, to an annuity contract program with the Prudential Insurance Company of America, or to a retirement trust investment fund with ICMA Retirement Trust. The Plan provides for self-directed investments by the participants.
- 4. Contributions.** Participation in the Plan is voluntary and is open to all City employees. The City does not make any contributions. The maximum deferral in any one year is generally limited to 100 percent of a participant's pre-deferred taxable income or \$17,500 for 2013. Those who are age 50 and older may save an additional \$5,500 per year. However, special provisions, applicable during the last three taxable years before a participant attains normal retirement age under the Plan, or any year thereafter prior to the participants' separation from service, may increase the annual maximum up to \$35,000 for 2013.
- 5. Withdrawals.** Withdrawals from the Plan may be made upon retirement, termination of employment with the City, or in hardship cases as approved by the Administrator. Upon death, amounts credited to the participant are paid to the beneficiary designated by the participant.

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

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

NOTE G – PENSION PLANS

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

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

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

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

The Denver Employees Retirement Plan (DERP) is a cost-sharing multiple-employer defined benefit plan established by the City to provide pension and postemployment health benefits for its employees. The DERP is administered by the DERP Retirement Board in accordance with sections 18-401 through 18-430.7 of the City's Revised Municipal Code. Amendments to the plan are made by ordinance. These Code sections establish the plan, provide complete information on the DERP, and vests the authority for the benefit and contribution provisions with the City Council. The DERP Retirement Board acts as the trustee of the Plan's assets. As of January 1, 2012, the date of the last actuarial valuation, the plan was under-funded; however, there is no net pension obligation reported because the actuarial valuation adjusts contributions in the ensuing year to fully fund the Plan. The Board monitors the Plan continually to ensure an appropriate level of funding.

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

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

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

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

- 2. Pension Plans' Funding Policy and Annual Pension Cost.** For DERP, the City contributes 11.0% of covered payroll and employees make a pre-tax contribution of 7.0% in accordance with Section 18-407 of the Revised Municipal Code of the City. The City's contributions to DERP for the years ended December 31, 2013, 2012, and 2011 were \$53,424,000, \$47,176,000, and \$43,047,000, respectively, which equaled the required contributions each year.

DERP's annual pension cost for the current year and related contribution information (plan totals) is shown in **Tables 44, 45,** and **46** (dollars in thousands).

Table 44

	DERP	DERP Health Benefits
Actuarially determined contribution rates (percentage of covered payroll):		
Employer	10.57%	79.00%
Plan members	6.49%	46.00%
Annual pension costs	\$90,659	\$6,636
Total contributions made	\$93,566	\$6,678
Actuarial valuation date	1/1/13	1/1/13
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll, closed basis	Level percent of payroll, closed basis
Remaining amortization period	30 years	30 years
Asset valuation methods	Smoothed mkt.	Smoothed mkt.
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.25-7.25%	0%
Includes inflation at	2.75%	0%
Cost of living adjustment	None	None

Table 45**Three-year Trend Information**

December 31, 2013 (dollars in thousands)

	Year	Annual Actuarial Required Contribution (ARC) ¹	Percentage of ARC Contributed ²
DERP	2011	\$ 52,000	87.9%
	2012	56,055	88.8%
	2013	55,398	n/a
DERP Health Benefits	2011	\$ 4,965	84.6%
	2012	5,153	82.3%
	2013	4,722	n/a

¹Employers made contributions based on the legally required rates.

²Beginning January 1, 2013, the amortization method changed from level dollar 30-year open to level percent of pay 30-year closed.

Table 46**Defined Benefit Pension Plans Schedule of Funding Progress**

December 31, 2013 (dollars in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability - Projected Unit Credit	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll
DERP							
	January 1, 2011	\$ 1,942,871	\$ 2,284,756	\$ 341,885	85.0%	\$ 517,398	66.1%
	January 1, 2012	1,946,844	2,386,530	439,686	81.6%	517,396	85.0%
	January 1, 2013	1,980,204	2,593,190	612,986	76.4%	531,559	115.3%
DERP Health Benefits							
	January 1, 2011	\$ 87,609	\$ 143,112	\$ 55,503	61.2%	\$ 517,398	10.7%
	January 1, 2012	84,680	142,967	58,287	59.2%	517,396	11.3%
	January 1, 2013	82,993	148,886	65,893	55.7%	531,559	12.4%

For FPPA, covered employees contribute at the rate of at least 8.0% of base salary. As of January 1, 2012, the actuarial reports stated that the plans for fire fighters and police officers hired before April 8, 1978, were funded at 73.0% and 71.0%, respectively. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2013, 2012, and 2011 were \$30,206,000, \$24,715,000, and \$24,815,000 respectively.

The City also made contributions for the years ended December 31, 2013, 2012, and 2011 for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$14,650,000, \$15,445,000, and \$13,742,000, respectively. As of the January 1, 2012, actuarial report, under current law benefits, which assume no cost-of-living adjustments, the Plan is funded at 96.1%.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS - IMPLICIT RATE SUBSIDY

In addition to the pension benefits described in **Note IV-G**, the City provides health insurance to eligible retirees and their qualifying dependents. Current and retired employees participate in the same group plans with blended premium rates creating an implicit rate subsidy for the retirees in the plans.

- 1. DERP Participants' Plan Description.** The City acts in a cost-sharing multiple-employer capacity by providing health insurance to eligible DERP retirees and their qualified dependents through the City's group insurance plans. As authorized by section 18-412 of the City's Revised Municipal Code, DERP retirees are allowed to participate in the health insurance programs offered to active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with 5 years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare age. As of the December 31, 2012 actuarial valuation, there are 7,414 active employees under age 65 covered under the health insurance plans. In addition, there are 1,324 retired employees not yet covered by Medicare who are covered by the plans. There is no stand-alone financial report for this medical coverage benefit and it is not included in the DERP report.
- 2. Funding Policy for DERP Participants' Plan.** DERP retirees are responsible for 100.0% of the blended premium rate. They may choose to use their health benefit toward the premium costs. The health benefit associated with the DERP pension (see **Note IV-H**) provides monthly health insurance premium reduction of \$12.50 per year of service for retired participants under the age of 65 and \$6.25 per year of service for retirees age 65 and older. The City's required contribution toward the implicit rate subsidy is based on pay-as-you-go financing.

Contributions made by the City toward the implicit rate subsidy for DERP participants were \$5,485,000, \$5,360,000, and \$6,446,000, for the years ended December 31, 2013, 2012 and 2011, respectively, based on pay-as-you-go financing.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- 3. FPPA Participants' Plan Description.** The City acts in a single-employer capacity by providing access to health insurance to eligible FPPA retirees and their qualified dependents through the respective groups' insurance plans. Based on City practice, fire fighter retirees and police officer retirees are allowed to participate in the health insurance programs offered to active employees. Fire fighters and police officers hired prior to April 8, 1978, are eligible for this coverage with a minimum of 25 years of service; however, police officers are also eligible when they begin collecting their pension benefit should they not obtain 25 years of service. For FPPA employees hired after April 7, 1978, they must have elected to begin collecting their pension and be a minimum of 55 years of age with 5 years of service or attained age 50 with 30 years of service. Coverage ceases when one reaches Medicare age. As of the December 31, 2013 actuarial valuation,

there are 2,260 active employees under age 65 covered under the health insurance plans. In addition, there are 331 retired employees not yet covered by Medicare who are covered by the plans. There is no stand-alone financial report for this medical coverage benefit and it is not included in the FPPA report.

- 4. Funding Policy for FPPA Participants' Plan.** FPPA retirees are responsible for 100.0% of the blended premium rate. The City's required contribution toward the implicit rate subsidy is based on pay-as-you-go financing.
- 5. Annual Pension Cost and Net Pension Obligation for FPPA Participants Plan.** The City's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded Actuarial Accrued Liabilities (AAL) over a period of 30 years. **Table 47** (dollars in thousands) details the components of the City's annual OPEB cost for the year, the amount contributed, and changes in the City's net OPEB obligation.

Table 47

Employer's normal cost	\$	1,767
Amortization of unfunded AAL		1,564
Interest on net OPEB obligation		362
Adjustment to ARC		(360)
Annual OPEB Cost		3,333
Employer contribution		1,666
Increase in net OPEB obligation		1,667
Net OPEB obligation - January 1		9,045
Net OPEB Obligation - December 31	\$	10,712

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation for the year ended December 31, 2013, and the two preceding years are detailed in **Table 48** (dollars in thousands).

Table 48

Fiscal Year Ended	Annual OPEB Cost	Contributions	% of Annual Cost OPEB Contributions	Net OPEB Obligations
December 31, 2011	\$ 3,056	\$ 1,651	54.0%	\$ 7,426
December 31, 2012	3,198	1,579	49.4%	9,045
December 31, 2013	3,333	1,666	50.0%	10,712

- 6. Funded Status and Funding Progress for FPPA Participants Plan.** The funded status for the year ended December 31, 2013, is presented in **Table 49** (dollars in thousands).

Table 49

		OPEB
Actuarial accrued liability (AAL)	\$	40,931
Actuarial value of plan assets		-
Unfunded AAL (UAAL)	\$	40,931
Funded ratio		0.00%
Covered payroll	\$	203,699
UAAL as a % of covered payroll		20.1%

Actuarial valuations of an ongoing plan involve the estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

7. **Actuarial Methods and Assumptions.** Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included in the types of benefits provided at the time of each valuation and the historic pattern of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of calculations. **Table 50** details the actuarial methods and assumptions used.

Table 50

	OPEB
Actuarial valuation date	12/31/12
Actuarial cost method	Entry age normal, Level % of pay
Amortization method	Level % of pay
Remaining amortization period	30 years, open basis
Actuarial assumptions:	
Investment rate of return	4.00%
Healthcare cost trend	Grading from 9% decreasing by .5% per year to 5% thereafter
General inflation	3% annually

* * *

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

Year Ended December 31, 2013 (dollars in thousands)

	General Fund			Variance with Final Budget
	Budget		Actual	
	Original	Final		
Revenues				
Taxes	\$ 625,584	\$ 678,417	\$ 687,340	\$ 8,923
Licenses and permits	22,799	29,683	42,916	13,233
Intergovernmental revenues	26,901	27,614	27,669	55
Charges for services	165,203	172,865	167,864	(5,001)
Investment and interest income	3,382	4,055	1,890	(2,165)
Fines and forfeitures	61,778	58,856	54,818	(4,038)
Contributions	-	-	49	49
Other revenue	5,427	4,041	10,265	6,224
Total Revenues	911,074	975,531	992,811	17,280
Budget Basis Expenditures				
General government	218,044	220,924	184,252	36,672
Public safety	476,511	482,892	475,974	6,918
Public works	102,383	103,224	100,360	2,864
Human services	-	-	-	-
Health	44,163	44,687	44,636	51
Parks and recreation	53,115	56,046	55,519	527
Cultural activities	36,542	40,081	39,192	889
Community development	15,953	16,502	15,998	504
Total Budget Basis Expenditures	946,711	964,356	915,931	48,425
Excess (deficiency) of revenues over budget basis expenditures	(35,637)	11,175	76,880	65,705
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Insurance recoveries	-	-	305	305
Capital leases	-	-	-	-
Transfers in	34,700	36,550	38,589	2,039
Transfers out	(50,915)	(63,103)	(55,287)	7,816
Total Other Financing Sources (Uses)	(16,215)	(26,553)	(16,393)	10,160
Excess (deficiency) of revenues and other financing sources over budget basis expenditures and other financing uses	<u>\$ (51,852)</u>	<u>\$ (15,378)</u>	60,487	<u>\$ 75,865</u>
Fund balances - January 1			226,848	
Fund Balance - December 31			<u>\$ 287,335</u>	

See accompanying notes to required supplementary information.

Human Services Special Revenue Fund				
Budget		Actual	Variance with Final Budget	
Original	Final			
\$ 52,662	\$ 55,315	\$ 55,990	\$	675
-	-	-	-	-
85,044	85,864	79,195	(6,669)	(6,669)
584	584	376	(208)	(208)
-	-	-	-	-
-	-	-	-	-
-	-	657	657	657
8,698	14,773	442	(14,331)	(14,331)
<u>146,988</u>	<u>156,536</u>	<u>136,660</u>	<u>(19,876)</u>	<u>(19,876)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
140,788	158,314	130,461	27,853	27,853
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>140,788</u>	<u>158,314</u>	<u>130,461</u>	<u>27,853</u>	<u>27,853</u>
6,200	(1,778)	6,199	7,977	7,977
-	-	743	743	743
-	-	8	8	8
-	-	-	-	-
75	75	75	-	-
<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>751</u>	<u>751</u>	<u>751</u>
<u>\$ 6,200</u>	<u>\$ (1,778)</u>	6,950	<u>\$ 8,728</u>	<u>8,728</u>
		33,441		
		<u>\$ 40,391</u>		

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

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

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

Required Supplementary Information Other Postemployment Benefits - Implicit Rate Subsidy

December 31, 2013 (dollars in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability -Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll
DERP						
December 31, 2011	\$ -	\$ 115,813	\$ 115,813	0.0%	\$ 425,420	27.2%
December 31, 2012	-	88,704	88,704	0.0%	446,182	19.9%
December 31, 2013	-	88,879	88,879	0.0%	464,029	19.2%
FPPA						
December 31, 2011	\$ -	\$ 37,501	\$ 37,501	0.0%	\$ 193,483	19.4%
December 31, 2012	-	39,176	39,176	0.0%	195,864	20.0%
December 31, 2013	-	40,931	40,931	0.0%	203,699	20.1%

Schedule of Employer Contributions

Year Ended	Employer Contributions			
	DERP		FPPA	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
December 31, 2011	\$ 8,280	77.9%	\$ 3,056	54.0%
December 31, 2012	6,261	85.6%	3,198	49.4%
December 31, 2013	6,421	85.4%	3,333	50.0%

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this “Disclosure Undertaking”) is delivered by the CITY AND COUNTY OF DENVER, Colorado (the “City”) and ZIONS FIRST NATIONAL BANK, Denver, Colorado (the “Trustee”), in connection with the execution and delivery of \$_____ * in aggregate principal amount of Certificates of Participation, Series 2015A (the “Series 2015A Certificates”), pursuant to a Declaration and Indenture of Trust (Fire Station and Library Facilities) to be dated its date of execution and delivery (the “2015A Indenture”), executed by the Trustee, as trustee thereunder. The Series 2015A Certificates evidence assignments of proportionate interests in the rights to receive certain amounts payable by the City pursuant to an annually renewable Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) to be dated its date of execution and delivery (the “2015A Lease”), between the Trustee, as lessor, and the City, as lessee. Within the five-year period from the date of this Official Statement, the City has complied in all material respects with previous undertakings.

In consideration of the purchase of the Series 2015A Certificates by the Participating Underwriters (defined below), the City, as an “obligated person” with respect to the Series 2015A Certificates within the meaning of Rule 15c2-12 (the “Rule”) adopted by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time, and the Trustee hereby covenant, agree and undertake as follows:

Section 1. Definitions. The definitions set forth in the 2015A Lease and the 2015A Indenture shall apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined herein. In addition to such terms and the terms defined above, as used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

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

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

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

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

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

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

* Preliminary, subject to change.

“*MSRB*” means the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via EMMA. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; telephone (703) 797-6600; fax (703) 797-6700.

“*Official Statement*” means the final Official Statement dated _____, 2015, together with any supplements thereto prior to the date on which the Series 2015A Certificates are initially executed and delivered.

“*Owner(s)*” means the registered owner(s) of the Series 2015A Certificates, and so long as the Series 2015A Certificates are subject to the book entry system, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Series 2015A Certificates, which includes the power to dispose or direct the disposition of the Series 2015A Certificates.

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

Section 2. Provision of Annual Financial Information.

(a) Commencing with the Fiscal Year ended December 31, 2015, and annually thereafter while the Series 2015A Certificates remain outstanding, the City shall provide or cause to be provided to EMMA, in an electronic format as prescribed by the MSRB, Annual Financial Information and Audited Financial Statements with respect to the City. The Annual Financial Information shall include the written representation of the City Representative that the Annual Financial Information is the Annual Financial Information required under this Disclosure Undertaking.

(b) The Annual Financial Information shall be provided to EMMA not later than 270 days after the end of each Fiscal Year. If not provided as a part of the Annual Financial Information, the Audited Financial Statements shall be provided to EMMA when available, but in no event later than 270 days after the end of each Fiscal Year.

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

Section 3. Reporting of Events.

(a) At any time the Series 2015A Certificates are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, the City shall provide or cause to be provided to EMMA notice of any of the following Events with respect to the Series 2015A Certificates:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on any debt service reserve relating to the Series 2015A Certificates reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement relating to the Series 2015A Certificates reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 of determinations with respect to the tax status of the Series 2015A Certificates, or other material events affecting the tax-exempt status of the Series 2015A Certificates;
- (vii) modifications to rights of the Owners, if material;
- (viii) redemption of any Series 2015A Certificates, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) defeasance of the Series 2015A Certificates or any portion thereof;
- (x) release, substitution or sale of property securing repayment of the Series 2015A Certificates, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of an obligated person*;
- (xiii) 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
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The SEC requires the listing of (i) through (xiv) above although some of such Events may not be applicable to the Series 2015A Certificates.

(b) Whenever the Trustee obtains actual knowledge of the occurrence of an Event, the Trustee shall contact the City Representative as soon as possible to request that the City Representative determine if such Event would require filing with EMMA pursuant to Section 3(a) above. For the purpose of this Disclosure Undertaking, “actual knowledge” by the Trustee of the occurrence of such Events shall mean actual knowledge by the officer at the office(s) of the Trustee with regular responsibility for the administration of matters related to the 2015A Indenture.

* For purposes of Section 3(a)(xii) above, 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.

(c) Whenever the City Representative obtains knowledge of the occurrence of an Event, including notice from the Trustee pursuant paragraph (b) of this Section, the City Representative shall as soon as possible determine if such Event would require filing with EMMA pursuant to Section 3(a) above.

(d) If the City Representative determines that the occurrence of the Event should be filed with EMMA, the City Representative shall file or cause to be filed, in an electronic format as prescribed by the MSRB, a notice of such occurrence with EMMA within the time period prescribed in Section 3(a) above.

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

Section 4. Term. This Disclosure Undertaking shall be in effect from and after the initial execution and delivery of the Series 2015A Certificates and shall extend to the earlier of (a) the date all principal and interest on the Series 2015A Certificates shall have been deemed paid pursuant to the terms of the 2015A Indenture; (b) the date that the City shall no longer constitute an “obligated person” within the meaning of the Rule; and (c) the date on which those portions of the Rule that require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action have been repealed retroactively or otherwise do not apply to the Series 2015A Certificates, which determination shall be evidenced by an opinion of nationally recognized municipal bond counsel selected by the City. The City Representative shall file a notice of any termination of this Disclosure Undertaking with EMMA.

Section 5. Use of a Dissemination Agent. The City may, from time to time, appoint or engage a dissemination agent to assist the City in carrying out its obligations under Sections 2 and 3 of this Disclosure Undertaking, and may discharge such dissemination agent with or without appointing a successor dissemination agent.

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

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

Section 8. Default and Enforcement. If the City or the Trustee fails to comply with any provision of this Disclosure Undertaking, any Owner may take action to seek specific performance by court

order to compel such party to comply with its obligations under this Disclosure Undertaking; provided, however, that any Owner seeking to require compliance with this Disclosure Undertaking shall first provide to the City at least 30 days' prior written notice of the City's failure, giving reasonable details of such failure, following which notice the City shall have 30 days to comply; and, provided further, that only the Owners of not less than a majority in aggregate principal amount of the outstanding Series 2015A Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State of Colorado. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE 2015A LEASE, THE 2015A INDENTURE OR THE SERIES 2015A CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

Section 9. Beneficiaries. This Disclosure Undertaking is made for the benefit of the Owners and in order to allow the Participating Underwriters to comply with the Rule, shall inure solely to the benefit of the Participating Underwriters and Owners from time to time of the Series 2015A Certificates and shall create no rights in any other person or entity.

Date: _____, 2015

CITY AND COUNTY OF DENVER,
a Colorado municipal corporation

DEBRA JOHNSON, Clerk and
Recorder, Ex-Officio Clerk of the
City and County of Denver

Mayor

APPROVED AS TO FORM:

REGISTERED AND COUNTERSIGNED:

D. SCOTT MARTINEZ, Attorney for the
City and County of Denver

Auditor

By: _____
City Attorney

Chief Financial Officer

ZIONS FIRST NATIONAL BANK as Trustee

By: _____
Authorized Officer

SCHEDULE 1

ANNUAL FINANCIAL INFORMATION

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

* * *

APPENDIX F

BOOK ENTRY ONLY FORM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2015A Certificates. The Series 2015A 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 Series 2015A Certificate will be issued for each issue of the Series 2015A Certificates, each in the aggregate principal amount of such issue, 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,

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 Series 2015A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Certificates on DTC’s records. The ownership interest of each actual purchaser of Series 2015A Certificates (“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 Series 2015A 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 the Series 2015A Certificates, except in the event that use of the book entry system for the Series 2015A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2015A 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 Series 2015A 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 Series 2015A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Certificates 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 Series 2015A 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 Trustee or the City 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 the Series 2015A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest on the Series 2015A 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 Trustee or the City, on the 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 Trust, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Series 2015A Certificates at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, in the event that a successor depository is not obtained, Series 2015A Certificates are required to be printed and delivered.

The Trust, upon the written direction of the City may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2015A Certificates will be printed and delivered to DTC.

The foregoing information concerning DTC and DTC's book entry system has been obtained from sources that are believed to be reliable, but none of the Trust, the Trustee or the City takes any responsibility for the accuracy thereof.

DRAFT APRIL 29, 2015

NOTICE OF SALE

\$_[_____]*

CERTIFICATES OF PARTICIPATION, SERIES 2015A

(Fire Station and Library Facilities)

Evidencing Proportionate Interests in the Base Rentals and Other Revenues

Under an Annually Renewable Lease Purchase Agreement

between Denver Public Facilities Leasing Trust 2015A, as Lessor,

and the City and County of Denver, Colorado, as Lessee

NOTICE IS HEREBY GIVEN that electronic bids will be received for the purchase of the certificates of participation (the "Series 2015A Certificates") described above on behalf of the Denver Public Facilities Leasing Trust 2015A (the "Trust") under the 2015A Indenture as defined below. All bids must be electronically submitted by MuniAuction as described in BID PROPOSAL REQUIREMENTS below. As described herein, the date and time for submitting bids will be as follows:

Bid Date:** Wednesday, May 20, 2015
Bid Time:** Between 11:00 a.m. and 11:30 a.m. prevailing Eastern Time
(Between 9:00 a.m. and 9:30 a.m. prevailing Mountain Time),
subject to the two-minute rule as provided herein

Bids Submitted to: www.grantstreet.com

Financial Advisor: First Southwest Company, LLC (the "Financial Advisor")
Jason Simmons
Jason.simmons@firstsw.com
Telephone: (720) 347-8953

To bid, bidders must have: (1) completed the registration form on the MuniAuction website and (2) requested and received admission to the auction (as described under REGISTRATION AND ADMISSION TO BID below).

Any capitalized terms used without definition have the meanings set forth in the Preliminary Official Statement relating to the Series 2015A Certificates dated May __, 2015 (the "Preliminary Official Statement").

MATURITIES

The Series 2015A Certificates are to mature on December 1 in each of the designated amounts and years, as follows:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal Amount*</u>	<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal Amount*</u>
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	
2021		2031	
2022		2032	
2023		2033	
2024		2034	
2025			

* Preliminary, subject to change as provided for in this Notice of Sale under ADJUSTMENTS TO PRINCIPAL AMOUNTS and SALE RESERVATIONS.

** Subject to change as provided for in this Notice of Sale under SALE RESERVATIONS.

ADJUSTMENTS TO PRINCIPAL AMOUNTS: The aggregate principal amount and the principal amount of each maturity of the Series 2015A Certificates described above are subject to adjustment, after determination of the best bid. Changes to be made will be communicated to the successful bidder at the time of award of the Series 2015A Certificates, and will not reduce or increase the amount of the Series 2015A Certificates maturing in any year by more than \$150,000 or 15%, whichever is greater, from the amounts shown in the maturity schedule above or change the aggregate principal amount of the Series 2015A Certificates by more than 15%. If the principal amount is modified, the underwriting discount percentage (not the dollar amount of the underwriting discount) will be held constant according to the underwriting discount percentage imputed in the reoffering yields of the successful bidder. The successful bidder may not withdraw its bid as a result of any changes made within these limits. By submitting its bid, each bidder agrees to purchase the Series 2015A Certificates in such adjusted principal amounts and to modify the purchase price for the Series 2015A Certificates to reflect such adjusted principal amounts. The bidder further agrees that the interest rates for the various maturities as designated by the bidder in its bid will apply to any adjusted principal amounts of such maturities.

SALE RESERVATIONS: The following rights are reserved: (1) the right to amend this Notice of Sale at any time prior to the time for receipt of bids by publishing amendments on the “Amendments Page” of the MuniAuction website; (2) the right to reject any and all bids for the Series 2015A Certificates; (3) the right to reoffer the Series 2015A Certificates for public or negotiated sale; (4) the right to waive any irregularity or informality in any bid; and (5) the right to adjust the principal amount in each maturity or in aggregate, or reschedule the receipt of bids for the Series 2015A Certificates by giving notice thereof as promptly as reasonably possible by publishing amendments on the “Amendments Page” of the MuniAuction website or such other oral or written communication as the Financial Advisor may select.

REDEMPTION PROVISIONS:

A. *Optional Redemption.* The Series 2015A Certificates maturing on and after December 1, 2026, are to be subject to optional redemption, in whole or part, in integral multiples of \$5,000 on December 1, 2025, and on any date thereafter, at a redemption price equal to 100% of the principal thereof, plus accrued interest to the applicable Optional Redemption Date in further described in the Preliminary Official Statement under “THE SERIES 2015A CERTIFICATES – Redemption Provisions – *Optional Redemption.*”

B. *Term Certificates and Mandatory Sinking Fund Redemption.* Any maturities of the Series 2015A Certificates may be combined, at the option of the bidders, into term certificates. Any single term certificate is required to bear a single interest rate and be subject to mandatory sinking fund redemption on the dates and in the amounts shown above under “MATURITIES.”

C. *Extraordinary Mandatory Sinking Fund Redemption.* The Series 2015A Certificates are subject to redemption prior to their respective maturities in certain special circumstances as described in the Preliminary Official Statement under “THE SERIES 2015A CERTIFICATES – Redemption Provisions – *Extraordinary Mandatory Sinking Fund Redemption.*”

INTEREST RATES AND LIMITATIONS:

1. Interest will be payable on June 1 and December 1 of each year, commencing on December 1, 2015, and will be computed on the basis of a 360-day year of twelve 30-day months.

2. The Series 2015A Certificates will be dated their date of delivery, which is expected to be June 2, 2015.

3. There is no limit on the number of rates specified, except that one interest rate only may be specified for the Series 2015A Certificates of any maturity.

4. The interest rate for the Series 2015A Certificates must be stated in a multiple of 1/8th or 1/20th of 1% per annum. A zero rate of interest is not permitted for the Series 2015A Certificates.

5. The maximum differential between the lowest and the highest interest rates stated in the bid may not exceed 200 basis points (*e.g.*, if the lowest rate is 3.00%, the highest rate may not exceed 5.00%).

PURCHASE PRICE: The purchase price bid for the Series 2015A Certificates shall not be less than 100% of the par amount of the Series 2015A Certificates.

PURPOSE OF SALE: Certain existing facilities (land and improvements) described as the Fire Stations Component (Station Nos. 18, 19 and 22) and the Library Component (Blair-Caldwell African American Research Library) are to be leased by the City, as lessor, to the Trust, as lessee, pursuant to Facilities Lease No. 2015A (Fire Station and Library Facilities) to be dated its date of execution and delivery (the “2015A Facilities Lease”) upon payment, in advance and in full, from the net proceeds of the Series 2015A Certificates, of the rentals due under the 2015A Facilities Lease. The Trust is then to lease the Fire Stations Component and the Library Component back to the City pursuant to an annually renewable Lease Purchase Agreement No. 2015A (Fire Station and Library Facilities) to be dated its date of execution and delivery (the “2015A Lease”). The Fire Stations Component and the Library Component constitute two separate Components of the Leased Property under the 2015A Lease. The proceeds of the leasing of the Fire Stations Component and the Library Component by the City, as the lessor under the 2015A Facilities Lease, are to be used by the City to fund the costs of two capital improvement projects – a new Emergency 911 Communications Center and a new Fleet Service Center, each replacing existing facilities, all as further described in the Preliminary Official Statement under “THE LEASED PROPERTY,” “[PLAN OF FINANCE]” and “SOURCES AND USES OF FUNDS.”

AUTHORIZATION: The 2015A Facilities Lease and the 2015A Lease are authorized by an ordinance finally adopted by the City Council on May [11], 2015, effective May [14], 2015, prior to the sale of the Series 2015A Certificates. See also TIME OF AWARD below.

The Series 2015A Certificates are to be executed and delivered pursuant to a Declaration and Indenture of Trust to be dated its date of delivery (the “2015A Indenture”) by Zions First National Bank, Denver, Colorado, as trustee (the “Trustee”). Under the 2015A Indenture, the Trust is created for the benefit of the Owners of the Series 2015A Certificates.

THE LEASED PROPERTY: The Fire Stations Component and the Library Component constitute two separate Components of the Leased Property under the 2015A Lease. See the Preliminary Official Statement under “LEASED PROPERTY” regarding the insured value of each Component of the Leased Property.

SECURITY:

Base Rentals; Payment of Series 2015A Certificates. The Series 2015A Certificates are payable annually solely from Base Rentals payable under the 2015A Lease as described in the Preliminary Official Statement and certain other limited funds. The City has the right to renew or not renew (and therefore terminate) the 2015A Lease for each fiscal year. The Lease Term terminates under the 2015A Lease if an Event of Nonappropriation or an Event of Lease Default occurs under the 2015A Lease (all as described in the Preliminary Official Statement). The City has certain purchase option rights under the 2015A Lease that may be exercised in respect of the each Component of the Leased Property. See the Preliminary Official Statement under “RISKS AND OTHER INVESTMENT CONSIDERATIONS - Right of the City to Not Renew and to Terminate the 2015A Lease Annually - Results of Termination of the 2015A Lease – Enforceability of Remedies.”

The Series 2015A Certificates evidence proportionate interests in the right of the Trust to receive Base Rentals under the 2015A Lease and other Revenues (as defined in the 2015A Lease). The Series 2015A

Certificates are payable solely from certain Revenues that include (a) all amounts payable by or on behalf of the City or with respect to the Leased Property pursuant to the 2015A Lease including, but not limited to, all Base Rentals, Prepayments, Purchase Option Prices and Net Proceeds, but not including Additional Rentals; (b) any portion of the proceeds of the Series 2015A Certificates deposited with the Trustee in the Base Rentals Fund; and (c) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the 2015A Indenture (except for moneys and securities held in the Rebate Fund). The 2015A Lease and the Series 2015A Certificates do not constitute a mandatory charge or requirement of the City in any ensuing Fiscal Year beyond the then current Fiscal Year, do not constitute or give rise to a general obligation or other indebtedness of the City within the meaning of any constitutional, home rule charter or statutory debt limitation and do not constitute a multiple fiscal year direct or indirect City debt or other financial obligation whatsoever. The execution and delivery by the Trustee of the Series 2015A Certificates do not directly or indirectly obligate the City to renew the 2015A Lease from Fiscal Year to Fiscal Year or to make any payments beyond those budgeted and appropriated for the City's then current Fiscal Year.

Additional Certificates. The 2015A Indenture permits the execution and delivery by the Trustee of Additional Certificates as described in the Preliminary Official Statement.

CERTIFICATE PROVISIONS:

Generally. The Series 2015A Certificates in the aggregate principal amount of \$[_____] * are to be dated their date of delivery, and are to be in fully registered form in denominations of \$5,000 or integral multiples thereof. The Series 2015A Certificates, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which payment of principal and interest will be made in book entry form only. Purchasers of the Series 2015A Certificates will not receive physical delivery of certificates.

Ratings. Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P’s”) and Fitch Ratings, Inc. (“Fitch”) have assigned ratings of “[Aa1],” “[AA+],” and “[AA+],” respectively, to the Series 2015A Certificates.

BID PROPOSAL REQUIREMENTS: Each bid must be submitted by MuniAuction (www.GrantStreet.com) between 11:00 a.m. and 11:30 a.m. prevailing Eastern Time (9:00 a.m. and 9:30 a.m. prevailing Mountain Time), subject to the two-minute rule as hereinafter provided, on Wednesday, May 20, 2015. Bidders may change and submit bids as many times as they wish during the auction, provided that any subsequent bid must result in a lower actuarial yield (*i.e.* using the true interest cost method) than the preceding bid and provided further that a bidder may not withdraw a submitted bid. If any bid becomes a leading bid two (2) minutes or less prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by MuniAuction. The auction end time will continue to be extended until a single leading bid remains the leading bid for at least two (2) minutes. The last bid submitted before the end of the auction will be compared to all other final bids to determine the successful bidder.

To the extent any instructions or directions set forth on MuniAuction conflict with this Notice of Sale, the terms of this Notice of Sale shall control. The Trustee, on behalf of the Trust, may, but is not obligated to, acknowledge its acceptance in writing of any bid submitted electronically by MuniAuction.

REGISTRATION AND ADMISSION TO BID: To bid by MuniAuction, bidders must first visit MuniAuction where, if they have never registered with either MuniAuction or Grant Street Group, they can register and then request admission to bid on the Series 2015A Certificates. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only broker-dealers registered with the Financial Industry Regulatory Authority (FINRA) or dealer banks with The Depository Trust Company clearing arrangements

* Preliminary, subject to change as provided for in this Notice of Sale under ADJUSTMENTS TO PRINCIPAL AMOUNTS and SALE RESERVATIONS. The right to increase or decrease this aggregate principal amount and related principal amounts maturing in each year is reserved. The final aggregate principal amount and related principal amounts maturing in each year may be published on the Amendments Page of the MuniAuction website. See also ADJUSTMENTS TO PRINCIPAL AMOUNTS and SALE RESERVATIONS.

will be eligible to bid. Bidders who have previously registered with MuniAuction may call MuniAuction at (412) 391-5555 (ext. 370 for Auction support) for their Identification Number or password. No bidder will see any other bidder's bid. The rules of MuniAuction can be viewed on MuniAuction and are incorporated in this Notice of Sale by reference. Bidders must comply with the rules of MuniAuction in addition to the requirements of this Notice of Sale. To the extent there is a conflict between the rules of MuniAuction and this Notice of Sale, this Notice of Sale shall control.

The bidder further agrees that:

1. The electronic transmission of the bid by MuniAuction (including information about the purchase price of the Series 2015A Certificates, the interest rate to be borne by the various maturities of the Series 2015A Certificates, the initial public offering price of each maturity of the Series 2015A Certificates and any other information included in such transmission) will be considered as though the same information were submitted in writing and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by MuniAuction is accepted, the terms of this Notice of Sale and the information that is electronically transmitted by MuniAuction shall form a contract, and the winning bidder shall be bound by the terms of such contract.
2. MuniAuction is not an agent of the Trust, the Trustee on behalf of the Trust, the Financial Advisor or the City, and none of the Trust, the Trustee on behalf of the Trust, the Financial Advisor or the City shall have any liability whatsoever based on any bidder's use of MuniAuction, including but not limited to any failure by MuniAuction to correctly or timely transmit information provided by the Financial Advisor or information provided by the bidder.
3. The Financial Advisor, or Trustee on behalf of the Trust may choose to discontinue use of electronic bidding by MuniAuction by issuing a notification to such effect on MuniAuction, or by other available means, no later than 1:00 p.m., Mountain Time, on the last business date prior to the bid date.
4. Once the bids are communicated electronically by MuniAuction each bid shall be deemed to be an irrevocable offer to purchase the Series 2015A Certificates on the terms provided in this Notice of Sale. For purposes of submitting all "Proposals for Certificates," whether electronically or sealed, the time as maintained on MuniAuction shall constitute the official time.

Each bidder shall be solely responsible to make necessary arrangements to access MuniAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. The Financial Advisor or the Trustee on behalf of the Trust shall have no duty or obligation to provide or assure to any bidder, and the Financial Advisor or the Trustee on behalf of the Trust shall not be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, MuniAuction. The Financial Advisor and the Trustee on behalf of the Trust are using MuniAuction as a communication mechanism, and not as the Financial Advisor's or the Trustee on behalf of the Trust's agent, to conduct the electronic bidding for the Series 2015A Certificates. By using MuniAuction, each bidder agrees to hold the Financial Advisor and the Trustee on behalf of the Trust harmless for any harm or damages caused to such bidder in connection with its use of MuniAuction for bidding on the Series 2015A Certificates.

The Financial Advisor is not allowed to bid on the Series 2015A Certificates.

BASIS OF AWARD: Subject to the sale reservations and limitations set forth herein, the Series 2015A Certificates will be sold to the responsible bidder making the best bid therefor. The best bid(s) will be determined by computing the actuarial yield on the Series 2015A Certificates (*i.e.*, using an actuarial or true interest cost method) for each bid received. "True interest cost" on the Series 2015A Certificates as used herein means that yield which if used to compute the present worth as of the estimated delivery date of the Series 2015A Certificates of all payments of principal and interest to be made on the Series 2015A Certificates from the estimated delivery date to their respective maturity dates using the interest rates specified in the bid and the principal amounts specified in the Maturity Schedule, produces an amount equal to the principal amount

of the Series 2015A Certificates, plus any premium bid. All interest calculations and the calculation of the best bid shall be based on a 360-day year and a semiannual compounding interval. If an award is made, it will be made to the bidder whose bid results in the lowest true interest cost, *i.e.*, to the bidder making the bid resulting in the lowest true interest cost on the Series 2015A Certificates. If two or more equal bids for the Series 2015A Certificates are received and such equal bids are the best bids received, the City, as lessee under the 2015A Lease, will determine which bid will be accepted.

TIME OF AWARD: Bids will be received at the time hereinabove specified. The purchase of the Series 2015A Certificates will be awarded within 24 hours of the receipt of bids. The 2015A Facilities Lease and the 2015A Lease are authorized by an ordinance finally adopted by the City Council on May [11], 2015, effective May [14], 2015, prior to the sale of the Series 2015A Certificates. See also AUTHORIZATION above.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$[_____] will be required to be made by the apparent winning bidder after the bids have been received. The apparent winning bidder will be required to wire the good faith deposit to the Trustee on behalf of the Trust no later than 2:00 p.m. Eastern Time (12:00 p.m. Mountain Time) on Wednesday, May [11], 2015. The Financial Advisor will contact the apparent winning bidder and request the apparent winning bidder to wire such good faith deposit and the apparent winning bidder shall provide the Federal wire reference number of such good faith deposit to the City by 2:00 p.m. Eastern Time (12:00 p.m. Mountain Time) on Wednesday, May [11], 2015. The wire shall be sent to:

Bank	Zions First National Bank
ABA#:	124000054
Beneficiary Name:	Denver Public Facilities Leasing Trust 2015A
Account No.	_____
Reference Txt:	2015A COP Good Faith Deposit

The Series 2015A Certificates will not be officially awarded to a bidder until such time as the bidder has provided a Federal wire reference number for the good faith deposit to the Trustee on behalf of the Trust.

No interest on the good faith deposit will accrue to any bidder. The good faith deposit of the winning bidder for the Series 2015A Certificates will be applied to the purchase price of the Series 2015A Certificates. In the event the winning bidder for the Series 2015A Certificates fails to honor its accepted bid, the good faith deposit plus any interest accrued on the good faith deposit will be retained by the Trustee on behalf of the Trust and credited to the City as the lessee under the 2015A Lease. Any investment income earned on the good faith deposit will not be credited to the winning bidder on the purchase price of the Series 2015A Certificates.

MANNER AND TIME OF DELIVERY: The good faith deposit of the successful bidder will be applied to the purchase price of the Series 2015A Certificates. It is anticipated that the Series 2015A Certificates will be delivered to the successful bidder without expense through the facilities of DTC in New York, New York, on June 2, 2015, or as soon as practicable thereafter, and thereupon such successful bidder shall be required to accept delivery of the Series 2015A Certificates, purchase and pay, in federal funds, the balance of the purchase price due.

If the successful bidder fails or neglects to complete the purchase of the Series 2015A Certificates when the Series 2015A Certificates are tendered for delivery, the amount of the good faith deposit will be forfeited (as liquidated damages for noncompliance with the bid), except as hereinafter provided. In that event the Series 2015A Certificates may be reoffered for public or negotiated sale. The successful bidder will not be required to accept delivery of the Series 2015A Certificates if they are not tendered for delivery within 60 days from the Bid Date. If the Series 2015A Certificates are not so tendered within said period of time, the good faith deposit will be returned to the successful bidder upon request.

PURCHASER'S CERTIFICATE: The apparent winning bidder will be required to execute and deliver a Purchaser's Certificate prior to closing in the form attached hereto as Exhibit A. SUBMISSION OF A BID TO PURCHASE THE SERIES 2015A CERTIFICATES CONSTITUTES A COVENANT TO DELIVER THIS CERTIFICATE WITHOUT CHANGES UNLESS CO-SPECIAL COUNSEL APPROVED SUCH CHANGES PRIOR TO THE SALE DATE OF May 20, 2015. If on or prior to the Bid Date the apparent winning bidder does not indicate its willingness to execute the Purchaser's Certificate, the Trustee on behalf of the Trust will award the bid to the responsible bidder making the next best bid therefor who agrees to execute and deliver the Purchaser's Certificate.

CUSIP NUMBERS: CUSIP numbers will be ordered by the Financial Advisor and will be paid for as a cost of execution and delivery of the Series 2015A Certificates. CUSIP numbers will be printed on the Series 2015A Certificates. If a wrong number is imprinted on any Series 2015A Certificate or if a number is not printed thereon, any such error or omission will not constitute cause for the winning bidder to refuse delivery of any Series 2015A Certificate.

OFFICIAL STATEMENT: The Preliminary Official Statement is "deemed final" by the Chief Financial Officer of the City. Within seven business days after the award of the Series 2015A Certificates to the successful bidder, a maximum of [200] copies of the final Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions, will be delivered to the successful bidder without charge. If the successful bidder requires additional copies of the final Official Statement, it must notify the Financial Advisor and agree to pay the cost of such additional copies within five business days of the award of the Series 2015A Certificates. In addition to the information required to be included in its bid, the successful bidder must (1) provide to the Financial Advisor, all information relating to offering prices, selling compensation and the identity of the underwriters necessary to complete the final Official Statement within 24 hours after the award of the Series 2015A Certificates and (2) provide to the Financial Advisor a list of the underwriters involved in the transaction together with a list of the participating dealers (if different) and the percentage of participation of each within 30 days after the delivery of the proceeds from the sale of the Series 2015A Certificates.

No dealer, salesman, or other person has been authorized to give any information or to make any representation with respect to the Series 2015A Certificates which is not contained in the Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Trust, the Trustee on behalf of the Trust, the Financial Advisor or the City. The information in the Official Statement is subject to change and neither the delivery of the Official Statement nor any sale made after any such delivery is to, under any circumstances, create any implication that there has been no change since the date of the Official Statement. The Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there may not be any sale of any of the Series 2015A Certificates, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

CONTINUING DISCLOSURE: In connection with the execution and delivery by the Trustee of the Series 2015A Certificates and the execution by the City of the 2015A Lease, the City and the Trustee, as Dissemination Agent, will execute a Continuing Disclosure Undertaking, in the form as set forth in Appendix E to the Preliminary Official Statement.

LEGAL OPINION; TRANSCRIPT: The Series 2015A Certificates are offered when, as and if executed and delivered by the Trustee on behalf of the Trust subject to approval of legality and other matters by Becker Stowe Partners, LLC, Denver, Colorado and Kline Alvarado Veio, PC, Denver, Colorado, each as Co-Special Counsel, and to certain other conditions. The proposed form of opinions of Co-Special Counsel is set forth as Appendix A to the Preliminary Official Statement.

The successful bidder will receive without charge, with the Series 2015A Certificates in a form acceptable to DTC, (1) the originally signed opinion of each Special Counsel, (2) the final Official Statement referred to above, and (3) a transcript of legal proceedings. The transcript of legal proceedings will also include, among other documents:

A. A certificate executed by officials of the City, including the City Attorney, stating that to the best of their knowledge there is no litigation pending affecting the validity of the 2015A Facilities Lease or the 2015A Lease as of the date of its delivery;

B. A certificate executed by the Chief Financial Officer or another authorized official of the City acting in her or his official capacity, to the effect that, to the best of her or his knowledge, the facts contained in Appendix C of the final Official Statement are true and correct in all material respects and the final Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made in the Official Statement, in the light of the circumstances under which they were made, not misleading; and

C. Letters from Becker Stowe Partners, LLC, Denver, Colorado, and Kline Alvarado Veio, PC, Denver, Colorado to the effect that such counsel to the City have not independently verified the information contained in the final Official Statement, but that during the course of the participation by the firm in the preparation of the final Official Statement no information came to the attention of the firm to lead it to believe that the final Official Statement (except the financial statements and other statistical and financial data contained in the final Official Statement, as to which the firm will make no statement) as of its date either contained an untrue statement of any material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION: This Notice of Sale, the Preliminary Official Statement and other information concerning the Series 2015A Certificates may be obtained from the Financial Advisor, First Southwest Company, LLC, 6041 South Syracuse Way, Suite 300, Greenwood Village, Colorado 80111, phone (720) 347-8953; attention: Jason Simmons. All bidders are directed to review REGISTRATION AND ADMISSION TO BID in this Notice of Sale.

The Preliminary Official Statement may be viewed over the Internet at [munidoc.com].

The date of this Notice of Sale is May [12], 2015.

EXHIBIT A

FORM OF PURCHASER'S CERTIFICATE

NOTE TO BIDDERS: ALL OF THE SERIES 2015A CERTIFICATES MUST BE PUBLICLY OFFERED TO DELIVER THIS CERTIFICATE. THIS CERTIFICATE MAY NOT BE ALTERED WITHOUT APPROVAL OF SPECIAL COUNSEL BEFORE THE SALE OF THE SERIES 2015A CERTIFICATES. SUBMISSION OF A BID TO PURCHASE THE SERIES 2015A CERTIFICATES CONSTITUTES A COVENANT TO DELIVER THIS CERTIFICATE WITHOUT CHANGES UNLESS SUCH CHANGES WERE APPROVED BY CO-SPECIAL COUNSEL BEFORE THE SALE ON MAY 20, 2015.

\$[_____]*
CERTIFICATES OF PARTICIPATION, SERIES 2015A
(Fire Station and Library Facilities)
Evidencing Proportionate Interests in the Base Rentals and Other Revenues
Under an Annually Renewable Lease Purchase Agreement
between Zions First National Bank, as Lessor,
and the City and County of Denver, Colorado, as Lessee

The undersigned representative of [Purchaser] (the "Purchaser") hereby certifies in connection with the above captioned certificates of participation (the "Series 2015A Certificates") in the aggregate principal amount of \$[_____]* executed and delivered pursuant to a Declaration and Indenture of Trust to be dated its date of delivery (the "2015A Indenture") by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee"), that:

1. We acknowledge receipt of the Series 2015A Certificates in the aggregate principal amount of \$[_____]*, bearing interest and maturing as provided in the Official Statement, and such Certificates being in the denominations and registered in the name of Cede & Co., as nominee of The Depository Trust Company, as requested by us.

2. A bona fide public offering was made for all of the Series 2015A Certificates on the sale date at the initial public offering prices (or yields) shown for the Series 2015A Certificates on the inside cover page of the Official Statement dated May __, 2015 (the "Official Statement"), for the Series 2015A Certificates.

3. Except as provided in the third sentence of this paragraph 3, the first price at which a substantial amount of each maturity of the Series 2015A Certificates was sold to the public ("public" in this certificate excludes bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) is the price shown on the inside cover page of the Official Statement for that maturity of the Series 2015A Certificates. For this purpose, "substantial amount" is 10% or more of each maturity. If less than 10% of any maturity of the Series 2015A Certificates was sold on the sale date, it was our reasonable expectation on the sale date that the first price at which at least 10% of that maturity of the Series 2015A Certificates would be sold to the public on the sale date would be the price shown for that maturity on the inside cover page of the Official Statement. It was our reasonable expectation as of the sale date that the prices on the inside cover page of the Official Statement represent a fair market value for each maturity of the Series 2015A Certificates.

4. Pursuant to Section 20-93.3 of the Revised Municipal Code of the City, the undersigned will, within thirty (30) days of the date hereof, submit to the Chief Financial Officer, as Manager of Finance, *ex officio* Treasurer, of the City, and the President of the City Council a list of the underwriters

* Preliminary, subject to change.

involved in the sale of the Series 2015A Certificates, together with a list of the participating dealers, if different, and the percentage of participation by each such firm.

IN WITNESS WHEREOF, I have hereunto set my hand this [June 2], 2015.

[PURCHASER]

By _____
Title: _____