

**NEW ISSUE - BOOK ENTRY ONLY**

**RATINGS:** Moody's: "\_\_\_\_"  
Standard & Poor's: "\_\_\_\_"  
Fitch: "\_\_\_\_"  
See "RATINGS" herein.

*In the opinion of Peck, Shaffer & Williams LLP 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 2013A Certificates (the "Interest Portion") is excludible from gross income of the Owners of the Series 2013A 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 2013A 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.*

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**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2013A**

**(Buell Theatre Property)**

**Evidencing Proportionate Interests in the Base Rentals and Other Revenues Under  
an Annually Renewable Lease Purchase Agreement between Denver Public Facilities Leasing Trust 2013A,  
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 2013A 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 2013A Certificates are to be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), securities depository for the Series 2013A Certificates. Individual purchases are to be made in book entry only form in authorized denominations. Purchasers will not receive physical delivery of the Series 2013A Certificates. Capitalized terms not otherwise defined on this cover page have the meanings set forth in this Official Statement.

Interest on the Series 2013A Certificates is payable semiannually each June 1 and December 1, commencing June 1, 2014, to and including the maturity dates shown on the inside cover page, unless the Series 2013A Certificates are redeemed earlier.

**The Series 2013A Certificates are not subject to optional redemption, but are subject to extraordinary mandatory redemption, prior to maturity as more fully described herein.**

The Series 2013A Certificates evidence proportionate interests in the Base Rentals and certain other revenues under an annually renewable Lease Purchase Agreement No. 2013A (Buell Theatre Property) to be dated its date of execution and delivery (the "2013A Lease") between the Denver Public Facilities Leasing Trust 2013A (the "Trust"), as lessor, and the City and County of Denver, Colorado (the "City"), as lessee. The Series 2013A Certificates are executed and delivered pursuant to a Declaration and Indenture of Trust (Buell Theatre Property) to be dated its date of execution and delivery (the "2013A Indenture") by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee") for the Trust and the owners of the Series 2013A Certificates. See "THE SERIES 2013A CERTIFICATES."

The net proceeds of the Series 2013A Certificates will be used to effect a refunding transaction in respect of an existing lease purchase agreement resulting in the refunding and defeasance in full of certain outstanding certificates of participation. The existing lease purchase agreement is to be amended and restated as the 2013A Lease to provide for the leasing by the Trust to the City of the Leased Property. See "THE LEASED PROPERTY," "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Series 2013A 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 2013A Lease, (2) following an Event of Nonappropriation or an Event of Lease Default, any moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other remedies under the 2013A Lease, and (3) any money and securities, including investment income, held by the Trustee in certain Funds and Accounts established under the 2013A Indenture. Neither the 2013A Lease nor the Series 2013A Certificates constitute a general obligation or other indebtedness of the City. Neither the 2013A Lease nor the Series 2013A 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 2013A Lease is in effect. The City may choose not to renew, and therefore terminate its obligations under, the 2013A Lease on an annual basis. See "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

**This cover page is not a summary of the Series 2013A 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 2013A Certificates are offered when, as and if executed and delivered by the Trustee, subject to approval of legality and other matters by Peck, Shaffer & Williams LLP, 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 Douglas J. Friednash, Esq., City Attorney. Peck, Shaffer & Williams LLP and Kline Alvarado Veio, P.C., in their Special Counsel capacity, have also advised the City concerning, and have assisted in the preparation of, this Official Statement. Delivery of the Series 2013A Certificates through the facilities of DTC is expected on or about [October 9], 2013.

The Series 2013A Certificates will be sold pursuant to a competitive sale to be conducted as provided in the Notice of Sale accompanying this Preliminary Official Statement. Electronic bids for the Series 2013A Certificates will be received by First Southwest Company, as Financial Advisor, on [Thursday, October 3], 2013, as provided in the Notice of Sale.

**The date of this Official Statement is \_\_\_\_\_, 2013**

\* Preliminary, subject to change.

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**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2013A**

**Evidencing a Proportionate Interest in the Base Rentals and Other Revenues Under  
an Annually Renewable Lease Purchase Agreement  
between Denver Public Facilities Leasing Trust 2013A, as Lessor, and the  
City and County of Denver, Colorado, as Lessee**

**MATURITY SCHEDULE  
(CUSIP 6-digit issuer number 249183)<sup>1</sup>**

<b><u>Year</u></b> <b><u>(December 1)</u></b>	<b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> <b><u>Issue</u></b> <b><u>Number</u></b> <sup>1</sup>
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<sup>1</sup> 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 2013A Certificates.

<sup>\*</sup> Preliminary, subject to change.

## 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2013A 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 2013A 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 2013A Certificates or this Official Statement. Any representation to the contrary is unlawful.

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## OFFICIAL STATEMENT

Relating to

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### REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2013A (Buell Theatre Property)

**Evidencing a Proportionate Interest in the Base Rentals and Other Revenues Under  
an Annually Renewable Lease Purchase Agreement  
between Denver Public Facilities Leasing Trust 2013A, 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 Refunding Certificates of Participation, Series 2013A (the "Series 2013A Certificates"). The Series 2013A 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. 2013A (Buell Theatre Property) dated the date of its execution and delivery (the "2013A Lease"), between the Denver Public Facilities Leasing Trust 2013A (the "Lessor" or the "Trust"), as lessor, and the City and County of Denver, Colorado (the "City"), as lessee. The Series 2013A Certificates are executed and delivered pursuant to a Declaration and Indenture of Trust (Buell Theatre Property), dated the date of its execution and delivery (the "2013A Indenture"), by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee"). See "THE SERIES 2013A 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 (as Lessor)**

The Trustee established the Trust pursuant to a Declaration and Indenture of Trust dated as of May 1, 2003 (the "2003B Indenture"), which is to be amended and restated in its entirety as the 2013A Indenture in connection with the execution and delivery of the Series 2013A Certificates. The Trust, which will be renamed pursuant to the 2013A Indenture, is being confirmed and established for the benefit of the Owners (as defined herein) of the Series 2013A Certificates. See "THE TRUST (AS LESSOR)" and "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Indenture."

### **The City (as Lessee)**

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.

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\* Preliminary, subject to change.

## **The 2013A Lease and the Leased Property**

The Trust, as lessor, and the City, as lessee, will amend and restate the Lease Purchase Agreement No. 2003B (Buell Theatre/Jail Dorm Bldg. 20 Properties), dated as of May 1, 2003 (the “2003B Lease”), pursuant to the 2013A Lease for the purpose of leasing the Leased Property to the City. The “Leased Property” consists of a portion of the real property within the Denver Performing Arts Complex located at 951 13<sup>th</sup> Street and used as a performing arts facility (the “Buell Theatre Property”). The Buell Theatre Property constituted a component of the leased property under the 2003B Lease. See “THE LEASED PROPERTY.”

The 2013A Lease has an initial term expiring on December 31, 2013 (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 2023. 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 2013A Lease on an annual basis. The exercise of the City’s option not to renew the 2013A 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 (as defined below) 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 2013A Lease Annually,” “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease – *Nonappropriation*” and “APPENDIX C – THE CITY.”

During the Initial Term and each Renewal Term for which the 2013A Lease has been renewed, the City is required to pay Base Rentals (the “Base Rentals”) at the times and in the amounts sufficient to pay the principal of and interest coming due on the outstanding Series 2013A Certificates, and on any Additional Certificates that may be executed and delivered pursuant to the 2013A Indenture (together with the Series 2013A 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 2013A Lease or the 2013A 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 2013A Lease.

The 2013A 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 the Leased Property. The execution and delivery by the Trustee of the Series 2013A Certificates does not directly or indirectly obligate the City to renew the 2013A 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 2013A 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 2013A 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 2013A 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 2013A Lease). The City may, however, terminate the 2013A Lease upon the occurrence of certain events of casualty or loss of title or use of the Leased Property as described herein.

The City will enter into the 2013A 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 2013A 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 2013A LEASE," "THE LEASED PROPERTY," "RISKS AND OTHER INVESTMENT CONSIDERATIONS," "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease," "APPENDIX C – THE CITY" and "APPENDIX D – BASIC FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012."

### **The Series 2013A Certificates**

**Authorization.** The Series 2013A Certificates are being executed and delivered in accordance with the constitution and laws of the State and pursuant to the 2013A Indenture. See "THE 2013A INDENTURE" and "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS."

**Purpose.** The net proceeds of the Series 2013A Certificates will be used by the Trust to refund and defease in full \$[39,180,000] of outstanding Certificates of Participation, Series 2003B (the "2003B Certificates"), maturing on and after December 1, 2014 (the "2003B Certificates"), following the City's exercise of its related prepayment option under the 2003B Lease, and to pay the cost of execution and delivery of the Series 2013A Certificates. The base rentals due under on November 15, 2013, under the terms of the 2003B Lease, for which an "Appropriation" within the meaning of the 2003B Lease will have been made, are to be paid by the City on the date of Closing to the Trustee, in its capacity as the trustee for the 2003B Certificates, and deposited in the 2003B Certificates Account in the Base Rentals Fund established by the 2003B Indenture in order to pay the base rentals due on December 1, 2013, in respect of the 2003B Certificates. The Trust will then lease the Leased Property to the City pursuant to the 2013A Lease. See "THE LEASED PROPERTY," "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

**General Provisions.** The Series 2013A Certificates will be dated the date of execution and delivery thereof and will bear interest, mature and be subject to redemption prior to maturity as described on the cover page and inside cover page hereof and in "THE SERIES 2013A CERTIFICATES."

**Book Entry Only System; Authorized Denominations.** The Series 2013A Certificates will 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 will serve as securities depository for the Series 2013A Certificates. Ownership interests in the Series 2013A 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 will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to payment, prior redemption, transfers, the receipt of notices and other communications with respect to the Series 2013A Certificates and various other matters by the rules and operating procedures applicable to the DTC book entry system as described in "THE SERIES 2013A CERTIFICATES – Book Entry Only Form."

Reference herein to the registered owners (the “Registered Owners”) of the Series 2013A Certificates means Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

***Security and Sources of Payment.*** The Series 2013A Certificates evidence proportionate interests in the Base Rentals payable by the City under the 2013A Lease and certain other Revenues under the 2013A 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 2013A 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 2013A Certificates deposited with the Trustee in the Base Rentals Fund established by the 2013A 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 2013A Indenture (except the Rebate Fund). The Series 2013A Certificates are payable solely from the Revenues. Neither the 2013A Lease nor the Series 2013A 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 2013A Lease is in effect. *The City has the right to renew or not renew, and therefore terminate, the 2013A Lease on an annual basis.* See “THE SERIES 2013A CERTIFICATES – Security.”

***Redemption.*** The Series 2013A Certificates are not subject to optional redemption prior to maturity, however, the Series 2013A Certificates are subject to extraordinary mandatory redemption prior to their respective maturities following an Event of Nonappropriation or an Event of Lease Default as further described under “THE SERIES 2013A CERTIFICATES – Redemption Provisions.”

***Notice of Redemption.*** Whenever Series 2013A Certificates are to be redeemed, the Trustee is required to immediately mail notice of such redemption to the Owners of all of the outstanding Series 2013A Certificates (initially Cede & Co.) at the time, in the manner and containing the information required by the 2013A Indenture. See “APPENDIX F – BOOK ENTRY ONLY FORM.”

***Further Information.*** For further information regarding the Series 2013A Certificates, see generally “THE SERIES 2013A 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 2013A 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 2013A Certificates will be passed upon by Peck, Shaffer & Williams LLP, 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 Douglas J. Friednash, Esq., City Attorney. Peck, Shaffer & Williams LLP 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 2013A Certificates (the “Interest Portion”) is excludible from gross income of the Owners of the Series 2013A 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 2013A 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 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. The City has continually complied with the requirements set forth in all previous continuing disclosure undertakings for issues that have been subject to Rule 15c2-12.

### **Additional Information**

Brief descriptions of the 2013A Indenture, the Trustee, the 2013A Lease, the Leased Property, the Series 2013A 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 2013A Certificates, copies of the documents described herein may be obtained from First Southwest Company (the “Financial Advisor”) as Financial Advisor in respect of the Series 2013A Certificates.

### **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 2013A Certificates.

### **THE TRUST (AS LESSOR)**

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 2013A 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 2013A Certificates, the City will be the sole residual beneficiary of the Trust. After the 2013A Indenture has been discharged as provided therein, and under circumstances and upon conditions described therein, the Trustee, on behalf of the Trust, is to transfer and convey to the City all Leased Property owned by the Trust. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Indenture – *Defeasance*.”

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2013A 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 2013A LEASE**

#### **Generally**

In connection with the execution and delivery of the Series 2013A Certificates, the Trust and the City will enter into the 2013A Lease, which amends and restates the 2003B Lease pursuant to which the Leased Property is currently being leased to the City. The 2013A Lease has an initial term ending on December 31, 2013, and is subject to annual renewal and appropriation, at the sole option of the City, for a period of ten additional one-year terms through and including December 31, 2023. The City has a right to renew or not renew, and therefore terminate, the 2013A Lease each Fiscal Year during the Lease Term. The Lease Term terminates under the 2013A Lease if an Event of Nonappropriation occurs under the 2013A Lease, although the City has purchase option rights under the 2013A Lease. See “THE LEASED PROPERTY,” “THE SERIES 2013A CERTIFICATES – Security” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Rights of the City to Not Renew and to Terminate the 2013A Lease Annually.”

The 2013A 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 2013A 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 2013A Lease.

A summary of certain provisions of the 2013A Lease appears in Appendix B to this Official Statement.

## Base Rentals

The 2013A Lease provides that the City will pay Base Rentals to the Trustee for and in consideration of the right to possess and use the Leased Property. Base Rental payments consist of principal portions and interest portions.

Set forth below is a schedule of the principal and interest portions of the Base Rentals due and payable under the 2013A Lease for each Fiscal Year through the final maturity date of the Series 2013A Certificates:

### **SCHEDULE OF BASE RENTALS\*** **Relating to Series 2013A Certificates**

<u>Fiscal Year</u>	<u>Base Rentals Principal Portion<sup>1</sup></u>	<u>Base Rentals Interest Portion<sup>2</sup></u>	<u>Total Base Rentals</u>
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<sup>1</sup> Principal payments are due December 1 of each year, commencing December 1, 2014.

<sup>2</sup> Interest is payable semiannually each June 1 and December 1, commencing June 1, 2014.

## Additional Rentals

In addition to Base Rentals, the 2013A Lease provides that the City will pay “Additional Rentals,” which do not constitute Base Rentals or other Revenues for purposes making payments to the Owners of the 2013A Certificates. Additional Rentals generally includes (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 2013A Lease or the 2013A 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 2013A Lease.

## Purchase Option

So long as it is not in default under the 2013A Lease, the City has the option to purchase the Leased Property at any time during the Lease Term for an amount (the “Purchase Option Price”) equal to the amount necessary to prepay Base Rentals sufficient to defease the Series 2013A Certificates, terminate the Lease Term and purchase the Leased Property in accordance with the 2013A Lease. Amounts on deposit in the Base Rentals Fund will be credited toward the applicable Purchase Option Price to be paid by the City. The City must also pay, as part of the Purchase Option Price, all fees and expenses due to the Trust and the Trustee. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease – *Purchase Option*.”

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\* Preliminary, subject to change.



## **THE LEASED PROPERTY**

### **Generally**

The Leased Property will be owned by the Trust, as lessor, which will lease the Leased Property, to the City, as lessee, for the benefit of the Owners of the Series 2013A Certificates. Upon the execution and delivery of the Series 2013A Certificates and the refunding and defeasance of the 2003B Certificates, the Leased Property will consist solely of the Buell Theatre Property. See “PLAN OF FINANCE.”

### **The Buell Theater Property**

The Buell Theater Property is located at the heart of the Denver Performing Arts Complex, which is a four-city block arts center generally bounded by Arapahoe and Champa Streets, Speer Boulevard and 14th Street within the City’s central business district. The Buell Theatre Property frequently serves as the venue for high-profile, traveling Broadway shows and provides a setting for amplified musicals, dramatic plays and comedy acts.

The Buell Theatre Property consists of a multi-story building located on a 1.456-acre site (or 63,425 square feet). The Buell Theater contains 2,882 seats and has a total gross area of 149,675 square feet. The basement consists of approximately 30,495 square feet and is utilized as storage, dressing rooms and live theater administrative and management compartments. The finished office portion of the building is approximately 24,800 square feet.

The Buell Theatre Property encompasses several additional small venues in addition to the Buell Theatre:

- The Wolf Room, located inside the Buell Theatre on the mezzanine level, is designed for sit-down dinners, small cocktail parties and meetings. The Wolf Room can hold a stand-up reception for 75 people and sit-down dinners for up to 45 people.
- The Mezzanine and Balcony of the Buell Theatre overlook the Galleria of the Denver Performing Arts Complex and hosts banquets, meetings and receptions. The Mezzanine and Balcony of the Buell Theatre can hold a stand-up reception for 700 people and sit-down dinners for up to 400 people.
- The Lobby of the Buell Theatre hosts galas, banquets, meetings and receptions. The Lobby of the Buell Theatre can hold a stand-up reception for 500 people and sit-down dinners for up to 300 people.

Although it has not been independently appraised for purposes of the 2013A Lease, the Leased Property has an insured value of approximately \$41,626,000 (and an insured value with regard to contents of \$2,278,000) as of the date of this Official Statement. It is not possible to predict the current or future sale or lease value of the Leased Property. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Results of Termination of the 2013A Lease.”

## **THE 2013A INDENTURE**

### **Generally**

Under the 2013A Indenture, the Trustee is to deliver the Series 2013A Certificates and accept certain duties to act on behalf of the Owners of the Series 2013A Certificates in the receipt and

application of amounts which become payable under the 2013A Lease. The Trust was originally created under the 2003B Indenture for the purpose of owning certain leased property and, in turn, leasing that property to the City pursuant to the 2003B Lease. In connection with the execution and delivery of the Series 2013A Certificates and the refunding transaction described herein, the 2003B Indenture and the 2003B Lease are being amended and restated to, among other things, provide for the leasing of the Leased Property to the City pursuant to the 2013A Lease and the execution and delivery of the Series 2013A Certificates pursuant to the 2013A Indenture, all for benefit of the Owners of the Series 2013A Certificates. A summary of certain provisions of the 2013A Indenture appears in Appendix B to this Official Statement.

### **Funds and Accounts Created Under the 2013A Indenture**

As further described in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Indenture – *Certain Funds Created under the 2013A Indenture*,” the 2013A 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 will be used solely for the payment of the principal of and interest on the Series 2013A Certificates.

### **PLAN OF FINANCE**

The net proceeds of the Series 2013A Certificates will be used by the Trust to refund and defease in full the 2003B Certificates and release certain real property (described as the “Jail Dorm Bldg. 20 Property”) from the 2003B Lease and convey such real property to the City. The Leased Property, consisting solely of the Buell Theatre Property, will remain subject to the 2013A Lease.

Net proceeds of the Series 2013A Certificates will also be used to pay certain expenses incurred in connection with the execution and delivery of the Series 2013A Certificates.

### **Defeasance of 2003B Certificates**

The 2003B Certificates will be current refunded and defeased upon the execution and delivery of the Series 2013A Certificates. The base rentals due on November 15, 2013, under the terms of the 2003B Lease, for which an “Appropriation” within the meaning of the 2003B Lease has been made, are to be paid by the City on the date of Closing, to the Trustee, in its capacity as the trustee for the 2003B Certificates, and deposited in the Base Rentals Fund pursuant to the 2003 Indenture in order to pay the base rentals due on December 1, 2013. All of the outstanding 2003B Certificates will be defeased in full on the date of Closing.

### **SOURCES AND USES OF FUNDS\***

The following sources and uses of funds are anticipated in connection with the sale of the Series 2013A Certificates:

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\* Preliminary, subject to change.

**Sources**

Principal Amount of the Series 2013A Certificates	\$
November 2013 Payment due under 2003B Lease (prepaid) [Original Issue Premium]	
<b>Total Sources</b>	<u>\$</u>

**Uses**

Refunding Transaction Account Deposit <sup>1</sup>	\$
Costs of Execution and Delivery of Series 2013A Certificates <sup>2</sup>	
<b>Total Uses</b>	<u>\$</u>

<sup>1</sup> See "PLAN OF FINANCE – Defeasance of the 2003B Certificates."

<sup>2</sup> Includes legal fees, fees of the Trust, the Trustee and the Financial Advisor, and other costs of execution and delivery of the Series 2013A Certificates.

**THE SERIES 2013A CERTIFICATES**

The Series 2013A 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 2013A 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 2013A Certificates.

The Series 2013A Certificates will be 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 2013A 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 2013A Certificates, see "THE 2013A LEASE – Base Rentals."

**Security**

The Series 2013A Certificates evidence proportionate interests in the right of the Trust to receive Base Rentals under the 2013A Lease and other Revenues. The Series 2013A Certificates are payable solely from Revenues as, when and if the same are received by the Trustee. The 2013A Lease and the Series 2013A 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 2013A Certificates do not directly or indirectly obligate the City to renew the 2013A 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 2013A Certificates.** The Series 2013A Certificates are payable annually solely from Base Rentals payable under the 2013A 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 2013A Certificates. The City may determine not to renew, and therefore terminate its obligations under, the 2013A Lease on an annual basis. See "APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A 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 2013A Lease Annually" and "– Results of Termination of the 2013A Lease."

Pursuant to the 2013A Indenture, the Trust is to own and lease the Leased Property to the City for the benefit of the Owners of the Series 2013A Certificates. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Indenture – *Events of Default and Remedies*” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Enforceability of Remedies.”

***Additional Certificates.*** The 2013A Indenture permits the execution and delivery by the Trustee of Additional Certificates on a parity with the Series 2013A Certificates. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Indenture – *Additional Certificates*.”

### **Payment of Principal and Interest**

While the Series 2013A 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 2013A Certificates, payment of the principal of and interest on the Series 2013A Certificates is to be made as provided in the 2013A Indenture.

### **Book Entry Only Form**

The Series 2013A Certificates are being executed and delivered in book entry only form, and while the Series 2013A Certificates remain in such form, the Beneficial Owners of the Series 2013A Certificates are not entitled to receive physical delivery of Series 2013A Certificates. See “APPENDIX F – BOOK ENTRY ONLY FORM.”

### **Redemption Provisions**

***No Optional Redemption.*** The Series 2013A Certificates are not subject to optional redemption prior to their respective maturities.

***Extraordinary Mandatory Redemption.*** The Series 2013A Certificates (and any other Certificates, if any) are required to be called for extraordinary mandatory redemption following termination of the 2013A Lease due to (a) an Event of Nonappropriation, (b) an Event of Lease Default or (c) the failure by the Trustee, with the written consent of the City, to repair or replace the Leased Property if: (1) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty; (2) title to, or the temporary or permanent use of, the Leased Property, or any portion thereof, has been taken by eminent domain by any governmental body; (3) breach of warranty or any material defect with respect to the Leased Property becomes apparent; or (4) title to or the use of all or any portion of the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds from any insurance, performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property, are insufficient to pay in full the cost of repairing or replacing the Leased Property and the City does not appropriate sufficient funds for such purpose. If called for redemption, as described herein, the Series 2013A Certificates will 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 described below).

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the 2013A Lease, otherwise received and other moneys then available under the 2013A Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may exercise, 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 2013A

Indenture, without any further demand or notice, is required to exercise, all or any combination of Lease Remedies as provided in the 2013A Lease, and the Series 2013A Certificates will 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. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease – Remedies on Default” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Enforceability of Remedies.”

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Series 2013A 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 will be allocated proportionately among the Series 2013A 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 Series 2013A Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys will be paid to the City as an overpayment of the Purchase Option Price in respect of the Leased Property. 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 2013A CERTIFICATES, ARE REDEEMED 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 2013A CERTIFICATES, SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUST, THE TRUSTEE OR THE CITY.

## **RISKS AND OTHER INVESTMENT CONSIDERATIONS**

THE PURCHASE AND OWNERSHIP OF THE SERIES 2013A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2013A 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 2013A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2013A 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 2013A 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 2013A Lease Annually**

The City is required to pay Base Rentals and Additional Rentals under the 2013A 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 2013A Lease at any time during the Lease Term, in which event the 2013A Lease will terminate under its terms and, unless the City previously has exercised its purchase option, the Trust will retain ownership of the Leased Property free and clear of the 2013A Lease. There is no penalty to the City if it does not renew the 2013A Lease other than the loss of use of the Leased Property. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease – *Nonappropriation*.”

The likelihood that the 2013A Lease will continue in effect until the Series 2013A Certificates are paid is dependent upon factors that are beyond the control of the Owners of the Series 2013A 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 2013A Lease obligations in particular and the City’s other obligations in general. Payment of the principal of and interest on the Series 2013A Certificates upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. 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. Because payments made by the City under the 2013A Lease will constitute current fiscal year spending by the City and may be made, at least in part, from sales tax revenues and property tax revenues, any requirement that the City reduce its spending or refund such taxes or other revenues to comply with TABOR could increase the risk that the City will not continue the Lease Term from one Fiscal Year to the next.

### **Results of Termination of the 2013A Lease**

The 2013A 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 2013A 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 2013A 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 2013A 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 2013A Lease.

If the 2013A 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 or lease the Leased Property. See “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A 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 2013A Certificates when due.

The City may also terminate the 2013A Lease as a result of certain events described herein in “APPENDIX B – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – The 2013A Lease – *Damage, Destruction and Condemnation.*”

The Net Proceeds derived from a transfer or lease of the Leased Property or the exercise of other Lease Remedies, along with other monies then held by the Trustee under the 2013A Indenture (with certain exceptions as provided in the 2013A Lease and the 2013A Indenture), are required to be used to redeem the Series 2013A Certificates and any Additional Certificates to the extent of such monies. See “THE SERIES 2013A CERTIFICATES – Redemption Provisions – *Extraordinary Mandatory Redemption.*”

The Leased Property consists of certain real property improvements that may not be easily converted to alternate uses. A potential purchaser of the Series 2013A Certificates should not assume that it will be possible to transfer or lease (to others) the Leased Property after the termination of the 2013A Lease (1) for an amount equal to the aggregate principal amount of the Series 2013A 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 2013A Certificates. If the Series 2013A 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 2013A 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 2013A 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 Leased Property in accordance with the 2013A Lease or (3) terminate its 2013A 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 2013A Lease – *Damage, Destruction and Condemnation.*”

### **Enforceability of Remedies**

A termination of the 2013A 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 dispose of the Leased Property, in accordance with the provisions of the 2013A Lease and the 2013A Indenture. Proceeds of such liquidation are required to be applied to the redemption of the Series 2013A Certificates. Net proceeds may not be sufficient to fully pay the Series 2013A Certificates. See “THE SERIES 2013A CERTIFICATES – Redemption Provisions – *Extraordinary Mandatory Redemption.*”

The enforceability of the 2013A Lease, the 2013A Indenture and the Series 2013A 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 dispose of the Leased Property. 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 2013A 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 title to the Leased Property may result in delays in the payment of the Series 2013A 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 the Leased Property under the 2013A Lease and the 2013A Indenture. The City has not waived, and may not be able to waive, such claims.

#### **Effects on the Series 2013A 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 2013A Certificates subsequent to a termination of the 2013A Lease by reason of an Event of Nonappropriation or an Event of Lease Default. If the Series 2013A Lease is terminated by reason of an Event of Nonappropriation or an Event of Lease Default, there is no assurance that the Series 2013A 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 2013A 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 2013A 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 ["Aa1," "AA+" and "AA+," respectively, to the Series 2013A 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 2013A Certificates.

### **LITIGATION**

There is no litigation now pending, to the knowledge of the City officials responsible for the execution and performance of the 2013A Lease, which questions the validity of the 2013A Indenture or the 2013A Lease 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 2013A Certificates and of certain federal and State income tax considerations that may be relevant to prospective purchasers of the Series 2013A Certificates

### **The Series 2013A 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 2013A Certificates (the “Interest Portion”) is excludible from gross income of the Owners of the Series 2013A 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, 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.

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 SPECIAL COUNSEL.”

The Code imposes various restrictions, conditions and requirements relating to the qualification of the 2013A Lease, which underlies the Series 2013A 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 2013A Certificates for federal income tax purposes. Failure to comply with these covenants could result in the 2013A 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 2013A Certificates for federal income tax purposes, and such inclusion may be required retroactively to the date of execution and delivery of the Series 2013A 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 2013A Certificates may adversely affect the tax status of the Interest Portion.

Certain requirements and procedures contained or referred to in the 2013A Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2013A 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 2013A 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 Peck, Shaffer & Williams LLP and Kline Alvarado Veio, P.C.

Although 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 2013A 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 2013A Certificates on the tax liabilities of the individual or entity.

For example, although Co-Special Counsel is of the opinion that the Interest Portion will not be a specific item of tax preference for purposes of the federal alternative minimum tax, corporations are required to include the Interest Portion in determining “adjusted current earnings” under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed by any such corporation. Ownership or disposition of or the accrual or receipt of interest on the Series 2013A Certificates may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available and limiting the amount of the refundable credit for coverage under a qualified health plan under Section 36B of the Code that might otherwise be available. Ownership of any Series 2013A Certificates may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the Owner of Series 2013A 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 2013A Certificates. See “Changes in Federal and State Tax Law” below.

***Original Issue Discount.*** Series 2013A Certificates that are being initially offered and sold to the public at a discount (“OID”) from the amounts payable at maturity thereon are referred to under this heading as “Discount Certificates.” With respect to the Discount Certificates, OID is the excess of the stated redemption price of a Discount Certificate at maturity (the face amount) over the “issue price” of such Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of such Discount Certificate is sold pursuant to that initial offering. For federal income tax purposes, OID on each Discount Certificate will accrue over the term of such Discount Certificate. The OID accrued will be based on a single rate of interest, compounded semiannually (the “yield to maturity”) and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Certificate who purchased such Discount Certificate at its issue price owns such Discount Certificate is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Certificate. In practical effect, accrued OID is treated as stated interest is treated, that is, as excludible from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Certificate is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Certificates should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Certificate has not received cash attributable to such original issue discount in such year.

Owners of Discount Certificates should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Certificates other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

**Original Issue Premium.** “Acquisition Premium” is the excess of the cost of a Series 2013A Certificate over the stated redemption price of such Series 2013A Certificate at maturity or, for Series 2013A 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 2013A Certificate. The Series 2013A 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 holder. 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 2013A Lease, and the Trust makes various covenants in the 2013A Indenture, regarding compliance with the Code and the Tax Certificate, from the City with respect to the 2013A Lease, in order to preserve the excludability of the Interest Portion from gross income of the Owners of the Series 2013A Certificates for federal income tax purposes.

## **Backup Withholding**

Certain purchasers of the Series 2013A 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 2013A 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 2013A 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 2013A Certificates.

Purchasers of the Series 2013A 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 2013A 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 2013A Certificates. The Continuing Disclosure Undertaking will be executed for the benefit of the Owners of the Series 2013A Certificates and in order to assist the Participating Underwriter 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 results, 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. The City has never failed to materially comply with any prior undertaking entered into pursuant to Rule 15c2-12. The City has continually complied with the requirements set forth in all previous continuing disclosure undertakings for issues that have been subject to Rule 15c2-12.

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 2013A Certificates, has the right to seek a court order directing the City to perform its obligations thereunder.

### **FINANCIAL ADVISOR**

First Southwest Company (the “Financial Advisor”) has served as financial advisor to the City with respect to the Series 2013A Certificates. The Financial Advisor has also assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and execution and delivery of the Series 2013A 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 2013A Certificates.

### **UNDERWRITING**

The Series 2013A 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 2013A 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 2013A Lease and the Series 2013A Certificates are subject to approval of legality by Peck, Shaffer & Williams LLP, 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. Peck, Shaffer & Williams LLP, 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 2013A Lease will be passed upon for the City by Douglas J. Friednash, Esq., City Attorney.

## **FINANCIAL STATEMENTS**

The general purpose financial statements of the City for the fiscal year ended December 31, 2012, 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 FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012." 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 the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2013A Certificates, copies of the 2013A Indenture and the 2013A Lease may be obtained from the Underwriter.

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 2013A Certificates.

*The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2013A 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 SPECIAL COUNSEL**

October \_\_, 2013

City and County of Denver, Colorado, Lessee  
Zions First National Bank, n.a., Trustee  
Denver Public Facilities Leasing Trust 2013A, Lessor  
[THE UNDERWRITER], Underwriter

Re:     \$\_\_\_\_\_ Refunding Certificates of Participation, Series 2013A (Buell Theatre Property), Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement No. 2013A (Buell Theatre Property) dated October \_\_, 2013, between Denver Public Facilities Leasing Trust 2013A, 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. 2013A dated October \_\_, 2013 (the "2013A Lease"), between Denver Public Facilities Leasing Trust 2013A, 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 Refunding Certificates of Participation, Series 2013A (the "Series 2013A Certificates"). The Series 2013A Certificates are executed and delivered on this date (the "Execution and Delivery Date") pursuant to a Declaration and Indenture of Trust (Buell Theatre Property) dated October \_\_, 2013 (the "2013A Indenture"), executed and delivered by the Trustee. *Capitalized terms used herein have the same meanings as in the 2013A Lease and the 2013A Indenture.*

The Series 2013A 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 2013A Certificates. The Series 2013A Certificates mature, bear interest, are subject to redemption and are payable as provided in the 2013A Indenture.

The Trust was originally denominated the "Denver Public Facilities Leasing Trust 2003B" and was created under the 2003B Indenture for the purpose of owning the leased property described in the 2003B Indenture. The 2013A Indenture amends, restates, replaces and supersedes in its entirety the 2003B Indenture, and the Trustee has entered into the 2013A Indenture to confirm the establishment of the Trust, to change the name of the Trust to "Denver Public Facilities Leasing Trust 2013A," to provide for the execution and delivery of the Series 2013A Certificates and to provide for the leasing of the Leased Property to the City under the 2013A Lease, all for the benefit of the Owners of the Series 2013A Certificates. The Series 2013A Certificates evidence proportionate interests in the right to receive payments of Base Rentals and other Revenues under the 2013A Lease.

The Series 2013A Certificates are payable solely from the sources described in the 2013A Indenture, including the Base Rentals to be paid by the City to the Trust under the 2013A Lease. Neither the 2013A Lease nor the Series 2013A Certificates constitutes a mandatory payment obligation of the City in any ensuing fiscal year beyond a fiscal year for which the City has specifically appropriated

amounts to make payments under the 2013A 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 2013A Lease, the City has been granted an option to purchase the Leased Property and to terminate its obligations under the 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A Indenture and the Series 2013A Certificates by the Trustee, the Series 2013A 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 2013A Lease and to be paid to the Owners of the Series 2013A Certificates, and rights to receive certain other Revenues, which rights are enforceable against the City in accordance with the terms of the 2013A 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 2013A 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 2013A Lease upon the federal income tax treatment of moneys received under the 2013A 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 2013A Lease and the Series 2013A 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 2013A 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 2013A Lease and in a tax compliance certificate executed and delivered in connection with the execution and delivery of the 2013A Lease and the Series 2013A 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 2013A Lease and the Series 2013A Certificates. We note, however, that the Interest Portion of the Base Rentals paid by the City and received by the Owners of the Series 2013A 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 2013A Certificates is excludible 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 2013A 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 2013A Lease upon the income tax treatment by the State of Colorado of any moneys received under the 2013A Lease with respect to the Series 2013A Certificates subsequent to such nonrenewal or termination. We also express no opinion regarding other tax consequences arising with respect to the 2013A Lease and the Series 2013A Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2013A Certificates and the enforceability of the 2013A 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 2013A 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 2013A 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 2013A Lease and the 2013A Indenture, as well as a summary of certain provisions of the 2013A Lease and the 2013A Indenture. Reference is made to the actual provisions of the 2013A Lease and the 2013A Indenture for a complete recital of the terms defined therein and the complete provisions thereof, copies of which are available during the period of the initial offering of the Series 2013A Certificates from the Underwriter.

#### **Definitions**

“2003B Certificates” means the Certificates of Participation, Series 2003B (Buell Theatre/Jail Dorm Bldg. 20 Properties), executed and delivered pursuant to the 2003B Indenture, the outstanding certificates maturing on and after December 1, 2014, to be refunded and all of such outstanding certificates to be defeased in full as a part of the Refunding Transaction.

“2003B Certificates Account” means the account created in the Base Rentals Fund under the 2013A Indenture.

“2003B Lease” means the Lease Purchase Agreement No. 2003B (Buell Theatre/Jail Dorm Bldg. 20 Properties) dated as of May 1, 2003, between the Trust, as lessor, and the City, as lessee, as the same is amended and restated by the 2013A Lease, all in connection with the Refunding Transaction.

“2003B Indenture” means the Declaration and Indenture of Trust dated as of May 1, 2003, between Capital Asset Finance Corporation, as settlor, and Zions First National Bank, as trustee thereunder, as the same is amended and restated in the 2013A Indenture, all in connection with the Refunding Transaction.

“2013A Certificates” means the certificates of participation executed and delivered by the Trustee pursuant to the terms of the 2013A Indenture.

“2013A Certificates Account” means the account created in the Base Rentals Fund under the 2013A Indenture.

“2013A Indenture” means the Declaration and Indenture of Trust (Buell Theatre Property) dated its date of execution and delivery, entered into by the Trustee, which amends and restates in its entirety the 2003B Indenture, in connection with the Refunding Transaction.

“2013A Lease” means the Lease Purchase Agreement No. 2013A (Buell Theatre Property) 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 2013A 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 2013A Lease or the 2013A 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 2013A Indenture, (iii) insurance deductible amounts in respect of insurance required to be maintained under the 2013A 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 2013A 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 2013A Lease) which the City agrees to assume or pay as Additional Rentals under the 2013A Lease.

Payment by the City of any Additional Rentals, in addition to Appropriation or Supplemental Appropriation, requires the prior written approval of the Manager of Finance. 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 2013A Lease.

“Assets of the Trust” means 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 the Leased Property as set forth in the 2013A Lease and relating to the 2013A 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 2013A Lease.

“Buell Theatre Property” means the real property described as the “Buell Theatre Property” on Exhibit A to the 2003B Lease and on Exhibit A to the 2013A Lease and all rights of the Trust under the Permitted Encumbrances, constituting a component of the leased property under the 2003B Lease and the Leased Property under the 2013A 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 2013A Certificates and any Additional Certificates.

“Closing” means the date of execution and delivery of the Series 2013A Certificates.

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

“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 2013A Certificates and will be paid by the City as provided in the 2013A Lease.

“Director of Arts & Venues” means the duly appointed Director of Arts & Venues, as the designee of the Manager of General Services.

“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 2013A Lease and (ii) such amounts have been set aside for such purposes.

“Event(s) of Indenture Default” means any event of default under the 2013A Indenture.

“Event(s) of Lease Default” means any event of default under the 2013A Lease.

“Event of Nonappropriation” means the termination and nonrenewal of the 2013A 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 2013A Lease. The term also means a notice under the 2013A Lease of the City’s intention to not renew and therefore terminate the 2013A Lease or an event described in the 2013A 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.

“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 2013A Lease.

“Initial Term” means the period which commences on the date of delivery of the 2013A Lease and terminates on December 31 of the same Fiscal Year.

“Interest Payment Date” means each June 1 and December 1, commencing June 1, 2014.

“Interest Portion” means the Interest Portion of each Base Rentals payment as set forth in Exhibit C (Base Rentals Schedule) of the 2013A 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.

“Jail Dorm Bldg. 20 Property” means the real property described as the “Jail Dorm Bldg. 20 Property described on Exhibit A to the 2003B Lease, constituting a component of the leased property under the 2003B Lease. The Jail Dorm Bldg. 20 Property does not constitute any part of the Leased Property under the 2013A Lease.

“Lease Balance” means the sum of the Total Aggregate Principal Portion of Base Rentals and under the 2013A Lease set forth on Exhibit C (Base Rentals Schedule) of the 2013A Lease, less the aggregate amount of Principal Portions of Base Rentals paid or prepaid by the City pursuant to the 2013A Lease.

“Lease Remedy” or “Lease Remedies” means any or all remedial steps provided in the 2013A 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 2013A Indenture.

“Lease Term” means the Initial Term and any Renewal Terms as to which the City may exercise its option to renew the 2013A 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 2013A Lease.

“Leased Property” means the Buell Theatre Property. The Jail Dorm Bldg. 20 Property does not constitute any part of the Leased Property.

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

“Manager of General Services” means the Manager of General Services of the City duly appointed pursuant to the Charter or the designee of the Manager of General Services.

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

“Net Proceeds” means the proceeds of any performance or payment bond, or proceeds of insurance, including self-insurance, required by the 2013A 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 2013A Indenture as of the time in question, except:

(a) All Certificates theretofore canceled or required to be canceled under the 2013A Indenture;

(b) Certificates in substitution for which other Certificates have been executed and delivered under the 2013A Indenture;

(c) Certificates which have been redeemed as provided in the 2013A Indenture;

(d) Certificates for the payment or redemption of which provision has been made in accordance with the 2013A 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 2013A 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 2013A 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 2013A Lease; (b) the 2013A Lease, the 2013A Indenture, any related fixture filing and any liens arising or granted pursuant to the 2013A Lease or the 2013A Indenture; (c) utility, access and other easements and rights of way, restrictions and other matters affecting title which the Manager of General Services of the City through the Director of Arts & Venues represents will not impair the effective use or interfere with the operation 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 2013A 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 2013A 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 2013A Lease as a prepayment of the Base Rentals due thereunder.

“Principal Portion” means the portion of each Base Rentals payment that represents the payment of principal set forth in Exhibit C (Base Rentals Schedule) to the 2013A 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 sufficient to defease the 2013A Certificates, terminate the Lease Term and purchase the Leased Property, as provided in the 2013A Lease.

“Refunding Transaction” means a transaction or series of transactions in which (1) the base rentals due on November 15, 2013, under the terms of the 2003B Lease, for which an “Appropriation” within the meaning of the 2003B Lease has been obtained, are paid by the City on the date of Closing, to the Trustee, in its capacity as the trustee for the 2003B Certificates, and deposited in the Base Rentals Fund pursuant to the 2003B Indenture in order to pay the base rentals due on December 1, 2013, in respect of the 2003B Certificates, (2) the 2003B Lease is amended and restated by the 2013A Lease and the base rentals due thereunder are restructured, (3) the outstanding 2003B Certificates maturing on and after December 1, 2014, are current refunded and (4) all of the outstanding 2003B Certificates are defeased in full on the date of Closing.

“Refunding Transaction Account” means the account created in the Base Rentals Fund under the 2013A Indenture.

“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 2013A Lease.

“Revenues” means (a) all amounts payable by or on behalf of the City or with respect to the Leased Property pursuant to the 2013A 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 2013A 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 2013A Indenture (except for moneys and securities, including investment income, held in the Rebate Fund).

“Series 2013A Certificates” means the Refunding Certificates of Participation, Series 2013A (Buell Theatre Property) dated their date of execution and delivery, executed and delivered pursuant to the 2013A Indenture, the proceeds of which will be used by the Trust to accomplish the Refunding Transaction.

“Supplemental Appropriations” means any appropriation after an initial appropriation in respect of Base Rentals or Additional Rentals due under the 2013A Lease.

“Tax-Exempt Permitted Use Arrangement” means any arrangement between the City and a third party for the use of the Buell Theatre 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; provided, 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 Denver Public Leasing Facilities Trust 2003B, the trust initially created under the 2003B Indenture and confirmed and denominated under the 2013A Indenture as the “Denver Public Facilities Leasing Trust 2013A.”

“Trustee” means Zions First National Bank, in its capacity as Trustee of the Trust and for the benefit of the Owners of the Series 2013A Certificates and any Additional Certificates, under the 2013A 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 2013A Lease, including all Revenues as defined in the 2013A Indenture.

## **The 2013A Lease**

**Lease Term.** The Lease Term commences on the date of execution and delivery of the 2013A Lease. The Initial Term terminates on December 31, 2013. The 2013A Lease may be renewed, solely at the option of the City, for the number of Renewal Terms set forth in the 2013A Lease. 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 2013A Lease); (b) the conveyance of the Leased Property under the 2013A 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 the Leased Property; or (c) the occurrence of an uncured Event of Lease Default and termination of the 2013A Lease by the Trustee.

Termination of the Lease Term terminates all unaccrued obligations of the City under the 2013A Lease and the City's rights of possession under the 2013A Lease (except to the extent of the holdover provisions and except for any conveyance under the purchase option provisions). 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 Manager of Finance, the Manager's designee or other officer of the City at any time charged with the responsibility of formulating budget proposals is directed in the 2013A Lease to include in the annual budget proposals submitted to the City Council, in any year in which the 2013A 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 2013A Lease.

***Base Rentals and Additional Rentals.*** Under the 2013A 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 2013A Indenture and are available to pay Base Rentals.

The 2013A Lease provides that the City may, on any date, pay the then applicable Purchase Option Price for the purpose of terminating the 2013A Lease in whole and purchasing the Leased Property, as further provided in the 2013A Lease. The City may also, at any time during the Lease Term, (1) prepay any portion of the Base Rentals due under the 2013A Lease in respect of the Leased Property and (2) in connection with such prepayment, recalculate the Base Rentals set forth in the 2013A Lease. 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 purchase 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 2013A 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 2013A Indenture.

***Nonappropriation.*** If the City gives notice that it intends to not renew the 2013A 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 2013A Lease provisions summarized below:

(a) If the Trustee does not receive 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 2013A 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 Trustee of the notice 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 2013A 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 2013A 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 2013A 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 2013A 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 exercise all remedies set forth in the 2013A Lease, (2) the Trustee is entitled to all moneys then being held in all funds created under the 2013A Indenture to be used as described therein and (3) all property, funds and rights acquired by the Trustee upon the termination of the 2013A Lease by reason of an Event of Nonappropriation are to be held by the Trustee as set forth in the 2013A Indenture.

***Holdover Tenant.*** If the City fails to vacate the Leased Property after termination of the 2013A 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 2013A 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.*** Except for personal property purchased by the City at its own expense, title to the Leased Property and any and all additions, modifications and replacements is in the name of the Trust until the Trustee has exercised Lease Remedies or until the Leased Property is conveyed as provided in the 2013A 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 2013A Lease.

***Maintenance of Leased Property.*** Subject to its right to not appropriate and as otherwise provided in the 2013A Lease, the City must, at all times during the Lease Term (a) perform, or cause to

be performed, all maintenance obligations of the owner of the Leased Property, (b) 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 (c) will 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. These become the property of the Trust subject to, and are included under the terms of, the 2013A Lease and the 2013A Indenture. 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, may 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, title to 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 2013A Indenture, and is required to be included under the terms of the 2013A Lease and the 2013A Indenture, 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.*** To 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 2013A Lease. Each property damage insurance policy required by the 2013A Lease is to be written or endorsed so as to show the Trustee and the Trustee as loss payee.

The City is required, at its own expense, to cause commercial general liability insurance for the 2013A 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 must be maintained covering the City's employees working in or on the Leased Property. 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 2013A Lease may be by blanket insurance policy or policies. 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.

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.

The 2013A Lease provides that the Trustee will obtain an owner's title insurance policy in respect of the Leased Property under which the Trust's ownership 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 2013A 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) a written application signed by the Manager of General Services or the Director of Arts & Venues if designated by the Manager of General Services and the Manager of Public Works, 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 Leased Property.

***Damage, Destruction and Condemnation.*** If, (a) 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 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 the Leased Property becomes apparent; or (d) title to or the use 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 the Manager of General Services or the Director of Arts & Venues if designated by the Manager of Public Works of the City.

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 2013A 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 2013A Lease, and is to be included as part of the Leased Property under the 2013A 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 2013A 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 2013A Lease; or

(b) apply such Net Proceeds to the payment of the Purchase Option Price in accordance with the 2013A Lease, or an appropriate portion thereof. In the event of an insufficiency of such Net Proceeds for such purpose, the City must, subject to the limitations of the 2013A Lease, pay such amounts as may be necessary to equal that portion of the Purchase Option Price 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 2013A 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 Leased Property, but only if an Event of Lease Default or an Event of Nonappropriation has not occurred and is not continuing. The City may exercise its option on any date by complying with one of the conditions set forth in the 2013A 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 Purchase Option Price with the Trustee on or before the selected Purchase Option Date. If the City exercises its option to purchase the Leased Property, any amount then on hand in the Base Rentals Fund 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 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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.

The foregoing provisions of the 2013A 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 2013A 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 2013A Lease other than the City’s agreement to pay the Base Rentals and Additional Rentals due under the 2013A 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 Leased Property or any part thereof in any lawful manner;
- (c) lease or sublease the Leased Property or sell an assignment of any interest the Trust has 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 2013A 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 2013A 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 2013A Lease and the 2013A 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 2013A 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 2013A 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 2013A Indenture**

***Certain Funds Created under the 2013A Indenture.*** The 2013A Indenture provides for the establishment of a Base Rentals Fund, a Costs of Execution and Delivery Fund, a Rebate Fund and a Refunding Transaction Account. Any income from the investment of these funds is to be applied by the Trustee as provided in the 2013A 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 2013A Indenture.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Series 2013A 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 2013A 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 2013A Indenture and amendment to the 2013A 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 2013A Certificates, including 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 2013A Indenture or in the 2013A 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 2013A Indenture must evidence a proportionate interest in the assignment of the rights to receive the Revenues under the 2013A 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 2013A 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 2013A 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 2013A Lease immediately upon receipt thereof, to the 2013A 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 2013A Certificates on the next Interest Payment Date.

***Events of Indenture Default.*** Each of the following events is an Event of Indenture Default under the 2013A 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 Certificates. The Trustee may waive any Event of Nonappropriation as described under “The 2013A 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 2013A Lease. In exercising such rights of the Trust and the rights given the Trustee under the 2013A 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 2013A Indenture and exercising the Lease Remedies provided in the 2013A 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 the Leased Property and as lessor under the 2013A Lease and the 2013A Indenture and to enforce the provisions of the 2013A 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 2013A 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 2013A 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 2013A 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. Notwithstanding the foregoing, the Trustee will be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the Owners. 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A Indenture by written resignation filed with the Manager of Finance 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 to Certificate Owners 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 2013A 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 2013A 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 2013A Lease, the Leased Property and the 2013A 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 2013A Indenture, the 2013A Lease or otherwise in connection with the Series 2013A 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 2013A Indenture or of the Series 2013A Certificates. The Trustee is not accountable to the Certificate Owners for the use or application of any Series 2013A 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 2013A Lease.

The Trustee is not required to give any bond or surety in respect to the execution of its trusts and powers under the 2013A 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 2013A 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 2013A 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 2013A 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 2013A Indenture, or to make such other provisions in regard to matters

arising under the 2013A Indenture which are not inconsistent with the provisions of the 2013A 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 2013A 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 2013A Indenture whereby the 2013A Indenture or the 2013A Lease may be supplemented or amended.

***Amendment of 2013A Lease.*** The Trustee and the City have the right to amend the 2013A 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 Leased Property, including any substitutions, additions or modifications to the Leased Property as may be authorized under the 2013A 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 2013A Indenture; (e) in order to preserve or protect the excludibility 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 2013A Indenture or cure any ambiguity or to correct or supplement any provision contained in the 2013A Indenture which may be defective or inconsistent with any other provision contained therein or in the 2013A Lease, or to make such other provisions in regard to matters or questions arising under the 2013A Lease which are not inconsistent with the existing provisions thereof and which do not adversely affect the interests of the Owners of the Series 2013A Certificates.

If the Trustee or the City proposes to amend the 2013A 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 2013A Lease, or (2) change the Base Rentals Payment Dates or (3) change any of the prepayment provisions of the 2013A 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 2013A 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 hereunder 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 2013A Indenture and the 2013A 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 2013A Lease, convey the Leased Property to the City as provided in the 2013A 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 2013A Indenture, the Certificates or the 2013A 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 six 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 2013A Indenture, the Trustee is to pay such moneys to the City as an overpayment of Base Rentals.

\* \* \*

## APPENDIX C

### THE CITY

This Appendix provides information concerning the City and County of Denver, Colorado (the “City”), as Lessee under the 2013A Lease.

The City is located on the front range of the Rocky Mountains in the north-central part of the State of Colorado. The City is the capital of the State and is the service, retail, financial, transportation and distribution center of the Rocky Mountain region. As of December 31, 2012, the population of the City and County of Denver was approximately 634,265, and over 2.8 million people, representing more than half of the population of the State, resided in the Denver metropolitan area.

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 thereunder 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.

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 13 members, two of whom are elected on an at-large basis and 11 of whom are elected by 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 Council members.

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

Michael B. Hancock	Mayor
Albus Brooks	Councilmember – District 8
Charlie Brown	Councilmember – District 6
Jeanne Faatz	Councilmember – District 2
Christopher Herndon	Councilmember – District 11
Robin Kneich	Councilmember – At-Large
Peggy Lehmann	Councilmember – District 4
Paul D. López	Councilmember – District 9
Judy H. Montero	Councilmember – District 7
Chris Nevitt	Councilmember – At-Large
Deborah Ortega	Councilmember – District 10
Jeanne Robb	Councilmember – District 1
Susan K. Shepherd	Councilmember and President -District 7
Mary Beth Susman	Councilmember – District 3
Debra Johnson	Clerk and Recorder
Dennis J. Gallagher	Auditor

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. The Auditor is elected every four years and is limited to three terms. The current City Auditor is Dennis J. Gallagher, who was re-elected to another four-year term at the May 3, 2011, election.

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 terms. The current Clerk and Recorder is Debra Johnson who was elected to a four-year term at the June 7, 2011 election.

As of July 12, 2013, the appointed members of the Mayor's cabinet were the following individuals:

Adrienne Benavidez	Manager of the Department of General Services
Jose Cornejo	Manager of the Department of Public Works
Lauri Dannemiller	Manager of the Department of Parks and Recreation
Kim Day	Manager of the Department of Aviation
Douglas J. Friednash, Esq.	City Attorney
Cary Kennedy	Manager of Finance, <i>ex officio</i> Treasurer and Chief Financial Officer/Deputy Mayor
Doug Linkhart	Manager of the Department of Environmental Health
Alex J. Martinez	Manager of the Department of Public Safety
Penny May	Manager of the Department of Human Services
Rocky Piro	Manager of Community Planning and Development

In addition to the members of the cabinet, Janice Sinden, the Chief of Staff, has a significant advisory role in formulating policy.

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 below, 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 the Mayor, the City Charter provides for succession to such office by the Deputy Mayor, who is to resign and become acting Mayor. If the Deputy Mayor refuses or is unable to serve as acting Mayor, the President of the City Council is to resign as President and become acting Mayor. If the President of the Council refuses or is unable to serve as acting Mayor, the City Council is to elect one of their number as acting Mayor.

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 complete 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.

## **FINANCIAL INFORMATION CONCERNING THE CITY**

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 may 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. A contingency reserve of no less than 2% of total estimated General Fund expenditures is also required to be included in the budget. In addition, a constitutionally mandated emergency reserve equal to 3% of fiscal year spending excluding debt service is also required to be included in the budget. Revenues in excess of those projected, or an opening balance larger than projected, is added to the contingency reserve. See "General Fund Reserve Policy" below.

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

The General Fund is the principal operating fund of the City. Information contained in this section has been derived from the annual financial reports of the City, the General Fund budget for the years 2012 and 2013 and information prepared by the Department of Finance.

Major Revenue Sources. The 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.

As of January 1, 2013, the general sales tax was a fixed-rate (3.62%) tax imposed on the sale of all tangible personal property not specifically exempted and on certain services. In November 2006, the voters of the City approved an increase of the City's sales tax of 0.12% 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 revenue. Collection of the 0.12% sales tax increase commenced January 1, 2007, and is set to expire in December 2016. The general use tax is a fixed-rate (3.62%) tax imposed on the storage, use and consumption of tangible personal property not specifically exempted. In practice, sales and use taxes are accounted for on a combined basis. Additionally, there are separate sales tax surcharges for short-term car rental, prepared food and beverages and aviation fuels.

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. The General Fund net property tax mill levy was as follows for the related tax collection years: 6.389 mills for 2009; 5.867 mills for 2010; 6.174 mills for 2011; 7.174 mills for 2012; and 10.61 mills for taxes being collected in 2013. In collection years 2009, 2010, 2011, 2012, and 2013, the City applied additional mills of 2.350, 2.170, 2.281, 2.631, and 2.752, respectively, to the City's Capital Improvement Project Fund (the "CIP Fund") instead of its General Fund. The City has, in turn, redirected the occupational privilege tax (the "OPT") previously credited to the CIP Fund to the General Fund. These actions were designed to create greater stability in General Fund Revenues due to the historically more predictable OPT revenues. On November 6, 2012, Denver voters passed ballot Initiative 2A that permanently removed TABOR restrictions regarding the collection and retention of all Denver property taxes.

The Occupational Privilege Tax ("OPT") is levied on each employee, with certain exemptions, earning \$500 or more per month who performs services within the City for an employer for any period of time. Proceeds are used to partially compensate for the City's services as an employment center. OPT revenues accounted for approximately 5.0% of total annual General Fund revenues from 2008 through 2012.

Other amounts collected by the City and accounted for in the General Fund include the lodgers' tax, prepared food and beverage tax, short-term car rental tax, the automobile ownership tax, franchise fees and the telecommunications business tax. A portion of the lodgers, car rental and prepared food and beverage taxes are pledged towards debt service on excise tax revenue bonds of the City. The lodgers' tax is levied on the purchase price of hotel, motel and similar temporary accommodations in the City. The automobile ownership tax is levied on all motor vehicles registered with the City's Division of Motor Vehicles and is based on the age and value of the vehicle. Franchise fees include the utility franchise fee 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 customer accounts.

Charges for services is 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. The State-imposed cigarette tax is also shared with the City and included in intergovernmental revenues.

General Fund Reserve Policy. The City's overall objective is to achieve structural balance between operating revenues and expenditures. Due to the fluctuating nature of both revenues and service demands without advance notice, the City believes it is financially prudent to have reserve funds and maintains a policy for their use. The City has several reserves in the General Fund to address unforeseen revenue shortfalls or unanticipated expenditures. The specific reserves include: (a) an annual contingency reserve of 2% of total expected General Fund expenditures; (b) unrestricted fund balance targeted at 15% (but required to be at least 10%) of annual General Fund expenditures; and (c) the state TABOR emergency reserve, which is 3% of all covered funds. For more information regarding TABOR, see "LEGAL MATTERS-- Constitutional Revenue, Spending and Debt Limitations."

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 2012 expenditure budget (49.8%) was allocated to Public Safety, which is primarily responsible for administering the police, fire and sheriff's departments services. For the 2013 enacted budget, Public Safety represents 51.4% of the expenditure from the General Fund.

Sequestration. The federal budget sequestration refers to automatic spending cuts in particular categories of federal outlays, including certain grants and other funds sent to state and local governments (the "Sequestration"), pursuant to the federal Budget Control Act of 2011. In the spring of 2013, such spending cuts began to take place. It is not known how such cuts may affect the General Fund in the future; however, the City does not anticipate that the General Fund will be materially affected by the Sequestration.

The City Charter establishes a bonded indebtedness sinking fund and a bonded indebtedness interest fund within the Bond Fund for the purpose of paying the principal of and interest on the City's general obligation bonds. Separate tax levies are made for each distinct segregated fund, and tax receipts are apportioned to each such fund as received. These tax levies are specifically dedicated and are therefore available only for the purpose of paying the principal of and interest on the City's general obligation bonds. The City has outstanding an issue of taxable general obligation bonds for which it expects to receive a cash subsidy payment from the United States Department of Treasury on or about each interest payment date for this issue. Because the City is obligated to set its mill levy that secures these bonds each year in an amount sufficient to provide for the principal and interest due on such bonds, Sequestration is not expected to affect the City's ability to repay these bonds.

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.

2008. In the first half of 2008, the economies in Denver and Colorado showed signs of slowing but continued to do better than the economy nationwide, outperforming national unemployment, inflation and home price estimates. The City's overall General Fund revenues grew 3.26% between 2007 and 2008. Sales and use tax revenues were 3.05% higher in 2008 as compared to 2007.

2009. Total General Fund revenues in 2009 declined 6.4% from 2008 levels. Actual 2009 sales and use tax collections were 10% lower than 2008. The City implemented a series of cost saving strategies to reduce its 2009 General Fund expenditures. These strategies included identifying additional operational savings, personnel review sessions prior to filling vacant positions, four employee furlough days, concessions from uniformed employees' bargaining agreements, and the partial use of fund balance reserves, consistent with the City's financial policies. The budget plan was designed to minimize layoffs whenever possible and maintain core services.

2010. Sales and use tax collections ended the year 5.7% ahead of 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 "FINANCIAL INFORMATION CONCERNING THE CITY – 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 and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, decreased 2.3% from 2009.

2011. 2011 General Fund revenue collections of the sales and use tax was 7.7% 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 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 core revenue collections, which do not include audit revenues, of sales and use tax were 7.4% higher than 2011 due primarily to strong economic performance in retail sales. Total sales and use tax revenue collections for the general fund were 2.3% higher than 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 and temporary savings such as deferring equipment and supply costs wherever possible. Total General Fund expenditures, including transfers out, grew 6.3% from 2011.

The 2013 Budget adopted in November 2012, projected revenue growth of 3.5% over the 2012 revised budget. As part of that revenue growth, sales and use tax revenues (non-audit collections) were projected to grow by 4.0%. After the passage of ballot measure 2A that removed TABOR limitations from the City's General Fund, the revenue forecast was revised up in December 2012 to 6.9% to reflect the \$32.9 million increase in property tax generated by the measure. General Fund expenditures were projected to grow by 3.9% over 2012 revised budget, due to growth in expenditures, the operation and maintenance of new facilities constructed with bond dollars, including a new branch library. The 2013 Budget also included pay raises as outlined in current collective bargaining agreements as well as merit increases for Career Service employees. 2013 General Fund expenditures were reduced as a result of the uniform civilianization, health insurance and pension savings, workers compensation savings, fleet and utility savings. After the passage of Initiative 2A, the expenditure forecast was increased by \$26.4 million or 2.7% to reflect the restoration of library hours, hiring 100 police and firefighters, providing Denver children free access to recreation centers, paving 300 lane miles of residential streets, amongst other service increases.

Revised projections for 2013 anticipate an increase of 6.2% in total sales and use tax collections. Total 2013 General Fund revised revenue is forecast increase of 7.4% over 2012 collections due primarily to the passage of ballot measure 2A. The ballot measure represents 3.5% of the 7.4% total revenue growth increase. For 2014, there is no projected budget deficit and is the first year in five years to not experience a deficit.

The Mayor's proposed budget for fiscal year 2014 may be viewed at [www.denvergov.org/budget](http://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 2008 through 2012; 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, 2008-2012**  
**(\$ in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010<sup>1</sup></u>	<u>2011<sup>1</sup></u>	<u>2012<sup>1</sup></u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 94,089	\$ 28,021	\$116,023	\$120,191	\$146,392
Cash on hand	30	34	32	101	70
Receivables (net of allowances for uncollectibles):					
Taxes	117,668	116,253	123,142	134,806	163,031
Notes	25	23	1,652	641	480
Accounts	13,737	19,760	18,931	20,187	21,140
Accrued interest	781	542	646	1,135	1,030
Due from other funds	31,596	44,001	2	150	
Interfund receivable	215	224	24,122	15,537	9,204
Prepaid items and other assets	861	--	1,064	330	159
Restricted assets:					
Cash and cash equivalents	21,001	20,207	19,952	42,528	45,283
Assets held for disposition	--	--	--	11,436	11,436
<b>TOTAL ASSETS</b>	<u>\$280,003</u>	<u>\$229,065</u>	<u>\$259,738</u>	<u>\$347,042</u>	<u>\$398,225</u>
<b>LIABILITIES</b>					
Vouchers payable	\$ 10,672	\$ 10,639	\$ 13,097	\$ 16,362	\$ 16,719
Accrued liabilities	19,160	21,781	25,683	26,622	30,200
Due to other funds	3,450	3,873	31	65	111
Interfund Payable	--	--	2,940	1,964	3,199
Deferred revenue	75,252	79,552	82,757	87,701	121,104
Compensated Absences	--	--	--	--	26
Advances	--	--	151	18	18
<b>TOTAL LIABILITIES</b>	<u>108,554</u>	<u>115,845</u>	<u>124,659</u>	<u>132,732</u>	<u>171,377</u>
<b>FUND BALANCE<sup>1</sup></b>					
Reserved for prepaid items and other assets	21,001	20,230	--	--	--
Undesignated	150,448	92,990	--	--	--
Nonspendable	--	--	1,064	330	159
Restricted	--	--	52,652	54,049	56,566
Committed	--	--	--	12,039	15,084
Unassigned	--	--	127,191	147,892	155,039
<b>TOTAL FUND BALANCE</b>	<u>171,449</u>	<u>113,220</u>	<u>180,907</u>	<u>214,310</u>	<u>226,848</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$280,003</u>	<u>\$229,065</u>	<u>\$305,566</u>	<u>\$347,042</u>	<u>\$398,225</u>

<sup>1</sup> For the 2011 and 2012 Comprehensive Annual Financial Reports, the City implemented the provisions 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.

Sources: City and County of Denver Comprehensive Annual Financial Reports, 2008 - 2012

**Table 2**  
**CITY AND COUNTY OF DENVER**  
**GENERAL FUND STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the years ending December 31, 2008-2012**  
**(\$ in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010<sup>1</sup></u>	<u>2011<sup>1</sup></u>	<u>2012<sup>1</sup></u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 62,703	\$ 64,396	\$ 83,763	\$ 73,331	\$ 79,199
Sales and Use	430,928	387,838	409,816	441,187	451,352
Other	80,284	72,123	74,757	74,757	81,579
Licenses and Permits	27,763	23,229	28,571	29,714	33,906
Intergovernmental Revenues	32,107	31,955	28,377	26,274	25,913
Charges for Services	137,160	138,563	146,654	153,861	162,086
Investment Income	11,692	4,512	7,885	8,096	4,606
Fines and Forfeitures	38,416	41,389	44,322	55,090	53,227
Other Revenues	<u>8,663</u>	<u>11,863</u>	<u>13,632</u>	<u>9,164</u>	<u>7,414</u>
<b>TOTAL REVENUES</b>	<u><b>829,716</b></u>	<u><b>775,868</b></u>	<u><b>837,777</b></u>	<u><b>872,778</b></u>	<u><b>899,282</b></u>
<b>EXPENDITURES</b>					
Current:					
General Government	175,817	165,897	169,548	168,801	174,272
Public Safety	423,136	429,718	434,128	444,721	469,039
Public Works	81,710	79,506	80,368	84,263	90,007
Health	42,438	43,750	43,145	43,109	43,765
Parks and Recreation	49,516	46,183	46,642	48,100	53,188
Culture and Entertainment	32,531	32,222	32,585	33,152	34,736
Community Development	17,209	16,343	14,864	14,608	15,687
Economic Opportunity	--	--	456	353	205
Obligation Retirement	<u>4,425</u>	<u>2,071</u>	<u>3,990</u>	<u>4,445</u>	<u>4,602</u>
<b>TOTAL EXPENDITURES</b>	<u><b>826,782</b></u>	<u><b>815,690</b></u>	<u><b>825,726</b></u>	<u><b>841,552</b></u>	<u><b>885,501</b></u>
Excess of Revenues Over Expenditures	<u>2,934</u>	<u>(39,822)</u>	<u>12,051</u>	<u>31,226</u>	<u>13,781</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Other	9,784	1,594	3,677	463	1,379
Operating Transfers In	30,731	30,577	54,321	31,578	36,073
Operating Transfers Out	<u>(67,591)</u>	<u>(50,578)</u>	<u>(47,226)</u>	<u>(29,864)</u>	<u>(38,695)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>(27,076)</b></u>	<u><b>(18,407)</b></u>	<u><b>10,772</b></u>	<u><b>2,177</b></u>	<u><b>(1,243)</b></u>
Net Change in Fund Balance	(24,142)	(58,229)	22,823	33,403	12,538
Fund Balance – January 1, as originally reported	195,591	171,449	113,220	136,061	155,039
Change in accounting principle – GASB 54 <sup>1</sup>	<u>--</u>	<u>--</u>	<u>44,864</u>	<u>44,846</u>	<u>44,846</u>
Fund Balance – January 1, as restated <sup>1</sup>	<u><b>195,591</b></u>	<u><b>171,449</b></u>	<u><b>158,084</b></u>	<u><b>180,907</b></u>	<u><b>214,310</b></u>
<b>FUND BALANCE – December 31</b>	<u><b>\$171,449</b></u>	<u><b>\$113,220</b></u>	<u><b>\$180,907</b></u>	<u><b>\$214,310</b></u>	<u><b>\$226,848</b></u>

<sup>1</sup> For the 2011 and 2012 Comprehensive Annual Financial Report, the City implemented the provisions 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.

Sources: City and County of Denver Comprehensive Annual Financial Reports, 2008 - 2012

**Table 3**  
**GENERAL FUND BUDGET SUMMARY**  
**2012 ACTUAL RESULTS, 2012 BUDGET AND 2013 BUDGET**  
**Prepared in Budgetary Format**  
**(\$ in thousands)**

	<u>2012</u> <u>Results</u> <sup>1</sup>	<u>2012</u> <u>Budget</u>	<u>2013</u> <u>Budget</u> <sup>2</sup>
REVENUES			
Taxes			
Property	\$ 79,199	\$ 72,390	\$106,791 <sup>3</sup>
Sales and Use	451,352	441,074	471,619
Other	81,579	85,082	80,076
Licenses and Permits	33,906	21,763	22,799
Intergovernmental Revenues	25,913	27,274	26,901
Charges for Services	162,086	161,234	165,153
Investment Income	4,606	3,474	2,682
Fines and Forfeitures	53,227	59,590	61,778
Transfers In	36,073	30,373	34,699
Other Revenues	<u>8,793</u>	<u>6,085</u>	<u>5,427</u>
TOTAL FINANCIAL SOURCES	<u>936,734</u>	<u>908,339</u>	<u>977,925</u>
EXPENDITURES			
General Government	190,164	217,035	227,227
Public Safety	469,039	460,591	475,089
Public Works	90,007	85,291	90,308
Health	43,765	43,827	44,287
Parks and Recreation	53,188	46,840	54,252
Cultural Activities	34,736	32,105	34,389
Debt Service	4,602		
Transfers Out	38,695	40,727	62,865
General Fund Contingency	--	18,622	19,708
Merit Reserve	--	4,700	
Estimated Unspent Appropriations	--	(17,500)	(17,900)
TOTAL EXPENDITURES BUDGET	<u>924,196</u>	<u>932,237</u>	<u>990,226</u>
FUND BALANCES <sup>4</sup>			
Net Change in Fund Balance	12,538	(23,898)	(12,301)
Fund Balance January 1	<u>214,310</u>		
Fund Balance December 31	226,848		
Undesignated Fund Balance January 1	147,892	123,897	130,986
Undesignated Fund Balance December 31	155,039	99,999	118,685
Prepaid items and other Reserves	<u>--</u>	<u>20,475</u>	<u>20,594</u>
Total Fund Balance December 31	<u>\$155,039</u>	<u>\$120,475</u>	<u>\$139,279</u>

<sup>1</sup> 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.

<sup>2</sup> The 2013 Budget numbers reflect changes made to the initial budget after the passage of ballot question 2A, which eliminated TABOR restrictions on all tax collections within Denver. Property Tax Mill Levy for the General Fund was increased from 9.805 to 13.362. See "GENERAL FUND – Major Revenue Sources."

<sup>3</sup> Increase in property tax collections is due to the passage of ballot question 2A. See footnote 2

<sup>4</sup> For the 2012 Comprehensive Annual Financial Report, the City follows GASB 54, which clarifies existing fund type definitions. The Comprehensive Annual Financial Report list 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.

Sources: City and County of Denver Comprehensive Annual Financial Report, 2012, and 2013 Budget Book, Ordinance 657, Series of 2012

**Table 4**  
**GENERAL FUND BUDGET SUMMARY**  
**2012 ACTUAL RESULTS, 2012 REVISED BUDGET AND 2013 BUDGET**  
**(by percentage)**

	<u>2012 Results<sup>1</sup></u>	<u>2012 Budget</u>	<u>2013 Budget</u>
REVENUES			
Taxes			
Property	8.5%	8.0%	10.9%
Sales and Use	48.2	47.1	50.3
Other	8.7	9.1	8.5
Licenses and Permits	3.6	2.3	2.4
Intergovernmental Revenues	2.8	2.9	2.9
Charges for Services	17.3	17.2	17.6
Investment Income	0.5	0.4	0.3
Fines and Forfeitures	5.7	6.4	6.6
Transfers In	3.9	3.2	3.7
Other Revenues	0.9	0.6	0.6
TOTAL FINANCIAL SOURCES	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
EXPENDITURES			
General Government	20.6%	23.3%	22.9%
Public Safety	50.8	49.8	51.4
Public Works	9.7	9.2	9.8
Health	4.7	4.7	4.8
Parks and Recreation	5.8	5.1	5.9
Cultural Activities	3.8	3.5	3.7
Other Financing and Adjustments	0.5	--	--
Transfers Out	4.2	4.4	6.8
General Fund Contingency	--	2.0	2.1
Merit Reserve	--	0.5	--
Estimated Unspent Appropriations	--	(1.9)	(1.9)
TOTAL EXPENDITURES BUDGET	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

<sup>1</sup> 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.

Sources: City and County of Denver Comprehensive Annual Financial Report, 2012, and 2013 Budget Book, Ordinance 657, Series of 2012

The City Charter provides that the Manager of Finance shall 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 except as modified by the City Charter.

The City's sales and use tax collections historically account for over one-half of the General Fund revenues. As of January 1, 2013, the fixed-rate general sales tax of 3.62% was imposed on the sale of all tangible personal property not specifically exempted and on certain services and a general use tax of 3.62% is imposed on the storage, use and consumption of tangible personal property not specifically exempted. Included within such sales and use tax rates are 0.12% increases approved by the City's voters on November 7, 2006 to fund increased access to and quality of preschool programs for City residents, and the revenues from this increase in the sales and use tax are only available for such purpose. This rate increase became effective on January 1, 2007 and will expire on December 31, 2016. 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**

<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 certain services	3.62% <sup>1</sup>
Prepared food and drink	4.0%
Aviation fuel	\$0.04 per gallon
Automobile rental for 30 days or less	7.25%
Lodging for 30 days or less	10.75%

<sup>1</sup> Includes 0.12% 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.

The above general fund sales and use tax Rates effective for 2013 reflects the City's total tax rate for goods and services as set forth; however, portions of the prepared food and beverage tax, 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 another Fund.

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

**Table 5**  
**CITY AND COUNTY OF DENVER**  
**GENERAL FUND SALES AND USE TAX REVENUES**  
**2003 - 2012**  
**(\$ in thousands)**

<u>Year</u>	<u>Revenues<sup>1</sup></u>	<u>Percent Change<sup>1</sup></u>
2003	\$366,627	(2.32)%
2004	361,988	(1.27)
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

<sup>1</sup> The revenues and percent changes reflect increases including amounts received as a result of sales tax audit collections.

Source: Department of Finance

The basic financial statements of the City for the year ending December 31, 2012, 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, 2012 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 2013A Certificates.

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 Manager of Finance, *Ex Officio* Assessor, based on evidence collected from the marketplace. Table 6 sets forth the State property appraisal method for assessment years 2003 through 2012.

**Table 6**  
**STATE PROPERTY APPRAISAL METHOD**

<u>Assessment Years</u>	<u>Collection Years</u>	<u>Value Calculated As of</u>	<u>Based on the Market Period</u>
2003 and 2004	2004 and 2005	July 1, 2002	January 1, 2001 to June 30, 2002
2005 and 2006	2006 and 2007	July 1, 2004	January 1, 2003 to June 30, 2004
2007 and 2008	2008 and 2009	July 1, 2006	January 1, 2005 to June 30, 2006
2009 and 2010	2010 and 2011	July 1, 2008	January 1, 2007 to June 30, 2008
2011 and 2012	2012 and 2013	July 1, 2010	January 1, 2009 to June 30, 2010

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 2003 through 2012. In December 2012, the Colorado Legislative Council (the research division of the Colorado General Assembly) projected that the residential assessment rate will remain at 7.96% through levy year 2015. This projection is only an estimate, however, and is subject to change. For assessment year 2002, residential real property was valued for assessment at 9.15% of its statutory actual value. 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.

The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that

for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009, 2010, and 2011), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied and used as the primary residence if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the City. No later than April 15<sup>th</sup>, the State Treasurer issues a warrant to each county treasurer for the amount needed to reimburse local governments for lost property tax revenue from the senior citizens and disabled veterans exemptions. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

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 bid on by the City. Property that thereby becomes the property of the City or another taxing entity is removed from the tax rolls. 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 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 2012, this capital maintenance levy generated approximately \$26.3 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. See "DEBT STRUCTURE OF THE CITY – Overlapping Debt and Taxing Entities" for a discussion of mill levies attributable to other taxing entities which overlap or partially overlap the boundaries of the City.



**Table 7**  
**CITY AND COUNTY OF DENVER**  
**CITY-WIDE MILL LEVIES – DIRECT AND OVERLAPPING GOVERNMENTS<sup>1</sup>**  
**(By Assessment Year)**

<u>Taxing Entity</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City and County of Denver:					
General Fund	6.389	5.867	6.174	7.174	10.610
Bond Principal Fund	4.470	4.470	4.470	3.980	4.170
Bond Interest Fund	3.110	3.110	3.110	3.600	3.780
Social Services	3.698	3.394	3.556	4.101	4.520
Developmentally Disabled	1.011	1.013	1.019	1.030	1.033
Fire Pension	1.371	1.258	1.317	1.519	1.587
Police Pension	1.636	1.502	1.572	1.812	1.893
Capital Maintenance	2.500	2.524 <sup>2</sup>	2.544 <sup>2</sup>	2.572 <sup>2</sup>	2.581 <sup>2</sup>
Capital Improvement	<u>2.350</u>	<u>2.170</u>	<u>2.281</u>	<u>2.631</u>	<u>2.752</u>
TOTAL DENVER MILL LEVY	<u>26.535</u>	<u>25.308</u>	<u>26.044</u>	<u>28.419</u>	<u>32.926</u>
School District No. 1	39.657	39.262	39.972	42.265	50.488
Urban Drainage and Flood Control District	<u>0.591</u>	<u>0.569</u>	<u>0.576</u>	<u>0.623</u>	<u>0.657</u>
TOTAL MILL LEVY	<u>66.783</u>	<u>65.139</u>	<u>66.592</u>	<u>71.307</u>	<u>84.071</u>

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

<sup>1</sup> 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 8.

<sup>2</sup> 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

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Table 8 summarizes the statutory actual and assessed valuation of property in the City, taxes levied and collected by the City for general purposes and the amounts and percentages delinquent for the last five assessment years. Collection data is reported as of December 31, 2012.

**Table 8**  
**PROPERTY VALUATIONS, TAX LEVIES AND COLLECTIONS**  
**LAST FIVE YEARS**  
(\$ in millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ACTUAL AND ASSESSED VALUATION:</b>					
Statutory Actual Valuation (est.) <sup>1</sup>	<u>\$ 78,564</u>	<u>\$ 82,844</u>	<u>\$ 83,151</u>	<u>\$ 77,143</u>	<u>\$ 76,697</u>
Assessed Valuation:					
Real Property – Land	\$ 3,042	\$ 3,434	\$ 3,546	\$ 3,387	\$ 3,358
Real Property – Improvements	6,191	6,944	6,839	5,936	5,868
Personal Property	792	813	739	726	723
Public Utilities	838	822	836	888	808
Total Assessed Valuation <sup>2</sup>	<u>\$ 10,863</u>	<u>\$ 12,012</u>	<u>\$ 11,960</u>	<u>\$ 10,937</u>	<u>\$ 10,757</u>
Percentage Change in Total Assessed Valuation <sup>3</sup>	1.90%	10.58%	(0.44)%	(8.55)%	(1.65)%
<b>LEVIES AND COLLECTIONS:<sup>4</sup></b>					
Taxes Levied	\$239,658	\$254,135	\$258,519	\$255,918	\$295,438
Total Collections to Date <sup>5</sup>	\$236,554	\$247,550	\$254,755	\$251,004	
Total Collections to Date as Percent of Original Levy	98.70%	97.41%	98.54%	98.08%	

<sup>1</sup> 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.

<sup>2</sup> 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 – Urban Renewal Authorities."

<sup>3</sup> 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.

<sup>4</sup> 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 2012 are collected in 2013.

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

Source: Department of Finance

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## Assessed Valuation of Major Taxpayers

Table 9 lists the major property taxpayers in the City based on assessed valuations for the 2012 assessment year.

**Table 9**  
**CITY AND COUNTY OF DENVER**  
**MAJOR PROPERTY TAXPAYERS - ASSESSED VALUATIONS 2012**  
**(FOR COLLECTION 2013)**  
**(\$ in thousands)**

<u>Name</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>Percentage of City's Total Assessed Valuation</u>
Public Service Co.	Utility	\$ 214,775	1.99%
Century Link, Inc.	Utility	214,175	1.86
Brookfield Properties	Real Estate	199,811	1.14
Callahan Capital Partners	Real Estate	122,683	1.06
Columbia-HealthONE, LLC	Health Care	113,832	0.77
United Airlines Inc.	Airline	82,905	0.71
UBS Realty Investors	Real Estate	76,442	0.69
LBA Realty Fund	Real Estate	74,116	0.68
Temple-Hoyle Buell Foundation	Philanthropy	73,573	0.66
Frontier Airlines <sup>2</sup>	Airline	<u>71,503</u>	<u>0.66</u>
		<u>\$1,100,068</u>	<u>10.22%</u>

<sup>1</sup> Based on a December 31, 2012 certified assessed valuation of \$10,757,438,400. 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 – Urban Renewal Authorities."

<sup>2</sup> Frontier Airlines was acquired by Republic Holdings, but continues to operate as Frontier Airlines.

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.

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.

City Employees. The following section has been taken from the 2012 Comprehensive Annual Financial Report of 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, 2011 and 2012:

	<u>2011</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits	7,776	8,045
Terminated employees entitled to benefits but not yet receiving such benefits	3,609	3,550
Current employees:		
Vested	5,958	6,079
Non-vested	<u>2,191</u>	<u>2,096</u>
TOTAL	<u>19,534</u>	<u>19,770</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 services is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member's highest salary during a 36 consecutive month period of credited service. Members with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

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

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

The following are DERP contribution requirements and effective dates.

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

As of December 31, 2012, the total net plan assets were \$1,854,690,588. Per DERP's independently audited 2012 Comprehensive Annual Financial Report, as of January 1, 2012, 81.6% of the plan's accrued liabilities were covered by valuation assets.

In June, 2013, the DERP board voted to begin using new mortality tables which project longer life expectancy for all categories of DERP members. Using the new tables, the actuarially funded

position of the pension fund as of January 1, 2013, is 76.36%. In the July, 2013 meeting of the DERP board, the Board voted unanimously to begin the process of raising the total contribution rate from 18% to 18.5%.

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 DERP's independently audited 2012 Comprehensive Annual Financial Report, as of January 1, 2012, the most recent valuation, 59.2% 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. Both the Old Hire Police Pension Plan (the "Old Hire Police Plan") and the Old Hire Firefighters Pension Plan (the "Old Hire Fire Plan" and collectively with the Old Hire Police Plan, (the "Old Hire Plans") and the FPPA manages investments, and administers the contributions to, and distributions from, these 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.

For FPPA, covered employees under the New Hire Plan contribute at the rate of at least 8% 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% and 71% respectively. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2012, 2011 and 2010 were \$24,715,000, \$24,815,000 and \$22,348,000, respectively

The City also made contributions for the years ended December 31, 2012, 2011, and 2010 for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$15,445,000, \$13,742,000, and \$13,367,000, respectively. As of January 1, 2012, the actuarial report states that under current law benefits, which assume no cost-of-living adjustments, the Plan is funded at 96.1%

The Denver Water Board Retirement Plan. The Denver Water Board Retirement Plan ("Board Plan") is a defined benefit, single-employer, and noncontributory plan covering substantially all permanent full-time employees of the Denver Water Board. The Board Plan benefits are integrated with Social Security benefits.

## **DEBT STRUCTURE OF THE CITY**

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. The City assesses two separate and distinct

property tax mill levies each year in an amount to pay principal and interest, respectively, on general obligation bonds. Funds collected from these mill levies are deposited into separate debt service funds of the City. Except for refunding bonds issued to achieve savings, Denver voters must approve general obligation debt prior to issuance.

At the Better Denver Election, the City's voters approved a 2.5 mill levy increase for capital maintenance and the eight general obligation Better Denver Ballot Questions authorizing debt in the aggregate amount of \$549,730,000. The City's General Obligation Better Denver and Refunding Bonds, Series 2013A (the "Series 2013A General Obligation Bonds") in the aggregate amount of \$121,635,000 and the City's General Obligation Refunding Bonds, Series 2013B (the "Series 2013B General Obligation Bonds") in the aggregate amount of \$136,835,000, are each expected to be issued in early October of 2013. The City's General Obligation Better Denver Bonds, Series 2013C (the "Series 2013C General Obligation Bonds") in the aggregate amount of \$12,000,000, are expected to be issued by the end of 2013.

As of December 31, 2012, the City had outstanding general obligation bonds in the aggregate principal amount of \$895,649,000, which does not include accrued interest of \$5,191,651 on compound interest bonds. In addition there were outstanding general obligation bonds issued by the Denver Water Board in the aggregate principal amount of \$500,000 and will be retired in October 2013. The Denver Water Board bonds are paid solely from the revenues of the utility and do not apply to the City's general obligation bonded debt limit.

At a special municipal election held in the City on November 5, 2002, a majority of the registered electors of the City approved an amendment to the City Charter that would remove the authority of the Denver Water Board to issue general obligation bonds secured by property taxes within the City. Under the amendment to the City Charter, the Denver Water Board may issue revenue bonds that are payable solely from the net revenues of the Denver Water Board. The Charter amendment allows for Denver Water Board revenue bonds to be used to refund outstanding general obligation bonds issued for the benefit of the Denver Water Board, but does not require them to be used for such purpose.

Under the City Charter general obligation bonded debt, excluding bonds issued by the Denver Water Board, is subject to a limitation of 3% of the actual value of taxable property within the City.

Table 10 sets forth the computation of the general obligation debt margin of the City (other than bonds issued by the Denver Water Board) as of December 31, 2012.

**Table 10**  
**COMPUTATION OF THE GENERAL OBLIGATION DEBT MARGIN]**  
**(\$ in thousands)**

TOTAL ESTIMATED ACTUAL VALUATION – December 31, 2012	<u>\$76,697,449</u>
Maximum general obligation debt, limited to 3% of actual valuation	\$ 2,300,923
Less outstanding bonds chargeable to limit	<u>895,649</u>
LEGAL DEBT MARGIN – December 31, 2012	<u>\$ 1,405,274</u>

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## General Obligation Bonded Debt

Table 11 lists the City's outstanding general obligation bonded debt as of December 31, 2012.

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

<u>Issue<sup>1</sup></u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
General Obligation Various Purpose Bonds (Denver Mini-Bond Program), Series 1999A <sup>2</sup>	\$ 3,134	\$ 3,134
General Obligation Denver Art Museum Bonds, Series 2002 <sup>3</sup>	52,500	21,520
General Obligation Auditorium Theatre and Zoo Bonds, Series 2003A <sup>3</sup>	35,000	4,670
General Obligation Medical Facilities Bonds, Series 2003B <sup>3</sup>	148,000	68,370
General Obligation Justice System Facilities and Zoo Bonds, Series 2005 <sup>3</sup>	77,000	54,450
General Obligation Justice System Facilities Bonds, Series 2006 <sup>3</sup>	125,000	103,950
General Obligation Justice System Facilities Bonds (Denver Mini-Bond Program), Series 2007 <sup>4</sup>	8,861	8,861
General Obligation Justice System Facilities Bonds, Series 2008	174,135	142,180
General Obligations Better Denver and Zoo Bonds, Series 2009A	104,500	82,965
General Obligation Various Purpose Bonds, Series 2009B	14,415	7,535
General Obligation Better Denver Bonds, Series 2010A	37,910	29,945
General Obligation Better Denver Build America Bonds, Series 2010B	312,055	312,055
General Obligation Better Denver Bonds, Series 2010D	44,650	39,560
General Obligation Better Denver Bonds, Series 2011	<u>16,455</u>	<u>16,455</u>
Subtotal	1,153,615	895,649
General Obligation Water Bonds <sup>5</sup>	<u>161,730</u>	<u>500</u>
<b>TOTAL:</b>	<b><u>\$1,315,345</u></b>	<b><u>\$896,149</u></b>

<sup>1</sup> The City anticipates issuing its General Obligation Better Denver and Refunding Bonds, Series 2013A (the "Series 2013A General Obligation Bonds") on or about October \_\_, 2013 in the aggregate principal amount of \$ \_\_\_\_\_. See "DEBT STRUCTURE OF THE CITY -- General Obligation Bonds" above.

<sup>2</sup> Amount excludes \$2,707,344 of compound interest on the Series 1999A Capital Appreciation Bonds.

<sup>3</sup> All or a portion of these bonds are anticipated to be defeased, called and/or refunded upon the issuance of the Series 2013A General Obligation Bonds.

<sup>4</sup> Amount excludes \$2,484,307 of compound interest on the Series 2007 Capital Appreciation Bonds.

<sup>5</sup> The Denver Water Board has irrevocably committed to pay the principal of and interest on all water bonds from revenues derived from the City's Water System. Such bonds will be retired in October 2013.

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, 2012.

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

Total Direct General Obligation Bonded Debt	\$ 896,149
Less General Obligation Water Bonds	<u>500</u>
Net Direct General Obligation Bonded Debt	<u>\$ 895,649</u>
Overlapping General Obligation Bonded Debt <sup>1</sup>	<u>\$ 1,430,390</u>
Net Direct and Overlapping General Obligation Bonded Debt	<u>\$ 2,326,039</u>
Actual Valuation	\$76,697,448
Assessed Valuation <sup>2</sup>	\$10,757,438

#### DEBT RATIOS

	<u>Actual</u> <u>Valuation</u>	<u>Assessed</u> <u>Valuation</u>	<u>Per</u> <u>Capita</u> <sup>3</sup>
Total Direct G.O. Bonded Debt	1.17%	8.33%	\$1,413
Net Direct G.O. Bonded Debt	1.17	8.33	1,412
Net Direct and Overlapping G.O. Bonded Debt <sup>1</sup>	3.03	21.62	3,667

<sup>1</sup> The overlapping general obligation debt represents the outstanding general obligation debt of School District No. 1. See "Overlapping Debt and Taxing Entities" below for information relating to other overlapping entities.

<sup>2</sup> 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 -- Urban Renewal Authorities".

<sup>3</sup> Based upon a 2012 population estimate of 634,265.

Sources: Department of Finance; Office of the County Assessor

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, 2012, the School District had \$1,430,390,175 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, 2012, the aggregate principal amount of such certificates outstanding was \$802,992,160. 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 \$44,367,000 for 2012. The Sewage District had outstanding \$682,750,031 aggregate principal amount of bonds as of December 31, 2012.

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, 2012, approximately \$2.482 billion has been issued and \$1,828,762,000 of principal is currently outstanding. RTD also has \$494,950,000 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 the Airport. The East Corridor rail service currently is planned by RTD to commence in January 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. The Department is obligated 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 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 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 with Denver Properties Leasing Trust, as lessor, which issued Certificates of Participation in a par amount of \$45,000,000 dated May 17, 2012.

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 partially overlapping taxing districts having general obligation debt in amounts which do not materially affect the ability of the City to pay debt service on its general obligation bonds. Assessed valuation and bond mill levy information for these taxing districts is provided in Table 13.

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**Table 13**  
**CITY AND COUNTY OF DENVER**  
**OVERLAPPING TAXING DISTRICTS WITH GENERAL OBLIGATION DEBT**  
**Year Ending December 31, 2012**

<u>Taxing District</u>	<u>Assessed Valuation Attributable to Denver</u>	<u>% of Total Denver Assessed Value</u>	<u>2011 Bond Mill Levy</u>
Special Districts:			
Bowles Metro <sup>1</sup>	\$ 26,031,730	0.24%	42.000
Central Platte Valley Metro	4,097,070	0.04	52.000
Central Platte Valley Metro (debt)	48,647,270	0.45	16.000
Cherry Creek North B.I.D.	154,649,440	1.44	17.642
Colorado Intl. Center Metro No. 14	8,217,250	0.08	60.000
Denver Gateway Center Metro	2,952,230	0.03	36.992
Denver Intl. Business Center Metro No. 1	17,120,840	0.16	40.000
Ebert Metro	58,507,950	0.54	75.000
Fairlake Metro	15,791,290	0.15	38.084
Fairlake Metro (debt)	8,820,230	0.08	25.000
Gateway Regional Metro	38,953,790	0.36	16.000
Gateway Regional Metro (debt)	8,858,140	0.08	2.817
Gateway Village G.I.D.	16,461,800	0.15	32.500
Goldsmith Metro <sup>1</sup>	227,919,150	2.12	14.750
Greenwood Metro <sup>1</sup>	1,660,700	0.02	15.110
GVR Metro	65,803,100	0.61	32.957
Madre Metro No. 2	3,410,310	0.03	50.000
Mile High Business Center Metro.	21,224,980	0.20	35.000
North Washington Fire <sup>1</sup>	6,597,500	0.06	17.344
Sand Creek Metro <sup>1</sup>	22,360,620	0.21	34.250
Sand Creek Metro (debt) <sup>1</sup>	8,243,370	0.08	20.000
SBC Metro	51,381,030	0.48	35.000
Section 14 Metro <sup>1</sup>	7,589,970	0.07	23.681
Section 14 Metro (Raccoon Creek) <sup>1</sup>	2,993,550	0.03	16.798
Section 14 Metro (Fairmark) <sup>1</sup>	2,482,410	0.02	12.573
South Denver Metro	42,123,250	0.39	7.000
Southeast Public Improvement	229,163,880	2.13	2.083
Westerly Creek Metro	291,411,850	2.71	55.311
Special District Total Assessed Value	<u>1,393,474,700</u>	<u>12.95%</u>	
Denver Total Assessed Value <sup>2</sup>	<u>\$10,757,438,400</u>	<u>100.00%</u>	

<sup>1</sup> District also has assessed value located in more than one county.

<sup>2</sup> 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 -- Urban Renewal Authorities."

Source: Office of the County Assessor

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 previously due Economic Development Agreement payments. Future Economic Development Payments are indicated in Table 14 below. 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 14<sup>th</sup> Day Prior to:</u>	<u>Amount</u>
June 1, 2013	\$4,500,000
December 1, 2013	4,500,000
June 1, 2014	4,750,000
December 1, 2014	4,750,000
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

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 Manager of Finance 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 Manager of Finance 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.

The City is cooperating with the Regional Transportation District ("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.

Certificated Lease Purchase Agreements. The City has utilized lease purchase transactions whereby an independent lessor sells Certificates of Participation (“COPs”) which represent 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 from specified remedies. If appropriated for the applicable fiscal year, the City has the obligation to pay the related lease agreement rentals for that fiscal year.

Certificates of participation, including the Refunding Certificates of Participation, Series 2013A (the “Series 2013A Certificates”) as described in the body to the Official Statement, 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, 2012 are summarized in Table 15.

**Table 15**  
**SCHEDULE OF LEASE PURCHASE TRANSACTIONS**  
**AND RELEASE DATES**  
**AS OF DECEMBER 31, 2012**

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Leased Property</u>	<u>Date Leased Property Scheduled to be Acquired</u>
1995A	\$ 85,000	City Office Building for Information and Other City Departments	January 1, 2014
2003B <sup>1</sup>	41,080,000	Buell Theatre, Jail Dorm Building	December 1, 2023
2005A	27,715,000	Human Services Campus	May 1, 2020
2008A1-A3	249,440,000	Wellington E. Webb Office Building	December 1, 2031
2008B	17,260,000	Denver Botanic Gardens Parking Facility	December 1, 2028
2010A	21,075,000	Central Platte Campus	December 1, 2030
2010B	27,600,000	Wastewater Office Building/Roslyn Maintenance Facility	December 1, 2021
2012A-B	12,735,000	Denver Cultural Center Parking Garage	December 1, 2031
2012C1-C3	45,000,000	Denver Properties Leasing Trust	December 2, 2021
	<u>\$441,990,000</u>		

<sup>1</sup> The Series 2003B Certificates will be defeased with the proceeds of the Series 2013A Certificates.

The City has outstanding certain enterprise and excise tax revenue bonds payable from specifically pledged revenues, excluding ad valorem taxes. As of December 31, 2012, the City’s Airport Enterprise (the “Airport Enterprise”) had \$3,897,420,000 of airport system revenue bonds outstanding,

including capital appreciation bonds. Of this total, there are fixed-payment swaps hedging variable rate mode debt totaling \$1,515,470,000.

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, 2012 \$48,555,000 was outstanding.

As of December 31, 2012, the City had outstanding excise tax revenue and excise tax refunding bonds in the amount of \$230,650,000, 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.

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, 2012, \$4,450,000 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.

## **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 requires voter approval prior to the creation by the City of any multiple- fiscal year debt or other financial obligation, subject to certain exceptions including refinancing at a lower interest rate.

TABOR limits the total amount of property taxes that may be levied, collected and retained by the City for all purposes to the total amount of such property taxes collected in the preceding year, adjusted for inflation and local growth, unless a "revenue change" is approved by the voters. TABOR also requires voter approval in advance of any property tax mill levy above that for the prior year. The voter approval also permits the City to increase its property tax revenue up to the amount of any debt service funded by such revenue. Revenues other than property tax revenues are limited only as a function of the spending limitation described below.

The voter approval received by the City at the Better Denver Election for the issuance of general obligation bonds satisfies the voter approval requirement for the levy of property taxes to pay the Series 2013 General Obligation Bonds. The voter approval also permits the City to increase its property tax revenue up to the amount of any debt service funded by such revenue. Revenues other than property tax revenues are limited only as a function of the spending limitation described below.

TABOR also limits 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 thereof received in the preceding year, adjusted for inflation and local growth, unless the voters approve a "revenue change." Under TABOR, the creation of bonded debt increases and retiring or refinancing bonded debt lowers, fiscal year spending. If revenues collected by the City in excess of the

spending limit are required to be refunded, they must be refunded during the next calendar year. TABOR contains the provision that voters may approve an entity to retain excess revenues.

TABOR contains the provision that voters may authorize a public entity to retain excess revenues that would otherwise need to be repaid to the taxpayers. In November 2000, Denver voters authorized an exemption from the TABOR revenue 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 retain and spend non-property tax revenues in excess of the TABOR “excess revenues cap” for ten fiscal years beginning in 2005 and ending in 2015. The “excess revenue cap” is determined by the highest excess revenue for any given year during the preceding ten fiscal year period for years 2005 through 2015. In November 2007, Denver voters also authorized an exemption from the TABOR revenue limits for the revenues collected from a 2.5 mill levy increase approved for capital maintenance expenditures.

On November 6, 2012 Denver voters passed ballot initiative 2A that permanently removed all TABOR restrictions regarding the collection of all taxes. The initiative eliminated four TABOR credited mills, resulting in a budgeted increase of property tax revenue to the City from \$73,891,000 to \$106,761,000. 2.222 credited mills remain in place. In addition, the initiative implemented an anti-spiking provision that prohibits restoring mills if assessed value exceeds 6% and local growth.

Ballot questions seeking voter approval for such TABOR matters may be submitted only at State general elections, biennial local district elections or on the first Tuesday in November of odd-numbered years.

### **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 2013, the City Attorney’s office has received an appropriation of approximately \$2.0 million, for payment of claims and judgments for items not covered by existing insurance. The City considers these amounts sufficient to provide for the disposition of matters which are anticipated to be finalized in 2013.

A lawsuit filed against the City in the United States District Court for the District of Colorado on behalf of 850 Denver police officers reached a final settlement, approved by the Court, that includes the creation of a bank of compensatory time off for all plaintiffs and non-parties who elect to join in the settlement, along with the payment of \$1.75 million in attorney fees, to be paid in equal installments of \$437,500 over a 4 year period beginning July 2012.

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. For incidents occurring prior to July 1, 2013, the limits are \$150,000 for injury to one person in a single occurrence and an aggregate of \$600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$150,000; and for incidents occurring on and after July 1, 2013, the maximum amounts that may be recovered under the Immunity Act are \$350,000 for injury to one person in a single occurrence and an aggregate of \$990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$350,000. These limits are subject to adjustment on January 1, 2018, and every four years thereafter based on the percentage change in the 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 pays 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 2013.



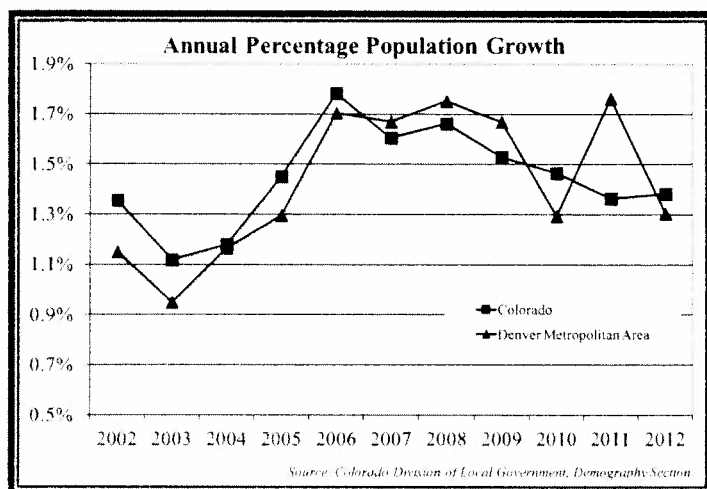
# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

## INTRODUCTION

Employment data for 2012 show Colorado outperforming the nation and boasting a lower than national average unemployment rate. The state's attractive business climate and high quality of life continued to be a magnet for young, talented adults. In fact, Colorado was the fifth fastest-growing state in terms of population between July 2010 and July 2011. A major revision to employment data suggests that employment grew even faster than originally estimated in the state. Colorado's economic recovery remained steady during the year, and employment grew at a healthy pace.

Growth advantages aside, Colorado's economy is not independent of national trends: political conflict, slow growth in nationwide economic output, and unstable foreign economies have had an impact on business in the state. Although progress was made during 2012, several important political situations have the potential to affect the state, particularly fiscal tightening measures. While the economy nationally and statewide improved during the year, national budget cuts may pose a threat to future growth.

As Colorado's economy expands, so will the economy in the Denver metropolitan area. The area is comprised of seven counties – Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. The Denver metropolitan area economy strongly influences the economy statewide as the area accounts for about 61 percent of Colorado jobs and 56 percent of the state's total population. Like Colorado, employment data for the Denver metropolitan area also showed a stronger increase than originally estimated. Employment in one supersector – information – declined during the year. Four large industry sectors – professional and business services, education and health services, leisure and hospitality, and wholesale and retail trade – accounted for the majority of Denver metropolitan area jobs added between 2011 and 2012.



## POPULATION

### Colorado

The Colorado State Demographer's office recently announced that population data show Colorado as the fifth fastest-growing state between July 2010 and July 2011 with a growth rate of 1.4 percent. The 2012 population in the state totaled 5.2 million, and the state increased at about twice the rate of the nation due to a high birth rate, low death rate, and positive net migration.

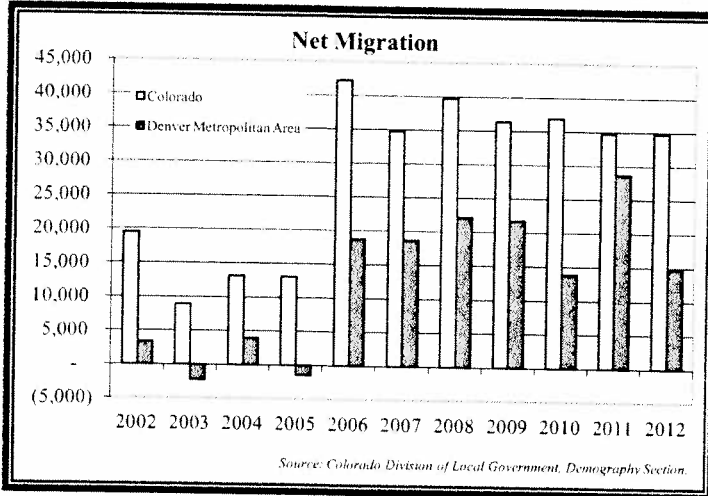
Population growth depends on two components – natural increase and net migration. Natural

increase is the difference between births and deaths, and typically changes only gradually as the population ages. Net migration reflects the number of in-migrants to the state minus the number leaving, and it tends to be more volatile as economic cycles, housing costs, and other less-predictable factors tend to influence population mobility. Natural increase accounted for 57 percent of Colorado's total population change between 2002 and 2012, and net migration accounted for 43 percent.

As Colorado's economy expanded and contracted over the past ten years, single-year net migration has represented a positive contribution to population growth, with several years showing more than 50 percent of

# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

growth due to migration. As Colorado's economy continues to recover and the state attracts households seeking a good quality of life, demographers expect net migration as a share of total population will remain strong through 2025, particularly as "Baby Boomers" retire and job opportunities become available. Historically, the largest groups of new Colorado residents have hailed from California, Texas, Arizona, and Florida.



## Denver Metropolitan Area

The Denver metropolitan area is a magnet for new Colorado residents, although the two nationwide recessions that occurred over the past ten years made the share of regional population growth due to net migration somewhat smaller than it was during the 1990s and early 2000s. Net migration represented 37 percent of total Denver metropolitan area population growth between 2002 and 2012, and natural increase represented 63 percent of total growth. The prior decade (1992-2002) showed net migration of 71 percent.

Even with slower net migration during recession periods, the Denver metropolitan area's average annual population growth over the past ten years (1.4 percent) was noticeably faster than the national average (0.9 percent). The region's population grew 1.3 percent between 2011 and 2012, and the Denver metropolitan area is now home to nearly 2.9 million residents.

As the total population continues to grow at a faster-than-average pace, the Denver metropolitan area's young adult population is growing quickly as well. According to the Brookings Institution, the Denver metropolitan area had the third largest number of young adult (ages 25-34) net migration between 2009 and 2011 among 51 large metropolitan areas with populations greater than one million. The Denver metropolitan area also had the third highest amount of college graduates, aged 25 and older during the period. The area's median age (36.2) is lower than the nationwide median (37.3) and the total share of the region's population age 65 and older (11.2 percent) is somewhat smaller than the comparable share nationwide (13.3 percent).

Denver Metropolitan Area Population by County

	2002	2007	2012	Avg. Annual Population Growth (%)	
				2002-2007	2007-2012
Adams	371,181	415,915	459,730	2.3%	2.0%
Arapahoe	510,503	545,882	593,589	1.3%	1.7%
Boulder	284,433	288,757	304,066	0.3%	1.0%
Broomfield	42,432	53,328	58,930	4.7%	2.0%
Denver	559,090	570,437	628,174	0.4%	1.9%
Douglas	209,705	268,599	296,889	5.1%	2.0%
Jefferson	527,539	527,120	542,958	0.0%	0.6%
Denver Metropolitan Area	2,504,883	2,670,038	2,884,336	1.3%	1.6%
Colorado	4,504,709	4,821,784	5,189,245	1.4%	1.5%

Source: Colorado Division of Local Government, Demography Section.

# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

Of the seven Denver metropolitan area counties, Douglas County, the City and County of Broomfield, and Adams County have reported the fastest population growth over the past five years. Growth in five of the seven counties exceeded both the statewide and national average growth rates between 2007 and 2012.

## City and County of Denver

The City and County of Denver grew relatively slowly during the period 2002-2007. Net out-migration for each year from 2002 to 2006 contributed negatively to population growth, leading to a growth rate of 0.4 percent for the five-year period. However, migration picked up between 2007 and 2012 and led to an above average growth rate for the City and County of Denver compared with the entire Denver metropolitan area and Colorado. Rapid growth in new suburb-like neighborhoods such as Stapleton and Green Valley Ranch helped boost population. The revitalization of several existing downtown neighborhoods has also helped increase the number of city residents. Demographers expect net population change in Denver to remain positive and steady throughout the rest of the decade.

## **EMPLOYMENT**

The U.S. Bureau of Labor Statistics releases employment data based on two different surveys. The household survey – also called the Current Population Survey (CPS) – reflects employment characteristics by place of residence and is the data source for statistics on labor force, employment and self-employment, and unemployment by county. This data is discussed in the Labor Force & Unemployment section of this report.

The so-called “establishment” survey is the data source for the Current Employment Statistics (CES) series, which includes detailed information on employment, hours, and earnings by industry. Although the survey does not count the self-employed, the CES data are some of the most closely watched and widely used gauges of employment trends. CES data was revised in March 2013, and annual benchmark data are included in this report.

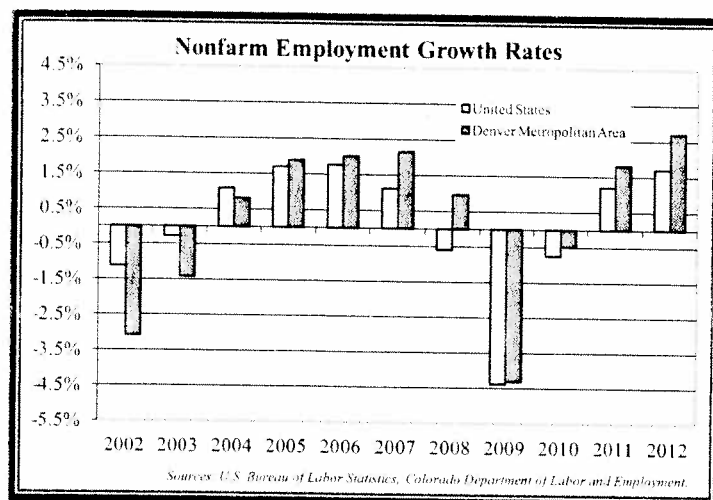
Industry employment data in the CES series are grouped according to North American Industry Classification System (NAICS) codes. This coding structure includes 20 detailed industry groups that are combined to form 11 industry “supersectors.”

## Colorado

In the past ten years, Colorado employment grew at an annual average rate of 0.6 percent, three times the national rate (0.2 percent). Two periods of recession pushed the employment growth down and have clearly shown the state’s tendency to exhibit amplified employment trends compared to the national average. Colorado has typically shown a more negative growth rate during the last two recessions but recovered more quickly and showed higher growth at peak times.

The concentration of certain industries in the state gave it unique advantages in recent times of economic growth. A large presence of high-tech, natural resource, and construction activity positioned Colorado to fare well in the current recovery. However, during periods of contraction, Colorado lacks large numbers of workers in industries that showed strength after the recent recession, such as public-sector healthcare and education and manufacturing. These factors led to a contraction (-1 percent) during 2010 that was greater than the national average (-0.7 percent) but higher growth during 2011 (1.6 percent) and 2012 (2.3 percent) than the nation (1.2 percent in 2011 and 1.7 percent in 2012).

# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA



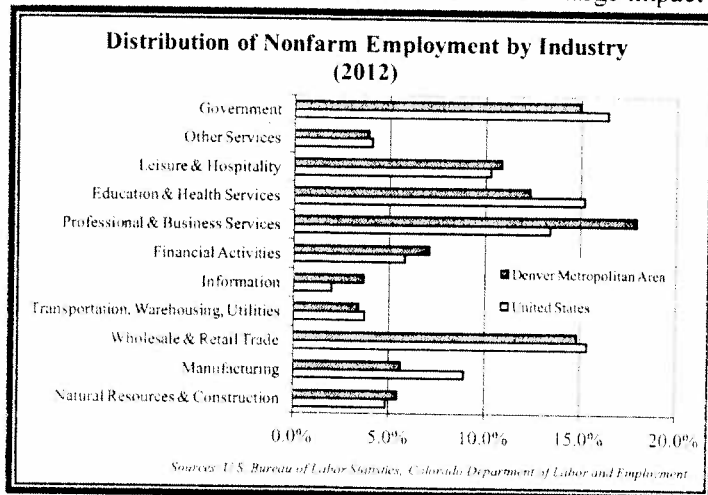
## Denver Metropolitan Area

The U.S. Bureau of Labor Statistics also compiles CES data for a number of Metropolitan Statistical Areas (MSAs), including the Denver-Aurora-Broomfield MSA (Denver MSA) and the Boulder MSA. The Denver MSA consists of ten counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties. Because CES data are not available for the counties individually, data in this section of the report reflect the Denver MSA and Boulder MSA (Boulder County) combined.

This 11-county region has a nonfarm employment base of more than 1.4 million

workers. Growth for the region has been even stronger than the state during the recent recovery, with employment rising 2.7 percent between 2011 and 2012. Accounting for over 61 percent of the state's employment, the Denver metropolitan area added 37,300 jobs of the total 51,800 jobs added in the state during the last year. The ten-year average annual growth rate for the area (0.6 percent) is approximately equal to the state. The 11-county region weathered the recent recession slightly better as well, with the lowest point of a 4.3 percent contraction in 2009, slightly higher than the state's employment loss of 4.5 percent.

Four industry supersectors – professional and business services, education and health services, leisure and hospitality, and wholesale and retail trade – accounted for 72 percent of Denver metropolitan area jobs added between 2011 and 2012. Part of these industries' large impact on overall job growth reflects their sheer size, as



they are some of the region's largest sectors in terms of total jobs. Employment in the region's third-largest industry supersector, government, increased slightly (0.5 percent) between 2011 and 2012, with slight increases in local and state government employment offsetting a 0.6 percent decline in federal government jobs.

The only supersector to report a decline between 2011 and 2012 was information. Employment in the supersector was 1.1 percent lower in 2012, most likely due to the dissemination of free information on the Internet, the changing landscape of publishing, and the reorganization of the region's largest telecommunications companies.

## City and County of Denver

The City and County of Denver is the employment center for the Denver metropolitan area and accounts for 31 percent of the region's total jobs. Downtown Denver's central business district has one of the area's largest

## AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

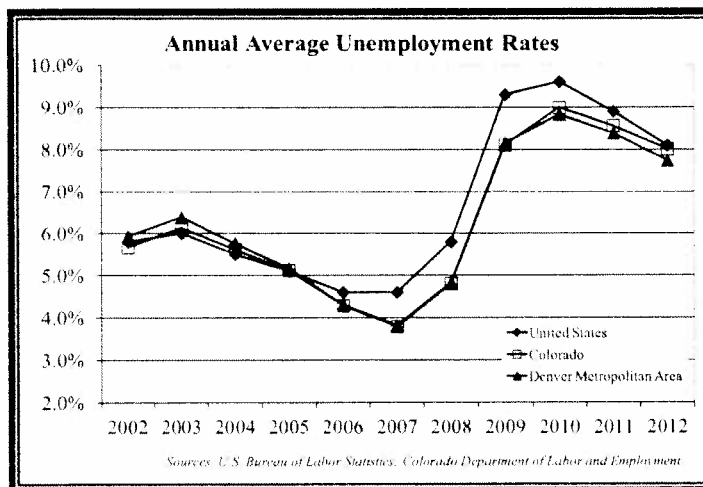
concentrations of office space and is home to telecommunications companies, large healthcare organizations, financial and legal firms, and a variety of other businesses. The City and County of Denver had the state's largest job base of roughly 434,100 workers in 2012, and employment increased 2.7 percent between 2011 and 2012.

The City and County of Denver's three largest industry supersectors by employment concentration are professional and business services (20 percent), government (16 percent), and education and health services (12 percent). Total employment rose in nine of the 11 industry supersectors with the largest increases in professional and business services (6.6 percent), natural resources and construction (6.5 percent), transportation, warehousing, and utilities (4.5 percent), and other services (4 percent).

Of the two industry supersectors that contracted in the City and County of Denver over-the-year, the steepest decline was in the information supersector (-4 percent), mirroring the larger Denver metropolitan area trend. Education and health services also contracted (-2.6 percent).

### LABOR FORCE & UNEMPLOYMENT

Since the recovery began in 2009, the nation has struggled with an elevated unemployment rate. While profits are at record levels, companies are not hiring in the uncertain economic environment. The national unemployment rate remains high, although progress has been made since reaching a peak in 2010 of 9.6 percent. Revised data show the unemployment rate declined to 8.1 percent in 2012, a decline of 0.8 percentage points from the 2011 rate (8.9 percent).



#### Colorado

Colorado's unemployment rate, while still elevated, was lower than the national average at 8 percent for 2012. Indeed, the Colorado unemployment rate consistently stayed below the national average throughout the recent recession. At the highest point in 2010, Colorado's unemployment rate was 9 percent, 0.6 percentage points below the national average peak.

#### Denver Metropolitan Area

The effects of the 2001 recession kept the region's unemployment rate above the national average until 2006, at which time the Denver metropolitan area unemployment rate remained

below five percent through 2008. The region's rate stayed below the national average throughout the recent recession and recovery. The revised data for 2012 show a 7.7 percent unemployment rate, and the Denver-Aurora-Broomfield MSA ranked in the middle (25th) based on data for December 2012 for the 49 largest metropolitan areas. The lowest rate was 4.8 percent in the Oklahoma City MSA and the highest in the Riverside-San Bernardino-Ontario, CA MSA (12.1 percent).

The Denver metropolitan area consistently attracts young, talented workers. As mentioned previously, between 2009 and 2011 the region recorded the third largest positive net migration of 25 to 34 year olds and had the third highest number of college graduates 25 years of age or older among the 51 largest metropolitan areas. The

# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

attractive pool of workers coupled with the well-performing economy enable employers to fill positions with local talent across a broad spectrum of skill levels.

## City and County of Denver

The City and County of Denver is an urban center, so its unemployment rate tends to be higher than that of the greater Denver metropolitan area. The unemployment rate in the City and County of Denver was also above the national average for the 2002-2006 period. After briefly dipping below the national average in 2007 through 2009, the rate once again surpassed the national average recently. Despite this, the unemployment rate in the City and County of Denver has stayed within 0.4 percentage points of the U.S. average during the recent recovery. Unemployment reached a peak of 10 percent in 2010, the highest point since the mid-1980's but shed 1.5 percentage points by 2012 to reach the lowest annual rate since 2008 (8.5 percent).

## MAJOR EMPLOYERS

**Metro Denver Largest Private Sector Employers**

Company	Product/Service	Employment
King Soopers Inc.	Grocery	12,720
Wal-Mart	General Merchandise	10,930
HealthONE Corporation	Healthcare	10,320
SCL Health System	Healthcare	7,710
Centura Health	Healthcare	7,140
Lockheed Martin Corporation	Aerospace & Defense Systems	6,950
CenturyLink	Telecommunications	6,800
Kaiser Permanente	Healthcare	6,030
Target Corporation	General Merchandise	5,550
Comcast Corporation	Telecommunications	5,500
Safeway Inc.	Grocery	5,420
Children's Hospital Colorado	Healthcare	5,020
United Airlines	Airline	4,900
University of Colorado Health	Healthcare	4,890
Wells Fargo Bank	Financial Services	4,800
DISH Network	Satellite & TV Equipment	4,310
IBM Corporation	Computer Systems & Services	4,200
University of Denver	University	3,850
United Parcel Service	Parcel Delivery	3,430
Ball Corporation	Aerospace, Containers	3,300
Frontier Airlines	Airline	3,300

Source: Development Research Partners, May 2013

were located in the Denver metropolitan area.

Ten companies headquartered in Colorado were included on the 2013 *Fortune 500* list. Arrow Electronics (141st) was the highest-ranked Colorado company, followed by DISH Network (189th), Liberty Global (256th), Liberty Interactive (270th), Newmont Mining (274th), Ball Corporation (301st), DaVita Inc. (311th), Level 3 Communications (398th), CH2M Hill (415th), and Western Union (445th).

Private sector businesses account for the majority of employment in the Denver metropolitan area, but the public sector also represents a sizeable portion of the area's job base. As the capital of Colorado, the City and County of Denver has a large concentration of government employees. Specifically, public sector employment in Denver consists of 14,000 federal government employees, 19,600 state government employees, and 33,600 employees in

Colorado's small businesses play a major role in the state's job creation and economic growth. Data from the U.S. Census Bureau show that, as of 2011, more than 98 percent of Colorado businesses employed fewer than 100 workers. Self-employment is another important economic driver in Colorado; according to the U.S. Bureau of Economic Analysis, Colorado had the nation's fourth-largest share of total jobs linked to sole proprietorship in 2011.

While small businesses and the self-employed are vitally important to the Denver metropolitan area economy, larger firms are also key providers of jobs and income. Census Bureau data show 123 firms with 1,000 or more employees were operating in Colorado in 2011 and more than 60 percent of these large businesses



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local government entities including Denver Public Schools (13,100 employees) and the City and County of Denver (10,800 employees).

### INTERNATIONAL TRADE

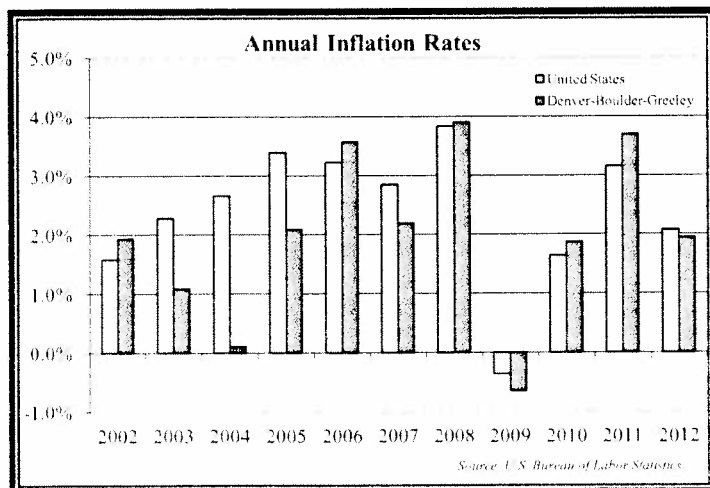
The Denver metropolitan area is located just west of the nation's geographic center and at the exact midpoint between Tokyo and Frankfurt. As a result, it serves as an ideal hub for businesses focused on interstate and international commerce. Shipping businesses can access the Denver metropolitan area via all transportation modes except water, and the region's location midway between Canada and Mexico – U.S. partners under the North American Free Trade Agreement (NAFTA) – is another asset for trade-focused companies. About one-third of the total dollar value of export shipments from Colorado went to Canada and Mexico in 2012; others of the state's largest trading partners include China, Japan, Germany, and the Netherlands.

The most recent recession took a significant toll on Colorado's exports, which fell sharply (-23.9 percent) between 2008 and 2009. Over that period, the decline in exports of computers and electronic products – Colorado's largest export commodity – was significantly sharper in Colorado (-41.3 percent) than it was nationwide (-15.6 percent). The state's total exports are now rebounding with an 11.3 percent increase from 2011 to 2012 compared with a 4.4 percent national increase.

Key exports for Colorado include computer and electronic products, food and kindred products, machinery, and chemicals. Computer exports increased 38 percent between 2011 and 2012, the largest increase of all export products. Other large increases occurred in oil and gas (32 percent), articles of iron or steel (23 percent), and meat (11 percent).

### INFLATION

The U.S. Bureau of Labor Statistics measures inflation – or deflation – as a change in the Consumer Price Index (CPI). The CPI is a compilation of price measures for items in eight broad categories, the most heavily weighted



of which are housing, transportation, and food and beverages. Housing carries the most weight of these three categories.

The weight placed on housing costs is one reason why the U.S. average and Denver-Boulder-Greeley CPIs have varied over the past decade. Slow economic growth following the 2001 recession and a milder-than-average home price boom meant the Denver-Boulder-Greeley CPI rose at a slower-than-average pace between 2003 and 2005. Oil prices – which tend to drive CPI when they are most volatile – rose in 2005 and brought the local and national inflation rates closer together.

Fallout from the 2007 recession caused a rare decline in both the Denver-Boulder-Greeley and U.S. CPIs in 2009, but variation in housing trends – slightly stronger trends in Denver and weaker trends elsewhere – again drove the CPIs apart in the following years. The Denver-Boulder-Greeley CPI rose 3.7 percent in 2011, 0.5 percentage points higher than the U.S. CPI. The two

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indexes stabilized in 2012, with the Denver-Boulder-Greeley index rising only 1.9 percent and the U.S. increasing 2.1 percent.

Denver-Boulder-Greeley prices for education and communication, food and beverage, other goods and services, medical care, and recreation rose more quickly than U.S. prices in 2012. Apparel, housing, and transportation rose more slowly.

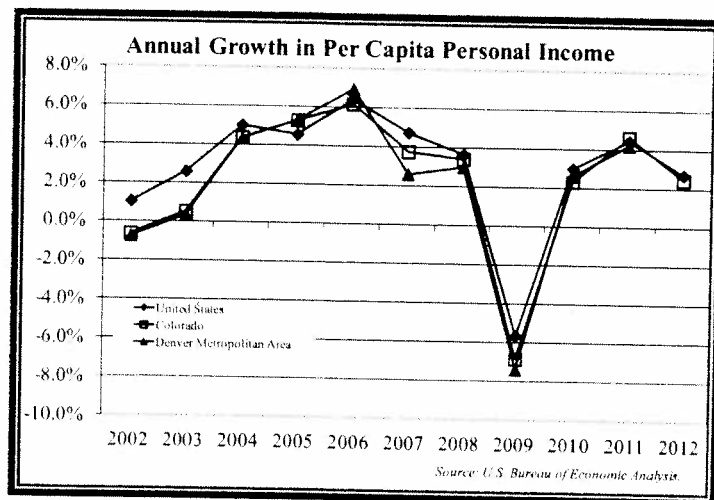
### INCOME

#### Colorado

The largest component of personal income is earnings from work, meaning a difficult labor market and slow wage growth can affect overall personal income trends. After the 2001 recession, the total personal income growth rate declined to 0.8 percent in 2002. The following years showed a steady increase in growth, with faster-than-average growth in 2005 and 2006 reflecting a boom in energy and natural gas exploration. The housing crisis pushed total personal income growth downward in subsequent years, eventually leading to a decline of 5.3 percent in 2009. Growth began to recover in 2010 (3.9 percent) and continued in 2011 (6.1 percent). However, even though employment increased at a brisk pace in 2012, stubbornly high unemployment rates kept wage growth to a

minimum, and personal income grew at a slower 3.9 percent pace in 2012.

Growth in per capita personal income – or total personal income divided by population – is often slower-than-average in Colorado as the state's population has long grown at a rate faster than the national average. Despite this trend, per capita personal income in Colorado was \$45,135 in 2012 or 106 percent of the national average.



#### Denver Metropolitan Area

Personal income trends in the Denver metropolitan area have roughly followed the statewide trend over the past decade. Income growth slowed after the 2001 recession, accelerated between 2004 and 2006, and slowed

– eventually declining – during the most recent recession. The decline in Denver metropolitan area total personal income between 2008 and 2009 (-5.8 percent) was steeper than the decline reported nationwide (-4.8 percent), but the region's personal income grew faster than the national average in 2011, increasing 6 percent compared with the national increase of 5.2 percent.

Denver metropolitan area per capita personal income in 2011 (\$49,398) was 119 percent of the U.S. average. Comparatively high wage rates tend to keep per capita personal income in the Denver metropolitan area above the national average. Denver metropolitan area average annual pay in 2012 (\$56,340) was up 3.2 percent over the 2011 annual average.

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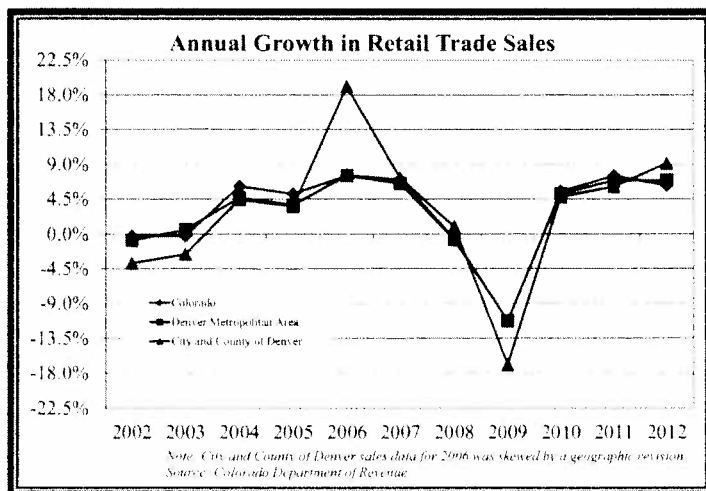
## City and County of Denver

Per capita personal income in the City and County of Denver is generally higher than the U.S., averaging 134 percent of the national number between 2002 and 2011. The income differential peaked in 2006, when per capita personal income (\$53,034) reached 141 percent of the national average. The City and County of Denver per capita personal income fell sharply (-9.9 percent) between 2008 and 2009, but began recovery in 2010 and 2011, growing 5.6 percent and 4.1 percent, respectively.

The City and County of Denver boasts a higher than average per capita personal income compared with the Denver metropolitan area, averaging 109 percent of the metro-wide number since 2002. The difference can be attributed to the relatively high wage rates in the county. Denver metropolitan area average annual pay in 2012 (\$56,340) was up 3.2 percent over the 2011 annual average. The comparable average annual pay for the City and County of Denver (\$60,960) in 2012 was 2.6 percent higher than the previous year.

## **RETAIL TRADE**

Retail sales account for a large part of the nation's total economic output and are a useful indicator of overall consumer health. The recession pushed national retail sales down in 2008 and 2009, when sales declined 1.2 percent and 7.1 percent, respectively. However, as consumer financial situations recovered and confidence rose, retail sales also grew, increasing 8 percent in 2011 and 5 percent in 2012. Durable goods sales also recovered, an encouraging sign since these products tend to be more expensive and represent a long-term commitment, such as cars. In fact, motor vehicle sales rose 10.8 percent in 2011 and 7.6 percent in 2012. The strong increase in consumers purchasing vehicles signaled that households were financially more stable than they were during the recession when motor vehicles sales decreased significantly by 14 percent in 2008 and 13.9 percent in 2009. The impressive rebound may also partially be due to the delay in purchasing big ticket items during difficult times.



## Colorado

Reflecting the recessions in 2001 and 2007, retail trade sales in Colorado fell in 2002 and 2003 and again in 2008 and 2009. However, as the labor market recovered, retail trade sales reflected consumers' recovering incomes and spending abilities. After a decline in 2009, retail trade sales increased 5.5 percent in 2010 and increased even more in 2011 by 7.5 percent. Sales growth slowed slightly in 2012 to 6.2 percent, possibly reflecting the slower growth in personal income and that much of the pent-up demand was satisfied in 2011.

## Denver Metropolitan Area

Like sales in Colorado, retail trade sales in the Denver metropolitan area grew rapidly in 2006 and 2007. A strong housing market allowed households more asset-based wealth, and solid job and income growth also supported retail sales. When the most recent recession dramatically lessened household wealth and drove unemployment higher, Denver metropolitan area retail trade sales fell 0.8 percent in 2008 and 11.3 percent in 2009.

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Denver Metropolitan Area Retail Trade Sales (\$000s)

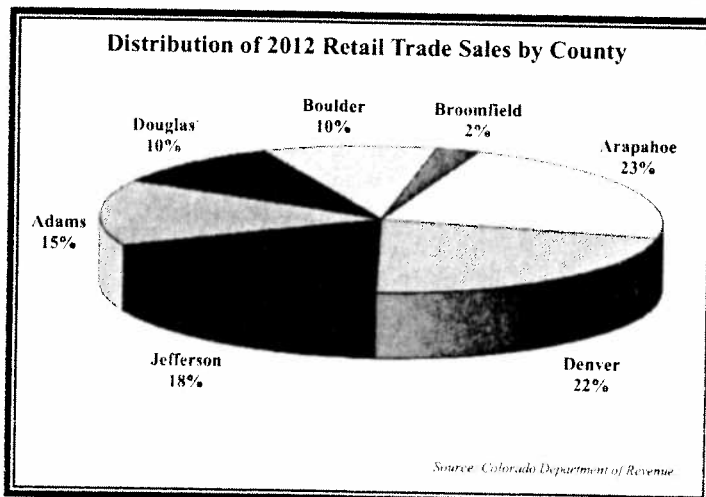
Industry	2011	2012	Percentage Change
Retail Trade:			
Motor Vehicle / Auto Parts	\$7,811	\$8,876	13.6
Furniture and Furnishings	\$1,385	\$1,526	10.2
Electronics and Appliances	\$1,438	\$1,412	-1.8
Building Materials / Nurseries	\$2,491	\$2,733	9.7
Food/Beverage Stores	\$8,296	\$8,755	5.5
Health and Personal Care	\$1,434*	\$1,615	-----
Service Stations	\$2,612	\$2,745	5.1
Clothing and Accessories	\$2,276	\$2,362	3.8
Sporting/Hobby/Books/ Music	\$1,522	\$1,505	-1.1
General Merchandise/ Warehouse	\$6,261	\$6,548	4.6
Misc. Store Retailers	\$1,804	\$2,115	17.2
Non-Store Retailers	\$789 *	\$859	-----
Total Retail Trade	\$38,336	\$41,052	7.1
Food / Drinking Services	\$5,369	\$5,674	5.7
<b>TOTAL</b>	<b>\$43,705</b>	<b>\$46,726</b>	<b>6.9</b>

Note: Data are not adjusted for inflation. Sales by industry may not add to totals due to rounding and data suppression.

\*total does not include data that have been suppressed.

Source: Colorado Department of Revenue.

2012. Total 2012 sales in the City and County of Denver were up 9.1 percent over-the-year, the strongest increase of the seven counties. Arapahoe County – which has the largest share of retail trade activity in the Denver metropolitan area – showed retail trade sales growth of 6.4 percent. Sales in each county in the Denver



the makeup and function of markets has clearly changed. Census data show the U.S. homeownership rate fell from 69.1 percent in the first quarter of 2005 to a fourth quarter 2012 rate of 65.4 percent, the lowest rate reported since 1997. The shift in homeownership for individual states has been even more profound: Colorado's homeownership rate fell from 72.1 percent in the first quarter of 2005 to 64.9 percent in the first quarter of 2012. In fact, Colorado ranked ninth for largest percentage-point decline in homeownership over the seven-year period.

Consumer confidence data suggest many households are becoming more optimistic about the economic situation, and consumers have noticeably increased their spending since the recession. Denver metropolitan area retail trade sales rose 6.9 percent in both 2011 and 2012. Sales of motor vehicles and auto parts, a good indicator of healthy spending, rose 13.6 percent in 2012. Furniture and furnishings, another durable goods category, increased 10.2 percent. Sales for two of the largest contributors to total Denver metropolitan area retail trade sales – grocery stores and general merchandise stores – rose 5.5 percent and 4.6 percent between 2011 and 2012, respectively.

## City and County of Denver

Retail trade sales in the City and County of Denver represented 22 percent – the second-largest share – of total sales in the Denver metropolitan area in 2012. Total 2012 sales in the City and County of Denver were up 9.1 percent over-the-year, the strongest increase of the seven counties. Arapahoe County – which has the largest share of retail trade activity in the Denver metropolitan area – showed retail trade sales growth of 6.4 percent. Sales in each county in the Denver metropolitan area increased in 2012, with the smallest over-the-year gain in the City and County of Broomfield (1.4 percent). The other counties increased between 5.4 percent (Jefferson County) and 8.8 percent (Adams County).

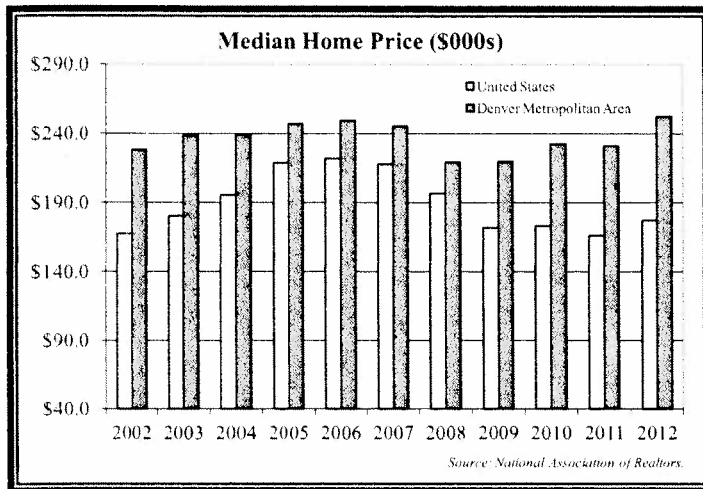
## RESIDENTIAL REAL ESTATE

Combined, all aspects of the housing market – from new home construction to money spent on mortgage and rental payments, furnishings, and home improvements – contribute significantly to the nation's economy. Housing's large role in the economy explains why the market collapse helped trigger such a deep recession in 2007.

While housing markets appear to be recovering,

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Despite a large decline in homeownership, Colorado's housing market appears to be recovering more quickly than markets elsewhere. Foreclosures declined during 2012 and home sales improved. With interest rates at record lows nationally, home ownership is becoming even more attractive, as demand improved for both existing-home sales and residential building permits.



### Residential Home Prices

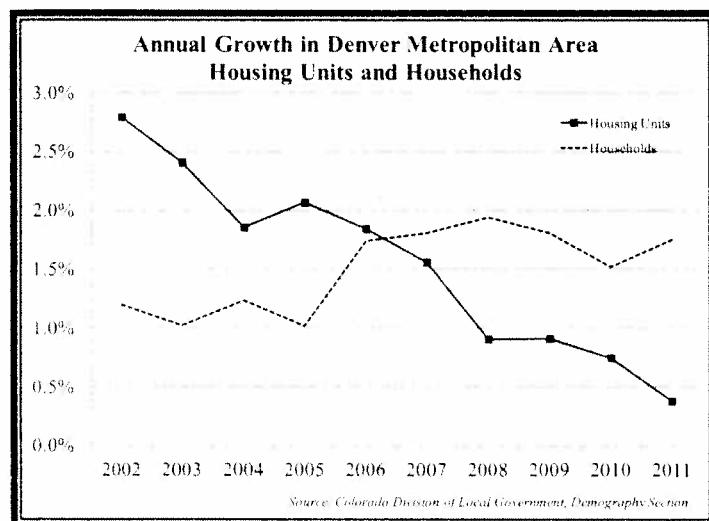
Median home prices in the Denver metropolitan area showed positive signs of recovery during 2012, rising 9.1 percent to an average of \$252,400. After a slight dip in 2011 (-0.4 percent), the increase in 2012 brought housing prices above levels prior to the housing bust. The Denver metropolitan median home price is now 1.2 percent higher than the 2006 peak, whereas the 2012 national median home price remained 20.1 percent lower than the 2006 peak. Prices in the Denver metropolitan area did not rise as quickly as national prices during the 2000-2006 period, leading to the relatively milder collapse

of housing prices in 2007 and the subsequent faster increase during the recovery.

The S&P/Case-Shiller Home Price Index shows that the Denver home price index is the city closest to reaching its prior peak index value. The December 2012 data shows the Denver index was 4.4 percent below its peak in August 2006. The 20 city composite index was 29.3 percent below its peak in July 2006. Another housing price index, the Federal Housing Finance Agency's Home Price Index shows Denver as having the 19th highest (+2.9 percent) over-the-year increase of 304 metropolitan areas using third quarter 2012 data. When comparing the

Denver area index to its five-year value change, it ranks 72nd with a slightly negative change (-1.8 percent). Both price indexes, while using different methodologies, indicate that the Denver metropolitan area is doing relatively well, and home prices are recovering.

Demographic data suggest Denver metropolitan area home prices might be poised for continuing appreciation in the coming years. Since 2006, the growth in household formation has outpaced the growth in housing units. The growth in households will ultimately lead to stronger demand for housing, supporting higher home prices and prompting increased residential construction.



### Foreclosures

The foreclosure crisis, triggered by widespread subprime home loans, high unemployment, and falling home prices, significantly improved by 2011. Foreclosure filings fell 28.4 percent in 2011 to 16,741 in the Denver

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metropolitan area and dropped another 10.3 percent in 2012. Despite the declines, 2012 filings were still almost 2.5 times the number in 2002. The improving economy and tighter restrictions on home loans are helping to keep foreclosures down, but numbers may remain elevated until foreclosures delayed by judicial processes subside.

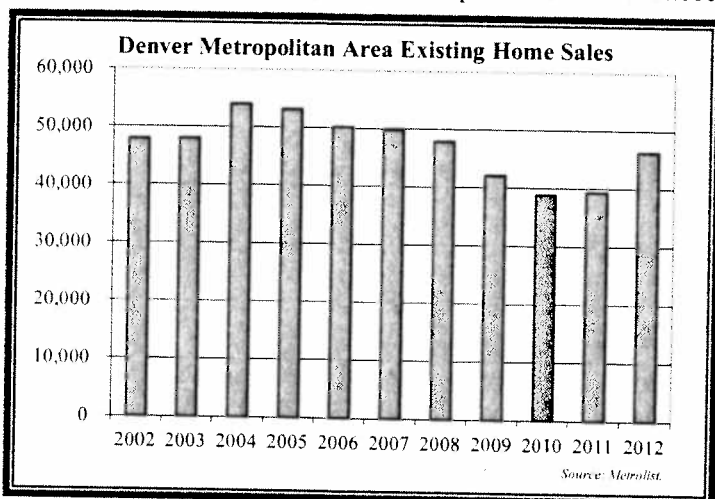
The count of new filings reported in the City and County of Denver in 2012 (3,064) was almost 11 percent lower than the 2011 count.

### Residential Home Sales

Denver metropolitan area existing home sales reached a peak (54,012) in 2004. Sales ratcheted down in the following years before dropping more noticeably in 2009 and 2010. With high unemployment, tight housing credit, falling home prices, and the whiplash effect of homebuyers' stimulus programs – an initial boost in

demand followed by a sharp drop in home buying – sales in 2010 fell more than 28 percent below the 2004 peak.

By mid-2011, however, home sales totals were consistently rising above year-ago totals. The sales count for the year (39,387) was still substantially below pre-recession averages, but a gradual upswing in sales activity appeared increasingly entrenched. Sales improved significantly in 2012, rising 17.5 percent to 46,299. The strong increase boosted the sales level to a more sustainable level based on the size of the Denver metropolitan area market. The inventory of unsold houses has also declined, reaching the lowest level at the end of 2012 of



data dating back to 1990. The low inventory has created a seller's market, which should ultimately encourage hesitant home sellers to enter the market.

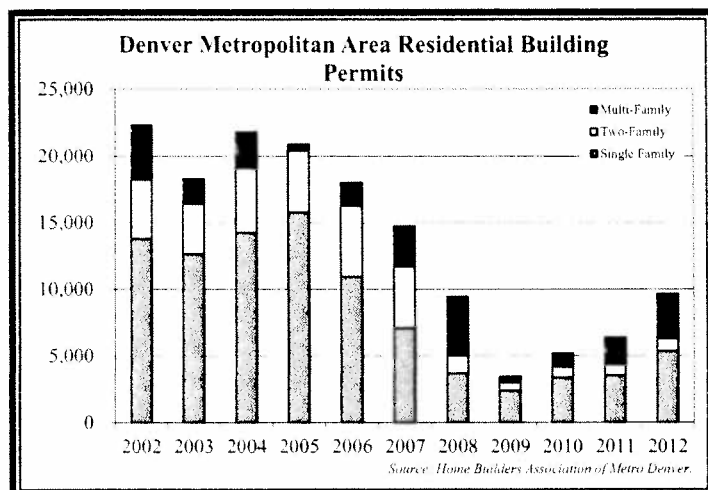
### Residential Building Permits

Denver metropolitan area new home construction trends met both extremes since 2000: the total count of residential permits pulled in 2000 (28,310) was one of the highest reported since the early 1980s, while the total pulled at the bottom of the market crash in 2009 (3,436) was the lowest reported in at least three decades. Permit issuance notched upwards beginning in 2010, and increased 51.3 percent in 2012 to 9,636 and 180.4 percent since the low in 2009. Despite the significant year-over-year gains, building permits are still far below the 2000 peak.

Demographic data and anecdotal reports suggest housing demand is growing. Colorado and the Denver metropolitan area continue to attract new residents, and stronger-than-average job growth over the past year has added to the areas' appeal for relocating households. Housing demand will rise as families that lost a home or shared housing during the downturn seek new living arrangements. Low existing housing inventory for sale also signals that households will turn to building new homes.

While these shifts suggest housing demand will continue to strengthen as the economy improves, demand may rise for different property types – specifically, smaller homes and rental housing – than those commonly sought before the downturn. Construction of apartment-style housing more than doubled in 2010 and 2011, signaling that demand for rental housing was rising in a difficult economic environment. However, 2012 data suggest a slight

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shift in direction, as single-family detached home permits rose 52.3 percent over 2011, and the increase in apartment construction slowed to a 66.7 percent increase.

Total permits issued in the City and County of Denver dropped nearly 37 percent between 2011 and 2012, after a large jump the previous year of almost 75 percent. After a strong year, multi-family permits dropped to 87 in 2012 from 1,215 in 2011. As households struggled to obtain financing for houses after the recession, apartment demand prompted builders to begin projects. Much of the demand for rentals had been satisfied, pushing down 2012 numbers. Single-family permits, including attached and

deattached single-family homes, climbed to 1,211 in 2012, a 45 percent increase.

Data on apartment vacancy also indicate that demand for apartments in the Denver metropolitan area is increasing, as the vacancy rate dropped 0.5 percentage points between 2011 and 2012 to an average rate of 4.7 percent. The *Denver Metro Apartment Vacancy and Rent Survey* shows vacancy rates declining for each of the seven counties in the region except the City and County of Denver. The vacancy rate increased 0.4 percentage points in the City and County of Denver, reflecting the large increase in new apartments permitted, which occurred in 2011. Vacancy rate changes in the other counties ranged from a decrease of 0.1 percentage points in Douglas County to a 1.2 percentage point drop in Boulder/Broomfield Counties.

Rising apartment demand and falling vacancy rates have driven average lease rates higher: the Denver metropolitan area average rent increased 5.5 percent between 2011 and 2012 to \$974 per month. The only county to report a decline in the average rental rate was Adams County, where the average rent for 2012 declined 0.2 percent compared with 2011. The largest increase occurred in the Boulder/Broomfield area, as the average rent for 2012 increased 7.2 percent annually.

### COMMERCIAL REAL ESTATE

Prior to the 2001 recession, commercial developers were highly active in the Denver metropolitan area: in 2000 and 2001 alone, builders completed almost 20 million square feet of new office and industrial space. Once the nationwide recession took hold, the large inventory of new space weighed on the market and pushed lease rates steadily lower until 2004.

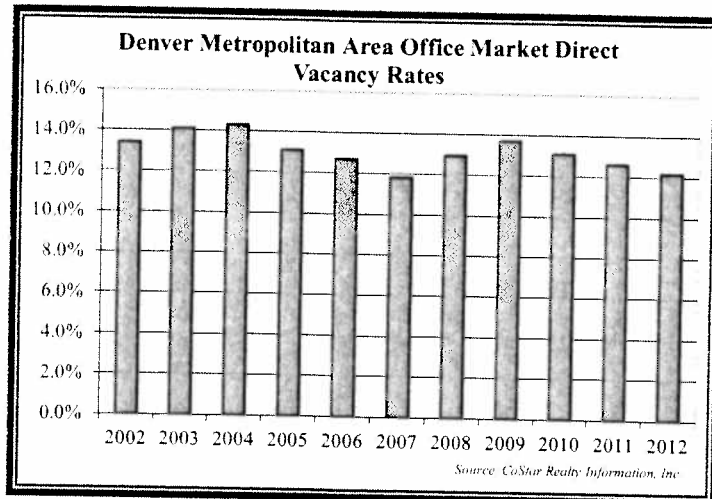
After a few years of recovery, the region's commercial real estate markets faced another recession. While defaults, a near disappearance of commercial real estate credit, and a drop in property demand put Denver metropolitan area markets under heavy strain, this latest round of recession was arguably more manageable for many submarkets and property types. Without the overbuilding that came before the 2001 recession, vacancy rates in many areas did not rise to the levels reported earlier in the decade.

As 2012 ended, the Denver metropolitan area's commercial real estate markets appeared to have settled in a pattern of slow – but steady – improvement, and the market remained highly attractive to national tenants and



## AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

investors. Vacancy rates have not improved enough to push up lease rates, but speculative development is finally on the horizon, an encouraging sign for commercial real estate.



### Office Activity

Data from CoStar Realty Information, Inc. show the direct office market vacancy rate in the Denver metropolitan area fell in 2012 to 12.2 percent, the lowest rate since 2007. The vacancy rate hit a peak of 13.7 percent in 2009 and has been slowly improving since that time. Office lease rates have not struggled as much as vacancy rates, remaining relatively stable during the recession and after. The average lease rate in the fourth quarter of 2012 (\$20.74 per square foot) was an improvement over the rate of \$19.86 per square foot posted in the fourth quarters of both 2011 and 2010.

As job growth continues and office market property demand revives, the region's rental rates should increase and will eventually prompt new development. In the meantime, most of the office market construction has been build-to-suit. Several large build-to-suit projects were underway at the end of 2012. Notable projects include IMA Financial Group, The TriZetto Group, and Trimble, with each choosing to build headquarters in the Denver metropolitan area.

### Industrial and Flex Activity

CoStar Realty Information shows that industrial direct vacancy rates for the Denver metropolitan area improved since the recession. In fact, the 2012 vacancy rate of 5.2 percent was at its lowest point since 2000. The vacancy rate has steadily decreased since the high of 8.1 percent in 2005. However, higher demand for space has not translated into higher lease rates, as rates have been volatile since 2008, decreasing one year but increasing the next. Until vacancy rates decrease enough to push up lease rates, volatility may continue. The fourth quarter 2012 industrial direct average lease rate was \$4.66 per square foot, 2 percent higher than the fourth quarter 2011 rate but 0.6 percent lower than the fourth quarter 2010 rate.

Like lease rates in the industrial market, flex market rates have not yet responded to lower vacancy: the Denver metropolitan area direct flex market lease rate in the fourth quarter of 2012 (\$8.80 per square foot) was 8.8 percent lower than the fourth quarter 2008 average. Direct flex market vacancy in the fourth quarter (11.9 percent) was 0.9 percentage points below the year-ago level but was still above the pre-recession low of 11.1 percent. Bargain-priced office, industrial, and retail properties made stiff competition for flex properties during the recession and have likely contributed to a slower flex market recovery.

Build-to-suit projects dominated the 2012 industrial and flex market construction scene. However, as vacancy rates slowly decline, speculative projects will begin to pick up. After the completion of a mere 50,000 square feet of new industrial and flex space in 2011, about 1 million square feet was completed in 2012. Improvement in overall economic activity is encouraging developers and companies to pursue projects delayed by the recession and slow recovery.



# AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

## **Retail Activity**

Because the recession dealt a direct blow to consumers, it also took a large toll on retail real estate. The direct vacancy rate for the retail market in the Denver metropolitan area has steadily declined since the recession, after hitting a peak of 8.1 percent in 2009. The 2012 vacancy rate (6.6 percent) was lower than the 2011 rate (6.9 percent). Average lease rates in the retail market have not responded to improved vacancy rates, trending downward since 2009. Despite the 1.3 percentage point decline in the vacancy rate between the fourth quarter of 2009 and fourth quarter of 2012, the lease rate has declined 11.5 percent over the same period. Landlords may be keeping rents low until consumer spending markedly improves. As the economy grows and consumers become more confident, the retail market should see positive results.

The amount of retail projects under construction was at its highest point at the end of 2012 since the end of 2008. Retailers were most likely wary of economic circumstances and less inclined to build new facilities during and after the recession. The pickup in construction activity points to a recovering market and higher consumer confidence in the economy.

## **Medical Facilities**

A rapidly growing – and aging – population demands more healthcare, and the healthcare sector continues to be one of the Denver metropolitan area's most active in construction activity. Projects underway in 2012 included the \$100 million Children's Hospital Colorado South Campus in Highlands Ranch; three Centura Health expansions in Lakewood, Westminster, and Castle Rock; a \$90 million renovation and expansion of Craig Hospital in Englewood; and a \$623 million Exempla St. Joseph Hospital redevelopment project in Denver. Other projects are already slated to begin in 2013, signaling that strong activity will continue beyond 2012.

The healthcare field is particularly active in Aurora and includes the Fitzsimons Life Sciences District and the University of Colorado Anschutz Medical Campus. The site, including the Fitzsimons Life Sciences District and the adjacent Anschutz Medical Campus, is the largest medical-related redevelopment in the nation and the world's only completely new research, education, and patient complex. The attractiveness of this unique area has brought new facilities and companies. Several projects were finished at the campus during 2012 including the Children's Hospital Colorado which opened a \$230 million expansion consisting of a 10-story East Tower and the University of Colorado Hospital which opened a five-story, \$20 million addition to the Anschutz Cancer Pavilion. Also in Aurora, the 543,000-square-foot Buckley Clinic on Buckley Air Force base opened in May 2012.

## **TRANSPORTATION**

With access by road, rail, and air, the Denver metropolitan area is one of the country's most important transportation hubs. The region's national and international connectivity both reflects and supports its dynamic economy.

### **Highways**

Colorado's transportation network includes almost 1,000 miles of Interstate highway, more than 300 miles of other freeways and expressways, and almost 87,100 miles of arterials, collectors, and local roads. In 2011, the entire network supported more than 46.6 billion vehicle-miles of travel.

The Denver metropolitan area is at the crossroads of three major Interstate highways. Motorists can access I-25 for north-south travel and both I-70 and I-76 for east-west routes. More than three-quarters of the Denver metropolitan area beltway – E-470, C-470, and the Northwest Parkway – has been completed to date. In 2008,

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Jefferson County, the City and County of Broomfield, and the city of Arvada formed the Jefferson Parkway Public Highway Authority to complete the remaining portion of the beltway. Despite the recent positive developments in the parkway planning, construction may be more than two years in the future.

Improvement and maintenance of a high quality transportation system contributes to the state's long-term economic well-being. In 2009, Colorado legislators approved a bill – Funding Advancements for Surface Treatment and Economic Recovery (FASTER) – which added an average of \$61 per year to the cost of each Colorado vehicle registration to fund bridge repairs and highway improvements. FASTER encompasses four programs that focus separately on bridge safety and repair, highway safety, highway funding, and transit and rail. FASTER revenues are projected to total \$197 million in fiscal year 2013.

As the state's largest economic hub, the Denver metropolitan area receives a significant portion of the Colorado Department of Transportation (CDOT) annual funding allocation. In fiscal year 2011, the highway regions that encompass the Denver metropolitan area received \$233.8 million in CDOT funding that went towards construction (62 percent of funds), maintenance (29 percent), and traffic and safety work (eight percent).

### **Mass Transit**

The Regional Transportation District (RTD), funded by a one percent sales tax, oversees the Denver metropolitan area's mass transit system. RTD operates almost 1,000 buses on 134 fixed routes and 172 light rail vehicles on six light rail lines (C, D, E, F, H, and W). The District operates 77 Park-n-Rides, 46 light rail stations, and more than 9,800 bus stops. RTD also operates 36 hybrid-electric buses along the 16th Street Mall in downtown Denver and transports visitors from one end of the mile-long pedestrian mall to the other free of charge. System-wide ridership for 2012 resulted in more than 99 million boardings.

As the Denver metropolitan area continues to grow, RTD is working to expand its capacity and satisfy transit demand through FasTracks, a \$7.4 billion plan for the buildout of a comprehensive, multi-modal metro transit system. When completed, FasTracks will add 122 miles of new light rail and commuter rail, 18 miles of bus rapid transit service, and more than 21,000 new parking spaces at rail and bus stations. FasTracks will also redirect bus service to better connect communities throughout the Denver metropolitan area and will add 57 new transit stations.

Perhaps the most prominent of these stations, Union Station, will combine state-of-the-art facilities for buses, light rail, regional rail, and commuter rail with office, residential, and retail development on nearly 20 acres of space in the heart of downtown Denver. Builders are currently working to redevelop the historic Union Station and have made progress on a regional bus facility, a light rail plaza, and support systems for a commuter rail line to Denver International Airport. The completed Union Station project will also include several public plazas and a privately operated boutique hotel.

Rail lines that will connect with Union Station are also underway. The West Corridor – which runs between Union Station and the Jefferson County Government Center – was the first FasTracks corridor to begin full construction and was recently completed in April 2013. In 2010, builders broke ground on Eagle P3, a multi-pronged project that includes the East Corridor commuter rail line between Union Station and the airport, the Gold Line light rail between Union Station and Wheat Ridge, and a portion of the Northwest Rail Corridor. The Eagle P3 corridors will be funded, built, and managed by a first-of-its-kind public-private partnership, and construction should be complete in 2016.

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Other FasTracks projects currently underway include an extension of the I-225 Corridor light rail line, which will eventually connect to commuter rail on the East Corridor, and the U.S. 36 Bus Rapid Transit, an 18-mile highway segment providing service between Downtown Denver and Boulder. RTD staff are also planning work on the North Corridor and extensions to several existing corridors.

### Air

Denver International Airport (DIA) provides an invaluable link between the Denver metropolitan area and the global community. Located on a 53-square-mile parcel northeast of downtown Denver, DIA has six runways – one of which is the longest commercial runway in North America – plus three concourses, 93 gates, and 47 regional aircraft positions. Fourteen commercial carriers offer more than 170 nonstop flights from DIA to destinations worldwide. Partly because three of those carriers – United Airlines, Southwest Airlines, and Frontier Airlines – have Denver hubs, the airport has developed a reputation for some of the nation's most competitive fares. DIA ranked third among the 20 major U.S. airports with the lowest airfares in the fourth quarter of 2012, and it reported the largest decline in average fares between the fourth quarters of 2000 and 2012.

DIA is the only major U.S. airport constructed in the past 25 years. As a relatively new facility, DIA was designed around sustainability and has become one of the nation's models for green operations. The airport's ISO 14001 certified environmental management system provides a comprehensive framework for reducing waste, protecting natural resources, and conserving energy, and airport officials aim to make DIA a zero-waste, carbon-neutral facility by 2020. Progress towards that goal is already evident: with three large solar arrays, DIA is the largest distributed generation photovoltaic energy producer in the state.

The airport's location and relative youth also make it one of the few facilities nationwide that still have room for growth, and expansion capacity has become an asset as the airport serves progressively larger numbers of passengers. In 2012, DIA and airline staff managed almost 1,700 flight operations and more than 145,600 passengers every 24 hours. Total airport passenger traffic rose 0.6 percent between 2011 and 2012 and reached a record 53.2 million, while passenger traffic nationwide decreased 6.8 percent. DIA ranks as the nation's fifth-busiest airport by passenger traffic and is the 11th busiest airport worldwide.

The total amount of cargo shipped through DIA declined slightly between 2011 and 2012. Still, air freight activity remains a dynamic part of the airport's daily operations. Five cargo airlines and 10 major and national carriers currently provide DIA cargo service, and the carriers handled roughly 522 million pounds of shipments – including 488 million pounds of freight and express and 34 million pounds of air mail – in 2012.

With a dynamic freight business and record passenger growth, DIA is poised to expand. Builders have started work on the \$500 million South Terminal redevelopment project, which includes train and baggage system upgrades, a new public plaza, a station for the commuter rail line that will connect DIA with Union Station, and a 519-room Westin Hotel. The train station should be ready for preliminary testing in 2014, and the hotel will open in 2015.

The airport's growth is also galvanizing development activity on surrounding property. Officials with DIA and the City and County of Denver recently unveiled plans for Airport City Denver, a large, mixed-use development that could occupy surplus airport land. The plan includes six individual districts: the first district, Airport City Center, would include a cluster of hotels, stores, and office buildings and would locate near DIA. Another district, Airport City Gateway, would include parking structures, an automobile and RV mall, and several transit-oriented developments. Airport City Tech would house companies focused on renewable energy, aerospace, and bioscience, while Airport City Agro would support food and biofuels manufacturing. Airport City Logistics would offer warehousing and distribution space, and Airport City Aero would focus on military and aviation uses.

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Three reliever airports complement DIA's expanding role in the Denver metropolitan area economy. Centennial Airport serves the southeast metro area; Front Range Airport is located six miles southeast of DIA and serves the northeast Denver metropolitan area; and Rocky Mountain Metropolitan Airport serves Jefferson, Broomfield, and Boulder Counties in the northwest area. Three general aviation airports – Boulder Municipal Airport, Erie Municipal Airport, and Vance Brand Municipal Airport in Longmont – also serve the Denver metropolitan area.

### Rail

Rail lines are a critical component of the nation's transportation system and are vital to the Denver metropolitan area's economic health and global competitiveness. Colorado is home to 14 freight railroads operating on more than 2,680 miles of track, and the Denver metropolitan area serves as a major hub for the Burlington Northern Santa Fe and Union Pacific railroads. According to the Association of American Railroads, coal accounted for 70 percent of rail shipments originating in Colorado and almost 60 percent of shipments ending in the state in 2010.

Passenger rail adds to the variety of travel options available in the Denver metropolitan area. Amtrak's California Zephyr route offers area residents transportation through the Rocky Mountains west of Denver and connects Chicago to San Francisco. Almost 206,430 travelers passed through Colorado Amtrak stations in fiscal year 2011, and more than half (56 percent) of those travelers either boarded or alighted from trains in the Denver metropolitan area.

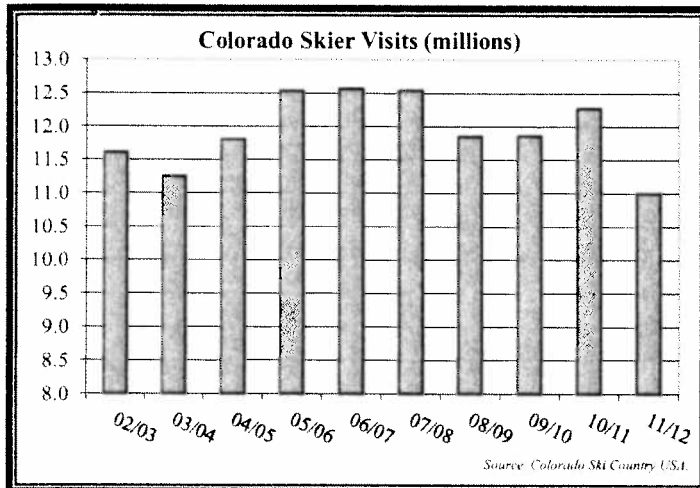
### **TOURISM**

Denver's many recreational opportunities, cultural attractions, and entertainment and convention venues make the region a favorite of business and leisure travelers. According to the most recent study by Longwoods International, Denver tourism activity increased to a record 13.2 million overnight visitors spending \$3.3 billion in 2011, representing a four percent increase in visitors and a 10 percent increase in spending over 2010. Business travelers were responsible for a large portion of the increase, registering a 17 percent increase in visits and a 15 percent increase in spending. Top Denver attractions for visitors included the 16th Street Mall and the Cherry Creek Shopping District, as well as the LoDo Historic District and numerous other cultural facilities.

In addition to excellent cultural attractions and amenities, the Denver metropolitan area is also home to a variety of professional sports teams and some of the newest sports venues in the nation. Denver sports fans enjoy seven professional sports franchises – the NFL Denver Broncos, the NBA Denver Nuggets, the MLB Colorado Rockies, the NHL Colorado Avalanche, the MLS Colorado Rapids, the NLL Colorado Mammoth, and the MLL Denver Outlaws. Each of these teams plays in a venue constructed within the past 20 years. Coors Field – a 76-acre ballpark – hosted two sold-out games of the 2007 World Series, and the 76,125-seat Sports Authority Field at Mile High hosts Denver Broncos football and Denver Outlaws games as well as large public events. Located nine miles northeast of downtown Denver, Dick's Sporting Goods Park opened in spring 2007 and hosts the Colorado Rapids soccer team. With an 18,000-seat stadium and a fully-lit, 24-field complex, the park is considered to be one of the largest of its kind in the world. Finally, the Pepsi Center hosts three professional sports teams and numerous special events throughout the year.

Denver metropolitan area residents and visitors enjoy year-round outdoor recreation. The City and County of Denver maintains more than 200 city and mountain parks, and eight state parks are located in or immediately outside of the seven-county Denver metropolitan area. The region is also the gateway to the Rocky Mountains, which attract hikers, bikers, rafters, and climbers during the summer and winter sports enthusiasts during colder

## AN ECONOMIC & DEMOGRAPHIC OVERVIEW OF THE DENVER METROPOLITAN AREA

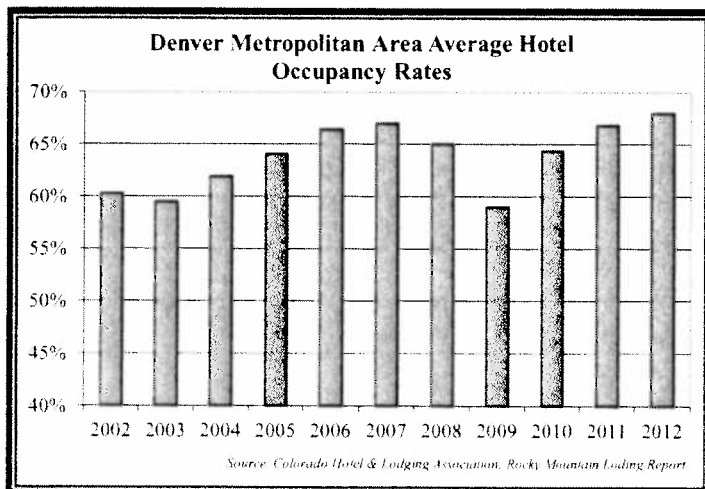


months. In fact, Colorado is one of the nation's most-favored destinations for skiing: 11 of the 20 top resorts in *Ski* magazine's "2011-2012 Resort Rankings" are located in the Colorado Rocky Mountains.<sup>1</sup>

Twelve Colorado ski resorts – including several in the top resorts ranking – are located within two hours of the Denver metropolitan area. Data from Colorado Ski Country USA and Vail Resorts, Inc. indicate that the count of skier visits at Colorado resorts during the 2011/2012 season fell to about 11 million, a 10.3 percent decline. Colorado skier visits – or the count of persons skiing or snowboarding for any part of one day – declined in response to extreme weather impacting Colorado resorts. Although abundant snowfall

occurred in the fall, prompting some resorts to open early, the record low levels of snowfall during the remainder of the season halted the momentum.

Already magnets for recreational visitors, Colorado and the Denver metropolitan area are increasingly recognized as ideal locations for business travel. A Metropoll survey released in early 2012, for example, showed meeting planners nationwide rank Denver as the nation's fifth-best city for hosting a convention.<sup>2</sup> Increased convention activity confirms the region's growing popularity among meeting planners and attendees: the Colorado Convention Center reported a 5.8 percent increase in convention delegates between 2010 and 2011 and an equivalent increase in delegate spending. As one of the largest public meeting facilities in the west, the Colorado Convention Center is poised to accommodate more and larger gatherings. In fact, 11 conventions between May and October 2012 attracted at least 5,000 delegates each.



Growth in convention activity – and visitor activity more generally – has supported more hotel development throughout the Denver metropolitan area. Development has been particularly brisk in downtown Denver, where multiple new or remodeled hotels – including the Four Seasons Hotel Denver, the Embassy Suites Denver-Downtown Convention Center, and the Ritz-Carlton, Denver – have opened within the past several years. The Metropolitan State University of Denver's Hotel and Hospitality Learning Center opened in fall 2012 and offers a fully functioning flagged hotel – the 150-room SpringHill Suites® Denver Downtown – and an

<sup>1</sup> SKImag.com. "2011-2012 Resort Rankings." [www.skinet.com](http://www.skinet.com)

<sup>2</sup> *Denver Business Journal*. "Denver Ranked 5th-Best City for Conventions." January 30, 2012.

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extensive learning laboratory for growing hospitality student enrollment. Plans for at least three other downtown hotels are also moving forward.

New hotel openings – particularly the launch of luxury establishments – are one reason why average room rates for the Denver metropolitan area have recently increased. Some of the gain, however, also reflects a strengthening economy and increased business and consumer willingness to travel. Data from the *Rocky Mountain Lodging Report* show the region's average nightly room rate for 2012 (\$111.78) was 1.7 percent higher than the 2011 average, and the average occupancy rate for 2012 (68 percent) was also higher than the 2011 rate (66.8 percent).

### SUMMARY

Employment growth in the Denver metropolitan area shows a steady path of recovery and an improving unemployment rate. The region's total population and its young adult population have also grown at a pace faster than the national average. Given accelerating job growth and a growing population of highly educated, working-age residents, the Denver metropolitan area appears poised for solid growth.

While the region's foreclosure crisis is not yet resolved, the Denver metropolitan area housing market made significant progress during 2012, and experts believe much of the foreclosure crisis has passed. Low unsold inventory, better-than-average price trends, and a favorable balance between housing unit development and new household formation supports a healthy market. As housing demand continues to revive, Denver metropolitan area home construction will accelerate but may result in more apartment units and smaller-format homes than the region has had in the past.

The region's commercial real estate markets are recovering at a slow but steady pace, and several businesses are building new headquarters. Evolving plans for Airport City Denver will leverage the region's attractiveness for national tenants and property investors and one of its strongest transportation assets, Denver International Airport. Rising airport passenger traffic reflects the region's continued appeal for business and leisure travelers, as does increased convention activity.

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# DATA APPENDIX

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>POPULATION (July 1)</b>											
United States (thousands)	287,625	290,108	292,805	295,517	298,380	301,231	304,094	306,772	309,326	311,588	313,914
Colorado	4,504,709	4,555,084	4,608,811	4,662,534	4,745,660	4,821,784	4,901,938	4,976,853	5,049,717	5,118,526	5,189,245
Denver Metropolitan Area	2,504,883	2,528,665	2,558,106	2,582,177	2,626,197	2,670,038	2,716,819	2,762,164	2,797,896	2,847,212	2,884,336
City and County of Denver	559,090	560,348	560,230	559,459	562,862	570,437	581,903	595,573	604,879	620,917	628,174
<b>POPULATION GROWTH RATE</b>											
United States	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%
Colorado	1.4%	1.1%	1.2%	1.4%	1.8%	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%
Denver Metropolitan Area	1.1%	0.9%	1.2%	1.3%	1.7%	1.7%	1.8%	1.7%	1.3%	1.8%	1.3%
City and County of Denver	-0.7%	0.2%	0.0%	0.1%	0.6%	1.3%	2.0%	2.3%	1.6%	2.7%	1.2%
<b>NET MIGRATION</b>											
Colorado	19,411	8,903	13,162	13,024	42,205	34,777	39,719	36,379	36,876	34,716	34,714
Denver Metropolitan Area	3,284	(2,296)	3,986	(1,496)	18,720	18,606	22,148	21,716	13,854	28,634	14,718
City and County of Denver	(10,648)	(5,323)	(6,527)	(7,370)	(2,910)	1,319	5,152	7,362	3,536	10,281	947
<b>NONAGRICULTURAL EMPLOYMENT</b>											
United States (millions)	130.5	130.1	131.5	133.7	136.1	137.6	136.9	130.9	129.9	131.5	133.7
Colorado (thousands)	2,184.2	2,152.8	2,179.6	2,226.0	2,279.1	2,331.3	2,350.3	2,245.6	2,222.3	2,258.2	2,310.0
Denver Metropolitan Area (thousands)	1,332.8	1,314.0	1,324.7	1,349.9	1,377.2	1,406.8	1,420.4	1,359.2	1,352.5	1,377.1	1,414.4
City and County of Denver	438,891	425,474	423,446	424,641	432,416	442,750	449,257	423,329	420,592	422,764	434,086
<b>NONAGRICULTURAL EMPLOYMENT GROWTH RATE</b>											
United States	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%
Colorado	-1.9%	-1.4%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.3%
Denver Metropolitan Area	-3.1%	-1.4%	0.8%	1.9%	2.0%	2.1%	1.0%	-4.3%	-0.5%	1.8%	2.7%
City and County of Denver	-5.0%	-3.1%	-0.5%	0.3%	1.8%	2.4%	1.5%	-5.8%	-0.6%	0.5%	2.7%



# DATA APPENDIX

## 2012 EMPLOYMENT DISTRIBUTION BY INDUSTRY

	Colorado	Denver Metropolitan Area	City & County of Denver
Natural Resources &			
Construction	6.3%	5.5%	5.1%
Manufacturing	5.7%	5.6%	4.4%
Wholesale & Retail Trade	14.6%	14.8%	12.1%
Transportation,			
Warehousing, Utilities	3.1%	3.4%	5.5%
Information	3.0%	3.6%	2.8%
Financial Activities	6.3%	7.1%	7.8%
Professional & Business			
Services	15.4%	17.9%	19.6%
Education & Health Services	12.2%	12.4%	12.2%
Leisure & Hospitality	12.1%	10.9%	11.6%
Other Services	4.1%	3.9%	3.4%
Government	17.1%	15.0%	15.5%

## UNEMPLOYMENT RATE

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%
Colorado	5.7%	6.1%	5.6%	5.1%	4.3%	3.8%	4.8%	8.1%	9.0%	8.6%	8.0%
Denver Metropolitan Area	5.9%	6.4%	5.8%	5.2%	4.3%	3.8%	4.8%	8.2%	8.8%	8.4%	7.7%
City and County of Denver	6.7%	7.2%	6.6%	5.8%	4.8%	4.2%	5.3%	9.0%	10.0%	9.3%	8.5%

## CONSUMER PRICE INDEX (CPI-U, 1982-84=100)

United States	179.9	184.0	188.9	195.3	201.6	207.3	215.3	214.5	218.1	224.9	229.6
Denver-Boulder-Greeley	184.8	186.8	187.0	190.9	197.7	202.0	209.9	208.5	212.4	220.3	224.6

## INFLATION RATE

United States	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%
Denver-Boulder-Greeley	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%



# DATA APPENDIX

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>TOTAL PERSONAL INCOME (millions, except as noted)</b>											
United States (billions)	\$9,055	\$9,369	\$9,929	\$10,477	\$11,257	\$11,901	\$12,452	\$11,853	\$12,308	\$12,950	\$13,402
Colorado	\$157,752	\$159,918	\$168,587	\$179,695	\$194,390	\$205,242	\$216,030	\$204,625	\$212,545	\$225,410	\$234,142
Denver Metropolitan Area	\$99,903	\$100,934	\$106,176	\$113,046	\$123,018	\$128,512	\$134,768	\$127,016	\$132,535	\$140,544	N/A
City and County of Denver	\$23,834	\$23,933	\$25,031	\$26,593	\$29,534	\$30,036	\$31,699	\$29,204	\$31,599	\$33,811	N/A

<b>TOTAL PERSONAL INCOME GROWTH RATE</b>											
United States	2.0%	3.5%	6.0%	5.5%	7.4%	5.7%	4.6%	-4.8%	3.8%	5.2%	3.5%
Colorado	0.8%	1.4%	5.4%	6.6%	8.2%	5.6%	5.3%	-5.3%	3.9%	6.1%	3.9%
Denver Metropolitan Area	0.3%	1.0%	5.2%	6.5%	8.8%	4.5%	4.9%	-5.8%	4.3%	6.0%	N/A
City and County of Denver	1.6%	0.4%	4.6%	6.2%	11.1%	1.7%	5.5%	-7.9%	8.2%	7.0%	N/A

<b>PER CAPITA PERSONAL INCOME</b>											
United States	\$31,481	\$32,295	\$33,909	\$35,452	\$37,725	\$39,506	\$40,947	\$38,637	\$39,791	\$41,560	\$42,693
Colorado	\$35,131	\$35,312	\$36,849	\$38,795	\$41,181	\$42,724	\$44,180	\$41,154	\$42,107	\$44,053	\$45,135
Denver Metropolitan Area	\$40,049	\$40,187	\$41,925	\$44,148	\$47,208	\$48,436	\$49,884	\$46,201	\$47,406	\$49,398	N/A
City and County of Denver	\$42,806	\$43,310	\$45,448	\$48,203	\$53,034	\$53,219	\$55,060	\$49,582	\$52,365	\$54,537	N/A

<b>PER CAPITA PERSONAL INCOME GROWTH RATE</b>											
United States	1.0%	2.6%	5.0%	4.5%	6.4%	4.7%	3.6%	-5.6%	3.0%	4.4%	2.7%
Colorado	-0.6%	0.5%	4.4%	5.3%	6.1%	3.7%	3.4%	-6.8%	2.3%	4.6%	2.5%
Denver Metropolitan Area	-0.8%	0.3%	4.3%	5.3%	6.9%	2.6%	3.0%	-7.4%	2.6%	4.2%	N/A
City and County of Denver	2.5%	1.2%	4.9%	6.1%	10.0%	0.3%	3.5%	-9.9%	5.6%	4.1%	N/A

<b>RETAIL TRADE SALES</b>											
United States (billions)	\$3,460	\$3,612	\$3,834	\$4,084	\$4,304	\$4,446	\$4,394	\$4,080	\$4,306	\$4,651	\$4,884
Colorado (millions)	\$58,850	\$58,689	\$62,288	\$65,492	\$70,437	\$75,375	\$74,911	\$66,454	\$70,105	\$75,374	\$80,074
Denver Metropolitan Area (millions)	\$35,355	\$35,548	\$37,197	\$38,589	\$41,491	\$44,177	\$43,829	\$38,882	\$40,894	\$43,705	\$46,726
City and County of Denver (millions)	\$7,564	\$7,364	\$7,691	\$7,963	\$9,480	\$10,162	\$10,252	\$8,517	\$8,925	\$9,468	\$10,330

# DATA APPENDIX

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>RETAIL TRADE SALES GROWTH RATE</b>											
United States	2.4%	4.4%	6.1%	6.5%	5.4%	3.3%	-1.2%	-7.1%	5.5%	8.0%	5.0%
Colorado	-0.3%	-0.3%	6.1%	5.1%	7.6%	7.0%	-0.6%	-11.3%	5.5%	7.5%	6.2%
Denver Metropolitan Area	-0.8%	0.5%	4.6%	3.7%	7.5%	6.5%	-0.8%	-11.3%	5.2%	6.9%	6.9%
City and County of Denver <sup>1</sup>	-3.8%	-2.6%	4.4%	3.5%	19.1%	7.2%	0.9%	-16.9%	4.8%	6.1%	9.1%
<b>MEDIAN HOME PRICE</b>											
United States (thousands)	\$167.6	\$180.2	\$195.2	\$219.0	\$221.9	\$217.9	\$196.6	\$172.1	\$173.1	\$166.2	\$177.2
Denver Metropolitan Area (thousands)	\$228.1	\$238.2	\$239.1	\$247.1	\$249.5	\$245.4	\$219.3	\$219.9	\$232.4	\$231.4	\$252.4
<b>EXISTING HOME SALES</b>											
Denver Metropolitan Area	47,919	47,966	54,012	53,106	50,244	49,789	47,837	42,070	38,818	39,387	46,299
<b>NEW RESIDENTIAL UNITS</b>											
<b>DENVER METROPOLITAN AREA</b>											
Single Family	13,793	12,656	14,260	15,778	10,952	7,082	3,686	2,397	3,372	3,525	5,370
Two-Family	4,425	3,755	4,843	4,642	5,311	4,632	1,330	601	798	834	918
Multi-Family	4,085	1,858	2,681	459	1,727	3,015	4,413	438	1,002	2,008	3,348
Total Units	22,303	18,269	21,784	20,879	17,990	14,729	9,429	3,436	5,172	6,367	9,636
<b>OFFICE VACANCY RATE</b>											
Denver Metropolitan Area	13.4%	14.1%	14.3%	13.1%	12.7%	11.8%	12.9%	13.7%	13.1%	12.6%	12.2%
<b>HOTEL OCCUPANCY RATE</b>											
Denver Metropolitan Area	60.3%	59.5%	61.9%	64.1%	66.4%	67.0%	65.0%	59.0%	64.4%	66.8%	68.0%
<b>SKIER VISITS</b>											
Colorado (millions)	02/03 11.6	03/04 11.3	04/05 11.8	05/06 12.5	06/07 12.6	07/08 12.5	08/09 11.9	09/10 11.9	10/11 12.3	11/12 11.0	12/13 N/A

N/A: Not Available

1: The large increase in retail trade sales in the City and County of Denver in 2006 was due to geographic revisions in the data series and may not accurately reflect actual activity.

Sources: U.S. Department of Commerce, Bureau of the Census; Colorado Division of Local Government, Demography Section; U.S. Department of Labor, Bureau of Labor Statistics; Colorado Department of Labor and Employment, Labor Market Information; U.S. Department of Commerce, Bureau of Economic Analysis; Colorado Department of Revenue; National Association of REALTORS; Metrolist, Inc.; Home Builders Association of Metro Denver; CoStar Realty Information, Inc.; Rocky Mountain Lodging Report; and Colorado Ski Country USA.






**APPENDIX D**

**BASIC FINANCIAL STATEMENTS OF THE  
CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**





# **BASIC FINANCIAL STATEMENTS**





## Statement of Net Position

December 31, 2012 (dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash on hand	\$ 11,716	\$ -	\$ 11,716	\$ -
Cash and cash equivalents	574,767	128,757	703,524	22,438
Investments	-	455,728	455,728	-
Receivables (net of allowances):				
Taxes	395,423	-	395,423	82,475
Notes	76,453	-	76,453	-
Accounts	26,958	52,891	79,849	696
Accrued interest	2,712	6,244	8,956	188
Other	-	-	-	12,826
Due from other governments	29,047	-	29,047	-
Internal balances	4,658	(4,658)	-	-
Inventories	2,679	10,700	13,379	-
Prepaid items and other assets	2,888	3,014	5,902	6,190
Restricted assets:				
Cash and cash equivalents	50,700	153,893	204,593	161,555
Investments	-	1,021,715	1,021,715	18,000
Accounts receivable	-	11,636	11,636	-
Accrued interest receivable	-	2,591	2,591	-
Other receivables	-	9,964	9,964	-
Prepaid items	-	2,837	2,837	-
Long-term receivables (net of allowances)	50,176	14,675	64,851	159,727
Denver Water CIS (net of amortization)	-	603	603	-
Prepaid expense	-	11,987	11,987	-
Bond issue costs and other assets (net of accumulated amortization)	6,363	29,656	36,019	9,480
Interest rate swaps	-	62,822	62,822	-
Assets held for disposition	19,175	3,158	22,333	-
Capital assets:				
Land and construction in progress	379,899	496,152	876,051	36,932
Buildings, improvements, infrastructure, collections, and equipment, net of accumulated depreciation	2,468,176	3,154,249	5,622,425	216,203
<b>Total Assets</b>	<b>4,101,790</b>	<b>5,628,614</b>	<b>9,730,404</b>	<b>726,710</b>
<b>Deferred outflow of resources</b>				
Accumulated decrease in fair value of hedging derivatives	43,816	42,900	86,716	25,685
<b>Liabilities</b>				
Vouchers payable	64,465	34,621	99,086	6,428
Accrued liabilities	58,231	76,764	134,995	47,344
Unearned revenue	349,268	28,029	378,197	71,167
Interest rate swaps	49,867	300,457	350,324	41,522
Advances	6,010	-	6,010	1,544
Due to taxing unit	227	-	227	-
Due to other governments	-	7,825	7,825	3,178
Liabilities payable from restricted assets	-	126,933	126,933	-
Bonds with demand features	-	-	-	162,555
Noncurrent liabilities:				
Due within one year	112,698	175,170	287,868	30,719
Due in more than one year	1,722,578	3,769,804	5,492,382	643,620
<b>Total Liabilities</b>	<b>2,363,344</b>	<b>4,520,503</b>	<b>6,883,847</b>	<b>998,577</b>
<b>Net Position</b>				
Net investment in capital assets	1,315,237	(13,036)	1,302,201	(121,385)
Restricted for:				
Capital projects	302,925	25,525	328,450	76,364
Emergency use	36,140	-	36,140	662
Debt service	91,981	630,849	722,830	74,638
Donor and other restrictions:				
Expendable	13,341	-	13,341	3,861
Nonexpendable	3,000	-	3,000	-
Other purposes	10,227	-	10,227	-
Unrestricted (deficit)	9,411	507,873	517,284	(285,322)
<b>Total Net Position (Deficit)</b>	<b>\$ 1,782,262</b>	<b>\$ 1,151,011</b>	<b>\$ 2,933,273</b>	<b>\$ (246,182)</b>

See accompanying notes to basic financial statements.

## Statement of Activities

For the Year Ended December 31, 2012 (dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 247,659	\$ 75,761	\$ 33,960	\$ -
Public safety	570,111	90,528	30,634	-
Public works	195,168	60,227	62,269	30,777
Human services	111,067	537	73,133	-
Health	53,755	2,899	8,646	-
Parks and recreation	30,480	8,663	7,251	1,528
Cultural activities	110,885	47,791	1,657	293
Community development	40,262	23,466	26,617	527
Economic opportunity	21,481	14,954	9,152	432
Interest on long-term debt	74,901	-	-	-
<b>Total Governmental Activities</b>	<b>1,505,769</b>	<b>324,826</b>	<b>253,319</b>	<b>33,557</b>
Business-type Activities:				
Wastewater management	99,179	106,167	-	6,890
Denver airport system	763,249	730,145	675	22,996
Environmental services	7,001	8,709	-	-
Golf course	8,943	9,762	-	-
<b>Total Business-type Activities</b>	<b>878,372</b>	<b>854,783</b>	<b>675</b>	<b>29,886</b>
<b>Total Primary Government</b>	<b>\$ 2,384,141</b>	<b>\$ 1,179,609</b>	<b>\$ 253,994</b>	<b>\$ 63,443</b>
<b>Component Units</b>	<b>\$ 290,276</b>	<b>\$ 85,044</b>	<b>\$ 41,072</b>	<b>\$ -</b>

## 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 - January 1, as previously reported

Change in accounting principle - GASB 61

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		
\$ (137,938)	\$ -	\$ (137,938)		
(448,949)	-	(448,949)		
(41,895)	-	(41,895)		
(37,397)	-	(37,397)		
(42,210)	-	(42,210)		
(63,038)	-	(63,038)		
(61,144)	-	(61,144)		
10,348	-	10,348		
3,057	-	3,057		
(74,901)	-	(74,901)		
<b>(894,067)</b>	<b>-</b>	<b>(894,067)</b>		
-	13,878	13,878		
-	(9,433)	(9,433)		
-	1,708	1,708		
-	819	819		
-	<b>6,972</b>	<b>6,972</b>		
<b>(894,067)</b>	<b>6,972</b>	<b>(887,095)</b>		
			\$	(164,160)
8,986	-	8,986	-	
57,956	-	57,956	1,447	
19,784	-	19,784	-	
43,227	-	43,227	-	
287,062	-	287,062	59,937	
494,495	-	494,495	36,544	
191	-	191	208	
9,979	-	9,979	-	
11,259	48,275	59,534	12,432	
31,921	17	31,938	13,205	
275	(275)	-	-	
<b>965,135</b>	<b>48,017</b>	<b>1,013,152</b>	<b>123,773</b>	
71,068	54,989	126,057	(40,387)	
1,711,194	1,096,022	2,807,216	1,688,521	
-	-	-	(1,894,316)	
1,711,194	1,096,022	2,807,216	(205,795)	
<b>\$ 1,782,262</b>	<b>\$ 1,151,011</b>	<b>\$ 2,933,273</b>	<b>\$ (246,182)</b>	

**Balance Sheet - Governmental Funds**

December 31, 2012 (dollars in thousands)

	General	Human Services	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash on hand	\$ 70	\$ 647	\$ 10,999	\$ 11,716
Cash and cash equivalents	146,392	25,709	351,530	523,631
Receivables (net of allowances of \$110,804)				
Taxes	163,031	56,266	176,126	395,423
Notes	480	-	75,973	76,453
Accounts	21,140	13,141	41,773	76,054
Accrued interest	1,030	-	1,463	2,493
Interfund receivable	9,204	16	1,281	10,501
Due from other governments	-	2,806	26,241	29,047
Prepaid items and other assets	159	-	2,729	2,888
Restricted assets:				
Cash and cash equivalents	45,283	-	5,417	50,700
Assets held for disposition	11,436	-	7,739	19,175
<b>Total Assets</b>	<b>\$ 398,225</b>	<b>\$ 98,585</b>	<b>\$ 701,271</b>	<b>\$ 1,198,081</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Vouchers payable	\$ 16,719	\$ 3,540	\$ 42,882	\$ 63,141
Accrued liabilities	30,200	2,236	1,386	33,822
Due to taxing units	111	-	116	227
Interfund payable	3,199	2,144	1,578	6,921
Deferred revenue	121,104	56,589	221,922	399,615
Advances	18	635	5,357	6,010
Compensated absences	26	-	74	100
<b>Total Liabilities</b>	<b>171,377</b>	<b>65,144</b>	<b>273,315</b>	<b>509,836</b>
<b>Fund Balances:</b>				
Nonspendable	159	-	5,729	5,888
Restricted	56,566	33,441	361,719	451,726
Committed	15,084	-	27,786	42,870
Assigned	-	-	32,760	32,760
Unassigned	155,039	-	(38)	155,001
<b>Total Fund Balances</b>	<b>226,848</b>	<b>33,441</b>	<b>427,956</b>	<b>688,245</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 398,225</b>	<b>\$ 98,585</b>	<b>\$ 701,271</b>	<b>\$ 1,198,081</b>

See accompanying notes to basic financial statements.

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

December 31, 2012 (dollars in thousands)

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

Total fund balance-governmental funds.	\$ 688,245
Capital assets used in governmental activities, excluding internal service funds of \$21,020, are not financial resources, and therefore, are not reported in the funds.	2,827,055
Accrued interest payable not included in the funds.	(23,904)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	51,095
Accumulated decrease in fair value of hedging derivatives.	43,816
Interest rate swap liability.	(49,867)
Bond issue costs, net of accumulated amortization.	6,363
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.	21,693
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 \$53,042).	(1,782,234)
<b>Net position of governmental activities</b>	<b><u>\$ 1,782,262</u></b>

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2012 (dollars in thousands)

	General	Human Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Facilities development admission	\$ -	\$ -	\$ 8,986	\$ 8,986
Lodgers	15,898	-	42,058	57,956
Motor vehicle ownership fee	19,784	-	-	19,784
Occupational privilege	43,173	-	54	43,227
Property	79,199	51,192	156,671	287,062
Sales and use	451,352	-	43,143	494,495
Specific ownership	-	-	191	191
Telephone	2,724	-	7,255	9,979
Special assessments	-	-	1,422	1,422
Licenses and permits	33,906	-	1,487	35,393
Intergovernmental revenues	25,913	72,518	138,461	236,892
Charges for services	162,086	537	57,068	219,691
Investment and interest income	4,606	-	6,132	10,738
Fines and forfeitures	53,227	-	2,737	55,964
Contributions	-	614	5,901	6,515
Other revenue	7,414	306	43,310	51,030
<b>Total Revenues</b>	<b>899,282</b>	<b>125,167</b>	<b>514,876</b>	<b>1,539,325</b>
<b>Expenditures</b>				
Current:				
General government	174,272	-	67,819	242,091
Public safety	469,039	-	76,356	545,395
Public works	90,007	-	117,198	207,205
Health	43,765	-	9,083	52,848
Human services	-	110,784	-	110,784
Parks and recreation	53,188	-	8,573	61,761
Cultural activities	34,736	-	53,248	87,984
Community development	15,687	-	24,818	40,505
Economic opportunity	205	-	21,277	21,482
Debt service:				
Principal retirement	3,434	3,575	80,384	87,393
Interest	1,168	1,204	72,979	75,351
Capital outlay	-	-	93,934	93,934
<b>Total Expenditures</b>	<b>885,501</b>	<b>115,563</b>	<b>625,669</b>	<b>1,626,733</b>
Excess (deficiency) of revenues over (under) expenditures	13,781	9,604	(110,793)	(87,408)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	5	5
Capital leases	1,043	-	51,700	52,743
Intergovernmental agreement	-	-	6,725	6,725
Payments to escrow	-	-	(13,729)	(13,729)
Insurance recoveries	336	7	897	1,240
Transfers in	36,073	1,075	50,331	87,479
Transfers out	(38,695)	(75)	(50,232)	(89,002)
<b>Total Other Financing Sources, Net</b>	<b>(1,243)</b>	<b>1,007</b>	<b>45,697</b>	<b>45,461</b>
Net change in fund balances	12,538	10,611	(65,096)	(41,947)
Fund balances - January 1	214,310	22,830	493,052	730,192
<b>Fund Balances - December 31</b>	<b>\$ 226,848</b>	<b>\$ 33,441</b>	<b>\$ 427,956</b>	<b>\$ 688,245</b>

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, 2012 (dollars in thousands)

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

Net change in fund balances - total governmental funds	\$ (41,947)
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	171,026
Depreciation expense (excluding internal service)	(131,762)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	43,470
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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:	
General obligation bonds issued	(6,725)
Capital lease issued	(52,743)
Principal retirement on bonds	67,476
Issuance costs, premium, discounts and deferred gain (loss) on refunding	5,119
Capital lease principal payments	33,646
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)	(16,585)
Accrued interest payable	1,034
Legal liability	(3,052)
Pollution remediation	(177)
Net OPEB obligation	(1,619)
Note payable	(5,164)
Line of credit payable	521
Internal service funds are used by management to charge their cost to individual funds. The net expense of certain activities of internal service funds is reported within governmental activities.	8,550
<b>Change in net position of governmental activities</b>	<b>\$ 71,068</b>

See accompanying notes to basic financial statements.

## Statement of Net Position - Proprietary Funds

December 31, 2012 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,489	\$ 95,311
Investments	3,766	139,739
Receivables (net of allowance for uncollectibles of \$1,675):		
Accounts	12,300	38,532
Accrued interest	254	5,890
Inventories	-	10,524
Interfund receivable	104	1,642
Prepaid items and other assets	989	2,025
Restricted assets:		
Cash and cash equivalents	-	151,056
Investments	7,046	137,312
Accounts receivable	-	11,636
Accrued interest receivable	-	2,572
Other receivables	-	9,964
Prepaid items	-	2,837
<b>Total Current Assets</b>	<b>32,948</b>	<b>609,040</b>
Noncurrent assets:		
Investments - restricted	32,325	845,032
Investments - unrestricted	17,276	294,947
Capital assets:		
Land and construction in progress	19,660	472,193
Buildings and improvements	16,736	2,007,840
Improvements other than buildings	756,620	2,275,359
Machinery and equipment	15,772	769,391
Accumulated depreciation	(268,992)	(2,435,888)
Net capital assets	539,796	3,088,895
Long-term receivables (net of allowances)	3,981	10,694
CIS net	603	-
Prepaid expense and other	-	11,987
Bond issue costs and other assets, net	-	29,587
Interest rate swaps	-	62,822
Assets held for disposition	-	3,158
<b>Total Noncurrent Assets</b>	<b>593,981</b>	<b>4,347,122</b>
<b>Total Assets</b>	<b>626,929</b>	<b>4,956,162</b>
<b>Deferred Outflow</b>		
Accumulated decrease in fair value of hedging derivatives	-	42,900

See accompanying notes to basic financial statements.



				Governmental Activities	
Other Enterprise Funds		Total Enterprise Funds		Internal Service Funds	
\$	24,957	\$	128,757	\$	51,136
	-		143,505		-
	2,059		52,391		1,080
	100		6,244		219
	176		10,700		2,679
	28		1,774		1,726
	-		3,014		-
	2,837		153,893		-
	-		144,358		-
	-		11,636		-
	19		2,591		-
	-		9,964		-
	-		2,837		-
	<b>30,176</b>		<b>672,164</b>		<b>56,840</b>
	-		877,357		-
	-		312,223		-
	4,299		496,152		5,653
	13,436		2,038,012		18,073
	16,030		3,048,009		82
	6,117		791,280		7,014
	(18,172)		(2,723,052)		(9,802)
	21,710		3,650,401		21,020
	-		14,675		-
	-		603		-
	-		11,987		-
	69		29,656		-
	-		62,822		-
	-		3,158		-
	<b>21,779</b>		<b>4,962,882</b>		<b>21,020</b>
	<b>51,955</b>		<b>5,635,046</b>		<b>77,860</b>
	-		42,900		-

continued

## Statement of Net Position - Proprietary Funds, continued

December 31, 2012 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
<b>Liabilities</b>		
Current liabilities:		
Vouchers payable	\$ 615	\$ 33,256
Revenue bonds payable	2,540	-
Accrued liabilities	1,302	72,235
Unearned revenue	16,200	12,439
Interfund payable	1,094	5,175
Capital lease obligations	534	-
Notes payable	1,275	-
Compensated absences	869	2,704
Construction payable	2,502	-
Due to other governments	7,825	-
Current liabilities (payable from restricted assets):		
Vouchers payable	-	65,094
Retainages payable	-	18,612
Notes payable	-	7,243
Accrued interest and other liabilities	-	23,296
Other accrued liabilities	-	19,931
Revenue bonds payable	-	158,940
<b>Total Current Liabilities</b>	<b>34,756</b>	<b>418,925</b>
Noncurrent liabilities:		
Interest rate swaps	-	300,457
Notes payable	1,329	25,322
Revenue bonds payable, net	50,568	3,665,727
Capital lease obligations	7,966	-
Special Incentive Program payable	-	-
Compensated absences	1,967	6,295
Other accrued liabilities	5,046	-
Claims reserve	-	-
<b>Total Noncurrent Liabilities</b>	<b>66,876</b>	<b>3,997,801</b>
<b>Total Liabilities</b>	<b>101,632</b>	<b>4,416,726</b>
<b>Net Position</b>		
Net investment in capital assets	515,661	(544,739)
Restricted for:		
Capital projects	-	22,669
Debt service	-	630,649
Unrestricted	9,636	473,757
<b>Total Net Position</b>	<b>\$ 525,297</b>	<b>\$ 582,336</b>
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	
		Internal	
		Service	
		Funds	
Other	Total		
Enterprise	Enterprise		
Funds	Funds		
\$ 750	\$ 34,621	\$ 1,324	
470	3,010	-	
725	74,262	405	
290	28,929	748	
799	7,068	12	
436	970	729	
-	1,275	-	
147	3,720	618	
-	2,502	-	
-	7,825	-	
-	65,094	-	
-	18,612	-	
-	7,243	-	
-	23,296	-	
-	19,931	-	
-	158,940	-	
<b>3,617</b>	<b>457,298</b>	<b>3,836</b>	
-	300,457	-	
-	26,651	-	
3,999	3,720,294	-	
833	8,799	18,118	
-	-	-	
764	9,026	691	
-	5,046	-	
-	-	32,886	
<b>5,596</b>	<b>4,070,273</b>	<b>51,695</b>	
<b>9,213</b>	<b>4,527,571</b>	<b>55,531</b>	
16,042	(11,036)	2,173	
2,856	25,525	-	
-	630,649	-	
23,844	507,237	20,156	
<b>\$ 42,742</b>	<b>1,150,375</b>	<b>\$ 22,329</b>	
	636		
	<b>\$ 1,151,011</b>		

**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds**  
For the Year Ended December 31, 2012 (dollars in thousands)

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Wastewater Management</b>	<b>Denver Airport System</b>
<b>Operating Revenues</b>		
Charges for services	\$ 106,167	\$ 624,673
Other revenue	-	-
Change in claims reserve	-	-
<b>Total Operating Revenues</b>	<b>106,167</b>	<b>624,673</b>
<b>Operating Expenses</b>		
Personnel services	20,087	120,334
Contractual services	15,858	175,420
Supplies and materials	1,427	92,417
Depreciation and amortization	16,113	178,567
District water treatment charges	44,368	-
Claims payments	-	-
Other operating expenses	-	-
<b>Total Operating Expenses</b>	<b>97,853</b>	<b>566,738</b>
Operating income	8,314	57,935
<b>Nonoperating Revenues (Expenses)</b>		
Investment and interest income	1,123	46,899
Passenger facility charges	-	105,472
Disposition of assets	17	-
Grants	-	675
Interest expense	(1,354)	(190,255)
Other expense	-	(6,460)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(214)</b>	<b>(43,669)</b>
Income before capital grants, contributions, and transfers	8,100	14,266
Capital grants and contributions	6,890	22,996
Transfers in	-	-
Transfers out	(25)	-
Change in net position	14,965	37,262
Net position - January 1	510,332	545,074
<b>Net Position - December 31</b>	<b>\$ 525,297</b>	<b>\$ 582,336</b>
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	
\$ 17,894	\$ 748,734	\$ 43,313	
577	577	1,147	
-	-	2,990	
<b>18,471</b>	<b>749,311</b>	<b>47,450</b>	
7,101	147,522	9,291	
2,828	194,106	583	
890	94,734	21,268	
934	195,614	1,116	
-	44,368	-	
-	-	7,092	
3,966	3,966	1,876	
<b>15,719</b>	<b>680,310</b>	<b>41,226</b>	
2,752	69,001	6,224	
253	48,275	1,101	
-	105,472	-	
-	17	(523)	
-	675	-	
(243)	(191,852)	(632)	
-	(6,460)	-	
<b>10</b>	<b>(43,873)</b>	<b>(54)</b>	
2,762	25,128	6,170	
-	29,886	-	
-	-	1,798	
(250)	(275)	-	
2,512	54,739	7,968	
40,230	1,095,636	14,361	
<b>\$ 42,742</b>	<b>\$ 1,150,375</b>	<b>\$ 22,329</b>	
	\$ 54,739		
	250		
	<b>\$ 54,989</b>		

## Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2012 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 106,374	\$ 606,076
Payments to suppliers	(43,726)	(266,509)
Payments to employees	(19,675)	(119,466)
Other receipts	-	-
Interfund activity	(12,003)	(17,291)
Claims paid	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>30,970</b>	<b>202,810</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Operating grants received	-	484
Transfers in	-	-
Transfers out	(25)	-
<b>Net Cash Provided (Used) By Noncapital Financing Activities</b>	<b>(25)</b>	<b>484</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from capital debt	43,250	479,058
Bond issue costs	(417)	(5,820)
Principal payments	(3,093)	(156,339)
Interest payments	(1,951)	(147,106)
Passenger facility charges	-	104,076
Payments on capital assets acquired through construction payables	(4,446)	(31,316)
Acquisition and construction of capital assets	(9,222)	(95,081)
Reimbursement from City for capital asset costs and proceeds from sale of assets	17	318
Contributions and advances	1,746	19,080
Payments to escrow for current refunding of debt	-	(119,693)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>25,884</b>	<b>47,177</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(196,392)	(3,159,289)
Proceeds from sale of investments	145,462	3,025,999
Sale of assets held for disposition; payments to maintain assets held	-	6,105
Insurance proceeds from remediation of asset held for disposition	-	2,112
Interest received	968	28,297
Interest rate swap settlements	-	(36,828)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(49,962)</b>	<b>(133,604)</b>
Net increase in cash and cash equivalents	6,867	116,867
Cash and cash equivalents - January 1	1,622	129,500
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 8,489</b>	<b>\$ 246,367</b>

See accompanying notes to basic financial statements.

		Governmental Activities	
		Internal Service	
Other Enterprise Funds	Total Enterprise Funds	Funds	
\$ 17,638	\$ 730,038	\$ 43,866	
(8,593)	(318,828)	(25,073)	
(7,179)	(146,320)	(9,279)	
577	577	1,147	
-	(29,294)	-	
-	-	(7,092)	
<u>2,443</u>	<u>236,223</u>	<u>3,569</u>	
-	434	-	
-	-	1,798	
(250)	(275)	-	
<u>(250)</u>	<u>209</u>	<u>1,798</u>	
1,307	523,615	-	
-	(6,237)	-	
(918)	(160,350)	(698)	
(250)	(149,307)	(632)	
-	104,076	-	
-	(35,762)	-	
(1,347)	(105,650)	(393)	
-	335	-	
-	20,826	-	
-	(119,693)	-	
<u>(1,208)</u>	<u>71,853</u>	<u>(1,723)</u>	
-	(3,355,681)	-	
-	3,171,461	-	
-	6,105	-	
-	2,112	-	
256	29,521	1,182	
-	(36,828)	-	
<u>256</u>	<u>(183,310)</u>	<u>1,182</u>	
1,241	124,975	4,826	
26,553	157,675	16,310	
<u>\$ 27,794</u>	<u>\$ 282,650</u>	<u>\$ 51,136</u>	

continued

## Statement of Cash Flows - Proprietary Funds, continued

For the Year Ended December 31, 2012 (dollars in thousands)

	Business-type Activities - Enterprise Funds	
	Wastewater Management	Denver Airport System
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 8,314	\$ 57,935
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	16,113	178,567
Miscellaneous revenue	-	2,094
Accounts receivable, net of allowance	(727)	(2,887)
Interfund receivable	(20)	-
Inventories	-	182
Prepaid items and other assets	(90)	(13,170)
Vouchers payable	149	2,064
Unearned revenue	770	(9,258)
Accrued and other liabilities	8,697	(10,198)
Interfund payable	(2,238)	(2,519)
Claims reserve	2	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 30,970</b>	<b>\$ 202,810</b>

### Noncash Activities

In 2012, the Airport issued revenue bonds in the amount of \$856,205,000, realizing an original issue premium of \$105,765,000. Net proceeds of the bonds were deposited in an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts.

Wastewater issued bonds in the amount of \$50,425,000 in 2012, in order to refund debt and fund capital projects. Net proceeds of \$21,386,000 were deposited immediately in an irrevocable trust for the defeasance of outstanding revenue bond principal, payment of a redemption premium and accrued interest amounts. Original issue premiums on bonds of \$5,695,000 were realized on the issuance of bonds in 2012.

Assets acquired through capital contributions	\$ 5,144	\$ -
Unrealized gain on investments	-	988
Unrealized gain on derivatives	-	17,248
Capital assets acquired through accounts payable	2,502	82,719
Amortization of bond premiums and deferred losses on bond refundings	175	15,764

See accompanying notes to basic financial statements.



				Governmental
				Activities
				Internal
				Service
				Funds
Other	Total			
Enterprise	Enterprise			
Funds	Funds			
\$ 2,752	\$ 69,001	\$ 6,224		
934	195,614	1,116		
-	2,094	-		
(296)	(3,910)	115		
-	(20)	317		
(27)	155	57		
13	(13,247)	-		
(94)	2,119	(478)		
27	(8,461)	-		
(78)	(1,579)	133		
(788)	(5,545)	(925)		
-	2	(2,990)		
<u>\$ 2,443</u>	<u>\$ 236,223</u>	<u>\$ 3,569</u>		

\$ -	\$ 5,144	\$ -
-	988	-
-	17,248	-
-	85,221	-
7	15,946	-

## Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2012 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>			
Cash on hand	\$ -	\$ 202	\$ 3,313
Cash and cash equivalents	32,875	579	30,257
Securities lending collateral	185,736	-	-
Receivables (net of allowance for uncollectibles of \$4,966):			
Taxes	-	-	657,145
Accounts	514	-	370
Accrued interest	1,408	-	-
Investments, at fair value:			
U.S. Government obligations	137,834	-	-
Domestic stocks and bonds	663,839	-	-
International stocks	486,374	-	-
Mutual funds	66,441	-	-
Real estate	627,141	-	-
Other	389,335	-	-
<b>Total Investments</b>	<b>2,370,964</b>	<b>-</b>	<b>-</b>
Capital assets, net of accumulated depreciation	5,804	-	-
<b>Total Assets</b>	<b>2,597,301</b>	<b>781</b>	<b>\$ 691,085</b>
<b>Liabilities</b>			
Vouchers payable	4,795	286	-
Securities lending obligation	185,735	-	-
Other accrued liabilities	-	-	14,778
Due to taking units	-	202	676,307
<b>Total Liabilities</b>	<b>190,530</b>	<b>488</b>	<b>\$ 691,085</b>
<b>Net Position</b>			
Net position held in trust for pension benefits	1,781,633	-	-
Net position held in trust for OPEB benefits	73,057	-	-
Net position held in trust for deferred compensation benefits	552,081	-	-
Net position held in trust for other purposes	-	293	-
<b>Net Position Held in Trust for Pension Benefits and Other Purposes</b>	<b>\$ 2,406,771</b>	<b>\$ 293</b>	

See accompanying notes to basic financial statements.

# Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Year Ended December 31, 2012 (dollars in thousands)

	Pension, Health, and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds
<b>Additions</b>		
Contributions:		
City and County of Denver	\$ 47,176	\$ -
Denver Health and Hospital Authority	6,822	-
Plan members	61,303	-
<b>Total Contributions</b>	<b>115,301</b>	<b>-</b>
Investment earnings:		
Net appreciation in fair value of investments	188,100	-
Interest and dividends	82,867	-
<b>Total Investment Earnings</b>	<b>270,967</b>	<b>-</b>
Less investment expense	(10,585)	-
<b>Net Investment Earnings</b>	<b>260,382</b>	<b>-</b>
Securities lending earnings	582	-
Securities lending expenses:		
Borrower rebates	613	-
Agent fees	(300)	-
<b>Net Earnings from Securities Lending</b>	<b>895</b>	<b>-</b>
<b>Total Net Investment Earnings</b>	<b>261,277</b>	<b>-</b>
<b>Total Additions</b>	<b>376,578</b>	<b>-</b>
<b>Deductions</b>		
Benefits	192,509	-
Refunds of contributions	988	-
Administrative expenses	3,582	-
Other deductions	-	27
<b>Total Deductions</b>	<b>197,079</b>	<b>27</b>
Change in net position	179,499	(27)
Net position - January 1	2,227,272	320
<b>Net Position - December 31</b>	<b>\$ 2,406,771</b>	<b>\$ 293</b>

See accompanying notes to basic financial statements.

## Statement of Net Position - Component Units

December 31, 2012 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Union Station Project Authority	Denver Urban Renewal Authority	Other Component Units	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 4,491	\$ 474	\$ 7,107	\$ 10,366	\$ 22,438
Receivables (net of allowances):					
Taxes	2,677	1,120	69,051	9,627	82,475
Accounts	-	-	272	424	696
Accrued interest	-	-	188	-	188
Other	-	8,522	4,108	196	12,826
Prepaid items and other assets	1,155	-	4,910	125	6,190
Restricted Assets:					
Cash and cash equivalents	87,723	11,666	59,821	2,345	161,355
Investments	-	-	18,000	-	18,000
Long-term receivables	-	159,727	-	-	159,727
Other assets	9,480	-	-	-	9,480
Capital Assets:					
Land and construction in progress	23,421	13,511	-	-	36,932
Buildings and improvements	230,214	-	-	17,565	247,779
Machinery and equipment	41,331	-	-	1,479	42,810
Accumulated depreciation	(72,612)	-	-	(1,774)	(74,386)
<b>Net Capital Assets</b>	<b>222,354</b>	<b>13,511</b>	<b>-</b>	<b>17,270</b>	<b>253,135</b>
<b>Total Assets</b>	<b>327,880</b>	<b>195,020</b>	<b>163,457</b>	<b>40,353</b>	<b>726,710</b>
<b>Deferred outflows</b>					
Accumulated decrease in fair value of hedging derivatives	-	-	25,685	-	25,685
<b>Liabilities</b>					
Vouchers payable	3,861	-	-	2,567	6,428
Accrued liabilities	7,820	32,520	2,304	5,200	47,844
Unearned revenue	-	1,120	61,984	8,063	71,167
Interest rate swaps	-	-	41,522	-	41,522
Advances	1,231	-	313	-	1,544
Due to other governments	-	-	1,584	1,594	3,178
Bonds with demand features	-	-	162,555	-	162,555
Noncurrent liabilities:					
Due within one year	4,335	-	16,030	354	20,719
Due in more than one year	340,366	189,465	96,824	16,965	643,620
<b>Total Liabilities</b>	<b>357,613</b>	<b>223,105</b>	<b>383,116</b>	<b>34,743</b>	<b>998,577</b>
<b>Net Position</b>					
Net investment in capital assets	(123,819)	551	-	1,883	(121,385)
Restricted for:					
Capital projects	55,953	-	20,411	-	76,364
Emergency use	-	-	-	662	662
Debt service	41,566	-	36,613	1,459	79,638
Donor and other restrictions:					
Expendable	-	-	3,861	-	3,861
Unrestricted (deficit)	(3,433)	(28,636)	(254,859)	1,606	(285,322)
<b>Total Net Position (Deficit)</b>	<b>\$ (29,733)</b>	<b>\$ (28,085)</b>	<b>\$ (193,974)</b>	<b>\$ 5,610</b>	<b>\$ (246,182)</b>

See accompanying notes to basic financial statements.

## Statement of Activities - Component Units

For the Year Ended December 31, 2012 (dollars in thousands)

	Denver Convention Center Hotel Authority	Denver Union Station Project Authority	Denver Urban Renewal Authority	Other Component Units	Total
<b>Expenses</b>	\$ 94,975	\$ 115,855	\$ 57,679	\$ 21,767	\$ 290,276
<b>Program Revenues</b>					
Charges for services	83,279	-	1,537	228	85,044
Operating grants and contributions	-	39,799	785	488	41,072
<b>Total Program Revenues</b>	<b>83,279</b>	<b>39,799</b>	<b>2,322</b>	<b>716</b>	<b>126,116</b>
Net expenses	(11,696)	(76,056)	(55,357)	(21,051)	(164,160)
<b>General Revenues</b>					
Taxes:					
Lodgers	-	-	1,447	-	1,447
Property	-	-	51,896	8,041	59,937
Sales and use	-	690	23,495	12,359	36,544
Specific ownership	-	-	-	208	208
Investment and interest income	125	9,574	2,724	9	12,432
Other revenues	9,250	-	2,746	1,209	13,205
<b>Net General Revenues</b>	<b>9,375</b>	<b>10,264</b>	<b>82,308</b>	<b>21,826</b>	<b>123,773</b>
Change in net position	(2,321)	(65,792)	26,951	775	(40,387)
Net position (deficit) - January 1	(27,412)	37,707	(220,925)	4,835 <sup>1</sup>	(205,795) <sup>2</sup>
<b>Net Position (Deficit) - December 31</b>	<b>\$ (29,733)</b>	<b>\$ (28,085)</b>	<b>\$ (193,974)</b>	<b>\$ 5,610</b>	<b>\$ (246,182)</b>

<sup>1</sup> Due to the implementation of GASB 61, previously reported net position (deficit) is reduced by \$256,258 to account for the nonmajor component units no longer included in the reporting entity.

<sup>2</sup> Due to the implementation of GASB 61, previously reported net position (deficit) is reduced by \$256,258 to account for the nonmajor component unit, and \$1,638,058 to account for the major component units, no longer included in the reporting entity.

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, and West Colfax 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 BID had no financial activity in 2012 or net assets to report as of December 31, 2012.

**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 \$9,250,000 in 2012, 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 (.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 deferred or 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:

9th Avenue BID 1700 Lincoln Street, Suite 3800 Denver, Colorado 80203	Cherry Creek North BID 299 Milwaukee Street, Suite 201 Denver, Colorado 80206
Cherry Creek Subarea BID 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 \$52,794,000 for providing various health related services to the City and its residents during 2012. In addition, the Authority made payments in the amount of \$1,888,000 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 no longer has authority to issue general obligation bonds and only \$500,000 remains outstanding as of December 31, 2012.

**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.
- The Human Services special revenue fund is used to account for proceeds of restricted revenue to be used for public assistance and welfare activities.

The City reports the following major proprietary funds:

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

The City reports the Denver Convention Center Hotel Authority, Denver 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. During 2012, the Central Services Fund was closed as it was no longer operating as an internal service fund.
- 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.

#### NOTE D – ASSETS, LIABILITIES, 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 unearned or deferred revenue when the levy is certified by the City's Assessor on or before December 15 of each year, unless there is a special election. Property taxes receivable is reduced by an allowance for uncollectible taxes. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on March 1 and June 16, respectively. Tax rate levy authority for the 2012 fiscal year was approved when Resolution 196, Series of 2012, 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 deferred. 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, valued at \$14,500,000, is not capitalized because these assets are held for public exhibition rather than financial gain. They are protected and preserved and proceeds from any sales must be used to acquire other items for collection. 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 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, deferred refunding gains (losses), and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method over the term of the debt, except for deferred refunding gains (losses) which are amortized using the same methods over the shorter of the term of either the new or old debt. Bond premiums, discounts, and deferred refunding gains (losses) are presented as an addition or reduction (net) of the face amount of the bond payable. Bond issuance costs are recorded as deferred charges. With few exceptions, bonds issued by the City are tax-exempt and subject to federal arbitrage regulations.

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

- 11. Compensated Absences.** The City has vacation, 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. Special Incentive Program.** In 2009, the City approved a Special Incentive Program (SIP) for the purpose of reducing payroll expenses by encouraging employees eligible to retire to separate from employment. Under the SIP, each employee who separated from employment will receive \$500 per month for thirty months beginning in January 2010. A total of 322 employees elected to participate in the program. The last payment was in June 2012. As of December 31, 2012, there is no longer a liability.
- 13. 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, net of related debt, 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.
- 14. 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.
- 15. Encumbrances.** Encumbrances for contracts and purchase orders are unencumbered at year end and reappropriated against the subsequent year's budget. As of December 31, 2012, \$15,083,000 was reappropriated against the General Fund 2012 budget for remaining prior year encumbrances.

#### NOTE E – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

- 1. Governmental Accounting Standards Board Statement No. 60.** In 2012, the City implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. An SCA is an arrangement with another governmental entity or an outside party (the operator) in which the City conveys the right to provide public services through the use and operation of a capital asset, generally a facility or infrastructure, for significant consideration. The City has no SCAs to disclose or recognize.
- 2. Governmental Accounting Standards Board Statement No. 61.** In 2012, the City implemented the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, (GASB 61), which modifies certain requirements for inclusion of component units in the financial reporting entity. As part of the implementation of GASB 61, the City reviewed and analyzed all entities previously reported as component units using the new guidance. As a result of the review, some entities previously reported as component units are no longer included in



the reporting entity. These entities include the Denver Art Museum, the Denver Museum of Nature and Science, Denver Metro Convention and Visitor's Bureau, d/b/a VISIT DENVER, and the Denver Water Board, although the Denver Water Board is considered a related organization. Due to the implementation, the beginning net position on the Statement of Net Position-Component Units has been reduced by \$1,894,316,000 for the component units no longer included in the reporting entity. This includes a decrease to the major component units January 1 net position of \$1,638,058,000 and a decrease to the nonmajor component units January 1 net position of \$256,258,000.

3. **Governmental Accounting Standards Board Statement No. 62.** In 2012, the City implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates certain accounting and financial guidance issued on or before November 30, 1989 that are nonconflicting with current Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. There was no impact on net position as a result of the implementation. GASB 62 also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, thereby eliminating the election of paragraph 7 of that statement for enterprise funds and business-type activities to apply post November 30, 1989 FASB statements.
4. **Governmental Accounting Standards Board Statement No. 63.** In 2012, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which renames net assets as net position, renames previously reported invested in capital assets, net of related debt to net investment in capital assets on the Statement of Net Position, and provides guidance on the proper presentation of deferred outflows of resources and deferred inflows of resources.
5. **Governmental Accounting Standards Board Statement No. 64.** In 2012, the City implemented the provisions of GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which sets forth criteria that establishes when the effective hedging relationship continues and hedge accounting should continue to be applied.

There was no effect on beginning net position at January 1, 2012, or on changes in net position for the year ended December 31, 2012, for implementation of GASB 60, 62, 63, or 64.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### NET ASSETS AND FUND EQUITY

At December 31, 2012, the Denver Convention Center Hotel Authority (DCCCHA), the Denver Preschool Program, Inc. (DPP), the Denver Union Station Project Authority (DUSPA), the Denver Urban Renewal Authority (DURA) and Old South Gaylord BID component units had deficit net position in the amounts of \$29,733,000, \$41,000, \$28,085,000, \$193,974,000, and \$1,000, respectively.

The DCCCHA component unit will use revenue from its hotel facility to fund its deficit net position. The 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, 2012 (dollars in thousands)

	Authorization	Budget Basis Expenditures	Excess over Authorization
Arts and Venues	\$ 2,381	\$ 2,382	\$ 1
Board of Ethics	108	110	2
Parks and Recreation	53,026	53,363	337
Undersheriff	103,700	103,912	212

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

1. **Deposits.** The City Charter, Section 2.5.3(c), requires all banking or savings and loan institutions to pledge sufficient collateral as required by law (Public Deposit Protection Act (C.R.S., 11-10.5-101)) before any public funds are deposited. In addition, the City's Investment Policy requires that certificates of deposit be purchased from institutions that are certified as Eligible Public Depositories by the appropriate state regulatory agency. Under the Colorado Public Deposit Protection Act (PDPA), all deposits exceeding the amount insured by the FDIC are to be fully collateralized at 102% of the deposits with specific approved securities identified in the act. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department. All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. Deposits collateralized under the PDPA are considered collateralized with securities held by the pledging financial institutions' trust department or agent in the "City's name."

Custodial credit risk is the risk that, in the event of a failure of a financial institution or counterparty, the City would not be able to recover its deposits, investments or collateral securities. At December 31, 2012, the bank balance and carrying amounts of accounts managed by the City Treasurer were \$33,328,000 and \$38,077,000, respectively (which includes \$25,000,000 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, 2012, 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, 2012, the City's investment balances were as shown in **Table 2**.

**Table 2**

**City Investment Balances**

December 31, 2012 (dollars in thousands)

	<b>Fair Value</b>
Repurchase agreements	\$ 211
Money market funds	159
Local government investment pool	62,080
Commercial paper	306,186
Common stock	968,297
Mutual funds	277,950
State and local government securities	3,316
Municipal bonds and VRDOs	13,222
U.S. Treasury securities	508,610
U.S. agency securities	1,549,818
Corporate, governmental, and mortgage bonds	244,865
Annuity contracts	262,769
Real estate	152,918
Other	411,731
<b>Total Investments</b>	<b>\$ 4,762,132</b>

The DERP pension trust fund had securities lending collateral of \$211,793,000 at December 31, 2012; see **Note III-A-5** for additional discussion related to this balance.

At December 31, 2012, the investment balances of the discretely presented component units were as shown in **Table 3**.

**Table 3**

**Component Units Investment Balances**

December 31, 2012 (dollars in thousands)

	<b>Fair Value</b>
Money market funds	\$ 105,355
Local government investment pool	17,423
Investment contracts	18,000
<b>Total Investments</b>	<b>\$ 140,778</b>

A reconciliation of cash and investments as shown in the basic financial statements as of December 31, 2012, is shown in **Table 4**.

**Table 4**

Reconciliation of Cash and Investments  
December 31, 2012 (dollars in thousands)

	Primary Government	Component Units	Total
<b>Governmental and Business-type Activities</b>			
Cash on hand	\$ 11,716	\$ -	\$ 11,716
Cash and cash equivalents	703,524	22,438	725,962
Investments	455,728	-	455,728
Restricted cash and cash equivalents	204,593	161,555	366,148
Restricted investments	1,021,715	13,000	1,039,715
<b>Total Governmental and Business-type Activities</b>	<b>2,397,276</b>	<b>201,993</b>	<b>2,599,269</b>
<b>Fiduciary</b>			
Cash on hand	3,515	-	3,515
Cash and cash equivalents	63,711	-	63,711
Investments	2,370,964	-	2,370,964
<b>Total Fiduciary</b>	<b>2,438,190</b>	<b>-</b>	<b>2,438,190</b>
Total	4,835,466	201,993	5,037,459
Less deposit balance	(73,334) <sup>1</sup>	(61,215)	(134,549)
<b>Total Investments</b>	<b>\$ 4,762,132</b>	<b>\$ 140,778</b>	<b>\$ 4,902,910</b>

<sup>1</sup> The carrying amount of the City's deposits, \$38,077 plus fiduciary deposits of \$32,875, less uncashed warrants of \$11,576, plus other cash amounts of \$13,958, equal \$73,334.

**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 270 days. At December 31, 2012, the City's commercial paper maturity dates ranged from January 3, 2013 to June 26, 2013. 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, 2012, 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	\$ 306,186	\$ 306,186	\$ -	\$ -	\$ -
Municipal bonds and VRDOs	13,222	-	-	-	13,222
U.S. Treasury securities	440,391	21,565	356,705	62,121	-
U.S. agency securities	1,343,153	226,988	964,536	295,124	56,505
<b>Total</b>	<b>\$ 2,302,952</b>	<b>\$ 554,739</b>	<b>\$ 1,321,241</b>	<b>\$ 357,245</b>	<b>\$ 69,727</b>

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, 2012, the City owned callable securities with a fair value of \$124,399,000.

The DERP limits its exposure to fair value losses due to rising interest rates by limiting investment duration as the primary measure of interest rate risk within some of its fixed income investments: intermediate – three to seven years, and high yield – between (+) or (-) 10% of the duration of the Merrill Lynch High Yield Cash Pay Index. At December 31, 2012, 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	\$ 68,220	\$ 52	\$ 36,160	\$ 17,039	\$ 14,969
U.S. agency securities	6,665	7	3,343	1,987	1,328
Asset backed	1,487	-	1,113	114	260
Corporate bonds	141,258	586	87,203	46,831	6,638
Government bonds	62,949	3,679	23,188	27,903	8,179
Mortgage backed	39,171	45	21,681	10,818	6,627
<b>Total</b>	<b>\$ 319,750</b>	<b>\$ 4,369</b>	<b>\$ 172,688</b>	<b>\$ 104,692</b>	<b>\$ 38,001</b>

**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, 2012, commercial paper, municipal bonds, municipal variable rate demand obligations (VRDOs), and local government investment pools were subject to credit quality risk. The VRDOs are associated with a financing issued by the City and County of Denver. 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 and VRDOs 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, 2012, the City owned commercial paper with a fair value of \$306,186,000 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 \$13,222,000 of municipal bonds and VRDOs that had ratings of at least A1 by Moody's or AA- by Standard & Poor's or Fitch. The City also had \$62,080,000 invested in local government investment pools with a rating of AAAm by Standard & Poor's.

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

Information on the credit ratings associated with the DERP investments in debt securities at December 31, 2012, 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	\$ 760	\$ 23,713	\$ -	\$ 27,901	\$ 52,374
AAA	NR	191	-	-	909	1,100
AA+ to AA-	Aa3 to A1	18	2,062	62,949	1,793	66,822
A+ to A-	A1 to Baa2	43	6,036	-	4,116	10,195
BBB+ to BBB-	A3 to Baa3	43	15,806	-	4,067	19,916
BB+ to BB-	Ba3 to B1	-	29,468	-	-	29,468
B+ to B-	B1 to Caa1	-	28,080	-	-	28,080
CCC+ to CCC	B3 to Caa2	101	6,729	-	-	6,830
NR	Aaa to Baa2	331	2,912	-	385	3,628
NR	NR	-	26,452	-	-	26,452
<b>Total</b>		<b>\$ 1,487</b>	<b>\$ 141,258</b>	<b>\$ 62,949</b>	<b>\$ 39,171</b>	<b>\$ 244,865</b>

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, 2012, were subject to custodial credit risk.

In accordance with the City's Investment Policy, all of the City's repurchase agreements are collateralized at 102% of the market value of the portfolio by U.S. agency securities at the time of purchase. Collateral valuation is calculated and adjusted at least once per week, and adjusted on an as needed basis. Collateral for all investments, including repurchase agreements, are held in the City's name by the City's custodian, J.P. Morgan.

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% in compliance with HUD's investment requirements. The total repurchase agreements at December 31, 2012, were \$211,000.

DERP has no formal policy for custodial credit risk. At December 31, 2012, there were no investments or collateral securities subject to custodial credit risk.

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

As of December 31, 2012, 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% of managed assets in the securities of a single issuer. As of December 31, 2012, 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 18% to 26% of total investments to be invested in international equities. The DERP pension trust fund exposure to foreign currency risk as of December 31, 2012, is reflected in **Table 8** (dollars in thousands).

**Table 8**

<b>Foreign Currency</b>	<b>U.S. Dollars</b>
Australian Dollar	\$ 20,073
Brazilian Real	19,725
British Pound Sterling	72,546
Canadian Dollar	13,712
Chilean Peso	1,920
Chinese Yuan	18,005
Columbian Peso	62
Czech Koruna	1,827
Danish Krone	3,523
Egyptian Pound	356
Euro	92,140
Hong Kong Dollar	19,428
Hungarian Forint	1,487
Indian Rupee	12,300
Indonesian Rupiah	3,066
Japanese Yen	63,497
Malaysian Ringgit	2,880
Mexican Peso	5,560
New Israeli Shekel	1,743
New Zealand Dollar	913
Norwegian Krone	5,655
Philippine Peso	929
Polish Zloty	3,763
Russian Ruble	10,329
Singapore Dollar	8,405
South African Rand	13,643
South Korean Won	26,496
Swedish Krona	9,270
Swiss Franc	25,760
Taiwan Dollar	16,866
Thai Baht	5,312
Turkish Lira	4,181
Other	227
<b>Total Foreign Deposits and Investments</b>	<b>\$ 485,599</b>

3. **Denver Convention Center Hotel Authority (DCCCHA).** DCCCHA's investments were not subject to custodial credit risk at December 31, 2012, since they consisted solely of money market funds that are not evidenced by securities and are in DCCCHA'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, 2012, 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	\$ 17,632	\$ 17,632	\$ -
Guaranteed investment contracts	18,000	-	18,000
Local government investment pool	15,656	15,656	-
<b>Total</b>	<b>\$ 51,288</b>	<b>\$ 33,288</b>	<b>\$ 18,000</b>

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% of the market value of the securities being collateralized. Market value includes investment principal plus accrued interest. Collateral valuation levels with each dealer must be determined on at least a weekly basis, and deficiencies from the required 102% level must be cured no later than the following business day. The City had no securities on loan as of December 31, 2012.

The DERP pension trust fund participates in a securities lending program to augment income. The program is administered by the DERP custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the DERP. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. 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. At December 31, 2012, the fair value of underlying securities lent was \$206,868,000. The fair value of associated collateral was \$211,793,000; of this amount, \$185,736,000 represents the fair value of cash collateral and \$26,057,000 is the fair value of non-cash collateral.



## 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, 2012.

**Table 10**  
Accounts Receivables and Allowances Summary  
December 31, 2012 (dollars in thousands)

	Governmental Activities					Business-type Activities					Fiduciary Funds
	General	Human Services	Other Governmental Funds	Internal Service Funds	Total	Wastewater Management	Denver Airport System	Nonmajor Business-type	Total	Agency	
Receivable											
Property taxes	\$ 106,437	\$ 56,573	\$ 168,694	\$ -	\$ 331,904	\$ -	\$ -	\$ -	\$ -	\$ 653,075	
Other taxes	57,135	34	6,084	-	63,253	-	-	555	-	7,990	
Notes	8,221	-	-	-	8,221	-	-	-	555	-	
Accounts	6,900	13,141	6,778	333	27,152	13,753	36,195	2,659	54,012	2,017	
Long-term accounts	42,103	-	41,053	3,084	86,240	3,981	10,695	-	14,676	-	
Accrued interest	1,030	-	1,403	219	2,712	254	8,462	120	8,836	1,308	
Loans	-	-	143,371	-	143,371	-	-	-	-	-	
Gross Receivable	221,826	69,758	369,643	3,636	664,863	17,993	57,907	2,179	78,079	664,403	
Allowances	(36,145)	(135)	(74,398)	(2,332)	(113,141)	(1,156)	(2,721)	-	(1,675)	(4,366)	
Net Receivable	\$ 185,681	\$ 69,407	\$ 295,335	\$ 1,299	\$ 551,722	\$ 16,835	\$ 57,690	\$ 2,179	\$ 76,404	\$ 659,437	

- 2. Notes Receivable.** The special revenue funds' and General Fund notes receivable balance at December 31, 2012, is shown in **Table 11** (dollars in thousands).

**Table 11**

Neighborhood Development Loans	\$ 8,874
Economic Development Loans	50,784
Housing Development Loans	91,934
<b>Total Office of Economic Development</b>	<b>151,592</b>
Less allowances for delinquent loans	(13,383)
Less allowances for forgivable loans	(61,756)
<b>Notes Receivable, Net</b>	<b>\$ 76,453</b>

Allowance for uncollectibles for notes receivable of \$75,139,000 is included in the accounts receivable allowance of \$113,141,000 above. The Neighborhood, Economic and Housing Development loans are funded from both federal U.S. Housing and Urban Development grants and City monies designated for affordable housing. Recipients of affordable housing loans target low and moderate income households, special needs and the homeless. Rental and occupancy covenants are recorded on these properties for affordability periods of 20 years or more. Housing loans may be fully deferred and forgivable at the end of the affordability period, due and payable in full, or due and payable based on occupancy rates or other conditions. The Economic Development loans are made to qualified program recipients under the Community Development Block Grant to provide business owners with funds to promote job creation and growth in targeted areas. Loans are collateralized by the underlying properties.

- 3. Long-Term Receivables Allowance.** Included in long-term receivables are amounts related to reimbursement for construction costs, parking fines, court fines, and library fines. The City recorded an allowance for uncollectible accounts for governmental activities of \$36,064,000. 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 \$77,145,000 was recognized in the Denver Airport System enterprise fund during the year ended December 31, 2012. Minimum future rentals due from concessions under operating leases are shown in **Table 12** (dollars in thousands).

**Table 12**

Year	
2013	\$ 59,240
2014	25,141
2015	19,911
2016	18,319
2017	14,508
2018 - 2022	33,482
2023	590
<b>Total</b>	<b>\$ 171,191</b>

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, 2012.

##### 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	\$ -	\$ 930	\$ 1,416	\$ 985	\$ 5,021	\$ 795	\$ 7	\$ 9,204
Human Services	16	-	-	-	-	-	-	16
Nonmajor Governmental	10	1,191	30	-	50	-	-	1,281
Wastewater Management	-	-	-	-	104	-	-	104
Denver Airport System	1,642	-	-	-	-	-	-	1,642
Nonmajor Business type	2	-	26	-	-	-	-	28
Internal Service	1,529	3	76	109	-	4	5	1,726
<b>Total</b>	<b>\$ 3,199</b>	<b>\$ 2,144</b>	<b>\$ 1,578</b>	<b>\$ 1,094</b>	<b>\$ 5,175</b>	<b>\$ 799</b>	<b>\$ 12</b>	<b>\$ 14,001</b>

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	\$ -	\$ -	\$ 36,073	\$ -	\$ -	\$ 36,073
Human Services	1,075	-	-	-	-	1,075
Nonmajor Governmental	36,455	75	13,526	25	250	50,331
Internal Service	1,165	-	633	-	-	1,798
<b>Total</b>	<b>\$ 38,695</b>	<b>\$ 75</b>	<b>\$ 50,232</b>	<b>\$ 25</b>	<b>\$ 250</b>	<b>\$ 89,277</b>

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.

## NOTES TO CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, are shown in Tables 15 and 16.

## 1. Governmental Activities.

Table 15

## Governmental Activities

For the Year Ended December 31, 2012 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
<b>Capital assets not being depreciated:</b>					
Land and land rights	\$ 284,489	\$ 7,354	\$ -	\$ -	\$ 291,843
Construction in progress	103,856	94,006	(4,202)	(105,604)	88,056
<b>Total capital assets not being depreciated</b>	<b>388,345</b>	<b>101,360</b>	<b>(4,202)</b>	<b>(105,604)</b>	<b>379,899</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	2,120,352	51,279	(945)	55,590	2,256,276
Equipment and other	280,226	23,976	(6,802)	18	302,418
Collections	70,579	4,363	(13,250)	632	62,324
Intangibles	101	10,629	(74)	-	10,656
Infrastructure	1,261,785	53,720	(263)	19,364	1,334,506
<b>Total capital assets being depreciated</b>	<b>3,733,043</b>	<b>148,967</b>	<b>(21,434)</b>	<b>105,604</b>	<b>3,966,180</b>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(533,833)	(58,769)	359	-	(591,743)
Equipment and other	(226,234)	(23,076)	5,406	-	(244,444)
Collections	(53,538)	(4,381)	13,075	-	(44,844)
Intangibles	(66)	(375)	74	-	(367)
Infrastructure	(571,292)	(45,075)	363	-	(616,006)
<b>Total accumulated depreciation</b>	<b>(1,384,963)</b>	<b>(132,878)</b>	<b>19,837</b>	<b>-</b>	<b>(1,498,004)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,348,080</b>	<b>16,089</b>	<b>(1,597)</b>	<b>105,604</b>	<b>2,468,176</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 2,736,425</b>	<b>\$ 117,449</b>	<b>\$ (5,799)</b>	<b>\$ -</b>	<b>\$ 2,848,075</b>

## 2. Business-type Activities.

Table 16

## Business-type Activities

For the Year Ended December 31, 2012 (dollars in thousands)

	January 1	Additions	Deletions	Transfers	December 31
<b>Capital assets not being depreciated:</b>					
Land and land rights	\$ 309,567	\$ 38	\$ -	\$ 197	\$ 309,802
Construction in progress	87,939	173,900	(555)	(74,934)	186,350
<b>Total capital assets not being depreciated</b>	<b>397,506</b>	<b>173,938</b>	<b>(555)</b>	<b>(74,737)</b>	<b>496,152</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	2,030,304	97	(1,180)	8,791	2,038,012
Improvements other than buildings	2,996,410	5,073	-	46,526	3,048,009
Machinery and equipment	755,797	21,143	(5,050)	19,420	791,280
<b>Total capital assets being depreciated</b>	<b>5,782,511</b>	<b>26,313</b>	<b>(6,260)</b>	<b>74,737</b>	<b>5,877,301</b>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(892,245)	(60,169)	514	-	(951,900)
Improvements other than buildings	(1,081,842)	(80,916)	-	-	(1,162,758)
Machinery and equipment	(559,461)	(53,911)	4,978	-	(608,394)
<b>Total accumulated depreciation</b>	<b>(2,533,548)</b>	<b>(194,996)</b>	<b>5,492</b>	<b>-</b>	<b>(2,723,052)</b>
<b>Total capital assets being depreciated, net</b>	<b>3,248,963</b>	<b>(168,683)</b>	<b>(768)</b>	<b>74,737</b>	<b>3,154,249</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 3,646,469</b>	<b>\$ 5,255</b>	<b>\$ (1,323)</b>	<b>\$ -</b>	<b>\$ 3,650,401</b>

Note: Interest costs of \$2,445 were capitalized during 2012.

## 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, 2012 (dollars in thousands)

	January 1	Additions and Transfers	Deletions	December 31
<b>Capital assets not being depreciated:</b>				
Land and land rights	\$ 23,421	\$ -	\$ -	\$ 23,421
Construction in progress	9,441	5,020	(950)	13,511
<b>Total capital assets not being depreciated</b>	<b>32,862</b>	<b>5,020</b>	<b>(950)</b>	<b>36,932</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	229,975	239	-	230,214
Improvements other than buildings	-	-	-	-
Machinery and equipment	41,042	289	-	41,331
<b>Total capital assets being depreciated</b>	<b>271,017</b>	<b>528</b>	<b>-</b>	<b>271,545</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(34,233)	(5,632)	-	(39,915)
Improvements other than buildings	-	-	-	-
Machinery and equipment	(23,940)	(3,757)	-	(27,697)
<b>Total accumulated depreciation</b>	<b>(63,173)</b>	<b>(9,439)</b>	<b>-</b>	<b>(72,612)</b>
<b>Total capital assets being depreciated, net</b>	<b>207,844</b>	<b>(8,911)</b>	<b>-</b>	<b>198,933</b>
<b>Discretely Presented Component Units Capital Assets, net</b>	<b>\$ 240,706</b>	<b>\$ (3,891)</b>	<b>\$ (950)</b>	<b>\$ 235,865</b>

Due to the implementation of GASB 61, previously reported January 1 balances have been reduced by \$1,880,227 to account for the elimination of major component unit.

Excludes net capital assets of \$17,271 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	\$ 19,429
Public safety	16,860
Public works, including depreciation of infrastructure	51,619
Human services	709
Health	770
Parks and recreation	12,320
Cultural activities	30,051
Community development	4
Capital assets held by internal service funds	1,116
<b>Total</b>	<b>\$ 132,878</b>

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, 2012, as shown in **Table 19** (dollars in thousands).

**Table 19**

<b>Governmental Activities:</b>	
Winter Park Capital	\$ 545
Capital Improvements	29,590
Conservation Trust	1,811
Bond Projects	22,291
Other Capital Projects	31,033
Entertainment and Culture	431
<b>Total Governmental Activities</b>	<b>\$ 85,701</b>
<b>Business-type Activities:</b>	
Wastewater Management	\$ 6,000
Denver Airport System	123,113
<b>Total Business-type Activities</b>	<b>\$ 129,113</b>

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.

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 January 2012, the City executed and delivered \$11,190,000 of Series 2012A (Tax-Exempt) Certificates of Participation (COPs) and \$1,865,000 of Series 2012B (Taxable) COPs. The proceeds of the 2012A certificates were used to advance refund the outstanding Series 2002A COPs (\$8,780,000 Tax-Exempt), and the Series 2003A COPs (\$2,570,000 Tax-Exempt) with a net present value savings of \$1,010,000. The 2012A COPs are fixed rate serial certificates bearing interest from 2.0% to 5.0% with a final maturity in 2021. The proceeds of the 2012B COPs were used to current refund the outstanding Series 2002B COPs (\$1,795,000 Taxable) with a net present value savings of \$1,701,000. The 2012B COPs bear 0.894% interest with a final maturity December 1, 2013.

In May 2012, the City executed and delivered \$18,000,000 of Series 2012C1 (Tax-Exempt) COPs, \$15,000,000 of Series 2012C2 (Tax-Exempt) COPs, and \$12,000,000 of Series 2012C3 (Taxable) COPs in a private placement transaction. The proceeds of the COPs will be used for certain traffic, drainage, and communications improvements to the East Corridor Light Rail Line as agreed upon by the City and the Regional Transportation District (RTD). The City provided \$35,000,000 of the proceeds to RTD for construction of the improvements and RTD has agreed to pay up to \$27,000,000 of the lease payments, beginning January 2017, or at completion of the project, whichever is later. The City's Wastewater Management Division received \$8,500,000 and its Public Works Department received \$1,500,000 of the proceeds for construction of the improvements. Lease payments will be made from FASTER (Funding Advancement for Surface Transportation and Economic Recovery) revenues received from the State of Colorado. The 2012C1, 2012C2, and 2012C3 COPs are serial certificates bearing interest at 2.71%, 4.15%, and 3.90%, with final maturities on December 1, 2024, 2031, and 2022, respectively.

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 2012, the DMNS collected and remitted \$578,000 to the City to be applied to the lease payments. The Zoo collected and remitted \$642,000. DBG collected and deposited \$1,149,000 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, 2012, are shown in **Table 20** (dollars in thousands).

**Table 20**

<b>Governmental Activities</b>	
Buildings	\$ 383,241
Land	32,193
Equipment	26,850
Less accumulated depreciation	(112,076)
<b>Net Book Value</b>	<b>\$ 330,208</b>

**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, 2012.

**Table 21**

Year	Governmental Activities	Business-type Activities
2013	\$ 34,676	\$ 1,225
2014	33,228	1,083
2015	31,237	1,035
2016	32,304	1,036
2017	30,233	763
2018 - 2022	135,492	4,374
2023 - 2027	104,192	1,968
2028 - 2032	107,944	-
<b>Total minimum lease payments</b>	<b>509,306</b>	<b>11,484</b>
Less amounts representing interest	(61,627)	(1,715)
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 447,679</b>	<b>\$ 9,769</b>

- 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, 2012, were approximately \$4,723,000, for governmental activities and \$689,000 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, 2012, the Denver Airport System has accrued a liability of \$25,586,000 for such amounts due to the airlines.

For the years ended December 31, 2001 through 2005, 75% of net revenues (as defined by bond ordinance) remaining at the end of each year is to be credited in the following year to the passenger airlines signatory to use and lease agreements; and thereafter it is 50%, capped at \$40,000,000. The net revenues credited to the airlines for the year ended December 31, 2012 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 \$30,666,000, at December 31, 2012, are \$895,649,000. Interest rates vary from 2.00% to 5.65% with a net interest cost of 1.53% to 6.77%.

As of December 31, 2012, there remains \$60,660,000 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, 2012, there are bonds outstanding in the amount of \$1,405,000 for the Gateway GID and \$3,885,000 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 <sup>1</sup>	Interest <sup>2</sup>	Principal	Interest
2013	\$ 47,755	\$ 44,245	\$ 370	\$ 325
2014	46,554	45,124	385	308
2015	51,530	39,954	405	291
2016	53,835	37,671	595	273
2017	56,375	35,072	105	247
2018 - 2022	225,660	147,237	640	1,117
2023 - 2027	251,425	85,918	895	860
2028 - 2032	162,515	18,575	1,260	498
2033 - 2034	-	-	635	68
<b>Total</b>	<b>\$ 895,649</b>	<b>\$ 453,796</b>	<b>\$ 5,290</b>	<b>\$ 3,987</b>

<sup>1</sup> Does not include \$2,826 and \$2,713 of compound interest on the Series 1999A and 2007 mini-bonds respectively, unamortized premium of \$30,666, or deferred amount on refunding of (\$172).

<sup>2</sup> Excludes Build America Bonds interest subsidy. The City is eligible to receive \$90.4 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 2012, and subsequent years. Revenue bonds outstanding, excluding unamortized premium (net of discount) of \$183,317,000 and deferred amount on refunding of (\$243,062,000), for the primary government, at December 31, 2012, 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%	\$ 230,650
Wastewater	4.98%	2.00% to 5.00%	48,555
Golf	4.80%	4.375% to 5.50%	4,450
Airport system	1.42% to 8.02%	0.10% to 7.75%	3,897,420
<b>Total primary government</b>			<b>4,181,075</b>
DCCHA component unit		4.125% to 5.25%	344,195
<b>Total</b>			<b>\$ 4,525,270</b>



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 <sup>1</sup>	Interest	Golf Enterprise		Wastewater Management		Denver Airport System	
			Principal <sup>2</sup>	Interest	Principal <sup>3</sup>	Interest	Principal <sup>4</sup>	Interest
2013	\$ 19,325	\$ 12,247	\$ 470	\$ 212	\$ 2,540	\$ 1,794	\$ 158,940	\$ 156,114
2014	20,175	11,358	495	191	2,590	1,744	133,495	148,451
2015	19,785	10,433	515	169	2,715	1,614	141,070	142,858
2016	18,120	9,451	540	145	2,650	1,473	156,790	156,110
2017	18,965	8,500	565	120	2,995	1,336	156,420	128,956
2018 - 2022	103,295	26,934	1,865	185	16,760	4,791	940,550	553,778
2023 - 2027	25,985	1,559	-	-	8,385	2,241	1,358,805	318,694
2028 - 2032	-	-	-	-	9,730	905	480,015	176,211
2033 - 2038	-	-	-	-	-	-	205,925	69,304
2038 - 2040	-	-	-	-	-	-	143,830	21,679
2043	-	-	-	-	-	-	21,580	865
<b>Total</b>	<b>\$ 230,650</b>	<b>\$ 80,482</b>	<b>\$ 4,450</b>	<b>\$ 1,022</b>	<b>\$ 48,555</b>	<b>\$ 15,903</b>	<b>\$ 3,697,420</b>	<b>\$ 1,836,520</b>

<sup>1</sup>Does not include unamortized premium of \$10,261 and deferred amount on refunding of (\$1,825).

<sup>2</sup>Does not include unamortized premium of \$19.

<sup>3</sup>Does not include unamortized premium of \$5,433 and deferred amount on refunding of (\$682).

<sup>4</sup>Does not include unamortized premium of \$167,602 and deferred amount on refunding of (\$240,155).

Table 25

Year	Component Unit	
	DCCCHA	
	Principal <sup>1</sup>	Interest
2013	\$ 4,335	\$ 17,070
2014	4,900	16,843
2015	5,485	16,586
2016	6,110	16,298
2017	6,710	16,032
2018 - 2022	45,835	74,573
2023 - 2027	69,975	60,792
2028 - 2032	100,405	40,534
2033 - 2037	100,440	11,277
<b>Total</b>	<b>\$ 344,195</b>	<b>\$ 270,005</b>

<sup>1</sup>Does not include unamortized premium of \$6,616 and deferred amount on refunding of (\$6,110).

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 \$9,165,000, with annual requirements of approximately \$3,055,000. Over the past 10 years annual net revenues available for debt service have averaged \$50,265,000. In 2012, debt service paid and net revenue available for debt service was \$3,054,000 and \$52,195,000, 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 is \$17,301,000, with annual requirements of approximately \$8,650,000. Over the past 10 years annual net revenues available for debt service have averaged \$30,503,000. In 2012, debt service paid and net revenue available for debt service was \$8,644,000 and \$37,932,000, 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 \$284,665,000, 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 \$36,849,000. In 2012, debt service paid and net revenue available for debt service was \$19,887,000 and \$46,243,000, 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 \$3,897,420,000 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 2013 to 2043. The total principal and estimated interest remaining to be paid on the bonds is \$5,735,940,000. Over the past 10 years annual net revenues available for debt service have averaged \$398,873,000. In 2012, debt service paid and net revenue available for debt service was \$277,498,000 and \$446,570,000, respectively.

On October 17, 2012, the Airport System issued \$315,780,000, \$510,140,000 and \$30,285,000 of Airport System Revenue Bonds, Series 2012A, B and C, respectively, in a fixed rate mode to finance a portion of the costs of the Airport's 2013-2018 Capital Program, current refund all of the remaining 1998A Bonds in the amount of \$104,050,000, current refund of all of the remaining 1998B Bonds of \$103,395,000, current refund a portion of the 2002E Bonds in an amount of \$63,570,000, current refund a portion of the 2003A Bonds in the amount of \$134,475,000, advance refund a portion of the 2003A Bonds in the amount of \$27,490,000, advance refund all of the 2003B Bonds in the amount of \$75,460,000, and refund all of the outstanding Subordinate Commercial Paper Note Series A in the amount of \$56,000,000. The current refundings and advance refundings resulted in a defeasance of debt with a difference between the reacquisition price of \$524,083,000 and the net carrying amount of the old debt of \$488,142,000 and the recognition of a deferred loss on refunding in the amount of \$35,941,364. The deferred loss on refunding is being amortized over the remaining life of the old debt. The present value economic gain resulting from the transaction is estimated to be \$66,417,000.

On October 1, 2012, the Airport System terminated the Existing Letter of Credit for the Series 2009C Bonds and entered into an agreement with U.S. Bank pursuant to which U.S. Bank agrees to hold the 2009C Bonds which, subject to certain conditions, will bear interest at the LIBOR index rate, through April 30, 2017.

On July 20, 2012, the Airport System defeased certain bonds as a part of the City's obligations under the Lease Amendment with United Airlines approved in June 2012 and to complete the baggage system defeasance.

On May 30, 2012, the Airport System drew \$56,000,000 of commercial paper. The proceeds were used to reimburse approximately \$19,500,000 of prior capital expenditures and \$36,500,000 will be used to fund capital projects. There was no commercial paper outstanding at the beginning of the year or at December 31, 2012.

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. The refunding of the Series 2002 bonds resulted in a defeasance of debt with a difference between the reacquisition price of \$21,386,000 and the net carrying amount of the old debt of \$20,418,000; and the recognition of a deferred loss on refunding in the amount of \$967,000. The deferred loss is being amortized over the remaining life of the old debt. The present value savings from the transaction is estimated to be \$3,438,000, which represents the net present value of cash flow savings on the

refunded bonds. Wastewater obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately 16.89% on the refunding. Over the past 10 years annual net revenues available for debt service have averaged \$18,011,000. In 2012, debt service paid and net revenue available for debt service was \$3,305,000 and \$24,562,000, 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 \$5,472,000, with annual requirements of approximately \$684,000. Over the past 7 years annual net revenues available for debt service have averaged \$1,673,000. In 2012, debt service paid and net revenue available for debt service was \$686,000 and \$2,022,000, 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	\$ 21,200	\$ 22,441	0.163%	October 2, 2014
Airport Series 1992G	17,600	19,684	0.163%	October 2, 2014
Airport Series 2002C	32,200	32,698	0.163%	October 2, 2014
Airport Series 2007G1-G2	146,600	149,287	0.280%	November 13, 2014

As of December 31, 2012, 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 (\$4,259,000) and unamortized premium of \$2,953,000 at December 31, 2012, are comprised of the following individual issues shown in **Table 27** (dollars in thousands).

Table 27

Purpose	Interest Rates	Amount
Series 2006B	Variable	\$ 5,285
Series 2007A	5.25%	3,235
Series 2008A-1	Variable	71,220
Series 2008A-2	Variable	95,610
Series 2010B-1 <sup>1</sup>	2.00% - 8.07%	96,969
Note payable	2.00%	4,396
<b>Total</b>		<b>\$ 276,715</b>

<sup>1</sup>The Series 2010B-1 Bonds include \$2,166 of Direct Pay Build America Bonds. As long as federal requirements imposed by the Internal Revenue Code on 1986 are met DURA will be eligible for cash subsidy payments from the United State Treasury equal to 35% of the interest payable on these bonds.

Debt service requirements to maturity for DURA's bond issues are shown in **Table 28** (dollars in thousands).

**Table 28**

Year	Principal	Interest
2013	\$ 16,030	\$ 4,989
2014	20,204	4,635
2015	14,895	4,147
2016	17,770	3,916
2017	18,425	3,665
2018 - 2022	93,700	12,532
2023 - 2026	91,295	3,350
<b>Total</b>	<b>\$ 272,319</b>	<b>\$ 37,234</b>

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.

Wastewater Management entered into an intergovernmental agreement with the City and County of Denver Board of Water Commissioners whereby Wastewater Management has agreed to pay 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). The payment schedules relating to the loan requirements as of December 31, 2012 are shown in **Table 29** (dollars in thousands).

**Table 29**

Year	Denver International Airport		Wastewater Management	
	Principal	Interest	Principal	Interest
2013	\$ 7,243	\$ 805	\$ 1,275	\$ 110
2014	5,497	612	1,328	56
2015	5,676	433	-	-
2016	3,399	268	-	-
2017	2,067	196	-	-
2018 - 2021	8,684	366	-	-
<b>Total</b>	<b>\$ 32,566</b>	<b>\$ 2,680</b>	<b>\$ 2,603</b>	<b>\$ 166</b>

The City has a note payable with JP Morgan Chase Bank of New York in the amount of \$13,804,000 as of December 31, 2012. 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, 2012, 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	\$ 3,551	\$ 4,390	\$ 1,338	\$ 6,603	\$ 438
Pollution remediation	279	224	47	456	105
Special incentive payments	824	-	824	-	-
Compensated absences:					
Classified service employees - 3,027	83,180	36,635	21,974	97,841	4,615
Career Service employees - 6,677	44,469	25,168	23,241	46,396	3,365
Net other postemployment benefit obligation	7,426	1,619	-	9,045	-
Claims payable	35,876	4,102	7,092	32,886	9,600
General obligation bonds <sup>1</sup>	946,218	805	45,835	901,188	47,755
GOB general obligation bonds	5,645	-	355	5,290	370
Excise tax revenue bonds	249,140	-	18,490	230,650	19,325
Capitalized lease obligations	429,279	52,743	34,343	447,679	26,565
Unamortized premium	48,876	-	7,949	40,927	-
Deferred amount on refunding	(2,299)	-	(302)	(1,997)	-
Intergovernmental agreement	-	6,725	2,217	4,508	560
Other governmental funds - note payable	8,640	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 1,861,104</b>	<b>\$ 137,959</b>	<b>\$ 163,787</b>	<b>\$ 1,835,276</b>	<b>\$ 112,698</b>

<sup>1</sup> Additions to general obligation bonds represent mini bond accretion of \$805.

Table 31

	January 1 <sup>1</sup>	Additions	Deletions	December 31	Due within one year
<b>Business-type Activities</b>					
Wastewater Management					
Revenue bonds	\$ 20,350	\$ 50,125	\$ 22,220	\$ 48,255	\$ 2,540
Unamortized premium	53	5,695	313	5,435	-
Deferred amount on refunding	-	(967)	(851)	(1,818)	-
Capitalized lease obligations	-	8,500	-	8,500	534
Notes payable	3,926	-	1,223	2,603	1,275
Special incentive payments	36	-	36	-	-
Compensated absences	2,575	317	16	2,836	869
Other long-term liabilities	7,189	2,557	200	9,546	-
<b>Total Wastewater Management</b>	<b>29,989</b>	<b>66,527</b>	<b>24,423</b>	<b>72,093</b>	<b>5,218</b>
Denver Airport System					
Revenue bonds	1,773,695	912,205	773,480	3,892,420	158,940
Unamortized premium	70,010	105,765	8,172	167,603	-
Deferred amount on refunding	(227,006)	(15,921)	22,571	(240,356)	-
Notes payable	20,500	-	8,574	11,926	7,243
Special incentive payments	123	-	123	-	-
Compensated absences	8,502	6,895	6,398	8,999	2,704
<b>Total Denver Airport System</b>	<b>3,650,964</b>	<b>1,009,444</b>	<b>839,318</b>	<b>3,866,232</b>	<b>168,887</b>
Nonmajor enterprise funds:					
Revenue bonds	4,900	-	450	4,450	470
Unamortized net premium	26	-	7	19	-
Capitalized lease obligations	130	1,307	468	1,269	449
Special incentive payments	6	-	6	-	-
Compensated absences	863	515	467	911	136
<b>Total nonmajor enterprise funds</b>	<b>6,225</b>	<b>1,822</b>	<b>1,398</b>	<b>6,649</b>	<b>1,065</b>
<b>Total Business-type Activities</b>	<b>\$ 3,687,178</b>	<b>\$ 1,077,793</b>	<b>\$ 865,139</b>	<b>\$ 3,944,974</b>	<b>\$ 175,170</b>
<b>Major Component Units:</b>					
Revenue bonds <sup>1</sup>	\$ 348,562	\$ -	\$ 3,861	\$ 344,701	\$ 4,735
Increment bonds and notes payable	405,587	83,596	24,309	464,874	100,490
Compensated absences	120	102	92	130	-
<b>Total Major Component Units</b>	<b>\$ 754,269</b>	<b>\$ 83,698</b>	<b>\$ 28,262</b>	<b>\$ 809,703</b>	<b>\$ 20,365</b>

<sup>1</sup> Includes unamortized premium of \$6,516 and deferred loss on refunding of \$(6,110).

<sup>2</sup> Includes deferred amount on refunding of \$(4,259).

Due to the implementation of GASB 61, previously reported January 1 balances have been reduced by \$44,862 to account for the major component unit no longer included in the reporting entity.

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 \$72,025,000.

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, 2012, 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, 2012 was (\$49,867,000). The year-end fair values were calculated using the mid-market LIBOR swap curves as of December 31, 2012. 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, 2012. 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, 2012.

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)	(0.144%)	(0.144%)	(0.144%)
Net swap interest rate	3.256%	3.256%	2.986%
Variable-rate certificate coupon payment	0.130%	0.130%	0.130%
Net swap and certificate rate	3.386%	3.386%	3.116%

As rates vary, lease interest payments and net swap payments will vary. As of December 31, 2012, 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			Interest Rate		Total			
	Principal		Interest	Swaps Net				
2013	\$	6,165	\$	321	\$	5,552	\$	12,038
2014		7,000		315		7,662		14,977
2015		7,805		307		7,456		15,563
2016		8,190		297		7,204		15,691
2017		8,695		286		6,935		15,916
2018 - 2022		52,240		1,248		30,103		83,591
2023 - 2027		70,170		864		20,019		91,653
2028 - 2031		89,175		333		7,740		97,248
Total	\$	249,440	\$	3,971	\$	93,271	\$	346,682

**Table 34** (dollars in thousands) provides the fair values and the 2012 changes in fair value of the on-market and the implied loan portions of the swaps as of December 31, 2012, 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
<b>2008A1 Swap Agreements</b>							
JP Morgan Chase Bank	7/17/03	\$ 82,325	12/1/29	2008A1 COP	\$ 16,760	\$ (125)	Deferred outflow
						\$ (273)	Investment revenue
<b>2008A2 Swap Agreements</b>							
JP Morgan Chase Bank	7/17/03	73,725	12/1/29	2008A2 COP	14,134	(107)	Deferred outflow
						(231)	Investment revenue
<b>2008A3 Swap Agreements</b>							
Royal Bank of Canada	10/1/08	98,340	12/1/31	2008A3 COP	18,923	(618)	Deferred outflow
						(17)	Investment revenue
<b>Total</b>		<b>\$ 249,440</b>			<b>\$ 49,867</b>	<b>\$ (850)</b>	<b>\$ (521)</b>

**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, 2012, 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, 2012 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, 2012).

**Table 36**

SWAP	1999, 2002 2009A	2005 2006B	2006A 2008A	1998	2008B
	2002C, 2008B 2009C	2006A	2007F-G 2002C	2008C2-C3	2008C1 2002C
<b>Associated Debt</b>					
Payment to counterparty	5.753%	3.792%	4.009%	4.740%	3.760%
Payment from counterparty	(0.029%)	(4.233%)	(0.147%)	(0.247%)	(0.317%)
Net swap interest rate	5.443%	-0.441%	3.862%	4.493%	4.443%
Associated bond interest rate	1.026%	4.950%	0.336%	0.900%	1.139%
<b>Net swap and bond rate</b>	<b>6.469%</b>	<b>4.510%</b>	<b>4.198%</b>	<b>5.393%</b>	<b>5.582%</b>

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2012, 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 Rate		Total
			Swaps	Net	
2013	\$	4,700	\$	3,852	\$ 28,453
2014		4,800		3,796	28,497
2015		6,925		3,738	30,563
2016		7,500		3,672	31,072
2017		7,800		3,604	31,304
2018 - 2022		274,285		13,103	357,045
2023 - 2025		93,990		2,128	104,339
<b>Total</b>	<b>\$</b>	<b>400,000</b>	<b>\$</b>	<b>33,893</b>	<b>\$ 611,273</b>

Variable Rate Bonds and Swap payments are calculated using rates in effect on December 31, 2012.



**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		Payable Swap Rate	Variable Receivable Swap Rate	Changes in Fair Value		Fair Values 12/31/12
			Termination Date	Associated Debt Series			Classification	Amount	
Hedging Derivatives									
2008 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/08	\$ 100,000	11/15/25	2008CZ-C3	4.7600%	70% LIBOR + 0.10%	Deferred outflow	\$ 1,703	\$ (31,343)
							Investment income	(2,161)	
Scotiabank General New York Branch	10/4/08	100,000	11/15/25	2008CZ-C3	4.7700%	70% LIBOR + 0.10%	Deferred outflow	1,705	(30,979)
							Investment income	(2,175)	
1391 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	10/4/01	100,000	11/1/22	-	5.6173%	5FMA	Deferred outflow	2,901	(36,639)
							Investment income	(2,421)	
Merrill Lynch Capital Markets, Inc.	10/4/01	20,000	11/1/22	-	5.5529%	5FMA	Deferred outflow	1,193	(16,751)
							Investment income	(1,184)	
2009A Swap Agreements									
Loop Financial Products, LLC	11/12/10	50,000	11/15/22	-	5.6229%	5FMA	Deferred outflow	1,151	(1,136.4)
							Investment income	(868)	
Investment Derivatives									
2002 Swap Agreements									
Goldman Sachs Capital Markets, L.P.	4/15/02	10,000,000	11/1/22	-	5FMA	76.32% LIBOR	Investment income	(1,438)	(1,073)
2005 Swap Agreements									
Royal Bank of Canada	11/15/06	\$5,917	11/15/25	2005A	5.6643%	20% LIBOR	Investment income	(33)	(1,194.2)
J.P. Morgan Chase Bank, N.A.	11/15/06	\$5,917	11/15/25	2005A	5.6643%	20% LIBOR	Investment income	(33)	(1,236.5)
Jackson Financial Products, LLC	11/15/06	111,434	11/15/25	2005A	5.6643%	20% LIBOR	Investment income	(16)	(1,382.5)
Piper Jaffray Financial Products, Inc.	11/15/06	\$5,917	11/15/25	2005A	5.6643%	20% LIBOR	Investment income	(33)	(1,121.2)
2006 Swap Agreements									
J.P. Morgan Chase Bank, N.A.	11/15/07	123,150	11/15/25	2006F-G	4.0665%	20% LIBOR	Investment income	(1,036)	(1,05,604)
Loop Financial Services Corp.	11/15/07	51,463	11/15/25	2006F-G	4.0665%	20% LIBOR	Investment income	(362)	(17,629)
2008 Swap Agreements									
Royal Bank of Canada	11/15/08	\$5,917	11/15/25	2008A	5FMA	4.0655%	Investment income	(868)	(2,564)
J.P. Morgan Chase Bank, N.A.	11/15/08	\$5,917	11/15/25	2008A	5FMA	4.0655%	Investment income	(868)	(2,564)
Jackson Financial Products, LLC	11/15/08	111,434	11/15/25	2008A	5FMA	4.0655%	Investment income	(1,760)	(5,129)
Piper Jaffray Financial Products, Inc.	11/15/08	\$5,917	11/15/25	2008A	5FMA	4.0655%	Investment income	(868)	(2,564)
2009A Swap Agreements									
Royal Bank of Canada	12/18/08	136,767	11/15/25	2009F-G	4.0665%	20% LIBOR	Investment income	(773)	(25,753)
2009B Swap Agreements									
Loop Financial Products, LLC	11/8/09	100,000	11/15/25	2009C1	4.7636%	70% LIBOR + 0.10%	Investment income	(354)	(1,468)
TOTAL									\$ (237,435)

Swaps are primarily associated with Series 2008C bonds, Series 2008F and a portion of the 2009A bonds. A portion of the Series 2009C bonds are additionally associated with these swaps.

**Notes:** Certain City debentures have been reported as investment derivatives in accordance with the provisions of GASB 31. Additionally, investment income on these derivatives has also been recognized in accordance with GASB 31. The City does not use these derivatives to hedge its investment portfolio as does the City Charter allow for the investment in debt securities.

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, 2012. 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, 2012. 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, 2012, 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, 2012, 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-	A3	A
Jackson Financial Products, LLC (Merrill Lynch & Co., Inc.)	A-	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.)	A-	Baa2	A
Piper Jaffray Financial Products, Inc. (Morgan Stanley Capital Services, Inc.)	A-	Baa1	A
Royal Bank of Canada	AA-	Aa3	AA
Societe Generale, New York Branch	A	A2	A+

As of December 31, 2012, there was no risk of loss for the swap agreements that had negative fair values. For the swap agreements that had positive fair values, the risk of loss is the amount of the derivative's fair value.

- **Termination Risk** -- Any party to the Airport System's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, the Airport System may terminate any of its swap agreements at any time at its sole discretion. Further, certain credit events can lead to a termination event under the swap agreements (see Credit Risk above). If, at the time of termination, the swap has a negative fair value, the Airport System could be liable to the counterparty for a payment equal to the swap's fair value. If any of the Airport System's swap agreements are terminated, the associated variable rate bonds would either no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. The Airport System is not aware of any existing event that would lead to a termination event with respect to any of its swap agreements.
- **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) has entered into interest rate swap agreements in order to lock in interest rate savings and protect against rising interest rates. The swaps are all pay fixed, receive variable rate, cash flow hedges, with the variable payment from the counterparties based on the USD-SIFMA Municipal Swap Index. At December 31, 2012, fixed payments to the counterparties ranged from 3.06% to 5.26%. The interest rate swaps have the effect of creating a synthetic interest rate on the bonds within the same range of 3.06% to 5.26%. All of the activity related to the swaps is recorded in DURA's governmental activities.

As rates vary, variable rate bond interest payments and net swap payments will vary. As of December 31, 2012, debt service requirements of the related variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms, are summarized in **Table 40** (dollars in thousands).

**Table 40**

Year	Principal		Interest Rate		Total
			Swaps, Net	Interest	
2013	\$	13,860	\$	324	\$ 21,552
2014		9,580		214	16,636
2015		8,945		201	15,595
2016		9,605		184	15,681
2017		10,895		169	16,469
2018 - 2022		56,760		592	76,296
2023 - 2025		62,470		165	67,887
<b>Total</b>	<b>\$</b>	<b>172,115</b>	<b>\$</b>	<b>1,849</b>	<b>\$ 230,116</b>

**Table 41** (dollars in thousands) provides the fair value balances and notional amounts outstanding as of December 31, 2012, and the changes in fair value for the year then ended.

**Table 41**

Counterparty	Effective Date	Notional Amount	Termination Date	Associated Debt Series	Payable Swap Rate	Change in Fair Value		Fair Values 12/31/12
						Classification	Amount	
<b>2006 Swap Agreements</b>								
Royal Bank of Canada	10/25/06	\$ 5,285	9/1/13	2006C	3.816%	Deferred Outflow	\$ (703)	\$ (144)
<b>2008A-1 and 2008A-2 Swap Agreements</b>								
Merrill Lynch Capital Services, Inc.	5/1/07	27,513	12/1/24	2008A-1	5.259%	Deferred Outflow Investment Revenue	545 (699)	(7,484)
Royal Bank of Canada	3/11/10	15,726	12/1/24	2008A-1	3.059%	Deferred Outflow	219	(1,945)
Bank of America, N.A.	5/1/07	15,726	12/1/24	2008A-1	5.259%	Deferred Outflow Investment Revenue	312 (383)	(4,277)
Merrill Lynch	6/1/03	107,865	12/1/25	2008A-1 and 2008A-2	4.598%	Deferred Outflow Investment Revenue	1,523 (845)	(27,672)
<b>Total</b>		<b>\$ 172,115</b>						<b>\$ (41,522)</b>

Under the various swap agreements, DURA is the fixed-rate payer at the rates listed in the "payable swap rate" column in **Table 41** and the counterparties are the floating rate payers.

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method.

The following risks are generally associated with the swap agreements:

- **Credit Risk** – All of DURA's swap agreements rely upon the performance of the respective swap counterparties. DURA is exposed to the risk of these counterparties being unable to fulfill their financial obligations to DURA. DURA measures the extent of this risk based upon the credit ratings of each counterparty (or, with respect to a swap agreement for which the counterparty's payment obligations are guaranteed by another entity, the credit ratings of such guarantor) and the fair value of the swap agreement. The ratings of the counterparties, or their credit support providers, as of December 31, 2012, are shown in **Table 42**.

**Table 42**

Counterparty (Credit Support Provider)	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
Royal Bank of Canada	AA-	Aa3	AA
Merrill Lynch Capital Services, Inc.	A-	Baa2	A
Bank of America, N.A.	A	A3	A

As of December 31, 2012, there was no risk of loss to DURA since the fair values of the swap agreements are negative.

- **Termination Risk** – Any party to DURA's swap agreements may terminate the swap if the other party fails to perform under the terms of the contract. Additionally, DURA may terminate any of its swap agreements at any time at its sole discretion, provided that if DURA would be required to make a termination payment to the applicable counterparty upon such termination.
- If, at the time of termination, the applicable swap agreement has a negative fair value to DURA, determined as provided in such agreement, DURA will be liable to the applicable counterparty for a termination payment approximately equal to such fair value.
- If any of DURA's swap agreements are terminated, and the associated bonds are then in variable rate mode, such bonds would no longer have the benefit of the interest rate risk hedge represented by such swap agreement. DURA is not aware of any current circumstances that would lead to a termination event with respect to the swap agreements.
- **Interest Rate Risk** – DURA is exposed to interest rate risk in that as the SIFMA index rate decreases, DURA's net payments on the swap agreements increase.
- **Basis Risk** – Each of the Series 2006, Series 2008A-1 and Series 2008A-2 Swap Agreements provide for the applicable counterparty to pay variable payments to DURA based on the SIFMA Municipal Swap Index. To the extent that the rate produced by such index from time to time does not equal the interest rate on the associated Series 2006 or Series 2008A Bonds, as applicable, there will either be a net loss or net benefit to DURA.

## 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% of budgeted expenditures and should not go below 10% of budgeted expenditures, except in response to a severe crisis, economic or otherwise.

Fund balances by classification are detailed in **Table 43** (dollars in thousands).

**Table 43**

	General	Human Services	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>	\$ 159	\$ -	\$ 5,729	\$ 5,888
<b>Restricted:</b>				
General government	-	-	10,397	10,397
Public safety	-	-	25,831	25,831
Public works	-	-	67,752	67,752
Human services	-	33,441	577	34,018
Health	-	-	687	687
Parks & recreation	-	-	19,356	19,356
Cultural activities	-	-	78,579	78,579
Community development	-	-	3,194	3,194
Assets held for resale	-	-	7,339	7,339
Loans receivable	480	-	75,972	76,452
Long-term debt	19,956	-	72,025	91,981
Emergency use - assets held for resale	11,436	-	-	11,436
Emergency use	24,694	-	10	24,704
<b>Total Restricted</b>	<b>56,566</b>	<b>33,441</b>	<b>361,719</b>	<b>451,726</b>
<b>Committed:</b>				
General government	5,897	-	1,540	7,437
Public safety	4,000	-	-	4,000
Public works	4,196	-	26,246	30,442
Human services	-	-	-	-
Health	139	-	-	139
Parks & recreation	698	-	-	698
Cultural activities	-	-	-	-
Community development	154	-	-	154
Economic opportunity	-	-	-	-
<b>Total Committed</b>	<b>15,084</b>	<b>-</b>	<b>27,786</b>	<b>42,870</b>
<b>Assigned:</b>				
General government	-	-	17,112	17,112
Public safety	-	-	1,384	1,384
Public works	-	-	343	343
Economic opportunity	-	-	-	-
Parks & recreation	-	-	612	612
Cultural activities	-	-	13,309	13,309
<b>Total Assigned</b>	<b>-</b>	<b>-</b>	<b>32,760</b>	<b>32,760</b>
<b>Unassigned</b>	<b>155,039</b>	<b>-</b>	<b>(38)</b>	<b>155,001</b>
<b>Total Fund Balances</b>	<b>\$ 226,848</b>	<b>\$ 33,441</b>	<b>\$ 427,956</b>	<b>\$ 688,245</b>

- **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 \$2,888,000 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 \$10,397,000 restricted of which \$5,471,000 is restricted for future grant expenditures, \$3,713,000 is restricted for technology projects and \$1,213,000 is restricted for capital assets.

Public Safety has \$25,831,000 restricted for future capital projects of which \$3,035,000 is in the non major capital funds and \$22,796,000 is in special revenue funds within the special projects funds. The restrictions in the non major capital funds include \$1,130,000 for capital assets for the Detention Center and Jail and \$1,905,000 for County Jail maintenance. In the special revenue funds, \$13,647,000 is restricted for 911 expenses and \$9,149,000 is for grants.

Public Works has a total of \$67,752,000 restricted for future projects of which \$51,977,000 is restricted in the various non major bond funds for infrastructure. This includes \$11,794,000 for Center Avenue Storm Improvements, \$9,611,000 for Peoria Street Grade Separations, \$13,343,000 for Traffic Signal Upgrades and Hazard Eliminations, \$6,000,000 for I-25 & Broadway Access Improvements, \$1,647,000 for the Central Park Boulevard Interchange, \$4,854,000 for the Bridge Rehabilitation, \$2,100,000 for South Broadway reconstruction and \$2,010,000 for various building projects. The Special Assessment funds also have \$618,000 restricted for Public Works improvements.

In addition to the \$51,977,000 discussed above, Public Works has \$15,775,000 restricted in various nonmajor funds for sign, pavement and facilities maintenance.

Human Services has \$34,018,000 restricted of which \$33,441,000 is for grant expenditures. The remaining \$577,000 is restricted in the non major capital project funds of \$80,000 for Building Improvements and \$492,000 maintenance.

Health has \$687,000 restricted in the non major capital projects fund which includes \$252,000 for the Denver Animal Shelter and the Lowry Childcare Center and \$44,000 for maintenance. Additionally, \$391,000 is restricted in the special revenue fund for grants.

Parks and Recreation has \$19,356,000 restricted of which \$17,745,000 is in non major capital projects funds for various irrigation projects and maintenance. This includes \$2,741,000 in the Winter Park fund for park maintenance, \$2,972,000 restricted for park maintenance and \$274,000 for trail and irrigation improvements in the Capital Improvements fund, \$5,253,000 for infrastructure including playgrounds and \$2,177,000 for maintenance in the Conservation Trust fund, \$565,000 for capital assets and \$3,763,000 for maintenance in the Bond Projects fund. In addition, Parks and Recreation has \$867,000 for Cableland maintenance and \$744,000 restricted in special revenue funds for grant expenses.

Cultural Activities has \$78,579,000 restricted of which \$77,914,000 is restricted in the non major capital projects funds for the following: \$8,472,000 for a new west Denver Library branch, \$1,088,000 for a new Stapleton Library branch, \$400,000 for various art projects and \$1,658,000 for the Boettcher Concert Hall, Denver Performing Arts Center Studio, and the Colorado Convention Center. There is \$8,505,000 restricted for maintenance and the remaining \$57,126,000 is restricted for other Cultural Activities projects. Cultural Activities also has \$665,000 restricted in special revenue funds for future grant expenditures.

Community Development Activities has \$3,194,000 restricted of which \$99,000 is restricted in the bond projects fund for a Neighborhood House Alternative project and \$3,095,000 is restricted in special revenue funds for grant expenditures.

The City is also holding \$7,339,000 of foreclosed assets restricted in the Special Revenue Community Development fund to be used for future loans.

The City has \$76,452,000 in restricted loans receivable that originated from grants of which \$480,000 is in the general fund, \$10,851,000 of restricted loans receivable is in the General Government special revenue fund and \$65,121,000 is in the Community Development special revenue fund.

There is \$91,981,000 restricted for long-term debt of which \$19,956,000 is in the general fund, \$211,000 in the Community Development special revenue funds, \$1,753,000 in the Special Funds special revenue funds, \$69,674,000 in the debt service funds and \$387,000 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 \$1,540,000 in committed fund balance for nonfederal grant expenses and Public Works has \$25,021,000 committed for various street reconstruction and \$1,225,000 for various building projects. The General Fund has \$15,084,000 in committed fund balance which includes \$2,121,000 for fleet replacement, \$4,000,000 for crime prevention, \$1,117,000 for business incentives, and \$7,846,000 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 \$32,760,000 in assigned fund balance of which \$17,112,000 is in the General Government special revenue funds, \$1,384,000 is for Public Safety, \$343,000 is for Public works, \$612,000 is for Parks and Recreation and \$13,309,000 is for Cultural Activities.
- **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 Economic Opportunity special revenue fund has a negative \$38,000 in unassigned fund balance. The general fund has \$155,039,000 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 2012, 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, 2012, to be approximately \$6,603,000, of which \$438,000 has been recorded at the government-wide level of reporting as a current liability. The City Attorney also estimates that pending cases having a reasonably possible likelihood of resulting in an additional liability aggregating approximately \$14,000,000 to \$22,000,000 at December 31, 2012. Of this amount, \$12,000,000 to \$20,000,000 relates to ongoing litigation between the Airport System and the Regional Transportation District. This amount is not recorded in the accompanying financial statements since, in the opinion of management and the City Attorney, it is not probable that a loss has been incurred.

Changes in the long-term legal liability during the past two years are shown in **Table 44** (dollars in thousands).

**Table 44**

	<b>2012</b>		<b>2011</b>	
Beginning balance - January 1	\$	3,551	\$	2,472
Current year claims and changes in estimates		4,390		3,101
Claims settled		(1,338)		(2,022)
<b>Ending Balance - December 31</b>	<b>\$</b>	<b>6,603</b>	<b>\$</b>	<b>3,551</b>

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 \$350,000 per injury or \$990,000 per occurrence.

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

#### NOTE B – POLLUTION REMEDIATION

The City has four underground storage tanks that leaked and are under remediation. Funds spent on remediation are partially reimbursed up to 50 percent of the cost by the Colorado Petroleum Storage Tank Trust. As of December 31, 2012, the City accrued a current liability, measured at its expected amount, using the expected cash flow technique, of \$360,000 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.

In 2009, Wastewater purchased a 23-acre parcel of land at 1271 West Bayaud Avenue. In 2010, the General Fund reimbursed Wastewater \$27,400,000 for 85% of the parcel including land, roadways, buildings, and building improvements. This land was formerly a General Chemical Company manufacturing site. The sellers negotiated a voluntary clean-up plan (VCUP) with the Colorado Department of Public Health and Environment and completed the VCUP prior to Denver's acquisition of the property. The seller remains contractually responsible for monitoring and obtaining a no-further-action determination on the City's behalf. The City has paid the seller \$940,000 for a one-time groundwater injection treatment and for monitoring remedial progress. These costs have been capitalized with the land. The City will continue to pay the seller until 2013 for monitoring remedial progress and site closure activities with total anticipated costs ranging from \$220,000 to \$290,000 depending on the scope required. These costs are capitalized as payments are made.

#### NOTE C -- WORKERS' COMPENSATION

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

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

The Department of Labor and Employment of the State of Colorado establishes the amount of funding required each year for the City to maintain its self-insured permit. The requirement is calculated using the average amount of claims paid over the previous three years plus the outstanding liability for claims as of the end of the previous year. This requirement at December 31, 2012, for 2013, was \$25,849,000. The Workers' Compensation internal service fund has current assets and appropriations set aside in 2012 to satisfy this requirement. These funds may only be used for payment of worker's compensation benefits and administrative costs.

The City has purchased reinsurance coverage in order to reduce its risk. For the period from January 1, 2012 through December 31, 2012, 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 45** (dollars in thousands).

**Table 45**

	2012	2011
Beginning balance, undiscounted - January 1	\$ 35,876	\$ 35,710
Current year claims and changes in estimates	9,074	11,419
Claims paid	(7,092)	(7,626)
<b>Ending balance undiscounted</b>	<b>37,858</b>	<b>39,503</b>
Less discount	(4,972)	(3,627)
<b>Ending Balance - December 31</b>	<b>\$ 32,886</b>	<b>\$ 35,876</b>

#### NOTE D - SUBSEQUENT EVENTS

- 1. Deferred Compensation Plan.** On January 2, 2013, Massachusetts Mutual Life Insurance Company (MassMutual) acquired The Hartford's Retirement Plan business. MassMutual has been appointed by Hartford Life Insurance Company (HLIC) to provide all administrative services necessary to support the insurance contracts issued by HLIC and reinsured by MassMutual in connection with the transaction.
- 2. Denver Urban Renewal Authority (DURA).** On March 28, 2013, DURA issued \$171,265,000 of Stapleton Senior Tax Increment Revenue Bonds, Series 2013A-1 for the purpose of refunding the Series 2008A-1 and Series 2008A-2 and for making certain payments in connection with the termination of certain existing hedge and credit support facilities. The 2013A-1 bonds carry a fixed interest rate of 5% and mature on December 1, 2025. As part of this transaction the interest rate swaps associated with the bonds were terminated.

#### 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, 2012, the City's general obligation debt outstanding was \$895,649,000 and the City's legal debt margin was \$1,438,051,000.
- 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, 2012, for the City was \$187,890,000.
- 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 46** (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, 2012.

**Table 46**

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	\$ -	\$ -	\$ 506	\$ 506	\$ 506
Adult Foster Care	23	1	-	23	1
Aid to Needy & Disabled	3,808	762	-	3,808	762
Child Care	10,537	2,347	1,541	12,078	3,888
Child Support Enforcement <sup>1</sup>	48	48	8,717	8,765	8,765
Child Support Grants	-	-	31	31	31
Child Welfare	25,270	5,021	26,908	52,178	31,929
Colorado Refugee Services	-	-	-	-	-
Colorado Works	19,868	3,009	14,194	34,062	17,203
Core Services	5,267	727	2,030	7,296	2,757
County Administration	-	-	14,212	14,212	14,212
County Only Pass Thru	-	-	8,032	8,032	8,032
Federal Grants	-	-	6,652	6,652	6,652
Food Assistance Benefits	147,386	-	-	147,386	-
Food Assistance Fraud	-	-	410	410	410
Food Assistance Job Search	-	-	1,234	1,235	1,235
Home Care Allowance	2,353	118	-	2,353	118
Low Income Energy Assistance	3,968	-	521	4,489	521
Non-allocated Programs	184	179	2,315	2,499	2,493
Old Age Pension	23,119	-	445	23,564	445
TANF Collections - EBT	(195)	(39)	-	(195)	(39)
Title XX Caseworker Training	-	-	5	5	5
Title IV-B Sub Part 2 - PSSF	-	-	559	559	559
Title IV-E Independent Living	-	-	291	291	291
<b>Total</b>	<b>\$ 241,636</b>	<b>\$ 12,173</b>	<b>\$ 88,603</b>	<b>\$ 330,239</b>	<b>\$ 100,776</b>

<sup>1</sup> The 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.

<sup>2</sup> Does 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, 2012, the aggregate principal amount payable for the bonds, excluding the Airport's Special Facility Revenue bonds, was approximately \$109,100,000.

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, 2012, Airport Special Facility Revenue Bonds outstanding totaled \$276,615,000. This amount is included in the aggregate principal amount in the previous paragraph.

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 2012.

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 \$19,065,000 as of April 2013). 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 \$2,703,000 at December 31, 2012. In addition, DURA has guaranteed all obligations of the Denver Dry Development Corporation as general partner, under the terms and conditions of the limited partnership agreement of the Denver Building Housing, Ltd. No amounts have been recorded as a liability in the financial statements, as DURA management believes the possibility of having to make payments under these guarantees is remote.
8. **Tabor.** At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution limiting the ability of the State and local governments, such as the City, to increase revenues, debt and spending, and restricting property, income and other taxes. In addition, the amendment requires that the State and local

governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years." The amendment excludes from its restrictions the borrowings and fiscal operations of "enterprises." Enterprises are defined to include government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their revenues in grants from all Colorado State and local governments combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service for all years subsequent to 1994. The City has established an emergency reserve of \$36,140,000. The amendment is also applicable to several component units, which have established emergency reserves of \$662,000.

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 2012 Tabor revenues exceeded the established limits by \$196,411,000.

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 two third-party administrators for the Plan to account for all deferred compensation, withdrawals, interest income credited, and the individual balance for each participant. In addition, the administrators execute individual participant agreements and provide Plan information and counseling to all eligible employees.
- 3. Investments.** Investments are recorded at fair value. In compliance with the City Charter, the Deferred Compensation Governing Committee has approved certain options for investment. All investments are transferred to mutual investment funds offered by the Hartford Variable Annuity Life Insurance Company, to an annuity contract program with the Prudential Insurance Company of America, or to a retirement trust investment fund with ICMA Retirement Trust. The Plan provides for self-directed investments by the participants.
- 4. Contributions.** Participation in the Plan is voluntary and is open to all City employees. The City does not make any contributions. The maximum deferral in any one year is generally limited to 100 percent of a participant's pre-deferred taxable income or \$17,000 for 2012. 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 \$34,000 for 2012.

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.

## 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 10.25% of covered payroll and employees make a pre-tax contribution of 6.25% 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, 2012, 2011, and 2010 were \$47,176,000, \$43,047,000, and \$38,427,000, 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 47, 48, and 49** (dollars in thousands).

**Table 47**

	DERP	DERP Health Benefits
Actuarially determined contribution rates (percentage of covered payroll):		
Employer	10.35%	0.88%
Plan members	6.31%	0.54%
Annual pension costs	\$86,188	\$7,350
Total contributions made	\$80,420	\$6,734
Actuarial valuation date	1/1/12	1/1/12
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open basis	Level dollar, open basis
Remaining amortization period	30 years	30 years
Asset valuation methods	Smoothed mkt.	Smoothed mkt.
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.0-6.3%	0%
Includes inflation at	3.00%	0%
Cost of living adjustment	None	None

Table 48

## Three-year Trend Information

December 31, 2012 (dollars in thousands)

	Year	Annual Actuarial Required Contribution (ARC) <sup>1</sup>	Percentage of ARC Contributed
DERP	2010	\$ 48,996	86.2%
	2011	52,000	87.9%
	2012	56,055	88.8%
DERP Health Benefits	2010	\$ 4,291	68.2%
	2011	4,965	84.6%
	2012	5,153	82.3%

<sup>1</sup>Employers made contributions based on the legally required rates.

Table 49

## Defined Benefit Pension Plans Schedule of Funding Progress

December 31, 2012 (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability - Projected Unit Credit	Unfunded (Excess) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Excess) Actuarial Accrued Liability as a % of Covered Payroll
<b>DERP</b>						
January 1, 2010	\$ 1,923,561	\$ 2,176,243	\$ 252,682	88.4%	\$ 506,045	49.9%
January 1, 2011	1,942,871	2,284,756	341,885	85.0%	\$17,398	66.1%
January 1, 2012	1,946,844	2,386,530	439,686	81.6%	\$17,396	85.0%
<b>DERP Health Benefits</b>						
January 1, 2010	\$ 90,415	\$ 141,643	\$ 51,228	63.8%	\$ 506,045	10.1%
January 1, 2011	87,609	143,112	55,503	61.2%	\$17,398	10.7%
January 1, 2012	84,680	142,967	58,287	59.2%	\$17,396	11.3%

For FPPA, covered employees contribute at the rate of at least 8% 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% and 71%, respectively. The City's contributions to FPPA for employees hired before April 8, 1978, for the years ended December 31, 2012, 2011, and 2010 were \$24,715,000, \$24,815,000, and \$22,348,000 respectively.

The City also made contributions for the years ended December 31, 2012, 2011, and 2010 for police officers and fire fighters hired on or after April 8, 1978, in the amounts of \$15,445,000, \$13,742,000, and \$13,367,000, 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-H**, 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% 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 \$5,360,000, \$6,446,000, and \$5,611,000, for the years ended December 31, 2012, 2011 and 2010, 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, 2012 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% 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 50** (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 50**

Employer's normal cost	\$	1,699
Amortization of unfunded AAL		1,497
Interest on net OPEB obligation		297
Adjustment to ARC		(295)
<b>Annual OPEB Cost</b>		<b>3,198</b>
Employer contribution		1,579
<b>Increase in net OPEB obligation</b>		<b>1,619</b>
Net OPEB obligation - January 1		7,426
<b>Net OPEB Obligation - December 31</b>	<b>\$</b>	<b>9,045</b>

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, 2012, and the two preceding years are detailed in **Table 51** (dollars in thousands).

**Table 51**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contributions</b>	<b>% of Annual Cost OPEB Contributions</b>	<b>Net OPEB Obligations</b>
December 31, 2010	\$ 2,932	\$ 1,437	49.0%	\$ 6,021
December 31, 2011	3,056	1,651	54.0%	7,426
December 31, 2012	3,198	1,579	49.4%	9,045

6. **Funded Status and Funding Progress for FPPA Participants Plan.** The funded status for the year ended December 31, 2012, is presented in **Table 52** (dollars in thousands).

**Table 52**

	<b>OPEB</b>
Actuarial accrued liability (AAL)	\$ 39,176
Actuarial value of plan assets	-
<b>Unfunded AAL (UAAL)</b>	<b>\$ 39,176</b>
Funded ratio	0.00%
Covered payroll	\$ 195,864
UAAL as a % of covered payroll	20.0%

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 53** details the actuarial methods and assumptions used.

**Table 53**

	<b>OPEB</b>
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, 2012 (dollars in thousands)

	General Fund			
	Budget		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 598,546	\$ 600,289	\$ 612,130	\$ 11,841
Licenses and permits	21,763	23,029	33,906	10,877
Intergovernmental revenues	27,274	26,785	25,913	(872)
Charges for services	160,534	160,974	162,086	1,112
Investment and interest income	4,174	3,796	4,606	810
Fines and forfeitures	59,590	60,386	53,227	(7,159)
Contributions	-	-	-	-
Other revenue	6,052	6,085	7,414	1,329
Total Revenues	877,933	881,344	899,282	17,938
Budget Basis Expenditures				
General government	213,063	205,812	176,351	29,461
Public safety	463,438	473,777	469,119	4,658
Public works	94,607	94,607	92,480	2,127
Human services	-	-	-	-
Health	43,827	43,979	43,765	214
Parks and recreation	51,590	53,026	53,363	(337)
Cultural activities	34,485	34,799	34,736	63
Community development	15,793	15,794	15,687	107
Total Budget Basis Expenditures	916,803	921,794	885,501	36,293
Excess (deficiency) of revenues over budget basis expenditures	(38,870)	(40,450)	13,781	54,231
Other Financing Sources (Uses)				
Insurance recoveries	-	-	336	336
Capital leases	-	-	1,043	1,043
Transfers in	30,373	31,987	36,073	4,086
Transfers out	(40,727)	(40,886)	(38,695)	2,191
Total Other Financing Sources (Uses)	(10,354)	(8,899)	(1,243)	7,656
Excess of revenues and other financing sources over budget basis expenditures and other financing uses	\$ (49,224)	\$ (49,349)	12,538	\$ 61,887
Fund balance - January 1			214,310	
Fund Balance - December 31			\$ 226,848	

See notes to required supplementary information.

Human Services Special Revenue Fund				
Budget		Actual	Variance with Final Budget	
Original	Final			
\$ 51,713	\$ 51,713	\$ 51,192	\$ (521)	
-	-	-	-	
88,201	89,433	84,868	(4,565)	
3,150	595	537	(58)	
-	-	-	-	
-	-	-	-	
-	-	614	614	
8,670	10,765	306	(10,459)	
<u>151,734</u>	<u>152,506</u>	<u>137,517</u>	<u>(14,989)</u>	
-	-	-	-	
-	-	-	-	
-	-	-	-	
141,104	149,404	127,913	21,491	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
<u>141,104</u>	<u>149,404</u>	<u>127,913</u>	<u>21,491</u>	
10,630	3,102	9,604	6,502	
-	-	7	7	
-	-	-	-	
-	-	1,075	1,075	
(75)	(75)	(75)	-	
<u>(75)</u>	<u>(75)</u>	<u>1,007</u>	<u>1,082</u>	
<u>\$ 10,555</u>	<u>\$ 3,027</u>	10,611	<u>\$ 7,584</u>	
		22,830		
		<u>\$ 33,441</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, 2012 (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
<b>DERP</b>						
December 31, 2010	\$ -	\$ 113,048	\$ 113,048	0.0%	\$ 409,058	27.6%
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%
<b>FPPA</b>						
December 31, 2010	\$ -	\$ 35,882	\$ 35,882	0.0%	\$ 186,041	19.3%
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%

## Schedule of Employer Contributions

Year Ended	Employer Contributions			
	DERP		FPPA	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
December 31, 2010	\$ 8,026	69.9%	\$ 2,930	49.0%
December 31, 2011	8,280	77.3%	3,055	54.0%
December 31, 2012	6,261	85.6%	3,196	49.4%

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# **GOVERNMENTAL FUNDS**

# MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

## DEBT SERVICE FUNDS

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

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

## CAPITAL PROJECTS FUNDS

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

- **Winter Park Capital Fund** - to account for financial resources from the Winter Park Trust.
- **Capital Improvements** - to account for financial resources segregated for the acquisition of major capital projects of the City other than those financed by bond projects, other capital projects, enterprise funds, and internal service funds.
- **Conservation Funds** - to account for the proceeds from State Lottery Funds, investment earnings, and refunds; all used for parks and recreation capital improvements.
- **Bond Projects Capital Fund** - to account for the proceeds from the issuance of long-term debt to be used for paying the cost of projects as set forth in bond issuing ordinances.
- **Other Capital Projects** - to account for financial resources segregated for the financing of major capital projects for which grant or other funds will be used.
- **Entertainment and Culture** - to account for surplus seat tax used for capital improvements to entertainment and cultural facilities owned by the City that generate seat taxes.
- **Special Assessments** - to account for the financing of improvements and maintenance deemed to benefit properties against which special assessments are levied.

## PERMANENT FUND

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

## GOVERNMENTAL INDIVIDUAL FUND SCHEDULES AND STATEMENTS

- **General Fund and Human Services Special Revenue Fund** - Schedules of Expenditures Compared with Authorizations.
- **General Fund** - Comparative Balance Sheets and Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance.

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## Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2012 (dollars in thousands)

	Special Revenue	Debt Service	Capital Projects	Cableland Trust	Total
<b>Assets</b>					
Cash on hand	\$ 10,999	\$ -	\$ -	\$ -	\$ 10,999
Cash and cash equivalents	57,196	65,953	227,556	825	351,530
Receivables (net of allowances for uncollectibles of \$74,308):					
Taxes	37,455	83,471	55,200	-	176,126
Notes	75,973	-	-	-	75,973
Accounts	41,100	-	673	-	41,773
Accrued interest	160	260	1,001	42	1,463
Interfund receivable	1,280	-	1	-	1,281
Due from other governments	17,947	-	8,294	-	26,241
Prepaid items and other assets	21	-	2,708	-	2,729
Restricted assets:					
Cash and cash equivalents	1,971	394	52	3,000	5,417
Assets held for disposition	7,739	-	-	-	7,739
<b>Total Assets</b>	<b>\$ 251,841</b>	<b>\$ 150,078</b>	<b>\$ 295,485</b>	<b>\$ 3,867</b>	<b>\$ 701,271</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Vouchers payable	\$ 17,852	\$ -	\$ 25,030	\$ -	\$ 42,882
Accrued liabilities	1,384	-	2	-	1,386
Due to taxing units	109	7	-	-	116
Interfund payable	1,501	-	77	-	1,578
Deferred revenue	72,834	80,010	69,078	-	221,922
Advances	5,357	-	-	-	5,357
Compensated absences	74	-	-	-	74
<b>Total Liabilities</b>	<b>99,111</b>	<b>80,017</b>	<b>94,187</b>	<b>-</b>	<b>273,315</b>
<b>Fund Balances:</b>					
Nonspendable	21	-	2,708	3,000	5,729
Restricted	118,447	70,061	172,344	867	361,719
Committed	1,540	-	26,246	-	27,786
Assigned	32,760	-	-	-	32,760
Unassigned	(38)	-	-	-	(38)
<b>Total Fund Balances</b>	<b>152,730</b>	<b>70,061</b>	<b>201,298</b>	<b>3,867</b>	<b>427,956</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 251,841</b>	<b>\$ 150,078</b>	<b>\$ 295,485</b>	<b>\$ 3,867</b>	<b>\$ 701,271</b>

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

For the Year Ended December 31, 2012 (dollars in thousands)

	Special Revenue	Debt Service	Capital Projects	Cableland Trust	Total
<b>Revenues</b>					
Taxes:					
Facilities development admission	\$ -	\$ 3,055	\$ 5,931	\$ -	\$ 8,986
Lodgers	16,451	25,607	-	-	42,058
Occupational privilege	-	-	54	-	54
Property	28,529	76,256	51,886	-	156,671
Sales and use	12,975	28,956	1,212	-	43,143
Specific ownership	191	-	-	-	191
Telephone	7,255	-	-	-	7,255
Special assessments	-	-	1,422	-	1,422
Licenses and permits	1,487	-	-	-	1,487
Intergovernmental revenues	91,485	-	46,976	-	138,461
Charges for services	56,646	-	422	-	57,068
Investment and interest income	2,592	919	2,339	282	6,132
Fines and forfeitures	2,737	-	-	-	2,737
Contributions	5,081	-	820	-	5,901
Other revenue	35,274	5,959	2,077	-	43,310
<b>Total Revenues</b>	<b>260,703</b>	<b>140,752</b>	<b>113,139</b>	<b>282</b>	<b>514,876</b>
<b>Expenditures</b>					
Current:					
General government	62,465	-	5,354	-	67,819
Public safety	74,988	-	1,368	-	76,356
Public works	92	-	117,106	-	117,198
Health	8,410	-	673	-	9,083
Parks and recreation	2,043	-	6,530	-	8,573
Cultural activities	48,130	-	5,118	-	53,248
Community development	24,818	-	-	-	24,818
Economic opportunity	21,277	-	-	-	21,277
Debt service:					
Principal retirement	11,132	64,680	4,572	-	80,384
Interest	12,052	59,818	1,109	-	72,979
Capital outlay	-	-	93,934	-	93,934
<b>Total Expenditures</b>	<b>265,407</b>	<b>124,498</b>	<b>235,764</b>	<b>-</b>	<b>625,669</b>
Excess (deficiency) of revenues over (under) expenditures	(4,704)	16,254	(122,625)	282	(110,793)
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	-	-	5	-	5
Capital leases	1,158	-	50,542	-	51,700
Intergovernmental agreement	-	-	6,725	-	6,725
Payments to escrow	-	-	(13,729)	-	(13,729)
Insurance recoveries	897	-	-	-	897
Transfers in	24,980	-	25,351	-	50,331
Transfers out	(14,785)	(26,722)	(8,365)	(360)	(50,232)
<b>Total Other Financing Sources (Uses)</b>	<b>12,250</b>	<b>(26,722)</b>	<b>60,529</b>	<b>(360)</b>	<b>45,697</b>
Net change in fund balances	7,546	(10,468)	(62,096)	(78)	(65,096)
Fund balances - January 1	145,184	80,529	263,394	3,945	493,052
<b>Fund Balances - December 31</b>	<b>\$ 152,730</b>	<b>\$ 70,061</b>	<b>\$ 201,298</b>	<b>\$ 3,867</b>	<b>\$ 427,956</b>

## Combining Balance Sheet - Nonmajor Special Revenue Funds

December 31, 2012 (dollars in thousands)

	General Government	Public Safety	Health
<b>Assets</b>			
Cash on hand	\$ 3,226	\$ 736	\$ -
Cash and cash equivalents	19,460	3,485	-
Receivables (net of allowances for uncollectibles of \$73,457)			
Taxes	2,424	34,825	-
Notes	10,852	-	-
Accounts	947	3,340	-
Accrued interest	59	5	-
Interfund receivable	49	37	-
Due from other governments	3,460	6,584	1,617
Prepaid items and other assets	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Assets held for disposition	-	-	-
<b>Total Assets</b>	<b>\$ 40,477</b>	<b>\$ 49,012</b>	<b>\$ 1,617</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Vouchers payable	\$ 4,250	\$ 1,670	\$ 631
Accrued liabilities	34	340	13
Due to taxing units	-	106	-
Interfund payable	29	204	126
Deferred revenue	1,116	37,335	456
Advances	-	208	-
Compensated absences	74	-	-
<b>Total Liabilities</b>	<b>5,503</b>	<b>39,863</b>	<b>1,226</b>
Fund Balances:			
Nonspendable	-	-	-
Restricted	16,322	9,149	391
Committed	1,540	-	-
Assigned	17,112	-	-
Unassigned	-	-	-
<b>Total Fund Balances</b>	<b>34,974</b>	<b>9,149</b>	<b>391</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 40,477</b>	<b>\$ 49,012</b>	<b>\$ 1,617</b>

Culture and Recreation	Community Development	Economic Opportunity	Special Funds	General Improvement Districts	Total
\$ 7,034	\$ -	\$ 3	\$ -	\$ -	\$ 10,999
16,166	2,332	-	15,366	387	57,196
-	-	-	-	206	37,455
-	65,121	-	-	-	75,973
2,512	-	-	34,296	5	41,100
5	7	-	84	-	160
2	-	1,192	-	-	1,280
26	5,091	1,169	-	-	17,947
21	-	-	-	-	21
-	211	-	1,753	7	1,971
-	7,739	-	-	-	7,739
<u>\$ 25,766</u>	<u>\$ 80,501</u>	<u>\$ 2,364</u>	<u>\$ 51,499</u>	<u>\$ 605</u>	<u>\$ 251,841</u>
\$ 4,822	\$ 4,076	\$ 1,069	\$ 1,291	\$ 43	\$ 17,852
259	126	443	169	-	1,384
-	-	-	-	3	109
58	150	890	44	-	1,501
163	383	-	33,175	206	72,834
5,149	-	-	-	-	5,357
-	-	-	-	-	74
<u>10,451</u>	<u>4,735</u>	<u>2,402</u>	<u>34,679</u>	<u>252</u>	<u>99,111</u>
21	-	-	-	-	21
1,401	75,766	-	15,408	10	118,447
-	-	-	-	-	1,540
13,893	-	-	1,412	343	32,760
-	-	(38)	-	-	(38)
<u>15,315</u>	<u>75,766</u>	<u>(38)</u>	<u>16,820</u>	<u>353</u>	<u>152,730</u>
<u>\$ 25,766</u>	<u>\$ 80,501</u>	<u>\$ 2,364</u>	<u>\$ 51,499</u>	<u>\$ 605</u>	<u>\$ 251,841</u>

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

For the Year Ended December 31, 2012 (dollars in thousands)

	General Government	Public Safety	Health
<b>Revenues</b>			
Taxes:			
Lodgers	\$ 16,451	\$ -	\$ -
Property	3,616	24,715	-
Sales and use	12,975	-	-
Specific ownership	-	-	-
Telephone	-	-	-
Licenses and permits	1,487	-	-
Intergovernmental revenues	17,564	30,213	8,103
Charges for services	2,576	10,135	1
Investment and interest income	402	14	-
Fines and forfeitures	-	2,737	-
Contributions	1,915	34	269
Other revenue	8,769	688	-
<b>Total Revenues</b>	<b>65,755</b>	<b>68,536</b>	<b>8,373</b>
<b>Expenditures</b>			
Current:			
General government	59,935	885	-
Public safety	115	66,101	-
Public works	92	-	-
Health	-	-	8,410
Parks and recreation	-	-	-
Cultural activities	-	-	-
Community development	-	-	-
Economic opportunity	-	-	-
Debt service:			
Principal retirement	-	410	-
Interest	-	75	-
<b>Total Expenditures</b>	<b>60,142</b>	<b>67,471</b>	<b>8,410</b>
Excess (deficiency) of revenues over (under) expenditures	5,613	1,065	(37)
<b>Other Financing Sources (Uses)</b>			
Capital leases	-	-	-
Insurance recoveries	874	-	-
Transfers in	399	207	-
Transfers out	(4,000)	(500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,227)</b>	<b>(293)</b>	<b>-</b>
Net change in fund balances	3,386	772	(37)
Fund balances - January 1	31,588	8,377	428
<b>Fund Balances - December 31</b>	<b>\$ 34,974</b>	<b>\$ 9,149</b>	<b>\$ 391</b>



Cultural and Recreation	Community Development	Economic Opportunity	Special Funds	General Improvement District	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,451
-	-	-	-	198	28,529
-	-	-	-	-	12,975
-	-	-	-	191	191
-	-	-	7,255	-	7,255
-	-	-	-	-	1,487
728	26,161	8,716	-	-	91,485
29,662	1,492	12,378	402	-	56,646
12	1,251	-	909	4	2,592
-	-	-	-	-	2,737
2,245	612	-	6	-	5,081
20,346	957	124	4,368	22	35,274
<b>52,993</b>	<b>30,473</b>	<b>21,218</b>	<b>12,940</b>	<b>415</b>	<b>260,703</b>
67	168	-	1,158	252	62,465
-	-	-	8,772	-	74,988
-	-	-	-	-	92
-	-	-	-	-	8,410
2,022	-	-	21	-	2,043
48,130	-	-	-	-	48,130
-	24,818	-	-	-	24,818
-	-	21,277	-	-	21,277
-	-	-	10,722	-	11,132
-	-	-	11,977	-	12,052
<b>50,219</b>	<b>24,986</b>	<b>21,277</b>	<b>32,650</b>	<b>252</b>	<b>265,407</b>
2,774	5,487	(59)	(19,710)	163	(4,704)
-	-	-	1,158	-	1,158
23	-	-	-	-	897
3,160	-	-	20,714	-	24,080
(6,915)	-	-	(3,370)	-	(14,785)
<b>(3,732)</b>	<b>-</b>	<b>-</b>	<b>18,502</b>	<b>-</b>	<b>12,250</b>
(958)	5,487	(59)	(1,208)	163	7,346
16,273	70,279	21	18,028	190	145,184
<b>\$ 15,315</b>	<b>\$ 75,766</b>	<b>\$ (38)</b>	<b>\$ 16,820</b>	<b>\$ 353</b>	<b>\$ 152,730</b>

**Combining Balance Sheet - Nonmajor Debt Service Funds**

December 31, 2012 (dollars in thousands)

	Bond Principal	Bond Interest	Excise Tax Revenue Bond	General Improvement Districts	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 32,880	\$ 17,960	\$ 15,113	\$ -	\$ 65,953
Receivables (net of allowances for uncollectibles of \$572):					
Taxes	41,696	37,785	3,661	329	83,471
Accrued interest	-	216	44	-	260
Restricted assets:					
Cash and cash equivalents	-	-	-	394	394
<b>Total Assets</b>	<b>\$ 74,576</b>	<b>\$ 55,961</b>	<b>\$ 18,818</b>	<b>\$ 723</b>	<b>\$ 150,078</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Due to taxing units	\$ -	\$ -	\$ -	\$ 7	\$ 7
Deferred revenue	41,799	37,882	-	329	80,010
<b>Total Liabilities Balance</b>	<b>41,799</b>	<b>37,882</b>	<b>-</b>	<b>336</b>	<b>80,017</b>
Fund Balances:					
Restricted	32,777	18,079	18,818	387	70,061
<b>Total Fund Balances</b>	<b>32,777</b>	<b>18,079</b>	<b>18,818</b>	<b>387</b>	<b>70,061</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 74,576</b>	<b>\$ 55,961</b>	<b>\$ 18,818</b>	<b>\$ 723</b>	<b>\$ 150,078</b>

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

For the Year Ended December 31, 2012 (dollars in thousands)

	Bond Principal	Bond Interest	Excise Tax Revenue Bond	General Improvement Districts	Total
<b>Revenues</b>					
Taxes:					
Facilities development admission	\$ -	\$ -	\$ 3,055	\$ -	\$ 3,055
Lodgers	-	-	25,607	-	25,607
Property	39,669	35,917	-	670	76,256
Sales and use	-	-	28,956	-	28,956
Investment and interest income	-	610	308	1	919
Other revenue	-	5,959	-	-	5,959
<b>Total Revenues</b>	<b>39,669</b>	<b>42,486</b>	<b>57,926</b>	<b>671</b>	<b>140,752</b>
<b>Expenditures</b>					
Principal retirement	45,835	-	18,490	355	64,680
Interest	-	46,377	13,096	345	59,818
<b>Total Expenditures</b>	<b>45,835</b>	<b>46,377</b>	<b>31,586</b>	<b>700</b>	<b>124,498</b>
Excess of revenues over expenditures	(6,166)	(3,891)	26,340	(29)	16,254
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	(26,722)	-	(26,722)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(26,722)</b>	<b>-</b>	<b>(26,722)</b>
Net change in fund balances	(6,166)	(3,891)	(382)	(29)	(10,468)
Fund balances - January 1	38,943	21,970	19,200	416	80,529
<b>Fund Balances - December 31</b>	<b>\$ 32,777</b>	<b>\$ 18,079</b>	<b>\$ 18,818</b>	<b>\$ 387</b>	<b>\$ 70,061</b>

## Combining Balance Sheet - Nonmajor Capital Projects Funds

December 31, 2012 (dollars in thousands)

	Winter Park Capital Fund	Capital Improvements	Conservation Trusts
<b>Assets</b>			
Cash and cash equivalents	\$ 3,083	\$ 79,744	\$ 8,142
Receivables (net of allowances for uncollectibles of \$279):			
Taxes	-	53,313	-
Accounts	-	673	-
Accrued interest	5	420	88
Interfund receivable	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
<b>Total Assets</b>	<b>\$ 3,088</b>	<b>\$ 134,150</b>	<b>\$ 8,230</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Vouchers payable	\$ 347	\$ 8,807	\$ 798
Accrued liabilities	-	1	-
Interfund payable	-	73	2
Deferred revenue	-	53,450	-
<b>Total Liabilities</b>	<b>347</b>	<b>62,331</b>	<b>800</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	-
Restricted	2,741	45,573	7,430
Committed	-	26,246	-
<b>Total Fund Balances</b>	<b>2,741</b>	<b>71,819</b>	<b>7,430</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,088</b>	<b>\$ 134,150</b>	<b>\$ 8,230</b>

	Bond Projects	Other Capital Projects	Entertainment and Culture	Special Assessments	Total
\$	91,403	\$ 39,531	\$ 5,038	\$ 615	\$ 227,556
-	-	167	529	1,191	55,200
-	-	-	-	-	673
389	82	14	3	1,001	1,001
1	-	-	-	-	1
180	8,114	-	-	-	8,294
-	2,708	-	-	-	2,708
-	52	-	-	-	52
<u>\$ 91,973</u>	<u>\$ 50,654</u>	<u>\$ 5,581</u>	<u>\$ 1,809</u>	<u>\$ 295,485</u>	
\$	10,029	\$ 4,288	\$ 761	\$ -	\$ 25,030
1	-	-	-	-	2
2	-	-	-	-	77
-	14,437	-	1,191	69,078	
<u>10,032</u>	<u>18,725</u>	<u>761</u>	<u>1,191</u>	<u>94,187</u>	
-	2,708	-	-	2,708	
81,941	29,221	4,820	618	172,344	
-	-	-	-	26,246	
<u>81,941</u>	<u>31,929</u>	<u>4,820</u>	<u>618</u>	<u>201,298</u>	
<u>\$ 91,973</u>	<u>\$ 50,654</u>	<u>\$ 5,581</u>	<u>\$ 1,809</u>	<u>\$ 295,485</u>	

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

For the Year Ended December 31, 2012 (dollars in thousands)

	Winter Park Capital Fund	Capital Improvements	Conservation Trusts
<b>Revenues</b>			
Taxes:			
Facilities development admission	\$ -	\$ -	\$ -
Occupational privilege	-	54	-
Property	-	51,886	-
Sales and use	-	-	-
Specific ownership	-	-	-
Special assessments	-	-	-
Intergovernmental revenues	-	8,296	5,942
Charges for services	-	3	-
Investment and interest income	25	1,767	293
Contributions	-	-	-
Other revenue	-	10	-
<b>Total Revenues</b>	<b>25</b>	<b>62,016</b>	<b>6,235</b>
<b>Expenditures</b>			
Current:			
General government	-	4,693	-
Public safety	-	1,339	-
Public works	-	42,637	-
Health	-	623	-
Parks and recreation	879	2,509	2,841
Cultural activities	-	984	-
Debt service:			
Principal retirement	-	4,572	-
Interest	-	1,088	-
Capital outlay	944	17,029	1,027
<b>Total Expenditures</b>	<b>1,823</b>	<b>75,024</b>	<b>4,818</b>
Excess (deficiency) of revenues over (under) expenditures	(1,798)	(13,008)	1,417
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	5	-
Capital leases	-	987	-
Intergovernmental agreement	-	6,725	-
Payments to escrow	-	-	-
Transfers in	2,011	16,683	-
Transfers out	-	(5,464)	(642)
<b>Total Other Financing Sources (Uses)</b>	<b>2,011</b>	<b>18,936</b>	<b>(642)</b>
Net change in fund balances	213	5,923	775
Fund balances - January 1	2,528	65,891	6,655
<b>Fund Balances - December 31</b>	<b>\$ 2,741</b>	<b>\$ 71,819</b>	<b>\$ 7,430</b>

Bond Projects	Other Capital Projects	Entertainment and Culture	Special Assessments	Total
\$ -	\$ -	\$ 5,931	\$ -	\$ 5,931
-	-	-	-	54
-	-	-	-	51,886
-	1,212	-	-	1,212
-	-	-	-	-
-	364	-	1,058	1,422
181	32,557	-	-	46,976
-	406	-	13	422
-	223	31	-	2,339
-	820	-	-	320
-	2,067	-	-	2,077
<b>181</b>	<b>37,649</b>	<b>5,962</b>	<b>1,071</b>	<b>113,139</b>
220	441	-	-	5,354
-	29	-	-	1,368
24,326	49,322	2	819	117,106
-	-	-	-	673
-	437	364	-	6,530
565	1,553	2,016	-	5,118
-	-	-	-	4,572
-	21	-	-	1,109
50,032	21,796	2,156	-	93,934
<b>75,143</b>	<b>73,599</b>	<b>4,538</b>	<b>819</b>	<b>235,764</b>
(74,962)	(35,950)	1,424	252	(122,625)
-	-	-	-	5
-	49,555	-	-	50,542
-	-	-	-	6,735
-	(13,729)	-	-	(13,729)
-	6,657	-	-	25,351
-	(316)	(1,943)	-	(8,365)
-	<b>42,167</b>	<b>(1,943)</b>	-	<b>60,529</b>
(71,952)	6,212	(519)	252	(62,096)
150,903	25,712	5,110	306	283,394
<b>\$ 81,941</b>	<b>\$ 31,929</b>	<b>\$ 4,820</b>	<b>\$ 618</b>	<b>\$ 201,298</b>

## Schedule of Expenditures Compared with Authorizations - General Fund

For the Year Ended December 31, 2012 (dollars in thousands)

	2012 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
<b>General Government</b>			
Mayor's Office	\$ 1,429	\$ 1,445	\$ 34
Civic Events	846	844	2
Education/Advocacy Initiatives	795	751	44
Workforce Development	205	205	-
Employee Assistance	403	397	6
City Council	4,235	3,984	251
Board of Ethics	108	110	(2)
Office of Human Resources	9,959	8,787	1,172
Career Service Authority Hearing Office	435	398	37
City Attorney	22,144	20,283	1,861
Clerk and Recorder	8,849	7,558	1,291
Board of Adjustment	258	243	15
Human Rights and Community Partnerships	948	938	10
General Services	45,973	44,350	1,623
Auditor	5,970	4,882	1,088
Department of Finance	49,966	36,729	13,237
Adams Mark Tax Increment	1,506	1,447	59
Annual Rental Payments	4,185	1,928	2,257
Payments to Elderly and Disabled	1,275	-	1,275
Excise and Licenses	1,458	1,437	21
Technology Services	40,396	35,651	4,745
Office of Economic Development	4,419	3,484	935
<b>Total General Government</b>	<b>\$ 205,812</b>	<b>\$ 176,351</b>	<b>\$ 29,461</b>
<b>Public Safety</b>			
911 Call Center	\$ 5,512	\$ 5,266	\$ 246
Civil Service Commission	1,537	1,271	266
County Court	20,990	20,752	238
District Attorney	18,742	18,080	662
Emergency Management	594	485	109
Fire	117,315	115,363	1,952
Independent Monitor	627	592	35
Police	195,986	194,693	1,293
Safe City Initiative	1,459	1,420	39
Mayor's Youth Program	25	25	-
Safety Administration	7,290	7,260	30
Undersheriff	163,700	163,912	(212)
<b>Total Public Safety</b>	<b>\$ 473,777</b>	<b>\$ 469,119</b>	<b>\$ 4,658</b>

continued



## Schedule of Expenditures Compared with Authorizations - General Fund - continued

For the Year Ended December 31, 2012 (dollars in thousands)

	2012 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
<b>Public Works</b>	\$ 94,607	\$92,480	\$2,127
<b>Total Public Works</b>	<u>\$ 94,607</u>	<u>\$ 92,480</u>	<u>\$ 2,127</u>
<b>Health</b>			
Environmental Health	\$ 9,969	\$ 9,756	\$ 213
City Payments to Health Authority	2,190	2,190	-
Clinic	117	116	1
Denver C.A.R.E.S.	3,629	3,629	-
Poison Center	97	97	-
Medically Indigent	27,977	27,977	-
<b>Total Health</b>	<u>\$ 43,979</u>	<u>\$ 43,765</u>	<u>\$ 214</u>
<b>Parks and Recreation</b>	\$ 53,026	\$ 53,363	\$ (337)
<b>Total Parks and Recreation</b>	<u>\$ 53,026</u>	<u>\$ 53,363</u>	<u>\$ (337)</u>
<b>Cultural Activities</b>			
Arts and Venues	\$ 2,381	\$ 2,382	\$ (1)
Denver Public Library	32,418	32,354	64
<b>Total Cultural Activities</b>	<u>\$ 34,799</u>	<u>\$ 34,736</u>	<u>\$ 63</u>
<b>Community Development</b>	\$ 15,794	\$ 15,687	\$ 107
<b>Total Community Development</b>	<u>\$ 15,794</u>	<u>\$ 15,687</u>	<u>\$ 107</u>
<b>Total</b>	<u>\$ 921,794</u>	<u>\$ 885,501</u>	<u>\$ 36,293</u>

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

For the Year Ended December 31, 2012 (dollars in thousands)

	2012 Annual Authorizations After Revisions	Budget Basis Expenditures	Authorized Balance
<b>Grants - Currently Active</b>			
13001 Federal	\$ 1,916	\$ 1,916	\$ -
13007 Community Service	1,098	1,098	-
13009 Emergency Shelter	444	444	-
13012 Emergency Shelter Plus Care	2,768	2,768	-
13017 Child Care	3,319	3,059	260
13019 Homeless Vets Reintegration and Training	279	279	-
13217 Human Services Federal Stimulus	273	273	-
13601 Human Services Privately Funded	122	122	-
<b>State/County Welfare</b>			
13005 Child Welfare	36,386	31,950	4,436
13008 County Public Welfare	62,480	66,640	15,840
13301 Parental Fees Incentive	8	8	-
13302 Aid to the Blind	1	-	1
13303 Aid to the Needy Disabled	1,000	521	479
13304 Board for Developmentally Disabled	10,329	10,329	-
13305 General Assistance	1,496	1,394	102
13306 Local Funded Community Service	6,169	5,954	215
13501 Human Services State Funded	726	726	-
<b>City and Other Projects</b>			
13502 Integrated Care Management Incentive	249	249	-
13701 AmeriCorps Donations	79	74	5
13704 Homeless Services Donations	86	(40)	126
13706 DHS Volunteer Services	42	43	(1)
13802 Family Crisis Project	37	9	28
13806 Youth Transitional Housing	65	65	-
13808 Energy Assistance	32	32	-
<b>Total</b>	<b>\$ 149,404</b>	<b>\$ 127,913</b>	<b>\$ 21,491</b>

<sup>1</sup>Includes grantor expenditures of \$12,350 reported in the Economic Opportunity Special Revenue Fund.

## Comparative Balance Sheets - General Fund

December 31, 2012 and 2011 (dollars in thousands)

	Totals	
	December 31,	
	2012	2011
<b>Assets</b>		
Cash on hand	\$ 70	\$ 101
Cash and cash equivalents	146,392	120,191
Receivables (net of allowances for uncollectibles of \$36,145 and \$38,590)		
Taxes	163,031	134,806
Notes	480	641
Accounts	21,140	20,187
Accrued interest	1,030	1,135
Interfund receivable	9,204	15,537
Due from other governments	-	150
Prepaid items and other assets	159	330
Restricted assets:		
Cash and cash equivalents	45,283	42,528
Assets held for disposition	11,436	11,436
<b>Total Assets</b>	<b>\$ 398,225</b>	<b>\$ 347,042</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Vouchers payable	\$ 16,719	\$ 16,362
Accrued liabilities	30,200	26,622
Due to taxing units	111	65
Interfund payable	3,199	1,964
Deferred revenue	121,104	87,701
Advances	18	18
Compensated absences	26	-
<b>Total Liabilities</b>	<b>171,377</b>	<b>132,732</b>
Fund Balance:		
Nonspendable	159	330
Restricted	56,566	54,049
Committed	15,084	12,039
Unassigned	155,039	147,892
<b>Total Fund Balance</b>	<b>226,848</b>	<b>214,310</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 398,225</b>	<b>\$ 347,042</b>

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

For the Years Ended December 31, 2012 and 2011 (dollars in thousands)

	Totals	
	Year ended December 31,	
	2012	2011
<b>Revenues</b>		
Taxes:		
Lodgers	\$ 15,898	\$ 15,203
Motor Vehicle ownership	19,784	17,140
Occupational privilege	43,173	40,959
Property	79,199	73,331
Sales and use	451,352	441,187
Telephone	2,724	2,759
Licenses and permits	33,906	29,714
Intergovernmental revenues	25,913	26,274
Charges for services	162,086	153,861
Investment and interest income	4,606	8,096
Fines and forfeitures	53,227	55,090
Contributions	-	516
Other revenue	7,414	8,648
<b>Total Revenues</b>	<b>899,282</b>	<b>872,778</b>
<b>Expenditures</b>		
Current:		
General government	174,272	168,801
Public safety	469,039	444,721
Public works	90,007	84,263
Health	43,765	43,109
Parks and recreation	53,188	48,100
Cultural activities	34,736	33,152
Community development	15,687	14,608
Economic opportunity	205	353
Principal retirement	3,434	3,182
Interest	1,168	1,263
<b>Total Expenditures</b>	<b>885,501</b>	<b>841,552</b>
Excess of revenues over expenditures	13,781	31,226
<b>Other Financing Sources (Uses)</b>		
Capital leases	1,043	287
Insurance recoveries	336	176
Transfers in	36,073	31,578
Transfers out	(38,695)	(29,864)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,243)</b>	<b>2,177</b>
Net change in fund balance	12,538	33,403
Fund balances - January 1	214,310	180,907
<b>Fund Balance - December 31</b>	<b>\$ 226,848</b>	<b>\$ 214,310</b>

## APPENDIX E

### PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (this “Disclosure Undertaking”) is delivered by the CITY AND COUNTY OF DENVER, Colorado (the “City”) and ZIONS FIRST NATIONAL BANK, Denver, Colorado (the “Trustee”), in connection with the execution and delivery of \$\_\_\_\_\_ in aggregate principal amount of Refunding Certificates of Participation, Series 2013A (the “Series 2013A Certificates”), pursuant to a Declaration and Indenture of Trust (Buell Theatre Property) to be dated its date of execution and delivery (the “2013A Indenture”), executed by the Trustee, as trustee thereunder. The Series 2013A 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. 2013A (Buell Theatre Property) to be dated its date of execution and delivery (the “2013A Lease”), between the Trustee, as lessor, and the City, as lessee.

In consideration of the purchase of the Series 2013A Certificates by the Participating Underwriters (defined below), the City, as an “obligated person” with respect to the Series 2013A 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 2013A Lease and the 2013A 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 Manager of Finance of the Department of Finance, *ex officio* Treasurer of the City, or his or her designee, and successors in functions, if any.

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

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

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

“*MSRB*” means the Municipal Securities Rulemaking Board. 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 \_\_\_\_\_, 2013, together with any supplements thereto prior to the date on which the Series 2013A Certificates are initially executed and delivered.

*“Owner(s)”* means the registered owner(s) of the Series 2013A Certificates, and so long as the Series 2013A 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 2013A Certificates, which includes the power to dispose or direct the disposition of the Series 2013A 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, 2013, and annually thereafter while the Series 2013A 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 2013A 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 2013A Certificates:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the Base Rentals Reserve Fund created under the 2013A Indenture or any surety bond relating thereto reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement relating to the Series 2013A 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 2013A Certificates, or other material events affecting the tax-exempt status of the Series 2013A Certificates;

- (vii) modifications to rights of the Owners, if material;
- (viii) redemption of any Series 2013A 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 2013A Certificates or any portion thereof;
- (x) release, substitution or sale of property securing repayment of the Series 2013A 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 2013A 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 2013A Indenture.

(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.

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\* 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.

(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 2013A Certificates and shall extend to the earlier of (a) the date all principal and interest on the Series 2013A Certificates shall have been deemed paid pursuant to the terms of the 2013A 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 2013A 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 2013A 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 2013A LEASE, THE 2013A INDENTURE OR THE SERIES 2013A 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.

Date: \_\_\_\_\_, 2013

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:

DOUGLAS J. FRIEDNASH, Attorney for the  
City and County of Denver

Auditor \_\_\_\_\_

By: \_\_\_\_\_  
City Attorney

Manager of Finance \_\_\_\_\_

ZIONS FIRST NATIONAL BANK,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

## **SCHEDULE 1**

### **ANNUAL FINANCIAL INFORMATION**

“Annual Financial Information” means the financial information and operating data with respect to the City substantially similar to the type set forth in Appendix C to the Official Statement under the heading “FINANCIAL INFORMATION CONCERNING THE CITY – General Fund” and data concerning certain outstanding lease obligations included under the heading “DEBT STRUCTURE – 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 2013A Certificates. The Series 2013A 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 2013A Certificate will be issued for each issue of the Series 2013A 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, 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](http://www.dtcc.com).

Purchases of Series 2013A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Certificates on DTC’s records. The ownership interest of each actual purchaser of Series 2013A 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 2013A 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 2013A Certificates, except in the event that use of the book entry system for the Series 2013A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2013A 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 2013A 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 2013A Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2013A 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 2013A 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 2013A 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 2013A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest on the Series 2013A 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 2013A 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 2013A 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 2013A 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.

## NOTICE OF SALE

\$ \_\_\_\_\_  
**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2013A**  
**(Buell Theatre Property)**  
**Evidencing Proportionate Interests in the Base Rentals and Other Revenues**  
**Under an Annually Renewable Lease Purchase Agreement**  
**between Denver Public Facilities Leasing Trust 2013A, as Lessor,**  
**and the City and County of Denver, Colorado, as Lessee**

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NOTICE IS HEREBY GIVEN that electronic bids will be received for the purchase of the certificates of participation (the "Series 2013A Certificates") described above on behalf of the Denver Public Facilities Leasing Trust 2013A (the "Trust") under the 2013A 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\*\* :** [Thursday, October 3, 2013]  
**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](http://www.grantstreet.com)

**Financial Advisor:** First Southwest Company (the "Financial Advisor")  
Jason Simmons  
[Jason.simmons@firstsw.com](mailto: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).

## MATURITIES

The Series 2013A 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>
2014	\$	2020	\$
2015		2021	
2016		2022	
2017		2023	
2018			
2019			

**ADJUSTMENTS TO PRINCIPAL AMOUNTS:** The aggregate principal amount and the principal amount of each maturity of the Series 2013A 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 2013A Certificates, and will not reduce or increase the amount of

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\* 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.

the Series 2013A Certificates maturing in any year by more than \$300,000 or 15%, whichever is greater, from the amounts shown in the maturity schedule above or change the aggregate principal amount of the Series 2013A 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 2013A Certificates in such adjusted principal amounts and to modify the purchase price for the Series 2013A 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.

**SALES 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 2013A Certificates, (3) the right to reoffer the Series 2013A 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 2013A 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. *No Optional Redemption.* The Series 2013A Certificates shall *not* be subject to optional redemption. See the Preliminary Official Statement under "THE SERIES 2013A CERTIFICATES – Redemption Provisions – *No Optional Redemption.*"

B. *No Term Bonds or Mandatory Sinking Fund Redemption.* The Series 2013A Certificates shall not include any term bonds or be subject to mandatory sinking fund redemption.

C. *Extraordinary Mandatory Redemption.* The Series 2013A Certificates are subject to redemption prior to their respective maturities in certain special circumstances as described in the Preliminary Official Statement under "THE SERIES 2013A CERTIFICATES – Redemption Provisions– *Extraordinary Mandatory Redemption.*"

**INTEREST RATES AND LIMITATIONS:**

1. Interest will be payable on June 1 and December 1 of each year, commencing on June 1, 2014, and will be computed on the basis of a 360-day year of twelve 30-day months.

2. There is no limit on the number of rates specified, except that one interest rate only may be specified for the Series 2013A Certificates of any maturity.

3. The interest rate for the Series 2013A 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 2013A Certificates.

4. 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 2013A Certificates shall not be less than 100% of the par amount of the Series 2013A Certificates.

**PURPOSE OF SALE:** The proceeds from the sale by the Trust will be used to current refund and defease in full \$39,180,000 in outstanding Certificates of Participation, Series 2003B, on December 1, 2013,

maturing on and after December 1, 2014 (the "Series 2003B Certificates"). The Series 2003B Certificates are to be called for redemption on December 1, 2013.

**AUTHORIZATION:** The 2013A Lease is to be authorized by an ordinance to be finally adopted by the City Council on [September] \_\_, 2013, effective [September] \_\_, 2013, [prior to] the sale of the Series 2013A Certificates. See also TIME OF AWARD below.

The Series 2013A Certificates are to be executed and delivered pursuant to a Declaration and Indenture of Trust to be dated its date of delivery (the "2013A Indenture") by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee"). Under the 2013A Indenture, the Trust is created for the benefit of the Owners of the Series 2013A Certificates.

Any capitalized terms used without definition have the meanings set forth in the Preliminary Official Statement relating to the Series 2013A Certificates dated [September] \_\_, 2013 (the "Preliminary Official Statement").

The Trust, as owner and lessor of the Leased Property, and the City, as lessee, are to enter into an annually renewable Lease Purchase Agreement No. 2013A (Buell Theatre Property) to be dated its date of delivery (the "2013A Lease"). The Leased Property under the 2013A Lease is further described below.

**THE LEASED PROPERTY:** Leased Property will consist solely of the real property within the Denver Performing Arts Complex located at 951 13<sup>th</sup> Street and used as a performing arts facility (the "Buell Theatre Property"). The Denver Performing Arts Complex is a four-city block arts center generally bounded by Arapahoe and Champa Streets, Speer Boulevard and 14<sup>th</sup> Street within the City's central business district. The Buell Theatre Property consists of a multi-story building located on a 1.456-acre site (or 63,425 square feet). The theater contains 2,882 seats, with a total gross square footage of 149,675 square feet of space. The basement consists of approximately 30,495 square feet and is utilized as storage, dressing rooms and live theater administrative and management compartments. The finished office portion of the building is approximately 24,800 square feet. See the Preliminary Official Statement under "LEASED PROPERTY" regarding the insured value of the Leased Property.

#### **SECURITY:**

*Base Rentals; Payment of Series 2013A Certificates.* The Series 2013A Certificates are payable annually solely from Base Rentals payable under the 2013A 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 2013A Lease for each fiscal year. The Lease Term terminates under the 2013A Lease if an Event of Nonappropriation or an Event of Lease Default occurs under the 2013A Lease (all as described in the Preliminary Official Statement). The City has certain purchase option rights under the 2013A Lease that may be exercised in respect 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 2013A Lease Annually - Results of Termination of the 2013A Lease - Enforceability of Remedies."

The Series 2013A Certificates evidence proportionate interests in the right of the Trust to receive Base Rentals under the 2013A Lease and other Revenues (as defined in the 2013A Lease). The Series 2013A 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 2013A 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 2013A 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 2013A Indenture (except for moneys and securities held in the Rebate Fund). The 2013A Lease and the Series 2013A 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 2013A Certificates do not directly or indirectly obligate the City to renew the 2013A 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 2013A Indenture permits the execution and delivery by the Trustee of Additional Certificates as described in the Preliminary Official Statement.

#### **CERTIFICATE PROVISIONS:**

*Generally.* The Series 2013A 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 2013A 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 2013A Certificates will not receive physical delivery of certificates.

*Underlying 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 2013A 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 [October 3, 2013]. 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 2013A 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 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, nor will any bidder see the status of its bid relative to other bids (*e.g.*, whether its bid is a leading 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.

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\* Preliminary, subject to change as provided for in this Notice of Sale under ADJUSTMENTS TO PRINCIPAL AMOUNTS and SALE RESERVATIONS.



The bidder further agrees that:

1. The electronic transmission of the bid by MuniAuction (including information about the purchase price of the Series 2013A Certificates, the interest rate or rates to be borne by the various maturities of the Series 2013A Certificates, the initial public offering price of each maturity of the Series 2013A 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 2013A 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 2013A 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 2013A Certificates.

The Financial Advisor is not allowed to bid on the Series 2013A Certificates.

**BASIS OF AWARD:** Subject to the sale reservations and limitations set forth herein, the Series 2013A 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 2013A Certificates (*i.e.*, using an actuarial or true interest cost method) for each bid received. "True interest cost" on the Series 2013A Certificates as used herein means that yield which if used to compute the present worth as of the estimated delivery date of the Series 2013A Certificates of all payments of principal and interest to be made on the Series 2013A 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 2013A 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 2013A Certificates. If two or

more equal bids for the Series 2013A Certificates are received and such equal bids are the best bids received, the City, as lessee under the 2013A 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 2013A Certificates will be awarded within 24 hours of the receipt of bids. The 2013A Lease is to be authorized by an ordinance to be finally adopted by the City Council on [September] \_\_, 2013, effective [September] \_\_, 2013, prior to the sale of the Series 2013A Certificates. See also AUTHORIZATION above.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$345,000 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 [11:00 p.m.] Eastern Time ([1:00 p.m.] Mountain Time) on [Thursday, October 3, 2013]. 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 [11:00 a.m.] Eastern Time ([1:00 p.m.] Mountain Time) on [Thursday, October 3, 2013]. The wire shall be sent to:

Bank	Zions First National Bank
ABA#:	
Beneficiary Name:	Denver Public Facilities Leasing Trust 2013A
Account No.	
Reference Txt:	2013A COP Good Faith Deposit

The Series 2013A 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 2013A Certificates will be applied to the purchase price of the Series 2013A Certificates. In the event the winning bidder for the Series 2013A 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 2013A 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 2013A Certificates.

**MANNER AND TIME OF DELIVERY:** The good faith deposit of the successful bidder will be applied to the purchase price of the Series 2013A Certificates. It is anticipated that the Series 2013A Certificates will be delivered to the successful bidder without expense through the facilities of DTC in New York, New York, on [October 9, 2013] or as soon as practicable thereafter, and thereupon such successful bidder shall be required to accept delivery of the Series 2013A Certificates purchase and to 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 2013A Certificates when the Series 2013A 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 2013A Certificates may be reoffered for public or negotiated sale. The successful bidder will not be required to accept delivery of the Series 2013A Certificates if they are not tendered for delivery within 60 days from the Bid Date. If the Series 2013A 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 2013A CERTIFICATES CONSTITUTES A COVENANT TO DELIVER THIS CERTIFICATE WITHOUT CHANGES UNLESS SPECIAL COUNSEL APPROVED

SUCH CHANGES PRIOR TO THE SALE DATE OF [OCTOBER 3, 2013]. 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 2013A Certificates. CUSIP numbers will be printed on the Series 2013A Certificates. If a wrong number is imprinted on any Series 2013A 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 2013A Certificate.

**OFFICIAL STATEMENT:** The Preliminary Official Statement is "deemed final" by the Manager of Finance of the City. Within seven business days after the award of the Series 2013A 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 2013A 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 2013A 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 2013A Certificates.

No dealer, salesman, or other person has been authorized to give any information or to make any representation with respect to the Series 2013A 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 2013A 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 2013A Certificates and the execution by the City of the 2013A 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 2013A 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 Peck, Shaffer & Williams LLP, Denver, Colorado and Kline Alvarado Veio, PC, Denver, Colorado, each as Special Counsel, and to certain other conditions. The proposed form of opinions of Special Counsel is set forth as Appendix A to the Preliminary Official Statement.

The successful bidder will receive without charge, with the Series 2013A 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 2013A Lease as of the date of its delivery;

B. A certificate executed by the Manager of Finance 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 Peck, Shaffer & Williams LLP, 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 2013A Certificates may be obtained from the Financial Advisor, First Southwest Company, 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](http://munidoc.com).

The date of this Notice of Sale is \_\_\_\_\_, 2013.

## EXHIBIT A

### FORM OF PURCHASER'S CERTIFICATE

**NOTE TO BIDDERS: ALL OF THE SERIES 2013A CERTIFICATES MUST BE PUBLICALLY OFFERED TO DELIVER THIS CERTIFICATE. THIS CERTIFICATE MAY NOT BE ALTERED WITHOUT APPROVAL OF SPECIAL COUNSEL BEFORE THE SALE OF THE SERIES 2013A CERTIFICATES. SUBMISSION OF A BID TO PURCHASE THE SERIES 2013A CERTIFICATES CONSTITUTES A COVENANT TO DELIVER THIS CERTIFICATE WITHOUT CHANGES UNLESS SUCH CHANGES WERE APPROVED BY CO-SPECIAL COUNSEL BEFORE THE SALE ON [OCTOBER 3, 2013].**

\$[\_\_\_\_\_] |  
**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2013A**  
**(Buell Theatre Property)**

**Evidencing Proportionate Interests in the Base Rentals and Other Revenues**  
**Under an Annually Renewable Lease Purchase Agreement**  
**between Denver Public Facilities Leasing Trust 2013A, 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 2013A 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 "2013A Indenture") by Zions First National Bank, Denver, Colorado, as trustee (the "Trustee"), that:

1. We acknowledge receipt of the Series 2013A 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 2013A Certificates on the sale date at the initial public offering prices (or yields) shown for the Series 2013A Certificates on the inside cover page of the Official Statement dated October \_\_\_, 2013 (the "Official Statement"), for the Series 2013A 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 2013A 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 2013A Certificates. For this purpose, "substantial amount" is 10% or more of each maturity. If less than 10% of any maturity of the Series 2013A 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 2013A 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 inside the cover page of the Official Statement represent a fair market value for each maturity of the Series 2013A 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 Manager of Finance, *ex officio* Treasurer, of the City and the President of the City Council a list of the underwriters involved in the sale of the Series 2013A 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 October \_\_\_, 2013.

[PURCHASER]

By \_\_\_\_\_  
Title: \_\_\_\_\_