

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2017**

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS: Moody's: "Aa1"  
S&P: "AA+"  
See "RATINGS"**

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



**CHERRY CREEK SCHOOL DISTRICT NO. 5  
(ARAPAHOE COUNTY, COLORADO)**

**\$78,340,000\***

**General Obligation Refunding Bonds  
Series 2017B**

**\$100,000,000\***

**General Obligation Bonds  
Series 2017C**

**Dated: Date of Delivery**

**Due: December 15, as shown herein**

The 2017B Bonds and the 2017C Bonds (together, the "Bonds") are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which is acting as the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS--Book-Entry Only System." The 2017B Bonds and the 2017C Bonds bear interest at the rates set forth herein, payable on December 15, 2017, and on June 15, 2018, respectively, and semiannually thereafter on June 15 and December 15 of each year, to and including the maturity dates shown herein, by check, draft or wire sent by the Paying Agent to the registered owner of the Bonds, initially Cede & Co. The principal of the Bonds will be payable upon presentation and surrender at UMB Bank, n.a., or its successor as the paying agent for the Bonds. See "THE BONDS."

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

The Bonds are subject to redemption prior to maturity at the option of the District as described in "THE BONDS--Redemption Provisions." At the option of the winning bidder, certain of the Bonds of each series also may be subject to mandatory sinking fund redemption.

The proceeds of the 2017B Bonds will be used to: (i) refund a portion of the District's outstanding General Obligation Bonds, Series 2009; and (ii) pay the costs of issuing the 2017B Bonds. See "SOURCES AND USES OF FUNDS."

The proceeds of the 2017C Bonds will be used to: (i) finance a portion of the costs of renovations, repairs and additions to existing schools, acquiring, purchasing or improving school buildings or grounds, equipping or furnishing any school building, acquiring or purchasing buildings or land and improving school grounds; and (ii) pay the costs of issuing the 2017C Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds constitute general obligations of the District. All of the taxable property in the District is subject to the levy of an ad valorem tax to pay the principal of and interest on the Bonds without limitation as to rate and in an amount sufficient to pay the Bonds when due. See "SECURITY AND REMEDIES" and "LEGAL MATTERS--Certain Constitutional Limitations." The Bonds are not obligations of Arapahoe County, Colorado, the State of Colorado (except as described herein) or any political subdivision thereof other than the District.

**This cover page contains certain information for quick reference only. It is *not* a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.**

The Bonds are offered when, as, and if issued by the District and accepted by the initial purchaser, subject to the approval of legality of the Bonds by Butler Snow LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Butler Snow LLP also has acted as special counsel to the District in connection with the Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. Ehlers & Associates, Inc., Denver, Colorado, and FirstSouthwest, a Division of Hilltop Securities, Inc., Denver, Colorado, are acting as Municipal Advisors to the District. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about October 4, 2017.\*

\* Subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULES\***  
**(CUSIP© 6-digit issuer number: \_\_\_\_\_)**

**\$78,340,000\***  
**CHERRY CREEK SCHOOL DISTRICT NO. 5**  
**(ARAPAHOE COUNTY, COLORADO)**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2017B**

<u>Maturing</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>	<u>CUSIP©</u> <u>Issue</u> <u>Number</u>	<u>Maturing</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>	<u>CUSIP©</u> <u>Issue</u> <u>Number</u>
2018	\$ 580,000				2025	\$ 13,290,000			
2019	9,490,000				2026	8,660,000			
2020	9,455,000				2027	11,290,000			
2023	3,690,000				2028	11,645,000			
2024	10,240,000								

**\$100,000,000\***  
**CHERRY CREEK SCHOOL DISTRICT NO. 5**  
**(ARAPAHOE COUNTY, COLORADO)**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2017C**

<u>Maturing</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>	<u>CUSIP©</u> <u>Issue</u> <u>Number</u>	<u>Maturing</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or</u> <u>Yield</u>	<u>CUSIP©</u> <u>Issue</u> <u>Number</u>
2019	\$ 1,645,000				2029	\$ 3,570,000			
2020	3,265,000				2030	10,805,000			
2021	1,700,000				2031	3,355,000			
2022	1,705,000				2032	645,000			
2023	655,000				2033	7,685,000			
2024	1,225,000				2034	7,890,000			
2025	1,285,000				2035	8,085,000			
2026	1,360,000				2036	11,120,000			
2027	2,030,000				2037	29,850,000			
2028	2,125,000								

\* Subject to change.

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## **USE OF INFORMATION IN THIS OFFICIAL STATEMENT**

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds 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 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District. The District maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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

The 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 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

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

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

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

**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**Board of Education**

Randy Perlis, President  
David Willman, Vice President  
Janice McDonald, Secretary  
Karen B. Fisher, Treasurer  
Eric Parish, Assistant Secretary-Treasurer

**District Leadership Team**

Dr. Harry C. Bull, Jr., Ed.D., Superintendent  
Mr. David Hart, Chief Financial Officer  
Dr. Scott Siegfried, Deputy Superintendent  
Mr. Todd Fukai, Assistant Superintendent, Human Resources  
Ms. Sheila Graham, Assistant Superintendent, Educational Support Services  
Ms. Brooke Gregory, Assistant Superintendent, Educational Operations  
Dr. Judy Skupa, Assistant Superintendent, Performance Improvement  
Ms. Sonja S. McKenzie, General Legal Counsel  
Jason Koenig, Chief Information Officer

**MUNICIPAL ADVISORS**

Ehlers & Associates, Inc.  
Denver, Colorado

FirstSouthwest, a Division of Hilltop Securities Inc.  
Denver, Colorado

**BOND AND SPECIAL COUNSEL**

Butler Snow LLP  
Denver, Colorado

**REGISTRAR, PAYING AGENT AND ESCROW BANK**

UMB Bank, n.a.  
Denver, Colorado

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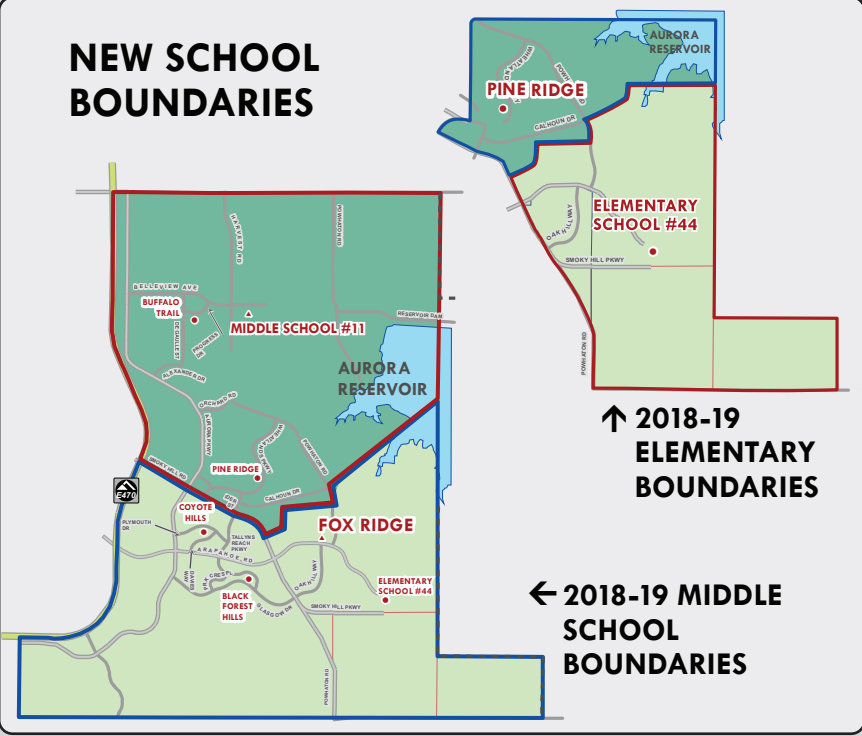
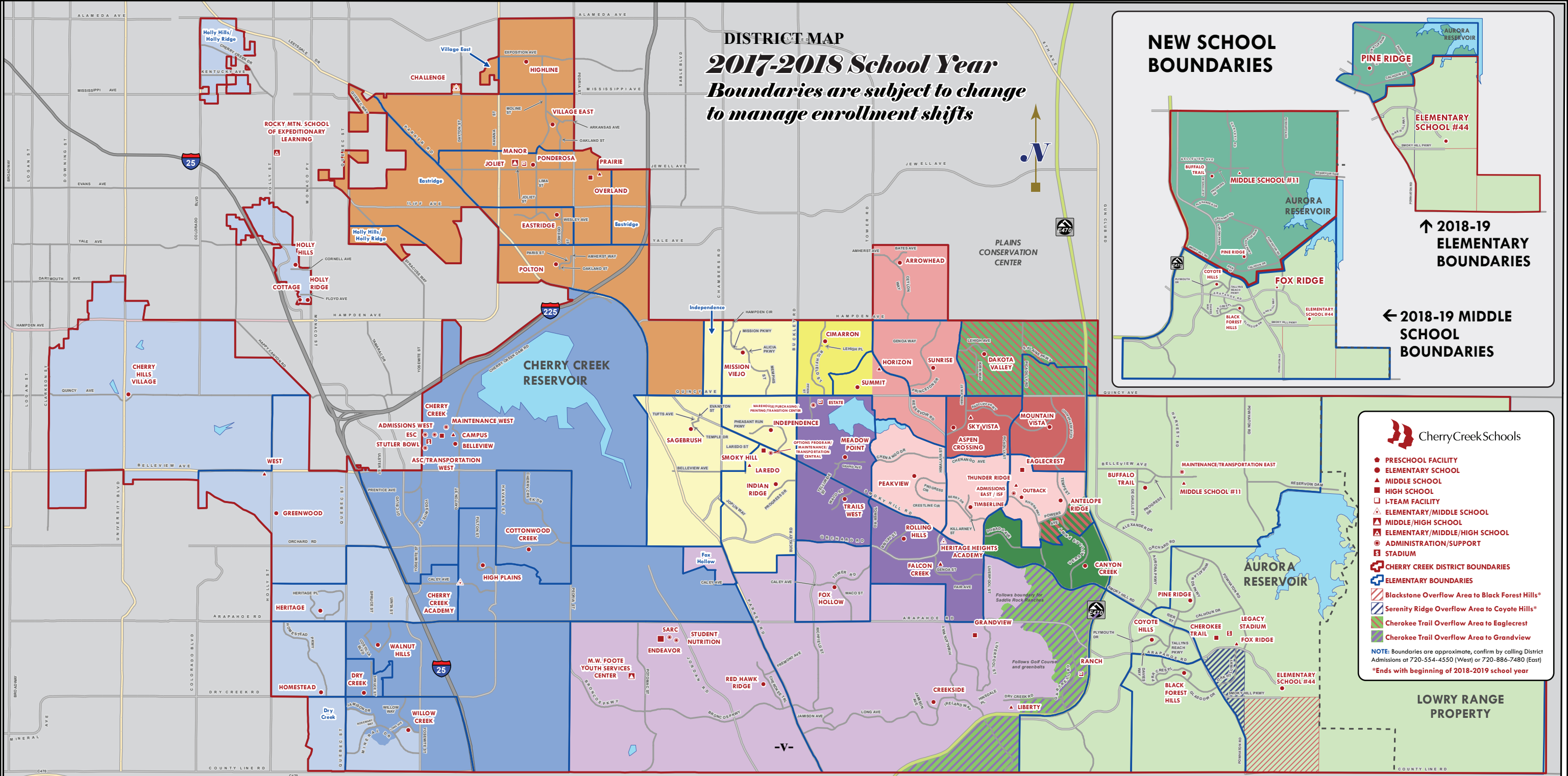
The information to be updated may be reported in any format chosen by the District; it is not required that the format reflected in this Official Statement be used in future years. Further, the General Fund Budget to Actual Comparison table referred to below is to be updated using current year budget information found in the audited financial statements; no separate budget documents required to be filed.

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# DISTRICT MAP

## 2017-2018 School Year

*Boundaries are subject to change to manage enrollment shifts*



**CherryCreekSchools**

- PRESCHOOL FACILITY
- ELEMENTARY SCHOOL
- MIDDLE SCHOOL
- HIGH SCHOOL
- I-TEAM FACILITY
- ▲ ELEMENTARY/MIDDLE SCHOOL
- ▲ MIDDLE/HIGH SCHOOL
- ▲ ELEMENTARY/MIDDLE/HIGH SCHOOL
- ⊙ ADMINISTRATION/SUPPORT
- ⊞ STADIUM
- ▬ CHERRY CREEK DISTRICT BOUNDARIES
- ▬ ELEMENTARY BOUNDARIES
- ▨ Blackstone Overflow Area to Black Forest Hills\*
- ▨ Serenity Ridge Overflow Area to Coyote Hills\*
- ▨ Cherokee Trail Overflow Area to Eaglecrest
- ▨ Cherokee Trail Overflow Area to Grandview

NOTE: Boundaries are approximate, confirm by calling District Admissions at 720-554-4550 (West) or 720-886-7480 (East)  
\*Ends with beginning of 2018-2019 school year

Cherokee Trail / Fox Ridge	Cherokee Trail / Sky Vista	Cherry Creek / Campus	Eaglecrest / Horizon	Eaglecrest / Thunder Ridge	Grandview / Liberty	Smoky Hill / Horizon
Cherokee Trail / Liberty	Cherokee Trail / Thunder Ridge	Cherry Creek / West	Eaglecrest / Sky Vista	Grandview / Falcon Creek	Overland / Prairie	Smoky Hill / Laredo

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## OFFICIAL STATEMENT

### CHERRY CREEK SCHOOL DISTRICT NO. 5 (ARAPAHOE COUNTY, COLORADO)

**\$78,340,000\***  
**General Obligation Refunding Bonds**  
**Series 2017B**

**\$100,000,000\***  
**General Obligation Bonds**  
**Series 2017C**

## INTRODUCTION

### General

This Official Statement, including the cover page, the inside cover page and appendices, is furnished by Cherry Creek School District No. 5, Arapahoe County, Colorado (the “District”), to provide information about the District and (i) its \$78,340,000\* General Obligation Refunding Bonds, Series 2017B (the “2017B Bonds”); and (ii) its \$100,000,000\* General Obligation Bonds, Series 2017C (the “2017C Bonds,” and together with the 2017B Bonds, the “Bonds”). The Bonds will be issued pursuant to a bond resolution (the “Bond Resolution”) adopted by the Board of Education of the District (the “Board”) on September 11, 2017.

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

### The District

The District is a political subdivision of the State of Colorado (the “State”) and a body corporate which was organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 108 square miles in western Arapahoe County (the “County”) and includes the cities of Cherry Hills Village and Glendale, the Town of Foxfield, portions of the cities of Aurora, Centennial, Greenwood Village and Englewood and certain unincorporated areas of the County. See “DISTRICT MAP.” The District’s 2017 preliminary certified assessed valuation (for collection of taxes in 2018) is \$6,044,656,073, net of the assessed valuation of the tax increment districts located within the District’s boundaries; the preliminary assessed value is subject to change until mid-December 2017. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Tax Data.” The District is the fourth largest school district in the State, with a fall 2016 enrollment of 54,178 students (headcount). See “THE DISTRICT.”

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\* Subject to change.

## **The Bonds; Redemption Provisions**

The Bonds are issued solely as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds are dated as of their date of delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page of this Official Statement. The payment of principal and interest on the Bonds is described in “THE BONDS--Payment Provisions.” The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which is acting as the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See “THE BONDS--Book-Entry Only System.”

The Bonds are subject to redemption prior to maturity at the option of the District as described in “THE BONDS--Redemption Provisions.” At the option of the winning bidder, certain of the Bonds of each series also may be subject to mandatory sinking fund redemption. Each series of Bonds will be sold pursuant to a separate Notice of Public Sale dated September 12, 2017, which contains redemption information related to the applicable series of Bonds.

### **Purpose**

2017B Bonds. Proceeds of the 2017B Bonds will be used to: (i) refund \$78,740,000\* aggregate principal amount of the District’s General Obligation Bonds, Series 2009 (the “2009 Bonds”), currently outstanding in the aggregate principal amount of \$85,575,000; and (ii) pay the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.”

The 2009 Bonds to be refunded (the “Refunded Bonds”) consist of all of the 2009 Bonds maturing on and after December 15, 2019. The refunding of the Refunded Bonds is referred to as the “Refunding Project.” After the Refunding Project, \$6,835,000\* aggregate principal amount of 2009 Bonds will remain outstanding.

2017C Bonds. Proceeds of the 2017C Bonds will be used to: (i) finance a portion of the costs of renovations, repairs and additions to existing schools, acquiring, purchasing or improving school buildings or grounds, equipping or furnishing any school building, acquiring or purchasing buildings or land and improving school grounds (the “Improvement Project”); and (ii) pay the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.”

### **Security**

General. The Bonds are secured by the District’s full faith and credit and are general obligations of the District payable from ad valorem taxes to be levied, without limitation as to rate and in an amount sufficient to pay the Bonds when due, against all taxable property within the District, subject to certain constitutional limitations described herein and, with respect to the 2017C Bonds, subject to the limitations contained in the authorizing question adopted at an election held on November 8, 2016 (the “Election”). The District will covenant in the Bond Resolution to levy such taxes in an amount which, together with other legally available funds of

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\* Subject to change.

the District, if any, is sufficient to pay debt service on the Bonds. See “SECURITY AND REMEDIES” and “LEGAL MATTERS--Certain Constitutional Limitations.”

Election. At the Election, the electors of the District approved the issuance of general obligation bonds in an amount not to exceed \$250,000,000 with a total repayment cost not to exceed \$460,000,000 and a maximum annual repayment cost not to exceed \$33,250,000. The electors also approved increased ad valorem property taxes to pay debt service on such bonds, provided that the annual amount of such taxes cannot exceed \$33,250,000. The District may not exceed these limitations for any reason. See “SECURITY AND REMEDIES” and “LEGAL MATTERS--Certain Constitutional Limitations.”

The District previously issued its General Obligation Bonds, Series 2017 (the “2017 Bonds”), in the aggregate principal amount of \$150,000,000, pursuant to the Election authorization. After the issuance of the Bonds, the District will have no authorization remaining from the Election.

Lowry Bombing Range Property. The District currently includes certain property located at the east end of the Aurora Reservoir and commonly referred to as the Lowry Bombing Range. The Lowry Bombing Range currently is owned by the State Land Board for the benefit of the State School Trust and therefore is exempt from taxation. The State Land Board may sell the property in the Lowry Bombing Range for development at its discretion; should that occur, the land would be subject to ad valorem taxes by the District and other overlapping entities. Nonetheless, the Bond Resolution specifically provides that if the District or the State excludes the Lowry Bombing Range from the District’s boundaries in the future, after the date of the exclusion, such property will not be subject to the levy of the ad valorem tax to pay principal and interest on the Bonds. Because the land within the Lowry Bombing Range historically has been exempt from taxation, the District has not included it in its plan of finance when planning for the issuance of bonds or the payment of debt service.

Conditional Obligation of the State - State Intercept Program. The State has enacted legislation providing for the payment by the State Treasurer of principal and interest due with respect to general obligation indebtedness of eligible school districts in the State, including the District. If the District informs the State Treasurer that it will not make the payment by the date on which it is due, the State Treasurer is required to forward to the Paying Agent (defined herein), in immediately available funds, the amount necessary to make the payment of principal or interest on the Bonds. In such circumstances, the State Treasurer is required to withhold such amount from the next succeeding payment of the State’s share of equalization program funding and certain other funds which would otherwise be paid to the District. See “SECURITY AND REMEDIES--State Intercept Program.”

Outstanding General Obligation Bonds. After issuance of the Bonds and completion of the Refunding Project, the District will have \$672,785,000\* aggregate principal amount of outstanding general obligation bonds, consisting of the Bonds and \$494,445,000\* of previously issued general obligation bonds (the “Prior Bonds”), as more particularly described in “DEBT AND OTHER FINANCIAL OBLIGATIONS--Outstanding General Obligation Debt.”

Additional Bonds. Voter approval is required for the issuance of additional bonds (other than refunding bonds). The District has no current plans to request voter authorization for

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\* Subject to change.

additional bonds in the foreseeable future. However, the District continues to evaluate its capital needs and may request voter authorization at any time.

### **Authority for Issuance**

The Bonds will be issued pursuant to the Constitution and laws of the State, particularly: Title 22, Article 42, and Title 22, Article 43, Colorado Revised Statutes (“C.R.S.”); the Supplemental Public Securities Act (Title 11, Article 57, Part 2, C.R.S. (the “Supplemental Act”)); and the Bond Resolution.

### **Professionals**

Butler Snow LLP, Denver, Colorado, has acted as Bond Counsel in connection with the execution and delivery of the Bonds and also has acted as special counsel to the District in connection with this Official Statement. The fees of Butler Snow LLP will be paid only at closing from the proceeds of the Bonds. Certain legal matters will be passed on for the District by its General Counsel. Ehlers & Associates, Inc., Denver, Colorado, and FirstSouthwest, a Division of Hilltop Securities Inc., Denver, Colorado, are serving as the District’s municipal advisors in connection with the issuance of the Bonds (the “Municipal Advisors”). See “MUNICIPAL ADVISORS.” CliftonLarsonAllen LLP, independent certified public accountants, Greenwood Village, Colorado, have audited the District’s basic financial statements which are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” UMB Bank, n.a., will act as the paying agent and registrar for the Bonds (the “Paying Agent” and “Registrar”) and also will act as the Escrow Bank in connection with the Refunding Project. The Bank of New York Mellon Trust Company, N.A., acts as the custodian for the District’s Bond Redemption Fund (the “Custodian”). Certain mathematical computations regarding the Refunding Project will be verified by CliftonLarsonAllen LLP, certified public accountants, Greenwood Village, Colorado. See “SOURCES AND USES OF FUNDS--The Refunding Project - Verification of Mathematical Computations.”

### **Tax Status of Interest on the Bonds**

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

### **Continuing Disclosure Undertaking**

The District will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Bonds and the District has covenanted in the Bond Resolution to comply with its terms. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the District will provide the following information to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access

(“EMMA”) system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain listed events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix C. The District did not correctly associate its annual financial information for 2014 and 2015 with two issues associated with a base CUSIP number newly assigned in 2014. The District associated its filings with the CUSIP number and filed a remedial failure to file notice.

### **Additional Information**

This introduction is only a brief summary of the provisions of the Bonds, the Bond Resolution and other documents described in this Official Statement. A full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Bonds, the Bond Resolution, the Improvement Project, the Refunding Project and the District are included in this Official Statement. All references herein to the Bonds, the Bond Resolution and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.* Additional information and copies of the documents referred to herein are available from the District and the Municipal Advisors at the following addresses:

Cherry Creek School District No. 5  
4700 South Yosemite Street  
Greenwood Village, Colorado 80111  
Telephone: (720) 554-4344

Ehlers & Associates, Inc.  
4700 South Syracuse Street, Suite 860  
Denver, Colorado  
Telephone: (303) 802-2301

FirstSouthwest, a Division of Hilltop Securities, Inc.  
8055 E. Tufts Avenue, Suite 500  
Denver, Colorado 80237  
Telephone: (303) 771-1678.

## SOURCES AND USES OF FUNDS

### Sources and Uses of Funds

The District expects to apply the proceeds from the sale of the Bonds as shown in the following table.

<u>Sources and Uses of Funds</u>		
<u>Sources</u>	<u>2017B Bonds</u>	<u>2017C Bonds</u>
Par amount of Bonds.....		
Plus/(less): net reoffering premium/(discount) .....		
Total.....		
<u>Uses</u>		
The Improvement Project.....		
The Refunding Project .....		
Costs of issuance (including underwriting discount) .....		
Total.....		

Source: The Municipal Advisors.

### The Refunding Project

General. A portion of the proceeds of the 2017B Bonds will be used to advance refund the Refunded Bonds. In order to accomplish the Refunding Project, the District will deposit a portion of the 2017B Bond proceeds, together with other available moneys, with the Escrow Bank pursuant to an Escrow Agreement. The amounts deposited with the Escrow Bank will be deposited into the Escrow Account created under the Bond Resolution and will be maintained in cash or invested in Federal Securities (defined herein) maturing at such times and in such amounts as required to provide funds sufficient to pay (i) the interest on the Refunded Bonds as it becomes through December 15, 2018; and (ii) the principal on the Refunded Bonds as it becomes due upon prior redemption on December 15, 2018.

Verification of Mathematical Computations. The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the Federal Securities and cash deposited in the Escrow Account to provide for the payment of the principal and interest with respect to the Refunded Bonds upon prior redemption, which computation supports the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under Section 148 of the Tax Code, will be verified by CliftonLarsonAllen LLP, certified public accountants, Greenwood Village, Colorado.

### The Improvement Project

The District expects to apply the net proceeds of the 2017C Bonds to fund a portion of the projects approved by voters at the Election. See “THE DISTRICT--District Capital Plans.” Certain of those projects are also being funded with the proceeds of the 2017 Bonds.

## THE BONDS

### General

The Bonds will be dated as of their date of delivery and will mature on the dates and in the amounts as set forth on the inside cover page of this Official Statement. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof and will initially be registered in the name of “Cede & Co.,” as nominee for DTC. Purchases by beneficial owners of the Bonds (“Beneficial Owners”) are to be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof. Payments to Beneficial Owners are to be made as described below in “Book-Entry Only System.”

For a complete statement of the details and conditions of the Bonds, reference is made to the Bond Resolution and the Sale Certificate to be executed in connection with the sale of the Bonds, copies of which are available from the sources listed in “INTRODUCTION--Additional Information.”

### Payment Provisions

Payment of Principal and Interest. Interest on the Bonds (calculated based on a 360-day year consisting of twelve 30-day months) is payable semiannually on June 15 and December 15; interest on the 2017B Bonds will commence on December 15, 2017, and interest on the 2017C Bonds will commence on June 15, 2018. The principal of any Bond shall be payable to the registered owner (the “Owner” or the “Registered Owner”) thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption of the Bonds, and upon presentation and surrender at the principal office of the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at maturity, it shall continue to draw interest at the same interest rate borne by said Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the Registered Owner thereof by check, draft or wire sent by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a Business Day (as defined in the Bond Resolution), on or before the next succeeding Business Day), to the Registered Owner thereof at his or her address as it last appears on the registration books kept by the Registrar on the last day (whether or not a Business Day) of the calendar month immediately preceding such interest payment date (the “Record Date”); but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Registered Owner thereof on the Record Date and shall be payable to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. The Special Record Date and the date for payment of defaulted interest shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest. Notice of the Special Record Date and the date for payment of defaulted interest shall be given to the Registered Owners of the Bonds not less than ten days prior thereto by first-class mail to each such Registered Owner as shown on the Registrar’s registration books on a date selected by the Registrar. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for the services of the Paying Agent or Registrar.

Notwithstanding the foregoing, payments of the principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the Registered Owner of the Bonds. Disbursement of such payments to

DTC's Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Participants and the Indirect Participants, as more fully described herein. See "Book-Entry Only System" below.

Third-Party Custodian. In accordance with State law, the District has selected The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, to act as the custodian (the "Custodian") governing the administration of the District's Bond Redemption Fund. Pursuant to a Custodial Agreement between the District and the Custodian, the District has directed the County Treasurer to transfer to the Custodian all revenues from the property tax levied by the District for the payment of debt service. If the District receives any such revenues notwithstanding such direction, the District agrees to transfer such revenues to the Custodian within two days of receipt of such revenues. The Custodial Agreement restricts the transfer of funds out of the custodial account solely for the scheduled payment of principal and interest on the Bonds, all previous general obligation bonds of the District and any future general obligation bonds issued during the term of the Custodial Agreement (collectively, the "bonds"), and upon written direction of the District, to pay Registrar and Paying Agent fees, Custodian fees and arbitrage rebate compliance costs associated with the bonds. Interest earned on the Bond Redemption Fund will be credited to the Bond Redemption Fund (or such other fund as directed by the District at the end of each calendar year), except that after the final payment of debt service on the bonds in each calendar year the investment income shall be transferred to such fund of the District, at the written direction of the District, as the Board may determine. The Custodial Agreement will remain in effect so long as required by State law. The Custodial Agreement requires the Custodian to provide monthly balance reports regarding the balance of the Bond Redemption Fund to the District on or before the tenth day of each month. The Custodial Agreement may be amended by written agreement between the District (approved by the Board) and the Custodian.

### **Redemption Provisions**

Optional Redemption - 2017B Bonds. The 2017B Bonds maturing on or before December 15, 2025, are not subject to redemption prior to maturity. The 2017B Bonds maturing on and after December 15, 2026, shall be subject to redemption prior to their respective maturities, at the option of the District, in whole or in part, in integral multiples of \$5,000, from such maturities as are selected by the District and by lot within a maturity (giving proportionate weight to 2017B Bonds in denominations larger than \$5,000), in such a manner as the District may determine, on December 15, 2025, or on any date thereafter, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium.

Optional Redemption - 2017C Bonds. The 2017C Bonds maturing on or before December 15, 2027, are not subject to redemption prior to maturity. The 2017C Bonds maturing on and after December 15, 2028, shall be subject to redemption prior to their respective maturities, at the option of the District, in whole or in part, in integral multiples of \$5,000, from such maturities as are selected by the District and by lot within a maturity (giving proportionate weight to 2017C Bonds in denominations larger than \$5,000), in such a manner as the District may determine, on December 15, 2027, or on any date thereafter, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium.

Notice of Redemption. Notice of any prior redemption shall be given by the Paying Agent in the name of the District by sending a copy of such notice by first-class, postage prepaid mail, electronic means, or such other means as may be required by DTC or any other Depository, not more than 60 days and not less than 30 days prior to the redemption date to the Underwriters and to each Registered Owner of any Bond all or a portion of which is called for redemption at his or her address as it last appears on the registration books kept by the Registrar. Failure to give such notice by mailing to the Registered Owner of any Bond or to the Underwriters, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds.

All official notices of redemption shall be dated and shall state: (1) the CUSIP numbers of Bonds to be redeemed; (2) the redemption date; (3) the redemption price; (4) if less than all Outstanding Bonds are to be redeemed, the identification of the Bonds (and, in the case of partial redemption, the respective principal amounts and interest rate) to be redeemed; (5) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (6) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent or such other office as shall be designated by the Paying Agent.

On or prior to any redemption date, the District shall deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Official notice of redemption having been given as described above, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. In addition to the notice described above, further notice may be given by the Paying Agent in order to comply with the requirements of any Depository holding the Bonds but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as described above.

Notwithstanding the provisions described above, any notice of optional redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the Owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

## **Tax Covenant**

In the Bond Resolution, the District covenants for the benefit of the Owners that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the District or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code,

or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income, or (iii) would cause interest on the Bonds to lose its exclusion from Colorado taxable income and Colorado alternative minimum taxable income under present State law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the District in fulfilling the above-described covenant under the Tax Code have been met.

## **Defeasance**

When the Bonds are paid in accordance with their terms (or payment of the Bonds has been provided for in the manner described in the following paragraph), the Bond Resolution and all rights granted thereunder shall cease, terminate and become void and be discharged and satisfied.

Payment of any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been provided for within the meaning and with the effect expressed in the Bond Resolution (and described in this paragraph) if (a) in case said Bond is to be redeemed on any date prior to its maturity, the District shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to give on a date in accordance with the provisions of the Bond Resolution notice of redemption of such Bond on said redemption date, (b) there shall have been deposited with the Paying Agent or a commercial bank exercising trust powers either moneys in an amount which shall be sufficient, or Federal Securities (defined below) which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Paying Agent or other commercial bank exercising trust powers at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on said Bond on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bond is not by its terms subject to redemption within the next sixty days, the District shall have given the Paying Agent in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to the Bond Resolution, a notice to the Owner of such Bond that the deposit described in clause (b) above has been made with the Paying Agent or other commercial bank exercising trust powers and that payment of said Bond has been provided for in accordance with the Bond Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and interest due on said Bond. Neither such securities nor moneys deposited with the Paying Agent or other commercial bank exercising trust powers or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest due on said Bond; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Paying Agent or other commercial bank exercising trust powers, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in (b) of this paragraph maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Bond on or prior to such redemption date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as described above, such Bond shall no longer be secured by or entitled to the benefits of the

Bond Resolution, except for the purpose of any payment from such moneys or securities deposited with the Paying Agent or other commercial bank exercising trust powers.

The release of the obligations of the District as described above shall be without prejudice to the right of the Paying Agent to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred on or about the administration of and performance of its powers and duties hereunder.

Upon compliance with the provisions described above with respect to all Bonds Outstanding, the Bond Resolution may be discharged in accordance with the provisions described above but the liability of the District in respect of the Bonds shall continue; provided that the Owners thereof shall thereafter be entitled to payment only out of the moneys or Federal Securities deposited with the Paying Agent or other commercial bank exercising trust powers as described above.

The Bond Resolution defines “Federal Securities” to mean only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States (or ownership interests in any of the foregoing) and which are not callable prior to their scheduled maturities by the issuer thereof (or an ownership interest in any of the foregoing).

### **Amendment of Bond Resolution**

Amendments Not Requiring Owner Consent. The District may, without the consent of or notice to the Owners, adopt one or more resolutions supplemental to the Bond Resolution, which supplemental resolutions shall thereafter form a part of the Bond Resolution, for any one or more of the following purposes: (i) to cure any ambiguity, or to cure, correct or supplement any formal defect or omission or inconsistent provision contained in the Bond Resolution, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Bond Resolution, or to make any provisions for any other purpose if, in each case, such provisions are necessary or desirable and do not adversely affect the interests of the Registered Owners; (ii) to pledge additional revenues, properties or collateral as security for the Bonds; (iii) to grant or confer upon the Registrar for the benefit of the Registered Owners any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners; or (iv) to qualify the Bond Resolution under the Trust Indenture Act of 1939.

Amendments Requiring Owner Consent. Except for amendatory or supplemental resolutions adopted pursuant to the provisions described above, the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the adoption by the District of such resolutions amendatory or supplemental to the Bond Resolution as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution; provided however, that without the consent of the Owners of all the Bonds affected thereby, nothing in the Bond Resolution shall permit, or be construed as permitting: (i) a change in the terms of the maturity of any Bond, in the principal amount of any Bond or the rate of interest thereon, the dates of payment of principal and interest, or in the terms of prior redemption of any Bond; (ii) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal and interest on the Bonds when due; (iii) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or (iv) a reduction in the percentage in

principal amount of the Bonds the consent of whose Owners is required for any such amendatory or supplemental resolution.

If, at any time, the District shall desire to adopt an amendatory or supplemental resolution for any of the purposes described in the preceding paragraph, the District shall cause notice of the proposed adoption of such amendatory or supplemental resolution to be given by mailing such notice by certified or registered first-class mail to the Purchaser and to each Owner at the address shown on the registration books of the Registrar, at least thirty days prior to the proposed date of adoption of any such amendatory or supplemental resolution. Such notice shall briefly set forth the nature of the proposed amendatory or supplemental resolution and shall state that copies thereof are on file at the offices of the District or some other suitable location for inspection by all Owners. If, within sixty days or such longer period as shall be prescribed by the District following the giving of such notice, the Owners of not less than the required percentage in aggregate principal amount of the Bonds then outstanding at the time of the execution of any such amendatory or supplemental resolution shall have consented to and approved the execution thereof as described above, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption and effectiveness thereof, or to enjoin or restrain the District from adopting the same or from taking any action pursuant to the provisions thereof.

### **Book-Entry Only System**

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

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

Neither the District nor the Registrar and Paying Agent will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (each as defined in Appendix B), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in Appendix B to this Official Statement.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated, annual (calendar year) debt service requirements for the Bonds, the estimated, combined annual (calendar year) debt service requirements for the Prior Bonds (after taking the Refunding Project into account), and the combined estimated, annual (calendar year) debt service payable on the Bonds and the Prior Bonds.

### Debt Service Requirements(1)\*

Calendar					2017	Prior Bonds	Total
<u>Year(2)</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Bonds</u>	<u>Combined</u>	<u>Debt</u>
					<u>Total</u>	<u>Debt Service(3)</u>	<u>Service</u>
2017(4)	--	--	--	--		\$ 49,957,568	
2018	\$ 580,000	--	--	--		50,940,256	
2019	9,490,000	--	\$ 1,645,000	--		41,333,106	
2020	9,455,000	--	3,265,000	--		40,116,156	
2021	--	--	1,700,000	--		45,215,104	
2022	--	--	1,705,000	--		45,301,761	
2023	3,690,000	--	655,000	--		42,735,906	
2024	10,240,000	--	1,225,000	--		35,756,634	
2025	13,290,000	--	1,285,000	--		33,014,740	
2026	8,660,000	--	1,360,000	--		38,041,040	
2027	11,290,000	--	2,030,000	--		29,033,170	
2028	11,645,000	--	2,125,000	--		29,022,695	
2029	--	--	3,570,000	--		39,681,320	
2030	--	--	10,805,000	--		32,620,500	
2031	--	--	3,335,000	--		40,613,750	
2032	--	--	645,000	--		27,434,250	
2033	--	--	7,685,000	--		20,428,800	
2034	--	--	7,890,000	--		20,603,000	
2035	--	--	8,085,000	--		20,802,200	
2036	--	--	11,120,000	--		18,174,000	
2037	--	--	<u>29,850,000</u>	--		<u>--</u>	
Total	\$78,340,000	--	\$100,000,000	--		\$700,825,957	

(1) Totals may not add due to rounding.

(2) Based upon a calendar year, not the District's fiscal year.

(3) After taking the Refunding Project into account. Includes total principal and interest payments due on the Prior Bonds in each calendar year. The District's 2010B Bonds were issued as Build America Bonds ("BABs") and the District anticipates that it will receive a credit of the interest due on the 2010B Bonds (the "BAB Credit"). The BAB Credit originally was to be 35% of the interest due on the 2010B Bonds; however, the BAB Credit is subject to federal budget "sequestration" provisions and has been reduced in each year beginning with federal fiscal year 2013. The sequestration reduction is recalculated annually; for federal fiscal year 2018 it is 6.6%. For federal fiscal years 2017, 2016 and 2015 it was 6.9%, 6.8% and 7.3%, respectively. Absent future federal legislation, sequestration is currently expected to continue through federal fiscal year 2025. The amounts shown here reflect total interest to be paid on the 2010B Bonds (i.e., the expected BAB Credit has not been subtracted from the amounts shown).

(4) Includes all debt service paid in 2017, including interest paid on June 15, 2017.

Source: The District for the debt service on the Prior Bonds; the Municipal Advisors for the debt service on the Bonds.

\* Subject to change.

## SECURITY AND REMEDIES

### General

The Bonds are general obligations of the District payable from ad valorem taxes which may be levied against all taxable property within the District without limitation of rate and in an amount sufficient to pay the principal of and interest on the Bonds, when due. See “INTRODUCTION--Security,” “SECURITY AND REMEDIES--Limitations on Remedies Available to Owners of Bonds” and “LEGAL MATTERS--Certain Constitutional Limitations.” The Bonds are not secured by land within the District, but rather by the District’s obligation to certify to the Board of County Commissioners of the County (the “Commissioners”) a rate of levy sufficient, together with other legally available revenues, to meet the debt service requirements on the Bonds. The annual levy for debt service creates a statutory tax lien. Neither the State (except as described in “State Intercept Program” below) nor the County has any responsibility to pay the debt service on the Bonds.

See “INTRODUCTION--Security-Lowry Bombing Range Property” for a description of certain land within the District that may be excluded in the future.

The District anticipates that the primary source of revenues for repayment of the Bonds will be the ad valorem taxes levied against property within the District and collected by the County Treasurer. The District’s ability to retire the indebtedness created by the issuance of the Bonds is dependent, in part, upon the maintenance of an adequate tax base against which the District may levy and collect property tax revenues. The amount of ad valorem property taxes collected will be dependent upon the assessed valuation of land within the District and the rate of levy certified by the Board. See “LEGAL MATTERS--Certain Constitutional Limitations” and “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Taxes.”

The payment of property taxes does not constitute a personal obligation of the property owners within the District. Instead, these obligations are tied to the properties taxed, and if timely payment is not made the obligations constitute a lien against the specific properties. The District will not have recourse to any assets of any property owners for the payment of property taxes. To enforce the liens, the County Treasurer has the power to cause the sale of the property that is subject to the delinquent taxes, as provided by law. However, selling property at a tax sale is a time-consuming remedy and proceeds realized from the sale, if any, may not be sufficient to cover the delinquent taxes. Because property taxes do not constitute personal obligations of the owners of land in the District, in the event of a tax sale in which less than the amount of the delinquent taxes is realized, no deficiency judgment could be taken against the property owner who failed to pay taxes.

The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code. The various legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity. See “Limitations on Remedies Available to Owners of Bonds” below.

Various State laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT” and “LEGAL MATTERS--Certain Constitutional Limitations.”

### **Bond Resolution Irrepealable**

In accordance with Article XI, Section 6 of the State Constitution, the Bond Resolution provides that after any of the Bonds are issued, the Bond Resolution will constitute a contract between the District and the owners of the Bonds and will be and remain irrepealable until the Bonds and the interest thereon shall have been fully paid, satisfied or discharged.

### **Pledge of Revenues; Priority**

The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Bonds as provided in the Bond Resolution shall be governed by the Supplemental Act and the Bond Resolution. The revenues pledged for the payment of the Bonds, as received by or otherwise credited to the District, shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge on the revenues pledged for payment of the Bonds and the obligation to perform the contractual provisions made in the Bond Resolution shall have priority over any or all other obligations and liabilities of the District, except for any general obligation indebtedness of the District currently outstanding or any general obligation indebtedness issued on a parity with the Bonds. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the District irrespective of whether such persons have notice of such liens.

### **State Intercept Program**

Unless the District opts not to participate, the State Intercept Program (contained in the Bond Payment Act found in Section 22-41-110, C.R.S.) applies to the Bonds. The District will notify the State of its participation in the State Intercept Program in connection with the issuance of the Bonds.

Under the State Intercept Program, if the Paying Agent has not received a payment on the Bonds on the business day immediately prior to its due date, the Paying Agent must notify the State Treasurer and the District. The State Treasurer is then required to contact the District to determine whether it will make the payment by the date on which it is due. If the District indicates to the State Treasurer that it will not make the payment on the Bonds by the date on which it is due, the State Treasurer is required to forward to the Paying Agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the Bonds.

Each time the State Treasurer makes a payment on behalf of the District, the amount of the payment is withheld from: (i) the next installment of the Total Program Funding due to the District (described in “DISTRICT FINANCIAL OPERATIONS--The School Finance Act and Total Program Funding”) and (ii) from property tax and specific ownership revenues collected by the county treasurer on behalf of the District for operating purposes (amounts are

not withheld from property taxes levied for the payment of bonds). The total amount withheld in each month from those sources cannot exceed one-twelfth of the amount forwarded (with certain limited exceptions). The State Treasurer cannot withhold for more than 12 consecutive months for each occasion on which the State Treasurer forwards amounts to pay bonds. While the withholding of Total Program Funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the State Intercept Program does not correspondingly limit the State's contingent obligation to pay the Bonds.

The State has covenanted with the purchasers and owners of the Bonds that it will not repeal, revoke, rescind, modify, or amend the State Intercept Program so as to limit or impair the rights and remedies granted under the State Intercept Program. The State Intercept Program provides, however, that it shall not be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The State Intercept Program further provides that it shall not be deemed or construed to create a debt of the State with respect to any School District Obligation within the meaning of any State constitutional provision or to create any liability except as specifically provided in the State Intercept Program.

### **Limitations on Remedies Available to Owners of Bonds**

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the Owners of the Bonds may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the Owners of the Bonds and the obligations incurred by the District in issuing the Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government (including the imposition of tax liens by the federal government), if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

## **THE DISTRICT**

### **Organization and Description**

The District is a body corporate and a political subdivision of the State which was organized in 1950 for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District's boundaries changed numerous times due to annexations between 1951 and 1973. The boundaries have been substantially stable since 1973.

The District encompasses approximately 108 square miles and is located approximately 10 miles southeast of downtown Denver in western Arapahoe County, one of six counties comprising the Denver metropolitan area. The District includes the cities of Cherry Hills Village and Glendale, the Town of Foxfield, portions of the cities of Aurora, Centennial, Greenwood Village and Englewood and certain unincorporated areas of the County.

The District is fully accredited by the Colorado Department of Education and is subject to ongoing monitoring by the District and school accountability committees to ensure continued compliance with accreditation.

### **School District Powers**

The District is a body corporate with perpetual existence and may hold property in its name for any purpose authorized by law, may sue and be sued, and may be a party to contracts for any purpose authorized by law. State statutes grant to the Board the power to govern the District. General duties which the Board is required to perform include the following: to adopt policies and prescribe rules and regulations necessary and proper for the administration of the District; to employ all personnel required to maintain the operations and carry out the educational programs of the District; to fix and pay personnel compensation; to determine the educational programs to be provided by the District; to prescribe the textbooks for any course of instruction or study in such programs; to adopt written policies, rules and regulations relating to study, discipline, conduct, safety, and welfare of all pupils; and to comply with all the rules and regulations adopted by the State Board of Education.

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

## Governing Board

The District is governed by a five-director Board whose members are elected by the registered electors of the District for staggered four-year terms of office. The Board members represent separate geographical director districts but are elected at large. Biennial school district elections are held in November of odd-numbered years.

The Board is a policy-making body; its primary functions are to establish policies for the District, provide for the general operation and personnel of the District, and oversee the property, facilities and financial affairs of the District. Members of the Board serve without compensation. The Board holds regular meetings on the second Monday of each month, with special meetings held as needed. The Board elects its officers following each biennial election.

The current members of the Board, their offices, principal occupations, length of service and the year of expiration of their terms are as follows:

<u>Name and Position</u>	<u>Principal Occupation</u>	<u>Length of Service</u>	<u>Term Expires</u>
Randy Perlis, President	Chemist	8 years	2017
David Willman, Vice President	Small Business Owner	6 years	2019
Janice McDonald, Secretary	Retired Educator	2 years	2019
Karen B. Fisher, Treasurer	Community Volunteer	4 years	2017
Eric Parish, Assistant Sec.-Treas.	Management Consultant	2 years	2019

The Colorado constitution limits Board members to two consecutive terms. District voters may vote to eliminate, extend or change the term limits imposed by the constitution. The Board currently has no plans to ask District voters to change or eliminate the existing term limits.

## Administration

The Superintendent is hired by the Board. Other administrative personnel, including the Chief Financial Officer, are selected by the Superintendent and approved by the Board.

The District administrative personnel directly involved with the issuance of the Bonds, and their experience and responsibilities, are described below.

Superintendent. The Board is empowered to employ a chief executive officer, the Superintendent, who is responsible to the Board for the daily operations of the District. The Superintendent is charged with the responsibility for the overall operational management and instructional program of the District, all within the human and financial resources available, as well as being responsible for the philosophical position of the District. The Superintendent works collaboratively with the Board to provide effective leadership for all District personnel in their efforts to accomplish the District mission, “To inspire every student to think, to learn, to achieve, to care.”

Harry C. Bull, Jr., Ed.D., became Superintendent in July 2013 after 29 years in the District. He previously served as Assistant Superintendent of Human Resources and Executive Director of High School Education. Prior to that, Dr. Bull was Associate Principal and then Principal at Grandview High School, where he received several Statewide honors, including

the Colorado High School Press Association Administrator of the Year, the Colorado Music Educators' Association Honor Administrator of the Year and the School Library Journal Administrator of the Year. Dr. Bull's first administrative positions were at Smoky Hill High School where he served as Dean of Students, Activities Director and Assistant Principal. He began his career in Cherry Creek Schools in 1984 as a Social Studies teacher at Overland High School, after four years at Aurora Central High School in Aurora Public Schools. Dr. Bull attended the University of Northern Colorado where he earned a Bachelor of Arts degree in Social Science in 1980, followed by a Master of Arts degree in Educational Administration - Secondary in 1988, and a Doctorate in Educational Leadership and Policy Studies in 1997. Dr. Bull has served as President of the Board of Directors of the Colorado High School Activities Association, a Dissertation Committee member for the University of Colorado at Denver and a member of the Board of Directors for the Renaissance Montessori School. Dr. Bull is currently the president of the Colorado Association of School Executives. Dr. Bull is employed pursuant to a contract with the District, expiring on June 30, 2018.

The Colorado Association of School Executives has named Dr. Bull as the State's top superintendent for 2017, citing Dr. Bull's commitment to excellence for all students, his tireless advocacy work and his leadership in the fight for adequate school funding across the state. A committee composed of previous award winners and superintendents selected Dr. Bull as the recipient for the 2017 Superintendent of the Year Award.

Chief Financial Officer. David D. Hart was appointed Chief Financial Officer of the District in February 2017. Before becoming Chief Financial Officer of the District, Mr. Hart was a Director at The PFM Group for nearly two years and a Senior Vice President in Public Finance at D.A. Davidson & Co. for a year. Prior to that time, Mr. Hart served as the Chief Financial Officer for Denver Public Schools for four years and as Chief Financial Officer of the Douglas County School District for three years. He has also served as Manager of Revenue for the City and County of Denver, as Treasurer for the City and County of Denver and as Budget Director for the Douglas County School District. Mr. Hart attended the University of Colorado at Denver, where he received his Master of Public Administration: Policy Analysis and Evaluation.

## **Employees; Benefits and Pension Matters; Employment Contracts**

Employees. In order to provide the variety of services required by law, the District employs approximately 7,977 personnel; 5,820 of which are full-time and 2,157 of which are part-time. Included in this number are 4,020 certificated full-time or part-time teachers and administrative personnel and 3,957 classified employees. As of August 2017, approximately 78.0% of the certificated staff hold advanced degrees (masters and doctorates) and approximately 77.4% are non-probationary. The overall student/certified staff ratio is approximately 18.5:1 (based upon full-time equivalent ("FTE") students). The average salary for District teachers is \$65,591.

Benefits. The District has developed a comprehensive compensation package for its employees. Available benefits include health, dental, vision, term life, cancer, accident and disability insurance plans to which the District contributes a fixed amount. Workers compensation and unemployment insurance are provided in accordance with State law. In addition, the District allows varying amounts of sick leave accumulation depending upon employee category and also allows vacation leave for certain employees. Accrued sick leave and

vacation leave are compensated as described in Notes 1(O) and 9 to the audited financial statements attached as Appendix A hereto.

Pension Matters; Health Care Trust Fund. All of the District’s employees are members of the Colorado Public Employees Retirement Association (“PERA”), which operates cost-sharing multiple-employer defined benefit plans. The District participates in the School Division plan.

*Retirement Plan.* The District is required by law to contribute to PERA; the contribution rates to PERA are set by statute. The District and each member employee are required to contribute at a rate set by statute. A portion of the District’s contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (the “HCTF,” described below). The District’s contribution also includes a required amortization equalization disbursement (“AED”) and supplemental AED (“SAED”). State law provides that the SAED is to be funded, to the extent allowed by law, from monies otherwise available for employee wage increases.

PERA has reported significant unfunded accrued actuarial liability (“UAAL”) in recent years. Under current law, the AED and the SAED each have statutorily mandated increases. The increases, along with changes to benefits, were originally designed to achieve full funding of the UAAL within 30 years; however, PERA’s most recent audit indicates that a contribution rate of 26.8% would be required to fully meet the 30-year closed amortization period. The AED’s last increase of 0.3% to a maximum of 4.5%) was effective January 1, 2016. The SAED will increase by 0.5% per year through 2018 (to a total of 5.5%). The increases are slated to adjust based on the year-end funding status of the School Division of PERA; decreases are mandated when the School Division’s year-end funded status reaches 103% and increases are mandated when the School Division’s year-end funded status falls below 90%.

A history of contribution rates for selected years is set forth below.

Calendar Year	Employee Contribution	District (Employer) Contribution Rate			
		Base Rate (1)	AED	SAED	Total
2012	8.0%	10.15%	3.00%	2.50%	15.65%
2013	8.0	10.15	3.40	3.00	16.55
2014	8.0	10.15	3.80	3.50	17.45
2015	8.0	10.15	4.20	4.00	18.35
2016	8.0	10.15	4.50	4.50	19.15
2017	8.0	10.15	4.50	5.00	19.65
2018	8.0	10.15	4.50	5.50	20.15

(1) Includes 1.02% allocated to the HCTF.

Source: PERA.

State law provides that if the District is in arrears in its payments to PERA, all state funds due to the District are to be reduced by 10%. The District reports that it is current in its payments to PERA. In the fiscal years ended June 30, 2015, 2016 and 2017 (unaudited), the District contributed \$60,495,002, \$65,062,685, and \$66,439,413, respectively, to PERA (excluding the amount allocable to HCTF).

See Note 13 in the audited financial statements attached hereto as Appendix A for a further description of PERA.

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

Actuarially determined contributions (“ADC”) have replaced annual required contributions (“ARC”) as the gauge of the adequacy of the State’s statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the Board’s Funding policy (currently 7.5%). An ADC deficiency arises when contributions are less than the ADC. For 2016, the School Division’s ADC deficiency was \$177.6 million (compared to \$190.7 million in 2015 and \$125.4 million in 2014); over the past ten years, the ADC cumulative shortfall in School Division funding (without adjustment for investment earnings) has been \$1,661.3 million.

The District has no legal obligation to fund PERA’s UAAL or ADC, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

Effective with fiscal year 2015, the District was required to apply GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (“GASB 68”), to its audited financial statements. GASB 68 significantly changes pension accounting and financial reporting by separating pension accounting methodologies from pension funding methodologies. Among other requirements, the District is required to report its proportionate share of the total School Division net pension liability (“NPL”) in its government-wide financial statements. Fund level statements, including the General Fund statements, are not impacted by the GASB 68 reporting. The NPL is an accounting estimate of the District’s proportionate share of the School Division’s unfunded liability at a specific point in time. Based on information received from PERA, the District’s share of the School Division NPL was approximately \$2,367 million as of June 30, 2017 (measured as of December 31, 2016); that figure compares to \$1,267 million as of June 30, 2016 (measured as of December 31, 2015) and approximately \$1,065 million as of June 30, 2015. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown; the District’s liability is limited to the annually required contributions established by the State Legislature (the “Legislature”) as described above.

In 2016, PERA adopted new assumptions which were incorporated into its year-end 2016 financial statements. In order to reflect a more conservative outlook on long-term investments, the PERA board reduced the long-term investment return assumption from 7.5% to 7.25%; that change caused the School Division NPL (and the District’s share) to increase. In addition, the PERA board approved new mortality tables for all divisions to better reflect the expectation of increased longevity of the PERA membership. The new tables also caused NPL to increase.

*Health Care Trust Fund.* The District also contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer post-employment healthcare plan administered by PERA. The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No employee member contributions are required. For the fiscal years ended 2015, 2016 and 2017 (unaudited), the District’s employer contributions to the HCTF were \$3,446,253, \$3,745,688, and \$3,686,58, respectively, which was equal to the required contributions for each year. See Note 14 in the audited financial statements attached hereto as Appendix A for a further description of the HCTF.

*No OPEB Offered by District.* Other than its participation in the HCTF, the District does not offer any post-employment benefits (“OPEB”) to its retirees. Accordingly, it does not have material unfunded actuarial liability for OPEB and does not expect to have any in the future.

Early Retirement/Service Bonuses. Teachers and mental health personnel with 19 or more years of District service are eligible for a retirement/service bonus, which ranges from \$20,000 for an individual with 19 service years to a maximum of \$40,000 for individuals with 30 or more service years. Such amounts will be paid in monthly installments of \$1,000 to \$5,000 while the employee is still with the District, depending on service years attained to date; if the total bonus amount due to an individual has not been paid out as of the date of separation, the employee receives the remainder of his/her bonus in monthly installments over a period of 24 to 36 months.

Administrators with no less than 20 years with the District (at least five as an administrator) have the option of participating in the experience and longevity plan for a period of up to four years. Participating administrators are compensated up to a maximum of \$60,000 per individual. An administrator may choose to be paid in equal annual installments (usually paid monthly) over four years. In addition, administrators who have worked for 10 years as an administrator have the option of being paid in installments over two years or may chose a one-year payout option.

Employment Contracts and Collective Bargaining. Teachers are employed by the District pursuant to contracts established by the Board. Approximately 69% of the District’s eligible personnel are represented by the Cherry Creek Education Association (the “CCEA”), the local chapter of the Colorado Education Association and the collective bargaining agent for the District’s teachers, mental health professionals, nurses and bus drivers. Labor relations for the District are accomplished through a process of meeting and conferring by representatives of the Board and representatives of the various employee groups. Recommendations which emanate from this process are then presented to the Board for consideration and decisions on final policy. The current agreements extend through June 30, 2019.

For fiscal year 2017-2018, most employee groups received a 3.3% increase to base pay related to the percentage increase in per pupil funding the District is projected to receive. The District entered a three year agreement with the teachers to provide an increase yearly to the salary schedule equal to the change in District per pupil funding unless there is a decrease in funding whereby the salary schedule would not change. For the 2017-2018 fiscal year, the District will provide teachers with a 3.3% increase to the salary schedule along with providing experience step increases and additional education attainment increases. The minimum starting salary for bus drivers was also increased to attract and maintain staffing. According to

the District’s Assistant Superintendent for Human Resources, the District’s relationship with its employees is excellent.

**Facilities and Enrollment**

Enrollment. The District’s fall enrollment (October headcount) for the past five years is shown in the following table. For 2017-18, the District budgeted for the same enrollment (on a funded pupil basis) as for fiscal year 2016-17.

Historical Fall Enrollment - Headcount

<u>School Year</u>	<u>Pre-School</u>	<u>Grades K-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>	<u>Other(1)</u>	<u>Total Enrollment</u>	<u>Percent Increase</u>
2012-13	882	23,906	12,029	15,334	530	52,681	1.66%
2013-14	990	24,098	12,214	15,645	637	53,584	1.71
2014-15	1,019	24,033	12,362	15,747	657	53,818	0.44
2015-16	1,054	23,692	12,486	16,055	663	53,950	0.25
2016-17	1,098	23,462	12,559	16,481	578	54,178	0.42

(1) “Other” students include district students enrolled in the M.W. Foote Youth Services Center, homebound and expelled students program, and the Intensive Treatment Program. Starting in fiscal year 2012-13, this category also includes students enrolled in the Options program. Options is a program for students who are primarily home schooled with the District supplementing their efforts. Students participating in the program get limited instruction of about one day per week and receive educational materials from the District. The State funds these students at one half of the State per pupil funding.

Source: The District.

Existing Facilities. The District owns and operates a variety of facilities in order to accommodate its educational program for the school-age children residing within its boundaries. The District’s major fixed assets are its school buildings.

The District currently operates 42 elementary schools (1 year-round), one K-8 school, 11 middle schools, seven high schools, four alternative school programs, an Institute of Science and Technology and 10 student support facilities (including administrative facilities). Each of the high schools has a fine arts center and five of the high schools have indoor swimming pools. The District also owns two athletic stadiums, various parcels of vacant land and numerous vehicles, including a fleet of school buses, maintenance and food service vehicles.

Charter Schools. In addition to the schools described above, two charter schools currently exist in the District: the Cherry Creek Academy (“CCA”) serving grades K-8; and the Heritage Heights Academy (“HHA”), currently serving grades K-6.

Under State law, the District may contract with individuals and organizations for the operation of charter schools within the District. For purposes of the School Finance Act, pupils enrolled in a charter school authorized by the District are included in the pupil enrollment of the District. Charter schools are financed in part from a portion of the District’s revenues received under the School Finance Act. The District is required to pay a charter school a certain percentage of per pupil revenues for each pupil enrolled in such charter school, less certain central administrative overhead costs. Charter schools have separate governing boards, but the District’s Board must approve all charter school applications and review charter school budgets.

State law created the Charter School Institute as an alternative mode of authorizing charter schools. No charter schools have been authorized by the Charter School Institute within the District.

## **District Capital Plans**

General. Extensive planning and a comprehensive program of construction, which is continuously under evaluation by the District, are necessary to permit the District to serve the needs of an increasing resident population and student enrollment. The Long-Range Facility Planning Committee (the “Committee”) is a citizens advisory group established more than twenty years ago by the Board to monitor facility utilization and advise the Board in matters relating to construction, renovation, boundaries, and other program support issues. The Committee consists of two representatives from each Board director district, three at-large citizen representatives, teachers, building administrators and central office personnel.

2016 Needs Assessment. The most recent needs assessment completed by the Committee was completed early in 2016 and covered District needs through the 2020-21 school year. The Committee developed and presented facility planning recommendations for the construction of additional school buildings and other capital improvements to the Board of Education for their approval. At the Election, the District’s voters approved the issuance of \$250,000,000 in general obligation bonds to fund those recommendations.

The projects to be funded with the bonds approved at the Election (including the Bonds) are expected to provide for the following long-term costs, among others:

1. Career and Innovation Technology (\$77.7 million): Through the community-based Cherry Creek 2021 process of updating graduation requirements, parents, students, staff, District graduates, local business and industry owners determined that the District must prepare students differently for the workforce they will enter in the future. A focus on innovation, critical thinking, real world experiences, project-based learning, relevancy, communication skills, adaptability and working in teams is critical.

- Every elementary school will receive \$500,000, and every middle school will receive \$750,000 to work collaboratively with their community to renovate space to support 21st-century teaching and learning.

- The District will construct and equip a new Career and Innovation Academy to increase the pathways for students to complete high school. This building will be a stand-alone, central facility available to all District 11th and 12th grade students to ensure preparation for college and careers in the 21st century.

- Information systems upgrades will include wireless network, web filtering and firewall systems, data center upgrades, classroom projection improvements, technology asset management and timekeeping software.

2. New Facilities and Major Renovations (\$90.75 million): New facilities to support continued student growth and class sizes and provide a healthy learning environment to all students and teachers.

- New elementary school to alleviate overcrowding at Pine Ridge, Coyote Hills, and Black Forest Hills.
- New middle school to alleviate overcrowding at Fox Ridge.
- Major renovations include: New special education Transition Center, gym at Cherry Creek Academy, high traffic redesign at the Cherry Creek High School campus, Horizon breezeway, and identified cafeterias.
- Stutler Bowl track and turf is near the end of its product life, requiring replacement for safety and liability.

3. Safety and Security (\$1.88 million): The number one priority is the safety and security of students and staff. Students and school staff must be as prepared as they possibly can be, at all times, for the unexpected.

- Communication: Radio system upgrades, uniform dispatch center, CARE Line upgrades.
- Physical Safety: Additions to the surveillance system, police Knox boxes, key cards, laminate glass.

4. Maintaining Community Investment (\$79.67 million): It is important that the school foundation (buildings and equipment), where students attend school, is maintained for current and future generations.

- Significant investment in the foundation includes: fire protection; roofing; carpet and flooring; mechanical, electrical and plumbing; doors, hardware and keying; utility/specialty infrastructure; and tennis courts and tracks.

## **Insurance**

The Board acts to protect the District against loss and liability by maintaining the following insurance coverages through the Colorado School District's Self-Insurance Pool (the "CSDSIP"): (1) property coverage for buildings and contents with policy limits of \$1.0 billion per occurrence, (2) equipment breakdown coverage, (3) crime coverage, (4) school entity liability coverage (includes general liability, school leaders errors and omissions and employment practices liability), (5) automobile liability and terminal damage coverage, (6) school crisis act coverage, (7) privacy and network liability coverage, (8) pollution legal liability and remediation coverage, and (9) nuclear, chemical, biological, and biochemical acts of terrorism coverage. Under the CSDSIP, when a covered District loss exceeds specified deductibles, the specific loss is charged to CSDSIP's self-insurance retention or loss fund. If a specific loss exceeds \$750,000 on a liability claim and \$10,000,000 in aggregate property claims, such excess is paid by reinsurance carriers. The policy is renewable annually with the current term expiring July 1, 2018. The Board also acts to protect the District against loss and liability by maintaining additional insurance coverage for international liability and travel accident coverage through private insurance companies. Those policies expire July 1, 2018. The District also participates in the Joint School Districts Workers' Compensation Self-Insurance Pool, a public entity risk pool with four participating members, for statutory workers' compensation coverage. The policy is renewable annually with the current term expiring July 1, 2018.

## **Intergovernmental Relationships and Other Agreements**

General. The District maintains cooperative working relationships with adjacent and overlapping governmental entities. These relationships include: land dedications from developers or cash in lieu of dedication as required by city ordinances; reciprocal use agreements; and an affiliation with other area districts in the Rocky Mountain School of Expeditionary Learning Board of Cooperative Education Services (or BOCES).

Exclusive Sales Agreement. The District has entered into an agreement with a vendor for exclusive sales rights within the District. The agreement was effective in August 2009 and extends through July 2019. The exclusive beverage and vending services agreement is a collective agreement between the vendor, the District and one other Colorado school district. The agreement includes a yearly sponsorship fee of \$80,000 to be split between the two school districts. It did not provide for any lump-sum payments to the District or any guaranteed minimum commissions.

The District may enter into additional intergovernmental or other agreements at any time.

## **DISTRICT FINANCIAL OPERATIONS**

### **The School Finance Act and Total Program Funding**

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

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

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

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

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

For the past five years and the current fiscal year, the School Finance Act provided for the following “base” amounts per pupil:

### Historical Base Per Pupil Funding

<u>Fiscal Year</u>	<u>Per-Pupil Funding Amount</u>			<u>Addition Due To:</u>
	<u>Base</u>	<u>Amount</u>	<u>Addition</u>	
2012-13	\$5,635	\$208	\$5,843	Inflation (3.7%)
2013-14	5,843	111	5,954	Inflation (1.9%)
2014-15	5,954	167	6,121	Inflation (2.8%)
2015-16	6,121	171	6,292	Inflation (2.8%)
2016-17	6,292	76	6,368	Inflation (1.2%)
2017-18	6,368	178	6,546	Inflation (2.8%)

Each school district's base per-pupil amount is adjusted pursuant to a formula set forth in the School Finance Act to account for differences among school districts. Adjustments are made for cost of living, school district size and personnel costs. Upward adjustments are also made for on-line students and "at risk" students (generally defined as students who qualify for the federal free lunch program). A downward adjustment is made by the State to all K-12 funding in an amount sufficient to balance the State budget (the "negative factor"). Application of the negative factor reduces each district's State aid by a proportional amount. Application of the negative factor, together with other statutory provisions, has had the effect of decreasing the State share of the Total Program Funding and increasing the local share.

Notwithstanding the adjustments described above, the Legislature has established a minimum amount of annual per pupil funding equal to 95% of the "minimum per pupil funding base" calculated in accordance with State law. In 2010, the Legislature enacted legislation suspending the statutory requirement that no school district receive less in State aid than an amount established by the Legislature in the annual general appropriation act for fiscal years 2010-11 to 2014-15. It is possible that similar legislation will be adopted in the future in response to financial difficulties at the State level.

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

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

Funding of the State's Share of Total Program Funding. The Legislature is to make annual appropriations to fund the State's share of the Total Program Funding of all school districts. The availability of State funds to school districts may be affected by actions of the Legislature and by the cash position of the State itself. The ability of the State to fund the Total Program Funding of all State school districts may be impacted by numerous factors beyond the control of the State and the District, including general economic conditions, other State program increases, unemployment, the rate of economic growth, and tourism. In the event that the State's

appropriation for its share of the Total Program Funding of all school districts is not sufficient to fully fund such share, the State Department of Education must submit a request for a supplemental appropriation in an amount which will fully fund the State's share during the fiscal year in which such insufficiency occurs. If a supplemental appropriation is not made, the School Finance Act states that a percentage reduction in State aid to all school districts receiving State aid is to be made.

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

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

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

All school districts in Colorado were severely impacted by cuts in State funding for the School Finance Act in recent years, beginning with a State budget shortfall in excess of \$1.4 billion for fiscal year 2010. Various mandated rescissions and the introduction of the negative factor were implemented to deal with the State's budget difficulties. The Legislature included the negative factor in the Total Program Funding formula beginning in fiscal year 2010-11 in order to assist the State in balancing its budget due to the economic downturn. The total amount of the negative factor was approximately \$1 billion. As a result of these actions, the District's per-pupil funding under the School Finance Act declined in fiscal years 2010 through 2013 before beginning to increase again in fiscal year 2014. For fiscal year 2014-15, the State appropriated approximately \$110 million against the negative factor; the 2015 Legislature adopted legislation authorizing an additional \$14 million in negative factor "buydown" during fiscal year 2014-15. In fiscal year 2015-16, an additional \$25 million was appropriated for "buydown" of the negative factor. The negative factor for fiscal year 2016-17 was budgeted as approximately \$830.7 million and was budgeted as approximately \$828.3 million for 2017-18.

There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws (including but not limited to the School Finance Act), provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

## **Other Sources of School District Revenue**

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

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

The District's electors have approved numerous override levies for various specified purposes. The most recent mill levy override was approved at the Election and will provide \$23.9 million in calendar year 2017 and an amount each year thereafter to bring the total override revenues up to the 25% limit described above. The override question approved by voters included the following purposes, among others: maintaining class sizes; providing curriculum and instruction necessary for success in college and the workplace; continuing the District's commitment to academic excellence; and utilizing technology and computer applications to prepare students for careers or higher education.

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

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

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

Fees. Pursuant to the School Finance Act, any fee collected by a school district for a specific purpose is to be spent only for that purpose. For example, if a district imposes a \$100 fee for athletics, all money collected from that fee must be used for athletics. In addition, school districts must disclose whether a fee is voluntary or mandatory and what activities a child will be excluded from for failure to pay the fee. The District imposes various such fees.

Miscellaneous Revenue Sources. The District also receives General Fund revenues from specific ownership taxes (levied by the State on owners of motor vehicles and shared with local governments), investment earnings, the beverage contract revenue, athletics, activities, parking fees, and rental of District facilities.

## **District Funds and Accounts**

Funds and Accounts Mandated by State Law. The basic format for the financial operation of Colorado school districts is mandated by State law, which creates the following funds: the General Fund, the Bond Redemption Fund, the Capital Projects Fund, the Insurance Reserve Fund (which may be an internal service fund or an account in the General Fund to satisfy Generally Accepted Accounting Principles (“GAAP”)), the Special Building and Technology Fund, the Transportation Fund and the Full Day Kindergarten Fund. Interpretive regulations of the State Board of Education also authorize the use of additional funds. Some school districts also maintain certain Special Revenue Funds, Enterprise Funds and Internal Service Funds.

General Fund. The bulk of the financial operations of most school districts, including the District, are conducted through the General Fund. The General Fund contains all revenues of the District not attributable to its other established funds. The majority of these revenues are derived from the District’s general property tax levy and from State aid.

TABOR requires each school district to establish emergency reserves constituting 3% of fiscal year spending. See “LEGAL MATTERS--Certain Constitutional Limitations.” Pursuant to State law, the District’s budget must ensure that the TABOR reserve requirement is met by holding unrestricted General Fund or cash fund emergency reserves; except that a district may designate property owned by the district as all or a portion of the required reserve subject to certain statutory requirements. The District currently maintains its TABOR reserve in its General Fund.

Bond Redemption Fund. The Bond Redemption Fund contains the revenues from property tax levies for the purpose of satisfying, when due, the principal and interest obligations on any debt of a school district. The Bond Redemption Fund may also include certain other voter-approved tax revenues imposed to pay long-term obligations authorized by law. In accordance with State law, the District has designated The Bank of New York Mellon Trust Company, N.A., in Denver, Colorado, as the custodian of its Bond Redemption Fund. The Custodian is responsible for making debt service payments on the District’s general obligation bonds from the Bond Redemption Fund. See “THE BONDS--Payment Provisions - Third-Party Custodian.”

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

## Local and State Shares of General Fund Revenues

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

Local Sources. For fiscal years 2015-16 and 2016-17 (unaudited), local sources accounted for approximately \$228.1 million and \$252.1 million, comprising approximately 46.1% and 48.1%, respectively, of the District's General Fund revenues.

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

*Calculation of Local Share Mill Levy.* The District's mill levy is limited by the School Finance Act to the lesser of (i) the number of mills levied by the District for the immediately preceding property tax year; (ii) the number of mills that will generate property tax revenue in an amount equal to the District's Total Program Funding for the applicable budget year less the minimum State aid and less the amount of specific ownership tax revenue paid to the District; or (iii) the number of mills that may be levied by the District under the property tax revenue limitation imposed on the District under TABOR. See "LEGAL MATTERS--Certain Constitutional Limitations." This formula (the "Mill Levy Freeze") was implemented in 2007 amendments to the School Finance Act and changed the way most school districts calculate the annual mill levy. See "DISTRICT FINANCIAL OPERATIONS--Administration's Discussion of Material Trends." The Mill Levy Freeze applies only to school districts in which voters have given approval to retain and spend revenues received in excess of the TABOR limitation. Most school districts in the State have received such voter approval; however, the District has not sought such approval and currently does not plan to do so in the future.

This formula does not impact the District's ability to levy taxes to pay debt service on the Bonds (and any other outstanding general obligation bonds); the debt service mill levy is entirely separate from the Total Program Funding calculation. The formula also does not impact the District's override mill levies, which are outside the formula.

*Mill Levy Information.* The District's General Fund levy includes its operating mill levy, its override levies and any delinquent taxes, penalties and interest associated with those levies. In fiscal years 2015-16 and 2016-17 (unaudited), the District's General Fund mill levy (including the override levies and delinquent taxes, penalties and interest) yielded collections of \$202,620,364 and \$225,987,672, respectively, or 40.9% and 43.1% of General Fund revenue. For fiscal year 2017-18, the District budgeted to receive \$256.0 million of General Fund property tax collections.

State Sources. For fiscal years 2015-16 and 2016-17 (unaudited), State sources (including State equalization payments) accounted for approximately \$265.8 million and \$271.1 million, comprising approximately 53.7% and 51.7%, respectively, of the District's General Fund revenues.

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

State Equalization Payments(1)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>State Equalization</u> <u>Payment</u>	<u>Percent</u> <u>Change</u>
2013	\$201,778,792	--
2014	211,633,340	4.9%
2015	232,119,104	9.7
2016	245,160,665	5.6
2017(2)	250,235,290	2.1

(1) State equalization payments are net of amounts paid to charter schools operating within the District.

(2) Unaudited.

Source: Derived from the District’s comprehensive annual financial reports for fiscal years 2013-2016, and from unaudited fiscal year 2017 information provided by the District.

State equalization payments received by the District for the fiscal years ended June 30, 2016, and June 30, 2017 (unaudited), represented 49.5% and 47.7%, respectively, of General Fund revenues. The District has budgeted to receive \$260.2 million in State equalization payments in fiscal year 2017-18.

The State Department of Education (“CDE”) undertakes routine audits of State equalization entitlements and pupil transportation claims for each school district in the State. CDE has finalized State equalization entitlement audits for fiscal years 2013-14 and 2014-15 and pupil transportation claims for 2012-13 and 2013-14. As a result of these audits, the District received a net payment from the State due to audit adjustments resulting in underpayments by the State. CDE performed a procurement review and an administrative review of food services operations during the 2016-17 fiscal year; no financial findings resulted.

**Cash Flow Measures**

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

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

Under the State Program, the State Treasurer is directed to provide sufficient funds in the form of no-interest or low-interest loans from the State general fund to any district which applies for such funds and which does not have moneys available for expenditure, in each month of the budget year, equal to at least one-twelfth of the amount of the Total Program Funding to which it is entitled for the fiscal year. There are certain limits on the receipt and use

of such loans. Any district receiving a loan under this program must begin to repay the loan to the State when the monthly property tax revenues and State aid received exceed one-twelfth of the amount of Equalization Program Funding to which such district is entitled for the budget year, and all loans must be repaid prior to June 25 of the State fiscal year in which the loan was made. A lien in the amount of any loan attaches to any district property tax revenues (except Bond Redemption Fund revenues) collected during the State fiscal year (which runs from July 1 through June 30) in which the loan was made; that lien has priority over all other expenditures from such revenues until the loan is repaid in full. Accordingly, participating districts have no property tax revenues available to pay ongoing expenses until their loans are fully paid. Districts may borrow sufficient funds to cover their expenses during the time required to repay their notes. Districts receiving loans from the State Program also are subject to audit by the State and can be penalized through the withholding of State aid in the event an audit finds that loan proceeds were used in a manner not allowed by law. The State Legislature may change the terms of the State Program at any time or abolish it altogether.

The District has participated in the State Program every year since 2002. During the 2015, 2016 and 2017 fiscal years, the District received loans in the amounts of \$31.3 million, \$65.6 million, and \$48.2 million, respectively. All of the District's past loans from the State Program have been repaid in a timely manner. The District is authorized to borrow up to \$48.0 million from the State Program in fiscal year 2018.

## **Budget Process**

General. The District is required by State law to adopt an annual budget which presents a complete financial plan for the ensuing fiscal year. At the time of adoption, the Board is required to adopt a resolution specifying the amount of money appropriated to each fund. The proposed budget and a statement describing the major objectives of the educational program for the ensuing fiscal year must be submitted to the Board no later than thirty days prior to the start of the fiscal year, i.e., on or before June 1. Within ten days after submission of the proposed budget, the Board must publish a notice stating that the proposed budget is available for inspection, that any District taxpayer may file or register objections to the proposed budget at any time prior to its adoption, and that the Board will consider adoption of the proposed budget at a designated meeting of the Board. Formal adoption of the budget is required by resolution by the Board by June 30 of each year. The Board may review and amend the budget with respect to both revenues and expenditures at any time prior to January 31 of the fiscal year for which the budget was adopted.

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

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

Districts also are required to adopt a resolution authorizing and explaining any use of beginning fund balance authorized for expenditure in the budget.

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

Awards. The Association of School Business Officials International (“ASBO”) has awarded the District its Meritorious Budget Award for excellence in the preparation and issuance of its school system budget for the fiscal year 2016-17; the District has received this award each year since 1997.

The Government Finance Officers Association (“GFOA”) has awarded the District its Distinguished Budget Presentation Award for the fiscal year 2016-17; the District has received this award each year since 1994.

### **Budget Summary and Comparison**

General. The following table sets forth a comparison of the District’s General Fund budgets for the fiscal years ended June 30, 2016, 2017 and 2018, as compared to unaudited year-end results for the fiscal years ended June 30, 2016 and 2017.

Effective for the fiscal year 2014 budget, the District began using the modified accrual method of accounting in its budget (rather than the budgetary basis of accounting formerly used) in order to better conform the budget to the presentation used in the Comprehensive Annual Financial Report (“CAFR”).

General Fund Reserve Policy. The District maintains General Fund reserve levels according to a Board policy adopted in April 2010. The General Fund Balance includes a 3% TABOR Reserve, a District Emergency Reserve of at least 3% of General Fund expenditures, and Assigned and Non-spendable reserves for encumbrances and commitments.

## General Fund - Budget to Actual Comparison(1)

	2016 Final <u>Budget</u>	FY 2016 <u>Actual</u>	2017 Final <u>Budget</u>	FY 2017 <u>Actual (2)</u>	2018 Adopted <u>Budget</u>
<b>Revenues and Other Sources:</b>					
Local Sources	\$225,622,216	\$228,084,110	\$251,505,815	\$252,147,754	\$256,006,201
State Sources	264,633,260	265,816,710	270,906,121	271,097,181	281,187,984
Intergovernmental - Federal Sources (3)	1,463,596	1,465,562	1,464,382	1,463,989	1,463,989
Transfers	<u>1,216,073</u>	<u>1,408,467</u>	<u>1,450,000</u>	<u>1,459,833</u>	<u>1,460,000</u>
Total Revenues and Other Sources	<u>492,935,145</u>	<u>496,774,849</u>	<u>525,326,318</u>	<u>526,168,757</u>	<u>540,118,174</u>
<b>Expenditures and Other Uses:</b>					
Instruction	413,123,603	404,745,927	421,426,222	418,052,121	440,226,198
General Administration	4,351,547	4,340,758	4,925,583	4,475,734	4,495,174
Business Services	3,895,770	3,874,456	4,071,621	4,044,646	4,045,610
County Treasurer Fees	517,500	507,951	567,500	566,488	585,250
Operations and Maintenance	37,700,130	37,484,456	38,043,064	37,361,730	38,885,097
Pupil Transportation	20,148,401	20,356,802	20,466,730	19,911,796	20,956,816
Central Services	13,932,521	13,321,003	13,241,825	12,348,198	15,793,355
Community Services	391,405	388,119	516,153	490,807	472,213
Facilities Acquisition/Construction	264,287	262,082	551,002	465,524	459,487
Transfers Out (4)	<u>8,770,236</u>	<u>17,770,236</u>	<u>10,856,800</u>	<u>10,615,576</u>	<u>11,572,700</u>
Total Expenditures and Other Uses	<u>503,095,400</u>	<u>503,051,790</u>	<u>514,666,500</u>	<u>508,332,620</u>	<u>537,491,900</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,160,255)	(6,276,941)	10,659,818	17,836,137	2,626,274
<b>Restriction of Fund Balance</b>					
Beginning Unassigned Balance (5)	41,231,173	41,231,173	30,374,491	30,374,491	62,743,456
Plus Beginning Restricted Balance (5)	28,458,452	28,458,452	33,038,193	33,038,193	18,505,365
Less Ending Restricted Balance	<u>(18,006,200)</u>	<u>(33,038,193)</u>	<u>(18,296,200)</u>	<u>(18,505,365)</u>	<u>(19,071,000)</u>
Ending Unassigned Fund Balance	<u>\$41,523,170</u>	<u>\$30,374,491</u>	<u>\$55,776,302</u>	<u>\$62,743,456</u>	<u>\$64,804,095</u>

- (1) Presented on a modified accrual basis. Activity related to the Cherry Creek Academy, a charter school within the District, is not included. The charter school is a discretely presented component unit (i.e., is reported in a separate fund) for purposes of GAAP.
- (2) Unaudited results; subject to changes and adjustments during the audit process.
- (3) The 2010B Bonds were issued as BABs for which the District currently receives a BAB Credit (a direct federal subsidy of a portion of the interest payment on the 2010B Bonds). This subsidy is recorded in the General Fund as Federal Revenue.
- (4) Under previous State statutes, the District was required to allocate a portion of State equalization aid to the Capital Reserve Fund. The State requirement to fund a capital reserve fund was discontinued starting with the fiscal year ending June 30, 2010. The District has continued to fund the Capital Reserve Fund with a transfer from the General Fund.
- (5) Excludes restricted fund balance amounts. Those amounts are represented in the "Plus Beginning Restricted Balance" line in this table. Restricted fund balance amounts include nonspendable amounts for prepayments, deposits and inventories, funds restricted for emergency reserves and commitments for future year expenditures.

Source: The District.

### **Accounting Records and Financial Statements**

General. The District accounts for its financial operations in compliance with State law. All District funds are required to be audited on a fiscal year running from July 1 to June 30. The annually audited financial statements must be submitted to the Board within five months after the end of the fiscal year and filed with the State auditor and the commissioner of

education 30 days after receipt by the District. If the District fails to file an audit report with the State auditor, the State auditor may, after notice to the District, notify the County Treasurer holding moneys of the District (if any) and authorize the County Treasurer to prohibit release of such moneys until the District files the audit report with the State. The District's fiscal year 2015-16 audit was filed on time.

The audited basic financial statements for the fiscal year ended June 30, 2016, attached hereto as Appendix A, represent the most recent audited financial statements of the District.

Awards. The District has received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended June 30, 2016. Such certificate is awarded by the GFOA to local governments whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting. This is the 24th year the District has received this award.

The District also has received a Certificate of Excellence in Financial Reporting from ASBO for its CAFR for the fiscal year ended June 30, 2016; this is the 24th year the District has received this award.

### **History of General Fund Revenues, Expenditures, and Changes in Fund Balance**

Set forth in the following table is a five-year comparative statement of revenues and expenditures for the General Fund, including the beginning and ending fund balances for each year. The information has been derived from the District's audited financial statements for the fiscal years ended June 30, 2012 through 2016. The information was derived from the District's CAFRs for those years.

Unaudited year-end information for the fiscal year ended June 30, 2017, can be found in the "General Fund-Budget to Actual Comparison" table.

This table should be read in conjunction with the District's audited basic financial statements and accompanying notes for the year ended June 30, 2016, which are attached hereto as Appendix A. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

**General Fund - Revenues, Expenditures, and Changes in Fund Balance (GAAP Basis)**

<b>Revenues</b>	<b>Years ended June 30,</b>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Taxes</b>					
Property taxes (1)	\$174,898,550	\$196,842,618	\$203,275,515	\$198,076,317	\$202,620,364
Specific ownership taxes	14,509,101	16,057,777	17,605,225	19,097,032	19,635,073
Intergovernmental - Federal (2)	1,572,491	1,504,088	1,459,272	1,457,699	1,465,562
<b>Intergovernmental - State</b>					
State equalization aid	197,308,106	201,778,792	211,633,340	232,119,104	245,160,665
Transportation	3,893,457	3,976,050	4,402,117	4,444,837	4,684,076
Education of handicapped	8,756,893	8,876,181	10,733,620	10,674,340	11,071,983
Vocational education	1,999,301	1,770,487	1,242,237	1,944,188	2,043,704
Other State	903,765	897,705	889,512	2,769,410	2,856,282
Earnings on investments	286,827	231,049	244,107	43,925	130,124
<b>Other</b>					
Tuition	599,156	581,999	513,624	511,958	642,949
Fees and Fines	1,218,083	1,180,078	1,166,896	1,253,755	1,382,683
Miscellaneous	3,441,891	2,552,043	1,942,237	3,038,315	3,672,917
<b>Total revenues</b>	<u>409,387,621</u>	<u>436,248,867</u>	<u>455,107,702</u>	<u>475,430,880</u>	<u>495,366,382</u>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	281,329,868	288,760,959	300,654,577	318,763,895	332,543,594
<b>Indirect instructional</b>					
Pupil services	24,502,638	25,083,154	26,607,415	28,068,803	29,546,691
Instructional staff services	13,171,119	12,535,219	14,114,213	16,340,973	17,006,119
School administration	21,789,567	22,010,548	23,052,768	24,249,082	25,649,523
<b>Support Services</b>					
General administration	3,175,239	3,586,078	3,813,769	4,184,892	4,340,758
Business services	3,373,804	3,475,629	3,555,479	3,678,923	3,874,456
Operations and maintenance	32,933,622	33,742,097	34,781,310	35,301,454	37,484,456
Pupil transportation	18,380,112	19,179,400	19,611,022	20,228,156	20,356,802
Central services	11,355,195	12,180,195	13,123,683	12,381,765	13,321,003
Community Services	485,540	441,019	374,691	346,670	388,119
Non-departmental	438,055	492,792	508,888	495,287	507,951
Facilities construction services	304,492	184,684	202,710	209,325	262,082
<b>Total expenditures</b>	<u>411,239,251</u>	<u>421,671,774</u>	<u>440,400,525</u>	<u>464,249,225</u>	<u>485,281,554</u>
<b>Excess of revenues over (under) expenditures (3)</b>	(1,851,630)	14,577,093	14,707,177	11,181,655	10,084,828
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,234,091	2,600,318	1,160,762	1,204,033	1,408,467
Transfers out (4)	(2,000,004)	(5,740,118)	(5,666,869)	(7,345,550)	(17,770,236)
<b>Total Other Sources</b>	<u>(765,913)</u>	<u>(3,139,800)</u>	<u>(4,506,107)</u>	<u>(6,141,517)</u>	<u>(16,361,769)</u>
<b>Net change in fund balance (3)(4)</b>	(2,617,543)	11,437,293	10,201,070	5,040,138	(6,276,941)
<b>Fund Balance, Beginning</b>	<u>45,628,667</u>	<u>43,011,124</u>	<u>54,448,417</u>	<u>64,649,487</u>	<u>69,689,625</u>
<b>Fund Balance, Ending</b>	<u>\$43,011,124</u>	<u>\$54,448,417</u>	<u>\$64,649,487</u>	<u>\$69,689,625</u>	<u>\$63,412,684</u>

(1) Beginning in 2013, includes the proceeds of the 2012 mill levy override, net of abatements and refunds.

(2) Reflects the BAB Credit received by the District.

(3) In 2012, fund balance decreased by \$2.6 million due to the planned use of reserves to partially offset the results of decreased State funding. The return to increased fund balance in 2013 is primarily attributable to the effects of the \$25.0 million tax override approved by voters in November 2012.

(4) Transfers out increased in 2016 due to a transfer of approximately \$9 million to the Capital Reserve Fund to fund ongoing maintenance and approximately \$1 million transferred to the Food Service Fund to fund a pilot meal program at two high schools.

Source: Derived from the District's CAFRs for the fiscal years ended June 30, 2012 through 2016.

## **Administration's Discussion of Material Trends**

General. The District's finances are largely dictated by the provisions of State law and the District's overall financial resources are primarily impacted by changes to the State's school funding formula. In the past, those changes have resulted in significant changes (both positive and negative) to the District's finances. Most recently, annual cost increases for both inflation and increasing student enrollment have not been funded through legislatively approved annual funding per student. The primary revenue sources for the District are based on the current provisions of the Colorado Public School Finance Act of 1994, as amended yearly. Funding provided under this Act, which is from local property taxes, specific ownership taxes from vehicle registration, and State equalization aid were approximately 95% of the District's General Fund revenues for fiscal year 2016-17.

2016-17 Budget Considerations. Fiscal year 2016-17 budget planning considerations reflected a stable outlook for revenue, confirmed by School Finance legislation (HB 16-1422-School Finance Act). The effect of the School Finance Act for the District was increased Net Total Program Funding from an estimated \$374.72 million in the 2015-16 fiscal year to \$380.85 million in the 2016-17 fiscal year, an increase of \$6.13 million. Per pupil funding for the District for the 2016-17 fiscal year was \$7,387, which was an increase of \$122 per pupil over the prior fiscal year.

In 2016-17, the School Finance Act (HB 16-1422) provided a component of the revenue increase, resulting in a reduction of the District's Negative Factor by \$0.7 million in the School Finance formula from an estimated \$50.3 million in 2015-16 to \$49.6 million in 2016-17. At the State level, the Negative Factor was maintained at \$830.7 million in 2016-17, the same Negative Factor level as in 2015-16. The Negative Factor for 2016-17 is an approximate 11.51% reduction from Total Program Funding prescribed in the School Finance formula for the District.

The School Finance legislation for the 2016-17 fiscal year reflected a 1.2% increase in base per pupil funding in accordance with the 2015 Consumer Price Index and funding for enrollment growth. State Equalization Aid increased \$6.0 million from an estimated \$248.2 million in the 2015-16 fiscal year to \$254.2 million in the 2016-17 fiscal year. District pupil counts for funding purposes are based on an October 1, 2016 count date. Funded pupil count increased from 51,581.7 full-time equivalent pupils in 2015-16 to 51,888.7 full-time equivalent pupils in 2016-17, an increase of 307 pupils, more than the flat enrollment projection used in the budget, which was based on planning department projections. Included in the 307 FTE increase, are 140 FTE attributable to the new K-5 charter school, Heritage Heights Academy. Demographic study information is used to compile student growth projections and is re-assessed on a regular basis to confirm local school information and evaluate the consistency of projections with the latest economic and population data.

The District preserved instructional programs for the 2016-17 year and maintained the staffing ratio at 18.5:1. Funding is provided for K-3 class size with a soft cap of 23:1. Supplemental staffing resources were preserved for targeted achievement. Teachers received a 1.2% increase on the salary schedule, an experience step increase and education attainment. Other employee groups received a 1.6% salary increase, with a 1.2% increase for administrators. One-time employee benefit allowances of \$400 are scheduled for those participating in the benefit plan. Recurring monthly health insurance contributions were

maintained at existing levels. Cost increases for the Public Employees' Retirement Association continue to impact the District.

The budget balancing plan for fiscal year 2016-17 included the managed use of \$14.88 million of General Fund reserves. The General Fund Budget includes \$504.73 million of revenue (including transfers) and \$519.61 million of expenditures (including transfers). \$14.88 million of reserves were assigned in the June 30, 2016, fiscal year-end balance sheet for use in fiscal year 2016-17. The balance per audited financial statements in Unassigned General Fund reserves is \$30.37 million, a standard of protection consistent with Board policy on maintenance of adequate reserves as a fiscally sound approach to District financial management.

As a result of the successful passage of the 2016 override levy, modified budget figures for 2016-17 reflected the \$23.9 Million override levy for Property Taxes and State Equalization revenue increased by approximately \$1.0 Million for actual funded enrollment increases in 2016-17. Thus, the 2016-17 Budget was modified with Revenues over Expenditures estimated to be about \$10 Million for Modified Budget purposes. This will also provide a stable budget picture for 2017-18, as the budget will be supported by a new ongoing source of revenue from the 2016 override levy.

2017-18 Budget Considerations. Fiscal year 2017-18 budget planning considerations reflect a stable outlook for revenue, confirmed by School Finance legislation (SB 17-296 -School Finance Act). The effect of the School Finance Act for the District is anticipated to increase Net Total Program Funding from an estimated \$383.3 million in the 2016-17 fiscal year to \$395.9 million in the 2017-18 fiscal year, an increase of \$12.6 million. Per pupil funding for the District for the 2017-18 fiscal year is projected to be \$7,629, which is a 3.3% increase, or \$242 per pupil over the 2016-17 fiscal year Per Pupil funding of \$7,387.

In 2017-18, the School Finance Act (SB 17-296) provided a component of the revenue increase, resulting in a reduction of the District's Negative Factor by \$0.4 million in the School Finance formula from an estimated \$49.8 million in 2016-17 to \$49.4 million in 2017-18. At the State level, the Negative Factor was maintained at \$828.3 million in 2017-18, the same Negative Factor level as in 2016-17. The Negative Factor for 2017-18 is an approximate 11.10% reduction from Total Program Funding prescribed in the School Finance formula for the District.

The School Finance legislation for the 2017-18 fiscal year reflects a 2.8% increase in base per pupil funding in accordance with the 2016 Consumer Price Index and funding for enrollment growth. State Equalization Aid is anticipated to increase \$10.8 million from an estimated \$255.4 million in the 2016-17 fiscal year to \$266.2 million in the 2017-18 fiscal year. District pupil counts for funding purposes are based on an October 1, 2017 count date. Funded pupil count is projected to be flat at 51,888.7 full-time equivalent pupils in 2017-18, as compared to 51,888.7 full-time equivalent pupils in 2016-17, which is based on planning department projections. Demographic study information is used to compile student growth projections and is re-assessed on a regular basis to confirm local school information and evaluate the consistency of projections with the latest economic and population data.

The District preserved instructional programs for the 2017-18 year and maintained the staffing ratio at 18.5:1. Funding is provided for K-3 class size with a soft cap of 23:1. Supplemental staffing resources were preserved for targeted achievement. Teachers received a 3.3% increase on the salary schedule, an experience step increase and education attainment. Other employee groups received a 3.3% salary increase, with a 3.3% increase for

administrators. Recurring monthly health insurance contributions were maintained at existing levels, with some increases for certain employee work groups. Cost increases for the Public Employees' Retirement Association continue to impact the District.

The budget balancing plan for fiscal year 2017-18 utilizes funds from the School Finance Act and the 2016 override election to achieve a balanced budget that is consistent with the strategic mission and values of Cherry Creek Schools. The General Fund Budget includes \$547.5 million of revenue (including transfers) and \$544.9 million of expenditures (including transfers).

General Fund Expenditures and Transfers are budgeted to increase by \$25.3 million, while General Fund Revenue and Transfers are budgeted to increase by \$17.7 million. Unassigned General Fund reserves are maintained as well as a balanced budget for FY2017-18.

The balance in Unassigned General Fund reserves as of June 30, 2018, is estimated at \$64.8 million, a standard of protection consistent with Board policy on maintenance of adequate reserves as a fiscally sound approach to District financial management.

With the ongoing uncertainty with State funding the District continues to review budget reductions, cost containment measures, and funding reallocations to continue focusing its financial resources on student achievement in the classroom in its long term planning. The District has planned for an adequate level of unassigned General Fund reserves to provide protection from unknown but conceivable offsets to District funding from State legislative action with the Negative Factor and/or unanticipated State or local enrollment variations.

Property Taxes, Mill Levy Overrides and Fund Balances. As required by State school finance law, the District must levy taxes for the General Fund using prescribed mill rates. The funding available under the school finance act is determined assuming that the local share of this funding will be fully received by collecting 100% of the taxes levied. See "DISTRICT FINANCIAL OPERATIONS--The School Finance Act and Total Program Funding - Sources of Total Program Funding." However, the County Assessor's office, in response to taxpayer appeals, reduces taxes as necessary after the certified valuations are prepared. This is done by using tax abatements, refunds and tax credits. These tax reductions, partially offset by taxes collected the previous year on omitted properties, would cause the local share of school finance funding to be less than approved unless there was a way to recover these taxes. Therefore, school districts are allowed to levy the net amount of additional taxes each year to recover the revenue lost the preceding year from these reductions. For the 2011-12 fiscal year, the net reduction was \$5.7 million, and taxes were levied for this amount in December 2012 for collection in 2013. For the 2012-13 fiscal year, the net reduction was \$5.3 million, and taxes were levied for this amount in December 2013 for collection in 2014. For the 2013-14 fiscal year, the net reduction was \$1.8 million and taxes were levied for this amount in December 2014 for collection in 2015. For fiscal year 2014-15, the net reduction was \$2.8 million and taxes were levied for this amount in December 2015 for collection in 2016. For fiscal year 2015-16, the net reduction was \$2.3 million and taxes are being levied for this amount in December 2016 for collection in 2017. The District expects that annual tax reductions will continue in the future; however, it is not possible to predict the extent of such annual reductions at this time.

During 1998-99 the District received voter approval to increase local property taxes for the General Fund by \$10.5 million each year for school operations, kindergarten through second grade classroom staffing, and technology improvements. For fiscal year 2003-04,

the District voters passed another \$14 million override election to provide for the maintenance and improvement of educational programs and the maintenance of sufficient operating reserves.

The District anticipated the use of fund balance reserves for the 2007-08 fiscal year and asked the voters to approve an \$18 million override election, which passed in November 2008. The fund balance for the fiscal year 2008-09 increased by \$8.5 million, the fund balance for 2009-10 increased by \$15 million and the fund balance for the fiscal year 2010-11 increased by \$7.1 million. The fund balance for the District decreased by \$2.6 million for fiscal year 2011-12 due to the planned use of reserves to partially offset the results of decreased State funding. On November 6, 2012, the voters approved a \$25 million budget override to provide additional funding to the District. The fund balance for the District decreased by \$6.3 million for fiscal year 2015-16 due primarily to the planned use of reserves for ongoing operation and maintenance expenses. On November 8, 2016, the voters approved a \$23.9 million budget override to provide additional funding for the District in fiscal year 2017; that amount will fluctuate in the future depending on the override funding limitations imposed by State law. This additional funding will allow the District to maintain a strong fund balance, however, the District may decrease fund balance in future years to help offset the effects of decreased State funding along with expected budgeted reductions.

Since 1950 the District has had excellent success in both bond and budget elections. There have been 21 bond elections, all of which were successful, and 11 budget elections of which 10 were successful. In 2016, the budget election proposal received voter approval with a 54% to 46% vote with total votes cast of 150,801; the bond election received voter approval with a 51% to 49% vote with total votes cast of 150,404. In 2012, the budget election proposal received voter approval with a 59% to 41% vote with total votes cast of 136,993; the bond election received voter approval with a 56% to 44% vote with total votes cast of 136,211. In 2008, the budget election proposal received voter approval with a 55% to 45% vote with total votes cast of 122,292; the bond election received voter approval with a 53% to 47% vote with total votes cast of 121,575. In 2003, the budget election proposal received voter approval with a 55% to 45% vote with total votes cast of 49,915; the bond election received voter approval with a 53% to 47% vote with total votes cast of 49,859. In 1998 the District's budget election proposal received strong voter approval with a 58% to 42% vote with total votes cast of 62,834; in the November 1999 bond election to approve the \$172 million of general obligation bonds, the total was 46,343 votes cast and the results were 30,544 in favor and 15,799 against. This was a 66% to 34% vote with a favorable margin of 14,745 votes. (The 2016, 2012, 2008 and 1998 votes were in a general election so the number of voters were higher than the 2003 and 1999 off-year bond elections.)

The population, student enrollment, and number of residential and commercial properties within the District's boundaries have been increasing at a reduced rate for the last few years. Operational budget and facility planning are both dependent on the development of appropriate multi-year enrollment projections. The District uses a five-year planning horizon with annual grade level enrollment projections prepared for each school. These enrollment projections are essential for the annual budget development process. The projections are also essential in planning when and where new school facilities will be needed to serve the District's increasing number of students.

The District has much vacant and developable land available on the eastern side. In this area there are several large residential communities which are currently under

construction. More new residential developments are expected in the future because the E-470 toll expressway, which has been open for several years, provides quicker access to the central business district, as well as the eastern and northern sections of the Denver metropolitan area. The District expects its enrollment to continue to increase over the next several years due in part to the availability of developable land with improved road access. However, the weakening of the state and local economies over the past year may reduce the rate of growth during that time period.

State Mandates. Other realities affecting the financial outlook are mandates that are outside of the District's control. The District operates under the financial restrictions of two state constitutional amendments: the Gallagher Amendment and TABOR. The TABOR amendment limits the growth in both revenues and expenditures for the state, local governments, and school districts. The annual percentage increase in revenues and expenditures is limited by TABOR to the total of the inflation rate and the rate of increase in student enrollment. If revenue exceeds this restricted level, the excess must be refunded to the taxpayers. See "LEGAL MATTERS--Certain Constitutional Limitations."

The assessed property values revisions required by the 1982 Gallagher Amendment have continued to limit increases in the residential assessed values used to levy taxes for the District, even though actual property values for most residential properties have increased substantially. This amendment requires that the residential property share of the total assessed value in the state be stabilized at approximately 45% of the total. However, by fixing the residential percentage share of property tax collections, an increasing portion of the taxes levied continues to be shifted to the commercial and nonresidential property owners.

In an effort to equalize per pupil funding across the State, the 1988 School Finance Act shifted the responsibility of setting a district's property tax mill levy rate (per \$1,000 assessed valuation) from the local school boards to the Legislature. The system required districts to first rely on its "local share" funding produced by a district's local tax rate, with the State share back-filling or equalization funding for districts that did not raise enough money locally.

In 1992, TABOR limited school districts from retaining any revenues that exceeded inflation plus student enrollment growth. An amended School Finance Act of 1994 established a new formula requiring districts to impose a mill levy at the same level as the preceding year, unless that particular number of mills generated revenues that exceeded TABOR's growth limits. In school districts with rising property values and growth that outpaced TABOR's restrictions, districts were required to lower their mill levy rates, reducing districts' local revenue share and increasing the amount of state funding. Therefore, if assessed values of property decrease or increases are sufficiently restricted, and the mill levy rates restricted by TABOR cannot be increased, the education funding responsibility will continue to be shifted to the state. Senate Bill 07-199 passed in 2007, discussed later, also affects the mill levy of Colorado school districts.

It is possible that the State may not have sufficient spendable revenue or spending ceiling to meet increased education funding needs each year in the future, since annual increases in state revenue and spending are also limited by the provisions of TABOR. In November 2005, the voters approved Referendum C, which provided a temporary override to the current TABOR revenue formula for the State of Colorado. Referendum C allowed the State to keep and spend the revenue it collected under current rates for five years (through 2010) and established a new

base for the TABOR revenue formula to calculate future years' limits on inflation and population change.

In 2007, Senate Bill 07-199 was put into law, which stabilizes, or “freezes,” local property tax mill levies for the majority of Colorado public school districts. Although total funding for school districts will continue to grow, keeping pace with inflation and student growth, the relative proportions of state and local funding changed beginning in the 2007-08 fiscal year. Under Senate Bill 07-199, the 174 school districts that have had voter elections to retain revenues beyond the tax limitations of TABOR, had their mill levy rates permanently frozen at their 2006-07 budget year levels, unless a district's levy exceeded the new levy cap of 27 mills. Those over the 27 mills limit received a mill levy reduction to the cap. See “DISTRICT FINANCIAL OPERATIONS--Local and State Shares of General Fund Revenues - Local Sources--Calculation of Local Share Mill Levy.”

The amount of savings for the State is expected to grow over time from continued tax base appreciation in districts with stabilized tax rates. Over the long term, however, as the local share of basic funding grows and residents' property tax bills rise, some districts may encounter greater cash management challenges and added difficulty garnering voter support for property tax-supported mill levy overrides and bond elections since operating tax rates will no longer steadily decrease as before, which had the effect of creating additional taxing capacity.

The District and the three other districts in the state that have not had voter elections to retain revenues beyond the tax limitations of TABOR are not impacted by the law change. The District has not asked voters to be exempt from TABOR limits because the District has experienced yearly growth and annual spending within TABOR limits and has successfully increased revenues through mill levy override elections (which are not included in the District's mill levy for calculating the local portion of Total Program Funding). The District's mill rate will continue to fluctuate downward with rising property assessment values that are in excess of the TABOR limits.

In addition to the state requirements of the Gallagher and TABOR amendments, the District conducts its operations in compliance with federal statutes, including those regulating safety in the workplace, access for the disabled, and adequacy of educational services for students with special needs.

Compliance with Federal Laws. As a public entity, the District is subject to various federal laws, including those relating to environmental matters, accommodation of those with disabilities, compliance with federal affordable healthcare requirements and sequestration. The District also is subject to federal laws and regulations related to certain of its educational programs and is subject, to various degrees, to legislation reducing grants or payments associated with those programs. The laws described above and other federal laws presently in effect or enacted in the future may require the expenditure of funds on programs without necessarily providing sufficient resources (in the form of federal grants or otherwise) to pay for the mandates of those requirements. The District cannot predict the ultimate effect of current or future federal legislation on the District.

## PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

### Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by Article X, Section 20 of the State constitution (the Taxpayers Bill of Rights or “TABOR,” described in “LEGAL MATTERS--Certain Constitutional Limitations”), the Board has the power to certify to the Commissioners a levy for collection of ad valorem taxes against all taxable property within the District.

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

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

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

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessor utilizing a “level of value” ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor’s office every odd numbered year. The statutory actual value is based on the “level of value” for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2015 (collection year 2016) were based on an analysis of sales and other information for the period January 1, 2013 to June 30, 2014. The following table sets forth the State Property Appraisal System for property tax levy years 2012 through 2017.

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2013	2012	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2014	2013	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2015	2014	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2016	2015	July 1, 2014	Jan. 1, 2013 to June 30, 2014
2017	2016	July 1, 2014	Jan. 1, 2013 to June 30, 2014
2018	2017	July 1, 2016	Jan.1, 2015 to June 30, 2016

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

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

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

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

Pursuant to the adjustment process described above, the residential assessment rate is adjusted every two years, resulting in the following history of residential assessment rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-00); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-16). Starting with levy year 2017, the residential assessment rate will be 7.20%. The residential assessment rate may decline further in future years. The residential assessment rate cannot increase without the approval of Colorado voters.

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

*Protests, Appeals, Abatements and Refunds.* Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other

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

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

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

Taxation Procedure. The County Assessor is required to certify to the District the assessed valuation of property within the District no later than August 25th of each year. If the County Assessor makes changes in the valuation for assessment or the total actual value prior to December 10, the County Assessor notifies the District of those changes. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Board computes a rate of levy which, when levied upon every dollar of the valuation for assessment of

property subject to the District's property tax, and together with other legally available District revenues, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a \$250 tax on a parcel of property with an assessed valuation of \$10,000.

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

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 are being collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The payments to the District must be made by the 10th of each month, and shall include all taxes collected through the end of the preceding month. The County Treasurer also is required to make a second monthly payment to the District on or before the 24th day of the months of March, May and June, reflecting taxes collected through the 20th day of the respective month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer's personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no

assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to a county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the Commissioners after that time.

Potential for Overlap with Tax Increment Authorities. Colorado law allows the formation of public highway authorities. Pursuant to statute, the board of directors of a public highway authority is entitled to designate areas within the authority's boundaries as "value capture areas" to facilitate the financing, construction, operation or maintenance of highways constructed by the authority; an authority is entitled to capture a portion of the property taxes in such an area to support these purposes. The E-470 Public Highway Authority exists within the District; however, the board of directors has not established a value capture area within the District. If any such area were implemented, it is impossible to predict the terms of the plan, including whether it would negatively impact the District's property tax revenues.

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

### **Ad Valorem Property Tax Data**

A history of the District's certified assessed valuations and mill levies is set forth in the following table for the time period indicated.

History of Assessed Valuations and Mill Levies for the District

Levy/ Collection Year	Assessed Valuations		Mill Levies				
	Assessed Valuation <sup>(1)</sup>	Percent Change	General Fund	Debt Service	Override	Special Abate- ment	Total
2012/2013	\$4,288,389,810	--	25.712	11.260	19.728	1.337	58.037
2013/2014	4,421,534,304	3.1%	25.712	11.451	19.135	1.194	57.492
2014/2015	4,421,510,351	(0.0)	25.712	11.448	19.136	0.406	56.702
2015/2016	5,210,192,144	17.8	22.494	10.439	16.238	0.532	49.703
2016/2017	5,259,444,997	0.9	22.494	9.669	20.631	0.438	53.232
2017/2018 <sup>(2)</sup>	6,044,656,073	14.9	--	--	--	--	--

(1) Does not include the assessed valuation attributable to tax increment financing districts in the following amounts for the respective levy years: \$11,838,961 in 2012; \$21,037,746 in 2013; \$24,627,324 in 2014; \$31,857,870 in 2015; \$35,367,337 in 2016; and \$42,289,526 in 2017 (preliminary).

(2) Preliminary figure as of August 25, 2017. The final assessed value will not be certified until approximately December 10, 2017. The 2017/2018 mill levy will not be certified until approximately December 15, 2017.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2012-2015; and Arapahoe County Assessor's Office.

The following table sets forth the history of the District's ad valorem property tax collections for the time period indicated.

Property Tax Collections in the District

Levy/Collection Year	Taxes Levied <sup>(1)</sup>	Current Tax Collection <sup>(2)</sup>	Collection Rate
2011/2012	\$233,311,852	\$229,841,121	98.51%
2012/2013	248,885,279	246,635,759	99.10
2013/2014	254,202,849	251,972,990	99.12
2014/2015	250,708,479	249,377,099	99.47
2015/2016	258,962,181	256,671,131	99.12
2016/2017 <sup>(3)</sup>	279,970,776	273,426,620	--

(1) Levied amounts do not include revenue attributable to tax increment financing districts in the following amounts for the respective levy years: \$644,225 in 2011; \$687,098 in 2012; \$1,209,503 in 2013; \$1,396,419 in 2014; \$1,583,431 in 2015; and \$1,882,674 in 2016.

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

(3) Collections are for January 1 through June 30, 2017.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports 2011-2015; and Arapahoe County Treasurer's Office.

The following table sets forth the assessed valuation of specific classes of real and personal property within the District based upon the District's 2017 preliminary assessed valuation, which is subject to change until December 2017. As shown below, residential properties account for the largest percentage of the District's assessed valuation, and therefore it is anticipated that owners of residential properties will pay the largest percentage of ad valorem property taxes levied by the District.

2017 Preliminary Assessed Valuation of Classes of Property in the District

Property Class	Total Assessed Valuation <sup>(1)(2)</sup>	Percentage of Total Assessed Valuation
Residential	\$3,093,532,906	50.82%
Commercial	2,667,912,504	43.83
State Assessed	195,579,120	3.21
Vacant Land	119,303,416	1.96
Industrial	9,047,951	0.15
Agricultural	1,162,944	0.02
Oil and Gas	333,204	0.01
Natural Resources	73,554	0.00
<b>TOTAL</b>	<b><u>\$6,086,945,599</u></b>	<b><u>100.00%</u></b>

(1) Due to the inclusion of \$42,289,526 of assessed valuation attributable to tax increment financing districts located within the District, the total assessed valuation in this table differs from the assessed valuation figure set forth elsewhere in this Official Statement.

(2) Preliminary figure as of August 25, 2017. The final assessed value will not be certified until approximately December 10, 2017.

Source: Arapahoe County Assessor’s Office.

The following table sets forth the statutory “actual” value of specific classes of real and personal property within the District based on the District’s 2017 preliminary statutory “actual” valuation. The preliminary valuation is subject to change until December 2017. Statutory “actual” value is not intended to represent current market value.

2017 Preliminary Statutory “Actual” Valuation of Classes of Property in the District

Property Class	Total Statutory “Actual” Valuation <sup>(1)</sup>	Percentage of Total Statutory “Actual” Valuation
Residential	\$42,965,737,743	80.63%
Commercial	9,199,710,517	17.26
State Assessed	674,275,725	1.27
Vacant Land	411,390,812	0.77
Industrial	31,199,785	0.06
Agricultural	4,010,143	0.01
Oil and Gas	967,673	0.00
Natural Resources	253,612	0.00
<b>TOTAL</b>	<b><u>\$53,287,546,010</u></b>	<b><u>100.00%</u></b>

(1) Figures have been provided by the Arapahoe County Assessor and are calculated using a statutory formula under which assessed valuation is calculated as 7.96% of the statutory “actual” value of residential property and 29% of the statutory “actual” value of all other classes of property (with certain specified exceptions). Statutory “actual” value is not intended to represent market value. See “Ad Valorem Property Taxes” in this section.

Source: Arapahoe County Assessor’s Office.

Based upon the most recent information available from Arapahoe County, the following table represents the ten largest taxpayers within the District. A determination of the largest taxpayers can be made only by manually reviewing individual tax records. Therefore, it

is possible that owners of several small parcels may have an aggregate assessed value in excess of those set forth in the following table. Furthermore, the taxpayers shown in the table may own additional parcels within the District not included herein. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District.

Ten Largest Taxpayers in the District for 2016

<u>Taxpayer Name</u>	<u>2016 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation<sup>(1)</sup></u>
Public Svc. Co. of Colorado	\$69,036,020	1.31%
Cellco Partnership FKA Verizon Wireless	47,592,540	0.90
Qwest Corp.	45,636,700	0.87
Greenwood Property Corp.	30,879,200	0.59
GPI Plaza Tower LP	23,807,550	0.45
Denver CB Center 2 LLC	16,940,640	0.32
Comcast <sup>(2)</sup>	16,644,868	0.32
AX Inverness LP	14,090,520	0.27
Palazzo Verdi LLC	13,780,510	0.26
KBSIII Village Center Station LLC	<u>13,535,170</u>	<u>0.26</u>
TOTAL	<u>\$291,943,718</u>	<u>5.55%</u>

(1) Based on a 2016 assessed valuation of \$5,259,444,997.

(2) Comcast includes Comcast ABB NOC LLC, Comcast IP Phone LLC, and Comcast of Co. XI Inc.

Source: Arapahoe County Assessor's Office.

**Sample Mill Levies Affecting Property Owners within the District**

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the District's boundaries may be subject to different mill levies depending upon the location of their property. The following table reflects sample mill levies that may be imposed on certain properties within the District and is not intended to portray the mills levied against all properties within the areas shown. Property owners within the areas indicated may be subject to a larger or smaller total mill levy than the samples given in the following table. Other entities also overlap the areas shown, but do not currently assess a mill levy.

## Sample Mill Levies Affecting District Property Owners

Taxing Entity	2016 Mill Levy <sup>(1)</sup>
<b><u>City of Aurora</u></b>	
Cherry Creek School District No. 5	53.232
Arapahoe County	15.039
City of Aurora	8.605
Arapahoe Library District	5.926
Urban Drainage and Flood Control District	0.559
Cherry Creek Basin Water Quality Authority	0.473
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>83.895</u>
<b><u>City of Cherry Hills Village</u></b>	
Cherry Creek School District No. 5	53.232
Arapahoe County	15.039
City of Cherry Hills Village	13.559
South Metro Fire Rescue District	9.250
Arapahoe Library District	5.926
Urban Drainage and Flood Control District	0.559
Cherry Hills Fire District – Bond Only	0.500
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>98.126</u>
<b><u>City of Englewood</u></b>	
Cherry Creek School District No. 5	53.232
Arapahoe County	15.039
City of Englewood	11.613
Urban Drainage and Flood Control District	0.559
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>80.504</u>
<b><u>Town of Foxfield</u></b>	
Cherry Creek School District No. 5	53.232
Town of Foxfield	20.400
Arapahoe County	15.039
South Metro Fire Rescue District	9.250
Arapahoe Library District	5.926
Arapahoe County Recreation District	0.784
Urban Drainage and Flood Control District	0.559
Cherry Creek Basin Water Quality Authority	0.473
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>105.724</u>
<b><u>City of Glendale</u></b>	
Cherry Creek School District No. 5	53.232
City of Glendale	18.670
Arapahoe County	15.039
Arapahoe Library District	5.926
Urban Drainage and Flood Control District	0.559
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>93.487</u>
<b><u>City of Greenwood Village</u></b>	
Cherry Creek School District No. 5	53.232
Arapahoe County	15.039
South Metro Fire Rescue District	9.250
Arapahoe Library District	5.926
City of Greenwood Village	2.932
Castlewood Water and Sanitation District A	0.880
Urban Drainage and Flood Control District	0.559
Urban Drainage and Flood Control District – South Platte Levy	<u>0.061</u>
Total	<u>87.879</u>

(1) One mill equals 1/10 of one cent. Mill levies certified in 2016 are for the collection of ad valorem property taxes in 2017.

Source: Arapahoe County Assessor's Office.

### **Estimated Overlapping General Obligation Debt**

In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries which overlap or

partially overlap the boundaries of the District. The following table sets forth the estimated overlapping general obligation debt attributable to property owners within the District as of the date of this Official Statement. Additional taxing entities may overlap the District in the future.

### Estimated Overlapping General Obligation Debt

Entity <sup>(1)</sup>	2016 Assessed Valuation <sup>(2)</sup>	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributable to the District <sup>(3)</sup>	
			Percent	Debt
Antelope Water System General Improvement Dist.	\$5,433,937	\$2,380,000	100.00%	\$2,380,000
Arapahoe County Water and Wastewater P.I.D.	430,143,035	136,900,000	95.09	130,178,210
Arapahoe Lake Public Park District	9,960,894	550,000	100.00	550,000
Arapahoe Park and Recreation District	494,116,868	7,400,000	100.00	7,400,000
Beacon Point Metropolitan District	29,112,973	21,005,000	100.00	21,005,000
Cherry Creek Corporate Center Metropolitan Dist. <sup>(4)</sup>	5,410,762	6,920,000	100.00	6,920,000
Cherry Creek Racquet Club G.I.D.	2,120,354	530,000	100.00	530,000
Cherry Creek Vista Metro. Park & Rec. Dist. A & B	77,273,163	3,090,000	100.00	3,090,000
Cherry Hills Heights Water and Sanitation District	3,403,863	160,626	100.00	160,626
Copperleaf Metropolitan District No. 2 <sup>(5)</sup>	29,516,786	33,025,000	100.00	33,025,000
Cornerstar Metropolitan District <sup>(5)</sup>	39,415,060	37,965,000	100.00	37,965,000
Country Homes Metro. Dist. Parcels A and B	9,960,624	181,000	100.00	181,000
Dove Valley Metropolitan District	187,811,976	47,640,000	100.00	47,640,000
Eagle Bend Metropolitan District No. 2	61,957,431	30,780,000	100.00	30,780,000
Eagle's Nest Metropolitan District	5,785,090	1,630,000	100.00	1,630,000
East Quincy Highlands Metropolitan District	10,188,537	2,935,000	100.00	2,935,000
East Smoky Hill Metropolitan District No. 1	12,772,271	3,420,000	100.00	3,420,000
East Smoky Hill Metropolitan District No. 2	51,351,016	6,135,000	100.00	6,135,000
East Valley Metropolitan District	4,260,382	350,045	100.00	350,045
City of Englewood <sup>(6)</sup>	576,841,447	33,295,000	4.69	1,561,536
Estancia Metropolitan District	2,158,565	4,110,000	100.00	4,110,000
Fiddler's Business Improvement District <sup>(7)</sup>	32,989,143	61,150,000	100.00	61,150,000
Forest Trace Metropolitan District No. 3 <sup>(5)</sup>	259,767	10,394,000	100.00	10,394,000
Town of Foxfield	17,083,548	250,000	100.00	250,000
Foxfield Metropolitan District No. 1 <sup>(5)</sup>	3,284,950	930,000	100.00	930,000
Galleria Metropolitan District <sup>(5)</sup>	10,881,482	4,200,081	100.00	4,200,081
Gardens on Havana Metropolitan District No. 3 <sup>(8)</sup>	585,750	27,299,000	100.00	27,299,000
Goldsmith Metropolitan District <sup>(9)</sup>	580,516,177	4,591,153	45.46	2,087,138
Goodman Metropolitan District	51,768,490	2,175,000	100.00	2,175,000
Heather Gardens Metropolitan District	32,693,452	8,780,000	40.07	3,518,146
Heather Ridge Metropolitan District No. 1	15,005,393	6,380,000	100.00	6,380,000
High Plains Metropolitan District	23,027,942	27,415,000	100.00	27,415,000
Highline Crossing Metropolitan District <sup>(5)</sup>	29,966	1,926,000	100.00	1,926,000
Highline Glen Metropolitan District	1,827,736	70,000	100.00	70,000
Hills at Cherry Creek Metropolitan District	18,543,762	1,555,000	100.00	1,555,000
Inverness Metropolitan Improvement District	294,246,921	3,575,000	74.06	2,647,645
Inverness Water and Sanitation District	329,660,945	11,605,000	66.50	7,717,325
Kent Place Metropolitan District No. 2	3,827,225	1,097,067	100.00	1,097,067
Liverpool Metropolitan District	22,930,916	2,650,000	100.00	2,650,000
Marin Metropolitan District <sup>(10)</sup>	16,950,762	17,485,000	100.00	17,485,000
Marvella Metropolitan District <sup>(5)</sup>	1,040,069	4,899,000	100.00	4,899,000
Meadow Hills Country Club G.I.D.	920,035	400,000	100.00	400,000
Oak Park Metropolitan District	\$1,172,944	\$846,934	100.00%	\$846,934
Orchard Valley Metropolitan District	20,700,532	6,265,000	100.00	6,265,000
Panorama Metropolitan District	71,448,930	4,600,000	100.00	4,600,000
Parker Jordan Metropolitan District	110,177,765	13,725,000	100.00	13,725,000
Peoria Park General Improvement District	5,299,592	306,000	100.00	306,000
Pier Point 7 Sewer General Improvement District	5,602,065	2,150,000	100.00	2,150,000
Piney Creek Village Metropolitan District <sup>(5)</sup>	9,345,357	5,730,000	100.00	5,730,000
Pioneer Hills Metropolitan District <sup>(5)</sup>	3,115,220	3,225,000	100.00	3,225,000
Sable-Altura Fire Protection District	63,561,197	3,650,000	0.01	365
Saddle Rock Metropolitan District	24,609,426	8,725,000	100.00	8,725,000

*Table continued on following page.*

Entity <sup>(1)</sup>	2016 Assessed Valuation <sup>(2)</sup>	Outstanding General Obligation Debt	Outstanding General Obligation Debt	
			Attributable to the District <sup>(3)</sup> Percent	Debt
Saddle Rock South Metropolitan District No. 4 <sup>(11)</sup>	32,545,708	14,310,000	100.00	14,310,000
Serenity Ridge Metropolitan District No. 2 <sup>(5)</sup>	16,969,862	9,850,000	100.00	9,850,000
Sorrel Ranch Metropolitan District <sup>(5)</sup>	14,095,777	11,023,000	100.00	11,023,000
South Suburban Park and Recreation District	3,194,080,498	9,835,000	32.40	3,186,540
Southeast Public Improvement Metro. District <sup>(5)</sup>	2,188,259,644	2,985,000	52.84	1,577,274
Southlands Metropolitan District No. 1	67,882,968	55,385,000	100.00	55,385,000
Southlands Metropolitan District No. 2 <sup>(12)</sup>	8,535,347	2,155,000	100.00	2,155,000
Southshore Metropolitan District No. 2 <sup>(5)</sup>	17,920,698	32,802,012	100.00	32,802,012
Sundance Hills Metropolitan District	16,321,992	295,000	100.00	295,000
Tallgrass Metropolitan District	22,170,994	16,325,000	100.00	16,325,000
Tallyn's Reach Metropolitan District No. 2	16,591,914	4,438,150	100.00	4,438,150
Tallyn's Reach Metropolitan District No. 3 <sup>(5)</sup>	55,033,073	42,080,000	100.00	42,080,000
Tollgate Crossing Metropolitan District No. 2	30,985,716	15,445,000	100.00	15,445,000
Valley Club Pointe Metropolitan District	6,817,349	5,889,352	100.00	5,889,352
Wheatlands Metropolitan District	29,886,585	24,635,000	100.00	24,635,000
Whispering Pines Metropolitan District No. 1 <sup>(13)</sup>	2,989,267	3,155,652	100.00	3,155,652
Willow Trace Metropolitan District	20,359,300	8,300,000	100.00	8,300,000
<b>TOTAL</b>				<b><u>\$824,617,098</u></b>

- (1) The following entities also overlap the District, but have no reported general obligation debt outstanding: Arapahoe County; Arapahoe County Law Enforcement Authority; Arapahoe County Recreation District; Arapahoe Library District; City of Aurora; Buckingham Urban Renewal Authority Areas 1 to 3; Castlewood Water and Sanitation Districts A to E; City of Centennial; Centennial 25 Metropolitan District; Centennial 360 Metropolitan District; Chaparral Metropolitan District; Charlou Park Water District; Cherry Creek Basin Water Quality Authority; Cherry Creek Valley Water and Sanitation District; Cherry Creek Village Water District; Cherry Hills City Metropolitan District; Cherry Hills Fire Protection District; Cherry Hills North Metropolitan District; City of Cherry Hills Village; City of Cherry Hills Village Sanitation District; Cherry Park General Improvement District; Cherryvale Sanitation District; CitySet Metropolitan Districts Nos. 1 and 2; Columbia Metropolitan District; Copperleaf Metropolitan Districts Nos. 1 and 3 to 9; Cunningham Fire Protection District; Devonshire Heights Water and Sanitation District; Eagle Bend Metropolitan District No. 1; East Arapahoe Metropolitan District; East Cherry Creek Valley Water and Sanitation District; East Cherry Hills Water District; Forest Trace Metropolitan Districts Nos. 1 and 2; Foxridge General Improvement District; Gardens at East Iliff Metropolitan District; Gardens on Havana Metropolitan District No. 1; City of Glendale; Glendale Urban Renewal Authority; Goldsmith Gulch Sanitation District; Greenwood Athletic Club Metropolitan District; Greenwood Metropolitan District; Greenwood North Metropolitan District; Greenwood South Metropolitan District; City of Greenwood Village; Greenwood Village Sewer General Improvement District; Havana Business Improvement District; Havana Water and Sanitation District; Hi-Lin Water and Sanitation District; Highland Park Metropolitan District; Hillcrest Water and Sanitation District; Holly Hills Water and Sanitation District; Interstate South Metropolitan District; Inverness North Metropolitan District; Inverness Sanitation District; Kent Place Metropolitan District No. 1; Kings Point Metropolitan Districts Nos. 1 to 3; Landmark Metropolitan District; Mansfield Heights Water and Sanitation District; Orchard Hills Metropolitan Recreation and Park District; Parker Fire Protection District; Piney Creek Metropolitan District; Plaza Urban Renewal Areas 1 to 4; Regional Transportation District; Riverwalk Metropolitan Districts Nos. 1 to 3; Saddle Rock South Metropolitan District No. 1; Senac South Metropolitan Districts Nos. 1 to 4; Serenity Ridge Metropolitan District No. 1; Skyline Fire Protection District; Smoky Hill Metropolitan District; South Englewood Sanitation District No. 1; South Metro Fire Rescue Fire Protection District; South-East Englewood Water District; Southgate Corporate Center Metropolitan District; Southgate Sanitation District; Southgate Water District; Southshore Metropolitan District No. 1; Suburban Metropolitan District; Tallyn's Reach Metropolitan District No. 1; The Point Metropolitan District; Urban Drainage and Flood Control District; Urban Drainage and Flood Control District – South Platte Levy; Valentia Court Metropolitan District; Vermilion Creek Metropolitan District; Verona Estates Metropolitan District No. 2; Village Center Outer Ring Sub District; Walnut Hills General Improvement District; West Arapahoe Conservation District; Wheatlands Metropolitan District No. 1; Whispering Pines Metropolitan District No. 2; and Willows Water District.

(2) Assessed values certified in 2016 are for collection of ad valorem property taxes in 2017.

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

(4) Cherry Creek Corporate Center Metropolitan District's debt consists of revenue refunding bonds secured by tax increment revenues. In the event those revenues are not sufficient to cover the debt service, Cherry Creek Corporate Center Metropolitan District must impose a required mill levy and pay the debt service from property tax revenues.

*Footnotes continued on following page.*

- (5) This district's debt consists of limited tax general obligation bonds or loans secured by a required mill levy, specific ownership taxes, and other moneys legally available for debt service.
- (6) The City of Englewood has an additional \$10,855,000 outstanding of general obligation water bonds that have a general obligation pledge; however, it is the City of Englewood's intent to service the debt from its Water Fund.
- (7) Fiddler's Business Improvement District's general obligation debt is additionally secured with parking revenues.
- (8) The debt of Gardens on Havana Metropolitan District No. 3 ("GHMD3") consists of limited tax general obligation revenue bonds secured by incremental property tax revenue and other available moneys. A Capital Pledge Agreement between Gardens on Havana Metropolitan District No. 2 ("GHMD2") and GHMD3 obligates GHMD2 to levy approximately 25 mills per year through levy year 2031 for repayment of GHMD3's bonds. GHMD2's 2016 assessed value is \$3,592,463 and its mill levy is 25.000.
- (9) Goldsmith Metropolitan District paid off its outstanding general obligation bonds through an Amended and Restated Funding Agreement with Goldsmith Metropolitan District Block K Subarea, dated November 1, 2014. Under this agreement, the subarea is reimbursing Goldsmith Metropolitan District for the principal amount of the bonds then outstanding (\$4,960,000) plus interest. Payments are scheduled through December 1, 2034.
- (10) Marin Metropolitan District ("Marin") issued \$30,485,000 of limited tax general obligation bonds dated June 12, 2008. The balance outstanding is \$17,485,000. An order from Arapahoe County Court pursuant to a suit challenging the validity of the bond election and alleging misuse of funds currently bars Marin from levying to repay its general obligation debt. In 2016, the Colorado Court of Appeals issued an opinion determining that Marin illegally conducted the debt authorization election and illegally levied the taxes authorized to repay the bonds. The Colorado Supreme Court has granted certiorari to review this decision.
- (11) Saddle Rock South Metropolitan District No. 4 issued general obligation bonds to refund bonds outstanding for Saddle Rock South Metropolitan Districts Nos. 2, 3 and 4. Saddle Rock South Metropolitan Districts Nos. 2 and 3 transfer property tax revenue to Saddle Rock South Metropolitan District No. 4 under a Capital Pledge Agreement to repay the refunding bonds. District No. 2's 2016 assessed value is \$19,653,456. District No. 3's 2016 assessed value is \$14,331,860.
- (12) Southlands Metropolitan District No. 2 also has outstanding \$2,829,000 of subordinate cash flow bonds with accrued, unpaid interest of \$345,559 as of December 31, 2016.
- (13) Whispering Pines Metropolitan District No. 1 ("WPMD") has a limited tax general obligation loan with Vectra Bank Colorado secured by a required mill levy, specific ownership taxes, and development fees. As of December 2016, WPMD had taken \$3,155,652 of the potential \$10,000,000 loan. WPMD has a second loan with a maximum of \$5,000,000, but has not taken any advances on it.

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

## DISTRICT DEBT AND OTHER FINANCIAL OBLIGATIONS

### General Obligation Debt

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

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

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

The District’s total legal debt limit (based upon a limitation of 20% of its 2016 certified assessed valuation of \$5,294,812,334, which includes the assessed valuation attributable to the tax increment districts located within the District), is \$1,058,962,467. Based upon that debt limit calculation, the District will have \$386,177,467\* of debt capacity remaining after issuance of the Bonds and completion of the Refunding Project.

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\* Subject to change.

## Outstanding General Obligation Debt

As of the date of issuance of the Bonds, the District will have the following general obligation debt outstanding (assuming the issuance of the Bonds and completion of the Refunding Project).

### General Obligation Debt Outstanding\*

<u>Bond Issue</u>	<u>Amount Outstanding</u>
2004 Bonds	\$ 13,525,000
2009 Bonds	6,835,000*
2010A Bonds	10,295,000
2010B Taxable Build America Bonds	86,730,000
2012 Refunding Bonds	23,965,000
2012B Bonds	120,840,000
2013 Refunding Bonds	19,255,000
2014 Refunding Bonds	31,475,000
2015 Refunding Bonds	31,525,000
2017 Bonds	150,000,000
2017B Bonds (this issue)	78,340,000*
2017C Bonds (this issue)	<u>100,000,000*</u>
Total	\$672,785,000*

## Other Obligations of the District

Lease-Purchase Obligations. The District executed a master lease purchase agreement between the District and JPMorgan Chase Bank for the acquisition of computer equipment on August 16, 2013. The District drew \$11,618,252 under this agreement. A portion of the amount drawn bears interest at rate of 1.046%; the remainder bears interest at a rate of 1.410%. The lease has the following additional parameters: (1) a term of four years; (2) an interest rate that is to not exceed 2.0%; and (3) the lease shall not be subject to prepayment at the option of the District. Amounts due under this agreement are subject to annual appropriation.

In early 2015, the Board approved the purchase of 178 school buses in the amount of \$18,489,134, to accomplish a five-year replacement plan for existing buses. The District entered into a master lease purchase agreement with JPMorgan Chase Bank to acquire the buses. The District may draw up to \$18,500,000 under the agreement. In 2015, the District drew \$4,178,500 to finance the first year's purchase of 41 buses; that draw bears interest at a rate of 2.09% per annum. In 2016, the District drew \$3,368,178 to finance the purchase of 34 buses; that draw bears interest at a rate of 1.99% per annum. In 2017, the District drew \$3,552,683 to finance the purchase of 34 buses; that draw bears interest at a rate of 2.296% per annum. Amounts due under this agreement are subject to annual appropriation.

In June 2017, the District entered into a \$12,000,000 technology lease purchase agreement with JPMorgan Chase Bank. The loan term ends on July 15, 2021 and bears interest at a rate of 1.781%. Amounts due under this agreement are subject to annual appropriation.

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\* Subject to change.

The District may enter into an additional lease purchase agreement late in 2017 in order to provide additional educational facilities. The amount of that lease-purchase agreement is currently not expected to exceed \$14 million.

Operating Leases. In February 2015, the District entered into an operating lease for GPS equipment and related service. This lease, which is subject to annual appropriation, has a 60-month term with payments of \$10,200 per month. See Note 12 in the audited financial statements attached hereto as Appendix A.

Other Obligations. The District accrues a liability for accrued sick leave and vacation time. See Notes 1 and 9 in the audited financial statements attached hereto as Appendix A for information on compensated absences for the year ended June 30, 2016.

Component Unit Obligations. For accounting purposes, the charter schools are component unit of the District; however, the District is not financially responsible for its operations or outstanding obligations. As of June 30, 2016, CCA had a building lease-purchase agreement outstanding. See the “Component Unit Debt” discussion in Note 10 to the audited financial statements attached hereto as Appendix A for a discussion of that obligation. The charter schools may refinance existing obligations or enter into new ones at any time; however, District consent must be obtained prior to the issuance of any new financing or encumbrance obligations.

### **Selected Debt Ratios**

The following table sets forth certain debt ratios of the District.

Selected Debt Ratios of the District (Unaudited)\*

Estimated Population of District (1).....	302,500
Direct Debt (2) .....	\$ 672,785,000
Overlapping Debt.....	<u>824,617,098</u>
Total Direct and Overlapping Debt.....	\$1,497,402,098
Per Capita Direct Debt .....	\$2,224.08
Per Capita Direct and Overlapping Debt.....	\$4,950.09
2017 Preliminary Assessed Valuation (3).....	\$6,044,656,073
Direct Debt to 2017 Preliminary Assessed Valuation.....	11.13%
Direct and Overlapping Debt to 2017 Preliminary Assessed Valuation .....	24.77%
2017 Preliminary Statutory “Actual” Value (3)(4) .....	\$53,287,546,010
Direct Debt to 2017 Preliminary Statutory “Actual” Value.....	1.27%
Direct and Overlapping Debt to 2017 Preliminary Statutory “Actual” Value .	2.81%

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- (1) Estimated population as of June 30, 2017, provided by the District’s Department of Planning and Community Services.
- (2) Assumes the issuance of the Bonds and completion of the Refunding Project.
- (3) Subject to change until December 2017.
- (4) This figure has been provided by the County Assessor and is calculated using a statutory formula under which assessed valuation is calculated as 7.20% of the statutory “actual” value of residential property and 29% of the statutory “actual” value of all other classes of property (with certain specified exceptions). Statutory “actual” value is not intended to represent market value. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Taxes.”

Sources: Arapahoe County Assessor’s Office and the District.

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\* Subject to change.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

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

### Population

The following table provides a history of the populations of Arapahoe County, the Denver-Aurora Core Based Statistical Area (“Denver-Aurora CBSA”) and the State. The Denver-Aurora CBSA is comprised of six metropolitan counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. Between 2000 and 2010, the population of Arapahoe County increased 17.2%, that of the Denver-Aurora CBSA increased 15.8% and the population of the State increased 16.9%.

Year	<u>Population</u>					
	Arapahoe County	Percent Change	Denver- Aurora CBSA	Percent Change	Colorado	Percent Change
1970	162,142	--	1,116,226	--	2,207,259	--
1980	293,621	81.1%	1,450,768	30.0%	2,889,735	30.9%
1990	391,511	33.3	1,650,489	13.8	3,294,394	14.0
2000 <sup>(1)</sup>	487,967	24.6	2,196,957	33.1	4,301,261	30.6
2010	572,003	17.2	2,543,482	15.8	5,029,196	16.9
2011	585,590	--	2,601,637	--	5,120,686	--
2012	595,961	1.8%	2,648,529	1.8%	5,193,097	1.4%
2013	607,751	2.0	2,699,708	1.9	5,272,677	1.5
2014	619,093	1.9	2,754,951	2.0	5,356,626	1.6
2015	630,564	1.9	2,813,024	2.1	5,456,584	1.9

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

Sources: United States Department of Commerce, Bureau of the Census (1970 through 2010 figures) and Colorado State Demography Office (2011 through 2015 figures, which are subject to periodic revisions, and 2000 figure for the CBSA).

### Income

The following table sets forth the annual per capita personal income levels for the residents of Arapahoe County, the Denver-Aurora CBSA, the State and the nation.

### Per Capita Personal Income

<u>Year<sup>(1)</sup></u>	<u>Arapahoe County</u>	<u>Denver-Aurora CBSA</u>	<u>Colorado</u>	<u>United States</u>
2011	\$45,432	\$46,666	\$42,955	\$42,461
2012	47,578	49,290	45,089	44,282
2013	48,790	51,558	46,824	44,493
2014	51,743	54,937	49,823	46,464
2015	52,545	55,975	50,971	48,190
2016	n/a	n/a	52,059	49,571

(1) Figures for Arapahoe County and the Denver-Aurora CBSA updated November 17, 2016. Figures for the State and the nation updated March 28, 2017. All figures are subject to periodic revisions.

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

### **Employment**

The following table sets forth the number of individuals employed within selected industries in Arapahoe County which are covered by unemployment insurance. In 2016, the largest employment sector in Arapahoe County was health care and social assistance (comprising approximately 13.4% of the county's work force), followed, in order, by retail trade, professional and technical services, finance and insurance, and administrative and waste services. For the twelve-month period ended December 31, 2016, total average employment in Arapahoe County increased 1.6% as compared to the twelve-month period ending December 31, 2015, and average weekly wages increased 2.0% during the same time period.

Average Number of Employees within Selected Industries – Arapahoe County

<u>Industry</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Accommodation and Food Services	22,253	22,901	24,151	25,461	26,161
Administrative and Waste Services	25,737	26,993	27,591	28,314	26,640
Agriculture, Forestry, Fishing, Hunting	80	102	89	94	94
Arts, Entertainment and Recreation	4,955	5,038	5,320	5,347	5,470
Construction	14,531	16,112	17,986	19,107	20,244
Educational Services	21,658	21,839	22,230	22,760	22,930
Finance and Insurance	25,361	26,011	25,921	27,531	28,516
Government	12,978	13,193	13,108	13,194	13,051
Health Care and Social Assistance	33,933	36,414	38,291	41,116	43,035
Information	18,265	18,035	18,305	17,710	17,675
Management of Companies/Enterprises	7,009	8,221	8,092	8,130	7,280
Manufacturing	7,602	7,660	7,827	8,041	8,148
Mining	1,446	873	942	925	714
Non-Classifiable	42	23	33	22	28
Other Services	7,849	8,258	8,541	8,610	8,959
Professional and Technical Services	26,974	27,801	29,153	30,364	31,529
Real Estate, Rental and Leasing	5,663	5,701	5,884	6,234	6,312
Retail Trade	30,726	32,189	33,121	34,414	34,614
Transportation and Warehousing	4,632	4,766	4,817	4,796	5,069
Utilities	256	239	241	249	260
Wholesale Trade	<u>13,578</u>	<u>13,636</u>	<u>13,922</u>	<u>14,180</u>	<u>14,836</u>
Total All Industries <sup>(1)</sup>	<u>285,527</u>	<u>296,004</u>	<u>305,562</u>	<u>316,597</u>	<u>321,566</u>

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

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

The following table shows the number of individuals employed within selected Denver-Aurora CBSA industries which are covered by unemployment insurance. In 2016, the largest employment sector in the Denver-Aurora CBSA was health care and social assistance (comprising approximately 12.4% of the metro area's work force), followed in order by retail trade, accommodation and food services, professional and technical services, and educational services. For the twelve month period ending December 31, 2016, total average employment in the Denver-Aurora CBSA increased by approximately 2.7% as compared to the same twelve month period ending December 31, 2015.

Average Number of Employees within Selected Industries – Denver-Aurora CBSA

Industry	2012	2013	2014	2015	2016
Accommodation and Food Services	114,400	120,092	125,851	131,834	137,017
Administrative and Waste Services	89,085	89,621	93,355	96,178	97,345
Agriculture, Forestry, Fishing, Hunting	1,973	2,047	2,449	2,548	2,844
Arts, Entertainment and Recreation	24,874	24,669	25,713	26,471	27,183
Construction	63,534	70,661	79,242	83,954	89,122
Educational Services	95,375	97,238	100,206	103,588	105,846
Finance and Insurance	66,954	69,639	70,087	73,181	75,472
Government	69,006	69,334	69,484	70,710	71,750
Health Care and Social Assistance	144,827	151,898	159,389	168,378	175,797
Information	43,786	44,959	45,494	46,446	47,513
Management of Companies/Enterprises	25,843	28,342	29,275	30,036	30,096
Manufacturing	63,544	64,146	65,556	68,431	69,390
Mining	10,379	10,586	11,770	11,270	9,119
Non-Classifiable	126	172	194	146	144
Other Services	38,098	39,015	40,976	42,261	43,934
Professional and Technical Services	108,807	115,827	120,525	125,944	130,440
Real Estate, Rental and Leasing	23,836	24,364	25,357	26,777	27,926
Retail Trade	125,469	128,770	132,152	136,082	138,161
Transportation and Warehousing	49,971	52,303	53,916	55,380	57,092
Utilities	5,649	5,613	5,766	5,768	5,769
Wholesale Trade	63,631	65,233	67,695	69,961	71,162
Total All Industries <sup>(1)</sup>	<u>1,231,564</u>	<u>1,277,012</u>	<u>1,326,751</u>	<u>1,377,873</u>	<u>1,415,505</u>

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

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

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

Year	<u>Labor Force and Employment</u>						
	Arapahoe County <sup>(1)</sup>		Denver-Aurora CBSA <sup>(1)</sup>		Colorado <sup>(1)</sup>		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2012	322,881	7.7%	1,448,248	7.7%	2,757,222	7.9%	8.1%
2013	327,290	6.6	1,468,452	6.6	2,775,670	6.8	7.4
2014	332,255	4.9	1,491,978	4.8	2,810,415	5.0	6.2
2015	335,254	3.7	1,509,959	3.7	2,833,509	3.9	5.3
2016	341,904	3.1	1,541,194	3.1	2,891,046	3.3	4.9
<u>Month of May</u>							
2016	340,106	3.0%	1,533,520	3.0%	2,871,881	3.3%	4.7%
2017	351,116	2.3	1,582,607	2.3	2,959,849	2.4	4.3

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

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

## Major Employers

The following table provides a brief description of selected major employers located within Arapahoe County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted and, therefore, no representation can be made that such employers will continue to maintain their status as major employers in Arapahoe County.

### Top Employers in Arapahoe County

Name of Employer	Product or Service	Number of Local Employees <sup>(1)</sup>
Comcast Corporation	Telecommunications	4,540
HealthONE <sup>(2)</sup>	Healthcare	3,830
CenturyLink	Telecommunications	2,830
Great-West Financial	Insurance/Retirement Savings Services	2,680
Raytheon Company	Aerospace Systems/Software	2,430
Kaiser Permanente	Healthcare	2,210
Arrow Electronics	Electronic Component Wholesaler	1,930
Centura Health <sup>(3)</sup>	Healthcare	1,650
United Healthcare	Insurance	1,510
24-7 Intouch	Customer Service Solutions	1,350

(1) Figures as of May 2017.

(2) HealthONE includes Medical Center of Aurora, Spalding Rehabilitation Center, and Swedish Medical Center.

(3) Centura Health includes Centura Health Corporate Headquarters and Littleton Adventist Hospital.

Source: Development Research Partners as posted by Metro Denver Economic Development Corporation.

## Current Construction

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

### Building Permits Issued in Unincorporated Arapahoe County

Year	Single Family		Multi-Family <sup>(1)</sup>		Commercial/Industrial <sup>(2)</sup>	
	Permits	Value	Units	Value	Permits	Value
2012	178	\$28,391,024	296	\$28,527,700	206	\$23,762,897
2013	249	47,085,131	247	32,955,609	210	35,518,235
2014	251	53,359,420	15	3,498,000	215	71,029,000
2015	288	56,267,356	301	34,600,000	105	24,895,394
2016	265	57,248,257	8	1,615,896	125	55,820,398
2017 <sup>(3)</sup>	167	32,848,952	99	1,000,000	10	16,997,700

(1) Includes apartments, condominiums and townhomes.

(2) Includes commercial remodel, new structure or tenant finish.

(3) Figures are for January 1 through June 30, 2017.

Source: Arapahoe County Public Works and Development Department.

## Foreclosure Activity

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

### History of Foreclosures – Arapahoe County

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
2012	3,589	--
2013	1,700	(52.6)%
2014	1,314	(22.7)
2015	858	(34.7)
2016	731	(14.8)
2017 <sup>(1)</sup>	340	--

(1) Figures are for January 1 through June 30, 2017.

Sources: Colorado Division of Housing (2012 to 2016 figures) and the Arapahoe County Office of the Public Trustee (2017 figure).

## TAX MATTERS

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Tax Code and interest on the Bonds is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. Under the laws of the State in effect on the date of delivery of the Bonds, interest on the Bonds is exempt from Colorado income tax.

The Tax Code and Colorado law impose several requirements which must be met with respect to the Bonds in order for the interest thereon to be excludable from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Bonds above the yield on the Bonds to be paid to the United States Treasury. The District will covenant and represent in the Bond Resolution that it will take all steps to comply with the requirements of the Tax Code and Colorado law (in effect on the date of delivery of the Bonds) to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws and Colorado taxable income and Colorado alternative minimum taxable income under such Colorado income tax laws. Bond Counsel’s opinion as to the exclusion of interest on the Bonds from gross income, alternative minimum taxable income (to the extent described above) and Colorado income tax is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the Bonds to be included in gross income, alternative minimum taxable income, or both, from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the District and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

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

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

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

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

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

## LEGAL MATTERS

### Litigation

There is no litigation now pending or threatened which questions the validity of the Bonds or any proceedings the District has taken with respect to the issuance or sale thereof or which would affect the District's ability to pay the Bonds from the sources pledged therefore. The District is, however, subject to certain pending and threatened litigation or administrative proceedings regarding various other matters arising in the ordinary course of the District's business. It is the opinion of General Counsel to the District that the pending litigation will not result in final judgments against the District which would, individually or in the aggregate, materially adversely affect the District's financial position or its ability to perform its obligations to the owners of the Bonds.

### Sovereign Immunity

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

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; failure to perform an education employment required background check; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. Effective July 1, 2015, immunity is also waived for serious bodily injury or death resulting from an incident of school violence (murder, first degree assault or felony sexual assault). In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act for injuries occurring on or after July 1, 2013, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 (\$900,000 in the case of incidents of school violence); except in such instance, no person may recover in excess of \$350,000. Those amounts will increase four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. Lower limits applied to injuries occurring prior to July 1, 2013. The District may increase any maximum amount that may be recovered from the District for certain types of injuries. However, the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the District voluntarily pays such damages in accordance with State law. The District has not acted to increase the damage limitations in the Immunity Act.

The District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of

federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws.

### **Approval of Certain Legal Proceedings**

The approving opinion of Butler Snow LLP, as Bond Counsel, will be delivered with each series of the Bonds. The forms of each of the Bond Counsel opinions are attached to this Official Statement as Appendix D. Butler Snow LLP, Denver, Colorado, has also acted as Special Counsel to the District in connection with this Official Statement. Certain matters will be passed upon for the District by its General Counsel.

### **Certain Constitutional Limitations**

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

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

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that imposed in the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government’s spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever (subject to certain exceptions such as the refinancing of obligations at a lower interest rate). Issuance of the 2017B Bonds constitutes a refinancing at a lower interest rate; issuance of the 2017C Bonds was approved by voters at the Election.

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

All funds received by the District from its mill levy override/budget elections and from the State pursuant to the School Amendment (see “DISTRICT FINANCIAL OPERATIONS”) are exempt from the revenue limitations of TABOR pursuant to the applicable authorizing elections. Due primarily to its steadily increasing enrollment, the District has never been required to rebate any revenues pursuant to TABOR and currently does not expect that TABOR will require such rebates in the foreseeable future. Accordingly, the District does not anticipate requesting voter approval to remove the revenue and spending limitations of TABOR; however, it may choose to do so in the future should financial conditions warrant it.

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

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

### **Police Power**

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

## **MUNICIPAL ADVISORS**

Ehlers & Associates, Inc., Denver, Colorado and FirstSouthwest, a Division of Hilltop Securities, Inc., Denver, Colorado, are serving as Municipal Advisors to the District with respect to the sale of the Bonds. The Municipal Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Bonds. The Municipal Advisors have not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in the Official Statement and the appendices hereto.

## **RATINGS**

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”), have assigned the Bonds the respective Ratings of “Aa1 (stable outlook),” and “AA+ (stable outlook),” as shown on the cover page of this Official Statement. The Bonds will also be rated “Aa2” by Moody’s and “AA-” by S&P as a result of the State Intercept Program. An explanation of the significance of any ratings

given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. An explanation of the significance of any ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

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

### **INDEPENDENT AUDITORS**

The audited basic financial statements of the District for the fiscal year ended June 30, 2016, included in this Official Statement as Appendix A, have been audited by CliftonLarsonAllen LLP, independent certified public accountants, Greenwood Village, Colorado, to the extent and for the period indicated in their report thereon.

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

### **PUBLIC SALE**

The District expects to offer the 2017B Bonds at public sale on September 19, 2017. See the Notice of Public Sale for the 2017B Bonds dated September 12, 2017.

The District expects to offer the 2017C Bonds at public sale on September 21, 2017. See the Notice of Public Sale for the 2017C Bonds dated September 12, 2017.

No guarantee can be made that a secondary market for the Bonds will develop or be maintained by the Initial Purchaser of the Bonds or by others. Thus, prospective investors should be prepared to hold their Bonds to maturity.

### **OFFICIAL STATEMENT CERTIFICATION**

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

CHERRY CREEK SCHOOL DISTRICT NO. 5

By: \_\_\_\_\_  
President, Board of Education

## **APPENDIX A**

### **AUDITED BASIC FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2016**

NOTE: The audited basic financial statements of the District contained in this Appendix A were excerpted from the District's Comprehensive Annual Financial Report for the year ended June 30, 2016. Certain supplemental schedules (including the combining and individual fund financial statements and other schedules referred to in the attached independent auditor's report) and other information included in the CAFR were purposely excluded from this Official Statement. Such statements provide supporting details and are not necessary for a fair presentation of the basic financial statements of the District.

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Cherry Creek School District No. 5  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherry Creek School District No. 5 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cherry Creek Academy, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cherry Creek Academy, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Cherry Creek Academy were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal controls over financial reporting or reportable noncompliance associated with Cherry Creek Academy.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 41-57 and pension information on pages 101-103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedules of revenues, expenditures and changes in fund balance – budget and actual for the Bond Redemption Fund, Building Fund, Capital Reserve Fund, Designated Purpose Grants Fund, Extended Child Services Fund, Food Services Fund, and Pupil Activities Fund, and the State required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards, the schedules of revenues, expenditures and changes in fund balance – budget and actual for the Bond Redemption Fund, Building Fund, Capital Reserve Fund, Designated Purpose Grants Fund, Extended Child Services Fund, Food Services Fund, and Pupil Activities Fund, and the State required schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
October 14, 2016



CherryCreek  
Schools  
Dedicated to Excellence

Management's  
Discussion  
and  
Analysis



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CherryCreek  
Schools  
Dedicated to Excellence

**Management's Discussion and Analysis**  
**Cherry Creek School District No. 5**  
**Arapahoe County, Colorado**  
**June 30, 2016**

As management of the Cherry Creek School District No. 5, Arapahoe County, Colorado (the District), we offer readers of the District's Comprehensive Annual Financial Report (CAFR) this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the Letter of Transmittal on pages 5-30.

**Financial Highlights**

Financial statements presented in the CAFR include both government-wide financial statements and fund financial statements. The differences in these two presentations are presented in more detail starting on page 43.

The District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$790.1 million. This negative net position is the result of the application of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The fiscal year ended June 30, 2016 is the second year that the District has been required to apply GASB 68. This GASB pronouncement is discussed in more detail under New Accounting Pronouncements on page 44.

GASB 68 revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).

Among other requirements, the District is required to report its proportionate share of the total PERA net pension liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$1,267.4 million as of June 30, 2016. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.

Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.

The net position of the District's governmental activities includes \$180.1 million net investment in capital assets; net position of \$73.3 million restricted for debt service payments, required emergency reserves, restricted cash and food service operations; and an unrestricted net position balance of \$(1,043.5) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of accrued salaries and benefits earned but unpaid and compensated absences payable. Under governmental fund accounting, long term compensated absences are not recorded in governmental funds as a liability because they are not payable with current funds.

This is also the second year that the District has reported its Food Services operations as a governmental fund rather than a business-type activity separate from governmental activities. Due to a change in State regulations, the Food Services Fund is reported as a governmental fund and its operations are included in governmental activities.

The total net position of the District's governmental activities decreased by \$75.5 million during fiscal year 2015-2016. This decrease in net position on a government-wide basis is similar to the decrease in fund balance on a governmental fund basis, however, several large factors impact differences between the two methods. The reconciliation between the two methods is found on page 65. The last two reconciling items on page 65 shows the effect of GASB 68 on net position. The District's share of the NPL of PERA increased by \$202.7 million (from \$1,064.7 million at June 30, 2015 to \$1,267.4 million at June 30, 2016). The impact of that increase in NPL is an increase in pension expense reflected in the Statement of Activities. If not for the effect of GASB 68, the District would show an increase in net position.

The fund balance of the District's governmental funds also decreased, however at a different level than the government-wide basis. In addition to the effect of GASB 68 discussed above, the difference is due in part to the treatment of the spending of funds in the Capital Projects - Building Fund related to the \$125.0 million bond election approved by voters in 2012. On a governmental fund basis, the capital outlays associated with those projects are reflected as a reduction of the fund balance while on a government-wide basis the capital outlay is reflected as an increase in capital assets. Another difference is the treatment of the payment of principal on long term debt. Debt is reflected as a liability on the government-wide statements while long term debt is not reflected in the governmental fund statements.

Depreciation expense begins on new capital expenditures upon completion of the projects which has the effect on the government-wide statements of reducing net position. While the repayment of bond principal is an expenditure on a governmental fund basis, those payments reduce long term liabilities on the government-wide statements and do not reduce net position. The net effect from capital related activity for the District is about a \$7.0 million decrease in net position and the net effect of debt related activity is an increase of \$33.9 million in net position.

Fund balance of the District's governmental funds decreased by \$17.5 million resulting in an ending fund balance of \$151.7 million.

The General Fund had a decrease in fund balance of \$6.3 million. Due to constraints in school funding levels discussed in the Letter of Transmittal on pages 22-25 and Economic Factors discussed on pages 55-58, the budget balancing plan for fiscal year 2015-2016 included using \$10.9 million of General Fund reserves to fund the gap between State funding and expenditures. As discussed more fully on page 52, actual results were favorable to the budget.

The Capital Projects - Building Fund had a decrease in fund balance of \$18.4 million. Voters approved a \$125.0 million bond election in November 2012 to provide facilities and equipment to increase student learning opportunities in Science, Technology, Engineering, and Mathematics (STEM) focused classrooms; repair, renovations and building additions across the District including modernizing wiring, fire protection, heat and air conditioning systems and plumbing; new technology including internet and network equipment; and safety and security. These bonds were issued in December 2012. The remaining proceeds from that bond issue reside in the Capital Projects – Building Fund. Planned capital outlay associated with those projects during the year is reflected as expenditure and reduces fund balance.

The Debt Service – Bond Redemption Fund and the other governmental funds had an increase of \$1.7 million and \$5.4 million in fund balance from operations, respectively.

The District's long-term obligations decreased by \$34.5 million to \$497.2 million. The decrease is the net result of refinancing \$51.4 million of debt issued in 2005 at a lower interest rate, a capital lease entered into during the year for the purchase of school buses and by the scheduled current year payments on existing debt. Further discussion of long-term debt is also found on page 54.

### Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. This document also provides a comparison to the prior year's activity. The basic financial statements presented on pages 59-99 are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This CAFR also contains other supplementary information in addition to the basic financial statements themselves.



### Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader of the District's CAFR a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The Statement of Net Position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the Government-Wide Financial Statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges (business-type activities). Governmental activities consolidate governmental funds including the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The Government-Wide Financial Statements can be found on pages 59-61 of this report.

## New Accounting Pronouncements

PERA adopted GASB No. 67, *Financial Reporting for Pension Plans* (GASB 67), effective for the year ending December 31, 2014. GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. GASB 67 requires a different approach for determining the net pension liability (NPL) as opposed to the previously disclosed unfunded accrued actuarial liability (UAAL).

Actuarially determined contributions (“ADC”) have replaced annual required contributions (“ARC”) as the gauge of the adequacy of the State’s statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board’s Funding policy (currently 7.5%). An ADC deficiency arises when contributions are less than the ADC.

The District has no legal obligation to fund PERA’s UAAL or ADC, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

Effective with fiscal year 2014-2015, the District was required to apply GASB 68. GASB 68 significantly changed pension accounting and financial reporting by requiring a NPL on the statement of net position. Historically, an unfunded pension obligation for employers in a cost-sharing plan, such as PERA, was considered a liability to be reported in future periods. Information about the total liability, unfunded and funded, was disclosed only in the notes to the financial statements and as required supplemental information. Financial statements now reflect a NPL based on a model similar to single employer plans.

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer’s obligation to provide pension benefits earned and funding of those benefits (the plan assets held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods.

See Note 13 on pages 89-96 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

The GASB issued Statement No. 72, *Fair Value Measurement and Application* in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective with fiscal year 2015-2016. This Statement increases disclosure of investments in Note 5 on pages 77-80 in the Notes to Basic Financial Statements .



## Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include one of the three possible fund types. The fund types presented here are governmental funds. The District currently does not use proprietary or fiduciary fund types.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities reports use the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains eight different governmental funds. The major funds are the General Fund, the Capital Projects - Building Fund, and the Debt Service – Bond Redemption Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled Nonmajor Governmental Funds. Individual fund information for the nonmajor governmental funds is presented as supplementary information elsewhere in this document.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the General Fund is included in the basic financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as supplementary information.

The basic governmental fund financial statements can be found on pages 62-66 of this report.

## Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 67-99 of this report.

## Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains supplemental information concerning the District's non-major governmental funds and schedules required as part of the Colorado Public School Finance Act and GASB 68 required schedules. Combining and individual fund statements and schedules can be found on pages 106-114 of this report. The additional schedule required as part of the Colorado Public School Finance Act can be found on pages 115 of this report. The GASB 68 schedules can be found on pages 101-103 of this report.



## Government-Wide Financial Analysis

The assets of the District are classified as current assets and noncurrent assets. Cash, investments, receivables, inventories, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives about 94% of the annual property tax assessment by the end of June.

Noncurrent assets include capital assets used in the operations of the District. Capital assets are land, improvements, buildings, equipment, vehicles, and projects in progress. Capital assets are discussed in greater detail in the section titled Capital Assets and Long-term Debt found elsewhere in this analysis.

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period. This has a positive effect on net position, similar to assets.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2016-2017. Long-term liabilities such as long-term debt obligations, compensated absences payable and net pension liability will be liquidated from resources that will become available after fiscal year 2016-2017.

Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. This has a negative effect on net position, similar to liabilities.

Net position is the residual of all elements presented in a statement of financial position equal to assets plus deferred outflows less liabilities less deferred inflows.

The liabilities and deferred inflows of resources of the primary governmental activities exceed assets and deferred outflows of resources by \$790.1 million. Total net position of the primary government does not include internal balances.

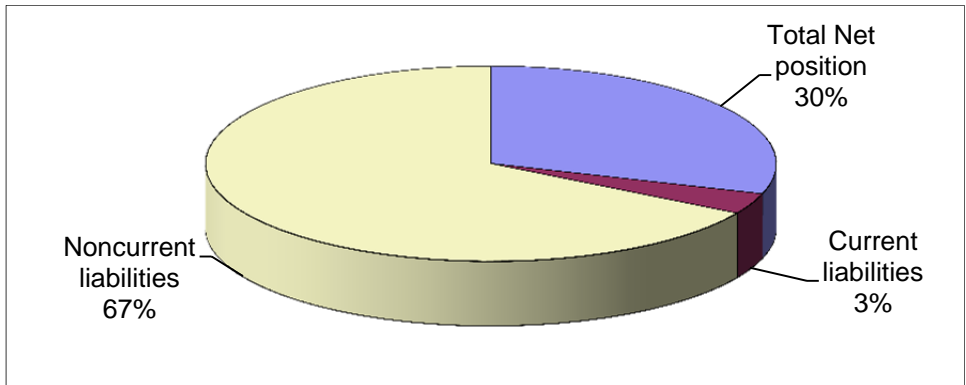
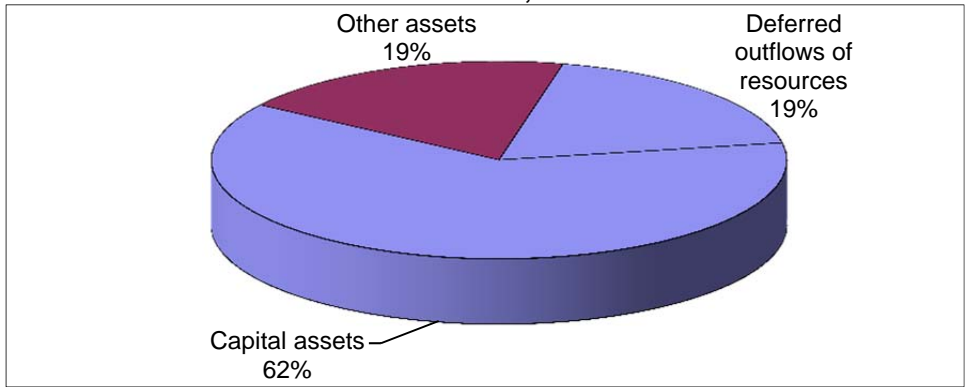
A net investment of \$180.1 million in land, improvements, buildings, equipment, and vehicles, provide services to the District's 53,950 public school students. Net position of \$51.7 million, accumulated due to voter approved bonded debt mill levy assessments, have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The net position of Food Services operations of \$4.8 million is restricted for that funds use only. The required emergency reserves of \$16.8 million have also been restricted.

As mentioned earlier, unrestricted net position is different than what would be reflected on a governmental fund accounting basis. This is due to GASB 68 along with the accounting treatment in the government-wide statements of accrued salaries and benefits earned but unpaid and compensated absences payable. The \$31.2 million long-term portion of compensated absences is recorded as a liability on the government-wide statements, but not on the governmental fund statements because they are not payable with current funds. The GASB 68 net pension liability is reported in the same manner as compensated absences and is \$1,267.4 million.



Cherry Creek School District No. 5 Comparative Summary of Net Position as of June 30, 2016 and 2015 (in millions)		
	Primary Government Governmental Activities	
	2016	2015
<b>Assets:</b>		
Capital assets	\$ 669.5	\$ 676.4
Other assets	206.2	254.0
Total assets	<u>875.7</u>	<u>930.4</u>
Deferred outflows of resources:	<u>200.6</u>	<u>58.2</u>
<b>Liabilities:</b>		
Current liabilities	91.3	113.7
Noncurrent liabilities	1,757.1	1,589.5
Total liabilities	<u>1,848.4</u>	<u>1,703.2</u>
Deferred inflows of resources:	<u>18.0</u>	<u>-</u>
<b>Net position:</b>		
Net investment in capital assets	180.1	170.5
Restricted	73.3	73.9
Unrestricted	(1,043.5)	(959.0)
Total Net position	<u>\$ (790.1)</u>	<u>\$ (714.6)</u>

**Government-Wide Total Assets as compared to Total Liabilities and Total Net Position  
as of June 30, 2016:**

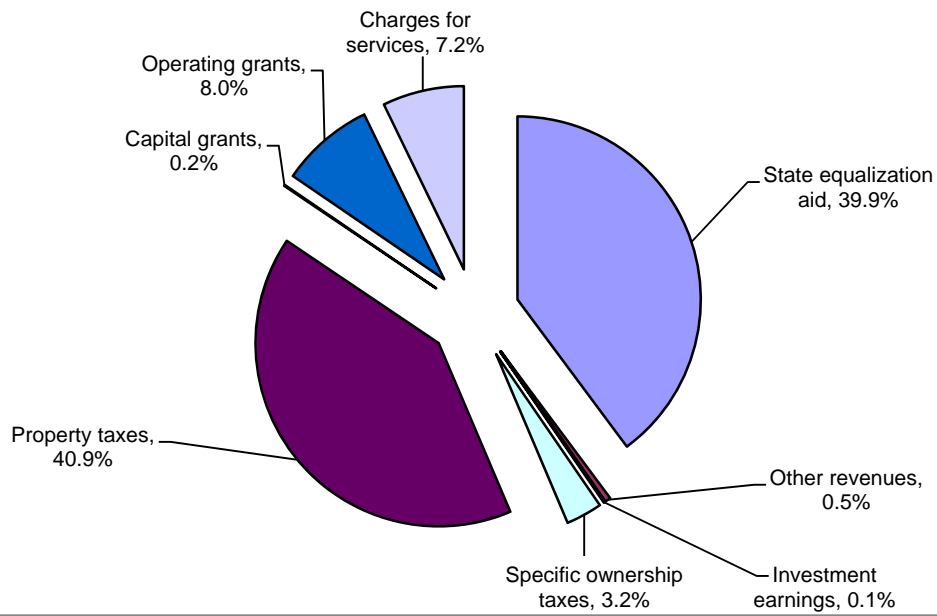


**Government-Wide Activities**

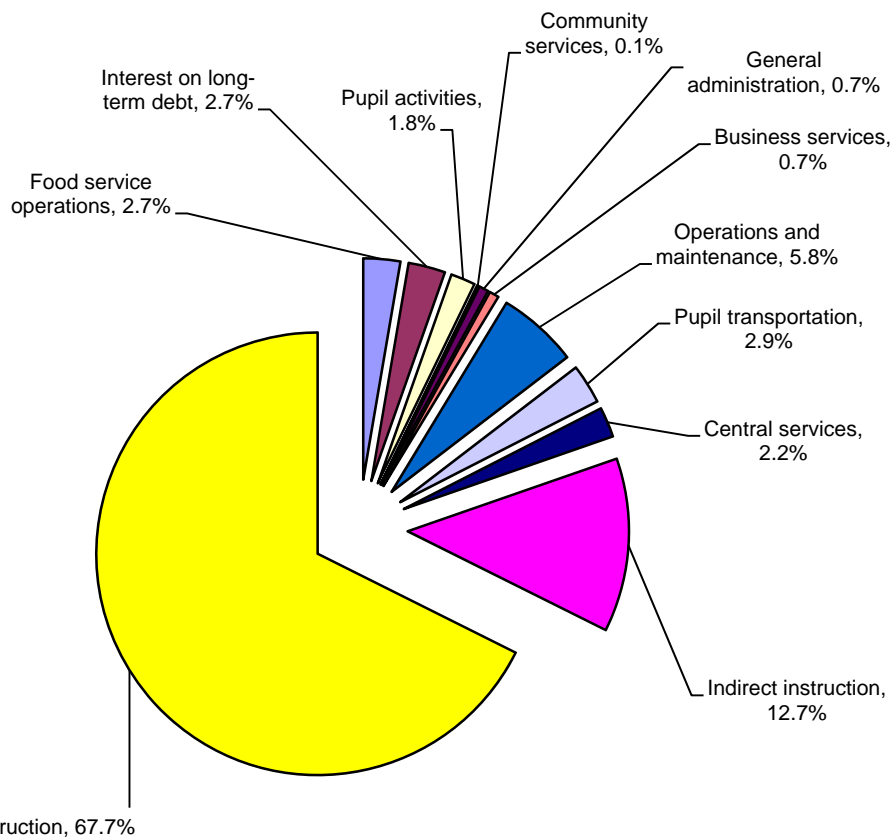
Governmental activities decreased the net position of the District by \$75.5 million.

Cherry Creek School District No. 5 Comparative Schedule of Changes in Net Position as of and for the fiscal year ended June 30, 2016 and 2015 (in millions)		
	Primary Government Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues		
Charges for services	\$ 44.2	\$ 42.0
Operating grants and contributions	51.0	50.5
Capital grants and contributions	0.7	0.8
General unrestricted revenues		
Property taxes	251.4	253.0
Specific ownership taxes	19.6	19.1
Investment earnings	0.4	0.3
Other revenues	2.9	2.9
State equalization aid	245.1	232.1
Total revenues	<u>615.3</u>	<u>600.7</u>
Expenses:		
Governmental activities		
Instruction	467.5	414.3
Indirect instruction	87.5	79.8
Supporting services	85.7	81.2
Community services	0.8	0.7
Pupil activities	12.2	12.3
Interest on long-term debt	18.5	19.6
Food services operations	18.6	16.9
Total expenses	<u>690.8</u>	<u>624.8</u>
Increase (decrease) in net position before transfers	(75.5)	(24.1)
Changes in net position	(75.5)	(24.1)
Net position, beginning of year	<u>(714.6)</u>	<u>(690.5)</u>
Net position, end of year	<u><u>\$ (790.1)</u></u>	<u><u>\$ (714.6)</u></u>

## Government-Wide Revenues fiscal year ended June 30, 2016



## Government-Wide Expenses fiscal year ended June 30, 2016



Key elements of the change in net position for governmental activities are as follows:

The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded per pupil count formula and a maximum property tax mill levy determined for each school district. State equalization aid increased by \$13.0 million during the fiscal year, while property taxes decreased by \$1.6 million during the year. The economic condition of the State continued to improve during the 2014-2015 fiscal year which enabled the State Legislature to increase school funding for the 2015-2016 fiscal year. The State was able to decrease the amount of the Negative Factor in the school funding formula and State funding included a 2.8% increase in base per pupil funding in accordance with the annual increase in the 2014 Consumer Price Index. The per pupil funding for the District for the 2015-2016 fiscal year was \$7,264.57, compared to the fiscal year 2014-2015 funding of \$6,982.33, an increase of \$282.24. State equalization aid also increased from increased enrollment of 149.0 FTE. The slight decrease in property taxes is primarily due to a timing difference in the method required for recording outstanding property tax receivables on the government-wide basis. Unearned property taxes of the prior year received in the current year are recognized in the prior year statement of activities and in the current year fund statements. On the governmental fund basis, property taxes increased by \$8.4 million. Specific Ownership taxes and other revenue areas also showed increases over the prior year.

The State did continue to provide partial funding of full day kindergarten for the 2015-2016 school year at an additional .08 FTE for each kindergartener enrolled. The District continues to provide full day kindergarten at six schools.

School financial issues are discussed in more detail in the Letter of Transmittal on pages 12-15.

Total governmental activities expenses increased by \$66.0 million. Approximately \$50.4 million of that increase relates to the way pension expenses are recorded as a result of GASB 68. In prior years, pension expense was equal to the amount the District was legally obligated to contribute at the established statutory amount. Pension expense is now calculated based on the District's share of the change in PERA NPL which includes many more factors such as changes in investment earnings that affect the NPL. Another \$8.5 million of the increase in expenses relates to higher actual PERA payments made by the District related to a higher salary base and an increase in the blended employer contribution rate from 17.9% for fiscal year 2014-2015 to 18.35% for fiscal year 2015-2016. Instructional expenses also increased as a result of increased enrollment and related staffing and direct expenses related to those students.

For the 2015-2016 fiscal year, the District provided teachers with a 2.9% increase to the salary schedule and a 0.5% lump sum payment to employees who have reached maximum salary along with providing experience step increases and additional education attainment increases. Employee groups other than teachers received a 2.8% increase to base pay. Employee groups other than teachers and administrators also received a lump sum payment in November 2015 equivalent to 2% of their pro-rated annual salary for the 2015-2016 fiscal year. Administrators received a lump sum payment in November 2015 equivalent to 1% of their pro-rated annual salary for the 2015-2016 fiscal year.



## Financial Analysis of the Government's Funds

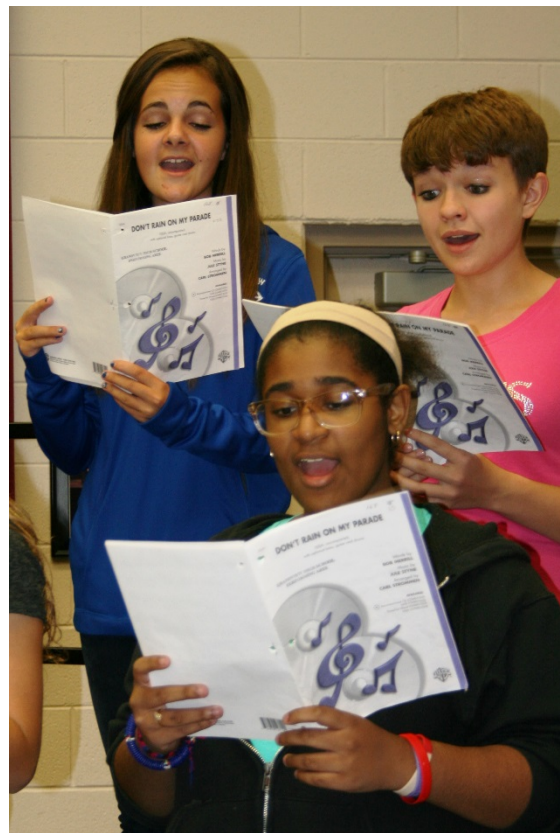
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$151.7 million, a decrease of \$17.5 million in comparison with the prior year. Activity related to the Capital Projects – Building Fund from spending the proceeds of a \$125.0 million bond election approved by voters in November 2012 accounts for a decrease in governmental fund balance of \$18.4 million. The General Fund had a decrease in fund balance of \$6.3 million discussed more fully on page 52. The Debt Service – Bond Redemption Fund had property tax and other revenues in excess of the required payments on outstanding debt which resulted in an increase in fund balance of \$1.7 million. Long Term Debt is also discussed on page 54. Other governmental funds show an increase of \$5.4 million in fund balance primarily in the Capital Reserve Fund. That increase in fund balance includes funding from the General Fund for capital projects that were not completed by year end with the fund balance available for use in the following fiscal year. Fund balances also increased slightly in the Pupil Activities, Extended Child Services and Food Services Funds.

The unassigned fund balance for the District at the end of the fiscal year includes \$30.4 million for the General Fund. The remainder of the fund balance is in other categories to indicate that it is not available for new spending because it is 1) nonspendable for inventories and prepayments, \$3.4 million; 2) restricted for construction, \$7.5 million; restricted to pay debt service, \$52.6 million; restricted for food service operations, \$4.8 million; and restricted for emergency reserves, \$16.8 million; 3) committed for next year expenditures and future year commitments, \$15.5 million; committed to specific Extended Child Services activities, \$3.9 million; and committed to Pupil Activity activities, \$5.2 million; and 4) for a variety of other assigned purposes, \$11.6 million.

The Debt Service - Bond Redemption Fund has adequate resources accumulated to make the December 2016 principal and interest payments. The mill levy to accumulate resources for the June 2017 and December 2017 principal and interest payments will be certified in December 2016.



**General Fund**

Differences between the original budget and the final amended budget include supplemental budget appropriations approved by the Board of Education. The supplemental budget appropriations include certification of the mill rate for taxation purposes for the fiscal year. The budget was also increased to include encumbrances at June 30, 2015 in the amount of \$594,664 for supplies ordered but not yet received by the end of the prior fiscal year. This amount was reflected as an assignment of fund balance as of June 30, 2015. Another supplemental budget appropriation was approved in the amount of \$2,029,900. This supplemental included funding for operations and construction of a pilot cafeteria program at two of the District high schools and the pass through of additional State funding to the Special Revenue - Capital Reserve Fund.

During the current fiscal year, the fund balance in the General Fund decreased by \$6.3 million. While per pupil funding increased during the fiscal year by \$282 compared to the prior fiscal year and student enrollment increased by 149.0 FTE, the District budget included using \$10.9 million of General Fund reserves to fund the gap between expected State

funding and projected expenditures. Revenues received were more than projected while expenses were less than projected resulting in less of a decrease in fund balance than budgeted.

Total actual revenue received in the General Fund was positive to the revised budgeted revenue by \$3.6 million due to higher than projected property and specific ownership tax collections. State equalization aid and other revenues including indirect costs revenue were also favorable to budget. The District was also able to reduce actual expenditures by \$9.0 million against budget. The positive expenditure variances include utilities, general supplies, and benefits. Transportation expenditures were greater than anticipated. The positive results allowed the District to fund additional projects in the Special Revenue -Capital Reserve Fund.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Actual expenditures of the General Fund including other financing uses amounted to \$503.1 million. Unassigned fund balance represents 6.0% of expenditures while total fund balance represents 12.6% of budget-based expenditures.

The components of the fund balance are as follows:

Cherry Creek School District No. 5 Fund Balance Components: General Fund June 30, 2016 and 2015 (in millions)		
	General Fund	
	<u>2016</u>	<u>2015</u>
Nonspendable for:		
Prepayments and deposits	\$ 271,910	\$ 160,524
Inventories	1,605,860	1,636,053
Restricted for:		
Emergency reserve	15,092,000	14,148,000
Committed for:		
Multiple year commitments	645,626	1,052,911
Future year expenditures	14,880,000	10,866,300
Assigned for:		
Future year purchases and curriculum	542,797	594,664
Unassigned	<u>30,374,491</u>	<u>41,231,173</u>
Total fund balance	<u>\$ 63,412,684</u>	<u>\$ 69,689,625</u>

## Capital Assets and Long-term Debt

### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$669.5 million (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The total decrease in the District's investment in capital assets for the current fiscal year was \$6.9 million. This decrease is the net result of capital additions completed during the current fiscal year from the District voter's approval of a \$125.0 million bond election in 2012, less current year depreciation expense. The District has been using those funds to make capital improvements as reflected in an increase in buildings.

Major capital asset events during the current fiscal year included the following:

- Construction continued on various school and administration sites with projects in progress as of the close of the fiscal year at \$17.3 million.
- Major projects included work on multiple school and facility renovations as outlined in the \$125 million bond issue approved by voters in 2012.

Cherry Creek School District No. 5 Capital Assets (net of accumulated depreciation) June 30, 2016 and 2015 (in millions)		
	Primary Government Governmental Activities	
	2016	2015
Land	\$ 19.9	\$ 19.9
Improvements	4.1	4.2
Buildings	614.9	615.2
Projects in progress	17.3	26.1
Equipment and vehicles	13.3	11.0
Total capital assets	<u>\$ 669.5</u>	<u>\$ 676.4</u>

Additional information on the District's capital assets can be found in Note 6 on pages 81-82.

**Long-term Debt**

At June 30, 2016, the District had total bonded debt outstanding of \$485.2 million backed by the full faith and credit of the District.

The District’s general obligation bonds decreased by \$34.6 million, which is the net result of a debt refinancing and the scheduled current year payments on existing debt.

In November 2015, the District refinanced \$51.4 million of the Series 2005B bonds. The new bonds were sold competitively with bids received electronically via the internet. This transaction reduces the principal amount of outstanding debt by almost \$5 million, while also lowering the average interest rate from 3.99% to 0.79%. The resultant savings are passed directly to the taxpayers of the District through an average reduction in tax collections of over \$1.1 million per year from 2016 through 2019.

The Board approved the purchase of 178 school buses based on a five year replacement plan and entered into a Master Lease Purchase Agreement, in an amount not to exceed \$18,500,000. The first portion of 41 buses, totaling \$4,178,500, were received during summer 2015. During the current fiscal year the District ordered an additional 34 buses for \$3,368,178 which arrived in January 2016.

The District continues to maintain its AA rating from Standard & Poor’s Corporation and Aa1 from Moody’s Investors Service.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$1,084.4 million and the legal debt margin was \$642.7 million.

Cherry Creek School District No. 5 General Obligation Bonds and Capital Leases June 30, 2016 and 2015 (in millions)		
	<u>Primary Government Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 485.2	\$ 519.8
Capital leases	<u>12.0</u>	<u>11.9</u>
Total	<u>\$ 497.2</u>	<u>\$ 531.7</u>

Additional information on the District’s long-term obligations can be found in Notes 9 and 10 on pages 84-88 of this report.

## **Economic Factors and Next Year's Budget and Rates**

The State Constitutional Amendment 23, passed by the voters in November 2000, is meant to provide an increase in per pupil funding by at least inflation plus 1% through the 2010 -2011 fiscal year and then at inflation thereafter. However, the State has not been able to fulfill that commitment.

Due to the Great Recession and the lack of available resources at the State level, the State has not been able to fund at that level and introduced a negative factor into the State funding formula starting during the 2010-2011 fiscal year which reduces State per pupil funding. While the State still faces budget constraints, the economy has improved during the last four fiscal years.

While recent State economic forecasts indicate an increase in State revenues, the most current projections indicate the revenues will be lower than originally budgeted. Information from the September 2016 Economic Forecast prepared by the Governor's Office of State Planning and Budgeting (OSPB) is included in the Letter of Transmittal on pages 6-10. While the economy in Colorado continues to improve, the State is limited to the amount of revenue that can be retained due to Provisions in Taxpayers' Bill of Rights (TABOR), Article X, Section 20 of the Colorado Constitution, which limits the growth in a large portion of State revenue to the sum of inflation plus population growth in the previous calendar year. Revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue.

TABOR revenue was below the cap in the 2015-2016 fiscal year and is projected to be below the cap for the 2016-2017 fiscal year. However, the State forecast expects the 2017-2018 fiscal year and the foreseeable future years to be above the TABOR limits, requiring refunds to taxpayers, which will impact the amount of State funds available to fund education.

While the State forecast assumes that no TABOR refund obligation will occur for the 2016-2017 fiscal year, the revenue is projected to be \$158.8 million, or 1.2 percent, below the revenue cap. This amount is also within typical forecast error. Because TABOR refunds are paid out of the State General Fund, fluctuations in State cash fund revenue (outside of the State General Fund) subject to TABOR, can have a large impact on State General Fund obligations.

In addition to the September 2016 Economic Forecast prepared by the OSPB, the nonpartisan Legislative Council also prepared a September 2016 Economic Forecast. Both reports indicate budget deficits for both the current 2016-2017 fiscal year, as well as likely shortfalls for the 2017-2018 fiscal year. Among the factors attributable to the deficit are slow economic growth and lower than expected tax revenues, as well as an increasing sense of uncertainty about the stability of the economy moving forward. While the reports differ on the size of the current fiscal year's budget shortfall, both reports agree that the economic outlook is going to pose significant challenges in terms of meeting State funding obligations, reserve levels, and also avoiding spending cuts.

The State has already spent down the reserve more quickly than originally anticipated since the June 2016 forecast, and State law requires the reserve dip no lower than 6.5%. State law dictates that if Colorado falls below half of its reserve, immediate budget cuts must be implemented, but because OSPB's forecast suggests a \$227 million deficit in this fiscal year, which is less than the Legislative Council's \$330 million deficit prediction, no budget cuts are required at this point for 2016-2017 fiscal year. It is possible that the Governor will propose budget cuts or a reduction of the statutorily required 6.5% reserve. In the prior year, the legislature reduced the reserve requirement in order to address a deficit issue.

There is agreement between both the Legislative Council and the OSPB that school funding will be especially challenging for the 2017-2018 fiscal year. An extra \$325 million would be necessary to keep the negative factor flat, pay for enrollment growth, and account for inflation. The Legislative Council indicated that under their forecast there will be \$65 million less funding available for the 2017-2018 fiscal year than what is currently budgeted for the 2016-2017 fiscal year.

The Governor will release his proposed budget on November 1, 2016. The Joint Budget Committee will consider his recommendations and the December revenue forecast will provide updated information that will help frame budget conversations during the 2017 legislative session. A final budget for the 2017-2018 fiscal year will be decided on by the legislature next spring.

The economic outlook during the 2016 legislative session reflected a stable outlook for revenue for the 2016-2017 fiscal year. The effect of the school finance act for the District is anticipated to increase net total program funding from an estimated \$374.7 million in the 2015-2016 fiscal year to \$380.8 million in the 2016-2017 fiscal year, an increase of \$6.1 million. Per pupil funding for the District for the 2016-2017 fiscal year is projected to be \$7,384, which is an increase of \$119 per pupil over the prior fiscal year.

For the 2016-2017 fiscal year, the school finance act reduced the District's negative factor by \$0.7 million in the school finance formula from \$50.3 million in 2015-2016 to \$49.6 million in fiscal year 2016-2017. At the State level, the negative factor was reduced by \$25 million from \$855 million in fiscal year 2015-2016 to \$830 million in fiscal year 2016-2017. The negative factor is an approximate 11.51% reduction from total program funding prescribed in the school finance formula for the District.

The school finance legislation for the 2016-2017 fiscal year reflects a 1.2% increase in base per pupil funding in accordance with the 2015 Consumer Price Index and funding for enrollment growth. As enrollment growth has stabilized for the District in recent years, the budget for the 2016-2017 fiscal year projects enrollment equal to the 2015-2016 fiscal year. Current projections indicate the enrollment may increase slightly over the prior year.

The budget balancing plan for fiscal year 2016-2017 included using \$14.9 million of General Fund reserves to fund the gap between State funding and expenditures. The District will maintain adequate reserves consistent with Board policy and a fiscally sound approach to District financial management. The District has planned for an adequate level of Unassigned General Fund reserves to provide protection from possible reductions in District funding such as State legislative action, lower than anticipated property tax collections, lower than projected enrollment, or other factors.

With the ongoing uncertainty with State funding the District continues to review budget reductions, cost containment measures, and funding reallocations to continue focusing its financial resources on student achievement in the classroom in its long term planning.

In order to address reductions in funding while minimizing the use of District reserves and to provide for long term capital needs, the Board of Education has called for an election to be held on November 8, 2016 asking the voters to increase the mill levy budget override by \$23.9 million or twenty-five percent of total program funding to provide additional funding to the District. The Board is also asking voters to approve a bond election of \$250.0 million to help prepare the District infrastructure to ensure all students are prepared for success. The bond issue includes a new career and innovation academy, renovation of learning spaces at all elementary and middle schools, additional facilities for student growth and other technology, repairs and maintenance to modernize and improve the safety of the District. The budget and bond election is discussed in more detail on pages 27-29 of the Letter of Transmittal.

The State continues to provide partial funding of full day kindergarten. The State is funding all kindergarten students at a .58 full time equivalent. This additional funding of .08 FTE per kindergarten student has allowed the District to provide full day kindergarten at 6 elementary schools. Originally, the legislature intended to increase this funding level each year to enable school districts to expand full day kindergarten. However, due to the economic downturn and State funding issues, the funding level of .58 will remain for the 2016-2017 fiscal year.

The District preserved instructional programs for the 2016-2017 fiscal year by maintaining the staffing ratio at 18.5:1. Funding is provided for K-3 class size with a soft cap of 23:1. Supplemental staffing resources were preserved for targeted achievement.

All employees enrolled in District medical benefits as of October 2016 will receive a \$400 stipend to offset the increasing cost of medical benefits. For the 2016-2017 fiscal year, most employee groups other than teachers received a 1.6% increase to base pay.

The District is in the second year of a two year Memorandum of Understanding with the teachers, mental health professionals and nurses. For the 2016-2017 fiscal year, the District will provide teachers with a 1.2% increase to the salary schedule along with providing experience step increases and additional education attainment increases and a \$1,000 stipend for National Board Certification (one-time upon initial certification), retroactive for those currently certified.

Recurring monthly health insurance contributions were maintained at existing levels. Cost increases for PERA continue to impact the District. Current employer contribution rates are 19.15% of salary. This rate increases to 19.65% on January 1, 2017, and then caps out at 20.15% starting January 1, 2018.

Funding for the 2017-2018 fiscal year generally takes into consideration recent quarterly economic forecasts, primarily the March 2017 economic forecast. The School Finance Act is considered during the 2017 Legislative Session, which convenes in January 2017 and adjourns in May 2017.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Fiscal Services  
Cherry Creek School District No. 5  
4700 South Yosemite Street  
Greenwood Village, Colorado 80111





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**CHERRY CREEK SCHOOL DISTRICT NO. 5**

**ARAPAHOE COUNTY, COLORADO**

**STATEMENT OF NET POSITION**

June 30, 2016

	<b>Primary Government</b>	<b>Component</b>
	<b>Governmental Activities</b>	<b>Unit Charter School</b>
<b>ASSETS</b>		
Cash	\$ 7,750,577	\$ 2,176,265
Cash held by county treasurer	3,121,236	-
Equity in pooled cash	108,182,099	-
Investments	17,561,030	421,490
Investments with escrow agent	51,362,627	-
Receivables, net		
Property taxes	9,443,023	-
Other governments	4,502,339	-
Other	920,393	7
Prepayments and deposits	1,169,766	6,198
Inventories	2,190,774	-
Capital Assets		
Land	19,850,598	1,028,597
Improvements	25,130,903	599,221
Buildings	959,227,121	6,597,353
Equipment and vehicles	74,931,295	318,414
Projects in progress	17,384,206	-
Less accumulated depreciation	<u>(427,058,207)</u>	<u>(1,737,953)</u>
Total Capital assets	<u>669,465,916</u>	<u>6,805,632</u>
Total Assets	<u>875,669,780</u>	<u>9,409,592</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	200,279,131	1,631,786
Deferred outflows on refunding	362,261	89,118
Total Deferred outflows of resources	<u>200,641,392</u>	<u>1,720,904</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts and other current payables	9,216,206	217,203
Accrued interest payable	863,267	33,022
Accrued salaries and benefits	29,783,042	227,174
Unearned revenues	7,285,909	77,666
General obligation bonds	35,085,000	140,000
Capital lease obligations	3,625,794	-
Compensated absences payable	5,502,956	-
Total Current liabilities	<u>91,362,174</u>	<u>695,065</u>
Noncurrent liabilities		
General obligation bonds	450,105,919	2,773,376
Capital lease payable	8,381,328	-
Compensated absences payable	31,233,181	-
Net pension liability	1,267,410,340	7,646,861
Total Noncurrent liabilities	<u>1,757,130,768</u>	<u>10,420,237</u>
Total Liabilities	<u>1,848,492,942</u>	<u>11,115,302</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	<u>17,960,809</u>	<u>108,368</u>
<b>NET POSITION</b>		
Net investment in capital assets	180,082,824	3,892,256
Restricted for:		
Debt service	51,688,646	334,881
Emergency reserve	16,774,000	139,046
Food service	4,805,772	-
Working capital	-	233,094
Repair and replacement	-	50,025
Unrestricted	(1,043,493,821)	(4,742,476)
Total Net position	<u>\$ (790,142,579)</u>	<u>\$ (93,174)</u>

See accompanying notes to basic financial statements.

**CHERRY CREEK SCHOOL DISTRICT NO. 5**

**ARAPAHOE COUNTY, COLORADO**

**STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction	\$ 467,537,058	\$ 20,493,121	\$ 33,704,271	\$ 648,635
Indirect instruction	87,433,251	380,127	4,600,418	-
Support services				
General administration	4,861,700	-	-	-
Business services	4,897,793	221,712	-	-
Operations and maintenance	40,831,590	279,536	-	-
Pupil transportation	20,122,305	161,494	4,684,076	-
Central services	15,026,745	-	-	-
Community services	842,782	667,875	1,288	-
Pupil activities	12,240,209	12,541,753	-	-
Food service operations	18,536,204	9,446,817	8,040,575	-
Interest on long-term debt, unallocated	18,494,821	-	-	-
Total Governmental activities	<u>690,824,458</u>	<u>44,192,435</u>	<u>51,030,628</u>	<u>648,635</u>
 Total Primary government	 <u>\$ 690,824,458</u>	 <u>\$ 44,192,435</u>	 <u>\$ 51,030,628</u>	 <u>\$ 648,635</u>
 Component unit - Charter school	 <u>\$ 5,349,908</u>	 <u>\$ 242,688</u>	 <u>\$ 65,607</u>	 <u>\$ 141,447</u>

**GENERAL UNRESTRICTED REVENUES:**

Taxes:

    Property taxes

    Specific ownership taxes

Investment earnings

Other revenues

State equalization aid

Sale of assets

    Total General unrestricted revenues

Changes in net position

Net position, Beginning

Net position, Ending

See accompanying notes to basic financial statements.

Net (Expenses) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental	
Activities	Charter School
\$ (412,691,031)	\$ (3,388,513)
(82,452,706)	-
(4,861,700)	(1,367,443)
(4,676,081)	-
(40,552,054)	-
(15,276,735)	-
(15,026,745)	-
(173,619)	-
301,544	-
(1,048,812)	-
(18,494,821)	(144,210)
<u>(594,952,760)</u>	<u>(4,900,166)</u>
\$ (594,952,760)	-
-	(4,900,166)
251,422,063	-
19,635,073	-
346,212	5,525
2,838,653	71,420
245,160,665	4,327,552
53,144	-
<u>519,455,810</u>	<u>4,404,497</u>
(75,496,950)	(495,669)
<u>(714,645,629)</u>	<u>402,495</u>
\$ (790,142,579)	\$ (93,174)

**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<b>General Fund</b>	<b>Debt Service - Bond Redemption Fund</b>	<b>Capital Projects - Building Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 20,150	\$ 10,062	\$ -	\$ 7,720,365	\$ 7,750,577
Cash held by county treasurer	2,843,769	277,467	-	-	3,121,236
Equity in pooled cash	83,450,061	-	4,711,284	20,020,754	108,182,099
Investments	5,564,989	-	4,994,313	7,001,728	17,561,030
Investments - escrow agent	-	51,362,627	-	-	51,362,627
Receivables, net					
Property taxes	6,706,787	2,736,236	-	-	9,443,023
Other governments	811,129	-	-	3,691,210	4,502,339
Other	814,421	20,500	60,163	25,309	920,393
Interfund receivables	194,852	-	-	-	194,852
Prepayments and deposits	271,910	-	-	897,856	1,169,766
Inventories	1,605,860	-	-	584,914	2,190,774
<b>Total Assets</b>	<b>\$ 102,283,928</b>	<b>\$ 54,406,892</b>	<b>\$ 9,765,760</b>	<b>\$ 39,942,136</b>	<b>\$ 206,398,716</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,195,095	\$ -	\$ 2,313,072	\$ 1,698,984	\$ 9,207,151
Other payables	9,055	-	-	-	9,055
Interfund payables	-	-	-	194,852	194,852
Accrued salaries and benefits	27,609,220	-	-	2,173,822	29,783,042
Unearned revenues	-	-	-	7,285,909	7,285,909
Compensated absences	2,679,525	-	-	273,431	2,952,956
<b>Total Liabilities</b>	<b>35,492,895</b>	<b>-</b>	<b>2,313,072</b>	<b>11,626,998</b>	<b>49,432,965</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property tax revenues	3,378,349	1,854,979	-	-	5,233,328
<b>FUND BALANCES</b>					
Nonspendable for:					
Prepayments and deposits	271,910	-	-	897,856	1,169,766
Inventories	1,605,860	-	-	584,914	2,190,774
Restricted for:					
Construction	-	-	7,452,688	-	7,452,688
Debt service	-	52,551,913	-	-	52,551,913
Emergency reserve	15,092,000	-	-	1,682,000	16,774,000
Food service operations	-	-	-	4,805,772	4,805,772
Committed for:					
Multiple year commitments	645,626	-	-	-	645,626
Future year expenditures	14,880,000	-	-	-	14,880,000
Extended Child Services Fund activities	-	-	-	3,935,274	3,935,274
Pupil Activities Fund activities	-	-	-	5,269,441	5,269,441
Assigned for:					
Future year purchases and curriculum	542,797	-	-	-	542,797
Future year transfers	-	-	-	1,860,097	1,860,097
Capital Reserve Fund activities	-	-	-	9,279,784	9,279,784
Unassigned	30,374,491	-	-	-	30,374,491
<b>Total Fund balances</b>	<b>63,412,684</b>	<b>52,551,913</b>	<b>7,452,688</b>	<b>28,315,138</b>	<b>151,732,423</b>
<b>Total Liabilities, Deferred inflows of resources and Fund balances</b>	<b>\$ 102,283,928</b>	<b>\$ 54,406,892</b>	<b>\$ 9,765,760</b>	<b>\$ 39,942,136</b>	<b>\$ 206,398,716</b>

See accompanying notes to basic financial statements.

**CHERRY CREEK SCHOOL DISTRICT NO. 5**

**ARAPAHOE COUNTY, COLORADO**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2016

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

Total fund balance - governmental funds		\$ 151,732,423
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,096,524,123	
Accumulated depreciation is	<u>(427,058,207)</u>	669,465,916
Unearned property taxes will be collected this year, but are not available to pay for the current period's expenditure, and therefore are not recorded as revenue in the funds.		
		5,233,328
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds payable	485,190,919	
Capital leases payable	12,007,122	
Compensated absences payable	33,783,181	
Net pension liability	<u>1,267,410,340</u>	(1,798,391,562)
Deferred outflows from refunding debt are not considered current financial resources and not reported in the governmental funds		
		362,261
Deferred outflows related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
		200,279,131
Deferred inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
		(17,960,809)
Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(863,267)</u>
Total Net Position - governmental activities		<u><u>\$ (790,142,579)</u></u>

*See accompanying notes to basic financial statements.*

**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Debt Service - Bond Redemption Fund</u>	<u>Capital Projects - Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 202,620,364	\$ 53,984,645	\$ -	\$ -	\$ 256,605,009
Specific ownership taxes	19,635,073	-	-	-	19,635,073
Intergovernmental					
Federal - grants	1,465,562	-	-	26,336,203	27,801,765
State equalization aid	245,160,665	-	-	-	245,160,665
State transportation	4,684,076	-	-	-	4,684,076
State education of handicapped	11,071,983	-	-	-	11,071,983
State vocational education	2,043,704	-	-	-	2,043,704
Other state	2,856,282	-	-	2,142,841	4,999,123
Earnings on investments	130,124	97,497	83,087	35,504	346,212
Other					
Tuition	642,949	-	-	17,878,207	18,521,156
Fees and fines	1,382,683	-	-	-	1,382,683
Pupil activities	-	-	-	12,541,753	12,541,753
Donations	-	-	-	2,544,174	2,544,174
Food services sales	-	-	-	9,446,817	9,446,817
Miscellaneous	3,672,917	-	-	-	3,672,917
Total revenues	<u>495,366,382</u>	<u>54,082,142</u>	<u>83,087</u>	<u>70,925,499</u>	<u>620,457,110</u>
<b>EXPENDITURES</b>					
Current					
Instruction	332,543,594	-	-	33,656,100	366,199,694
Indirect instructional					
Pupil services	29,546,691	-	-	2,220,951	31,767,642
Instructional staff services	17,006,119	-	-	2,636,489	19,642,608
School administration	25,649,523	-	-	250,546	25,900,069
Support services					
General administration	4,340,758	-	-	-	4,340,758
Business services	3,874,456	-	-	269,075	4,143,531
Operations and maintenance	37,484,456	-	-	-	37,484,456
Pupil transportation	20,356,802	-	-	-	20,356,802
Central services	13,321,003	-	-	-	13,321,003
Community services	388,119	-	-	311,434	699,553
Pupil activities	-	-	-	12,240,209	12,240,209
Food service operations	-	-	-	17,107,553	17,107,553
Non-departmental	507,951	-	-	-	507,951
Capital outlay	262,082	-	18,462,722	13,143,866	31,868,670
Debt service					
Principal	-	32,660,000	-	3,278,282	35,938,282
Interest and fiscal charges	-	18,942,429	-	163,783	19,106,212
Total expenditures	<u>485,281,554</u>	<u>51,602,429</u>	<u>18,462,722</u>	<u>85,278,288</u>	<u>640,624,993</u>
Excess of revenues over (under) expenditures	<u>10,084,828</u>	<u>2,479,713</u>	<u>(18,379,635)</u>	<u>(14,352,789)</u>	<u>(20,167,883)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,408,467	-	-	17,770,236	19,178,703
Transfers out	(17,770,236)	-	-	(1,408,467)	(19,178,703)
Capital lease issuance	-	-	-	3,368,378	3,368,378
Premium on bonds	-	4,809,202	-	-	4,809,202
Refunding bond issuance	-	46,855,000	-	-	46,855,000
Bond refunding escrow agent	-	(52,452,915)	-	-	(52,452,915)
Sale of assets	-	-	-	53,144	53,144
Total other financing sources (uses)	<u>(16,361,769)</u>	<u>(788,713)</u>	<u>-</u>	<u>19,783,291</u>	<u>2,632,809</u>
Net change in fund balances	(6,276,941)	1,691,000	(18,379,635)	5,430,502	(17,535,074)
Fund balances, Beginning	<u>69,689,625</u>	<u>50,860,913</u>	<u>25,832,323</u>	<u>22,884,636</u>	<u>169,267,497</u>
Fund balances, Ending	<u>\$ 63,412,684</u>	<u>\$ 52,551,913</u>	<u>\$ 7,452,688</u>	<u>\$ 28,315,138</u>	<u>\$ 151,732,423</u>

See accompanying notes to basic financial statements.

**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For The Year Ended June 30, 2016

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

Total net change in fund balances - governmental funds \$ (17,535,074)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlay in the period.

Capital outlay	\$ 25,533,317	
Depreciation expense	<u>(32,504,520)</u>	(6,971,203)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities.

5,233,328

Unearned property taxes of the prior year received in the current year are recognized in the prior year statement of activities and in the current year fund statements.

(10,416,274)

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 - changes in long-term compensated absences payable.

(2,325,958)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

35,938,282

Governmental funds report the issuance of debt, including premiums, as an other financing source. In the governmental activities, however, the issuance of debt is reflected as a liability instead. This amount is shown net of payments made to the bond refunding escrow agent.

(3,587,380)

Premiums, discounts and deferred outflows on refunding are amortized in the governmental activities, but are recognized as expenditures in the governmental funds.

1,597,618

Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and therefore, not reported as a liability in the governmental funds. The change in the liability is recognized in the statement of activities.

21,688

Other pension related items are reported as expenditures in the governmental funds. However, in the statement of activities the contributions made during the fiscal year either reduced the net pension liability or are shown as contributions after the measurement date of December 31, 2015 and not reflected as expenses on the statement of activities. These consist of:

Employer contribution expense		62,585,153
Change in contributions subsequent to the measurement date		2,634,304

Net pension liability related items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:

Pension expense		(142,671,434)
-----------------	--	---------------

Total change in net position - governmental activities		<u>\$ (75,496,950)</u>
--	--	------------------------

*See accompanying notes to basic financial statements.*

**CHERRY CREEK SCHOOL DISTRICT NO. 5**  
**ARAPAHOE COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 201,450,124	\$ 202,177,300	\$ 202,620,364	\$ 443,064
Specific ownership taxes	17,959,100	19,288,000	19,635,073	347,073
Intergovernmental - State				
State equalization aid	244,611,302	244,357,466	245,160,665	803,199
Transportation	4,354,400	4,568,514	4,684,076	115,562
Education of handicapped	10,797,700	11,033,491	11,071,983	38,492
Vocational education	1,945,000	1,985,000	2,043,704	58,704
Other state	2,797,647	2,688,789	2,856,282	167,493
Intergovernmental - Federal	1,457,699	1,463,596	1,465,562	1,966
Earnings on investments	195,728	43,300	130,124	86,824
Other				
Tuition	456,400	517,100	642,949	125,849
Fees and fines	1,190,300	1,266,300	1,382,683	116,383
Miscellaneous	1,559,400	2,330,216	3,672,917	1,342,701
Total revenues	<u>488,774,800</u>	<u>491,719,072</u>	<u>495,366,382</u>	<u>3,647,310</u>
<b>EXPENDITURES</b>				
Current				
Instruction	342,139,183	338,684,565	332,543,594	6,140,971
Indirect instructional				
Pupil services	30,556,593	30,716,598	29,546,691	1,169,907
Instructional staff services	16,861,175	17,611,240	17,006,119	605,121
School administration	25,544,327	26,111,200	25,649,523	461,677
Support services				
General administration	3,798,739	4,351,547	4,340,758	10,789
Business services	3,563,608	3,895,770	3,874,456	21,314
Operations and maintenance	37,486,409	37,700,130	37,484,456	215,674
Pupil transportation	19,763,069	20,148,401	20,356,802	(208,401)
Central services	13,497,073	13,932,521	13,321,003	611,518
Community services	378,575	391,405	388,119	3,286
County treasury fees	517,500	517,500	507,951	9,549
Facilities construction services	220,549	264,287	262,082	2,205
Total expenditures	<u>494,326,800</u>	<u>494,325,164</u>	<u>485,281,554</u>	<u>9,043,610</u>
Excess of revenues over expenditures	(5,552,000)	(2,606,092)	10,084,828	12,690,920
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,425,000	1,216,073	1,408,467	192,394
Transfers out	(6,739,300)	(8,770,236)	(17,770,236)	(9,000,000)
Total other financing sources (uses)	<u>(5,314,300)</u>	<u>(7,554,163)</u>	<u>(16,361,769)</u>	<u>(8,807,606)</u>
Net change in fund balance	(10,866,300)	(10,160,255)	(6,276,941)	3,883,314
Fund balance, Beginning	52,587,512	69,689,625	69,689,625	-
Fund balance, Ending	<u>\$ 41,721,212</u>	<u>\$ 59,529,370</u>	<u>\$ 63,412,684</u>	<u>\$ 3,883,314</u>

See accompanying notes to basic financial statements.

Notes to  
Basic  
Financial  
Statements



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## Notes to Basic Financial Statements

Cherry Creek School District No. 5

Arapahoe County, Colorado

June 30, 2016

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cherry Creek School District No. 5 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. In addition, the District conforms to the (Colorado) Financial Policies and Procedures Handbook in all material aspects as required by Colorado statutes. The following is a summary of the more significant accounting policies:

#### A) Financial Reporting Entity

Cherry Creek School District No. 5 is a political subdivision and body corporate of the State of Colorado duly organized and existing in accordance with the provisions of the School District Reorganization Act of 1949. The District began as a corporate body on August 26, 1950. The District operates under a five-member publicly elected board of education. The District includes 108 square miles and operates forty-two elementary schools, ten middle schools, seven high schools, two K-8 schools (the Challenge School and Cherry Creek Academy Charter School, a discretely presented component unit), four alternative school programs (Options Program, Foote Youth Services Center, Intensive Treatment Program, and The I-Team Program), Institute of Science and Technology, two stadiums, three central administrative facilities, and seven support facilities providing educational services to approximately 54,000 students.

Cherry Creek School District No. 5 meets the financial accountability criteria established by the Governmental Accounting Standards Board (GASB) to be considered a governmental entity for financial reporting purposes. As required by generally accepted accounting principles, these financial statements present Cherry Creek School District No. 5 (the Primary Government) and its component units. Component units are legally separate organizations that are financially accountable to the primary government. The component unit discussed in Note 1(B) has been included in the District's financial reporting entity because of the significance of their operational or financial relationship with the District.



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B) Discretely Presented Component Unit-Charter School**

The Legislature of the State of Colorado enacted the "Charter School Act - Colorado Revised Statutes (CRS) Section 22-30.5-10" in 1993. This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter Schools are financed from a portion of the District's School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter Schools have separate governing boards; however, the Cherry Creek School District's Board of Education must approve all Charter School applications and budgets. The District currently has one Charter School in operation, Cherry Creek Academy. The Charter School is a discretely presented component unit because of the significance of their financial relationship with the District. The Cherry Creek Academy Charter School has an affiliated finance corporation that was formed to support and assist the Charter School in the leasing of its facilities separately from the District.

The Charter School has issued separate financial statements for the fiscal year ended June 30, 2016. Complete financial statements may be obtained at the school's administrative offices:  
Cherry Creek Academy, 6260 S. Dayton St.,  
Greenwood Village, CO 80111.

**C) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for support. The District does not currently have any business-type activities.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds (General Fund, Debt Service - Bond Redemption Fund, and Capital Projects - Building Fund) are reported as separate columns in the fund financial statements.

#### **D) Measurement Focus, Basis of Accounting, and Financial Statement Presentations**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Governmental fund revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Property tax revenues are considered to be available if collected within 60 days after year end. Other revenues are recognized in the period earned if receipt of the money is expected within a year.

Property and specific ownership taxes are reported as receivables and deferred inflows of resources when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts. Grant revenues are considered to be available at the point the expenditure is incurred.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service, which is recognized when due and certain sick and retirement pay which is accounted for as expenditures when the employee meets the criteria to be eligible to receive payment.



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E) Fund Accounting**

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

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required legally or by sound financial management to be accounted for in another fund.

The *Debt Service - Bond Redemption Fund* accounts for the resources accumulated and payments made for principal, interest, and related costs on long-term general obligation debt of governmental funds.

The *Capital Projects - Building Fund* accounts for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**F) Cash and Investments**

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, U.S. Agencies, and U.S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. The District considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

**G) Receivables**

Property taxes levied in 2015 but not yet collected in 2016 are identified as property taxes receivable and deferred inflows of resources in the governmental funds balance sheet at June 30, 2016, and are presented in the amount of \$5,233,328. Intergovernmental receivable of \$3,691,210 in the Designated Purpose Grants Fund includes amounts due from grantors for specific program grants. Intergovernmental receivable of \$811,129 in the General Fund includes amounts due from a Federal subsidy related to the 2010B Build America Bonds as well as amounts due from the State of Colorado related to pupil count and transportation audits. Program grants are recorded as receivable and revenues at the time reimbursable project costs are incurred.

**H) Inventories**

Inventories are stated at average cost, except for commodities by the United States Department of Agriculture (USDA), which are stated at the specific items' donated value (the USDA's cost). Reported inventories of supplies and materials consist of supplies recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed. Fund equity is classified as nonspendable for the inventory balances in the governmental funds in the amount of \$2,190,774.

**I) Prepayments and Deposits**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The District records prepaid items using the consumption method. Fund equity is classified as nonspendable for the prepayments and deposits in the amount of \$271,910 in the General Fund, \$821,849 in the Capital Reserve Fund, \$41,037 in the Food Services Fund and \$34,970 in the Extended Child Services Fund.



**J) Capital Assets**

Capital assets, which include property, vehicles, and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on construction of capital assets.

The monetary threshold for capitalization of assets is \$1,000 for technology equipment and \$5,000 for all other capital assets. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations.

Depreciation is recorded starting in the month the asset is placed in service.

Estimated useful lives are:

- Motor vehicles..... 8 to 10 years
- Equipment, built-in..... 7 to 30 years
- Equipment, movable..... 3 to 20 years
- Site improvements..... 5 to 20 years
- School buildings..... 50 years
- Portable classrooms..... 25 years

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K) Deferred Outflows of Resources**

For current refundings and advance refundings, resulting in defeasance of debt reported by governmental activities and component units, the difference between the reacquisition and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources. The District refundings have resulted in deferred outflows of resources of \$362,261 for governmental activities and \$89,118 for component units.

The District also has 5 other items classified as deferred outflows of resources related to GASB No. 68 and No. 71:

1. Change in experience;
2. Change in assumptions;
3. Change in investment earnings;
4. Change in proportionate share of the net pensions liability; and
5. Contributions subsequent to measurement date

See Note 13 for additional information.

**L) Property Taxes**

Under Colorado law, all property taxes become due and payable in the calendar year following that in which they are levied. The District's property tax calendar for 2016 is as follows:

Tax Year

Property taxes are recorded initially at the budgeted collection rate as deferred inflows in the year they are levied and measurable. The deferred inflow property tax revenues are recorded as revenue in the year they are

available or collected. The District has deferred inflows from property tax collection at June 30, 2016, in the amount of \$5,233,328. Property taxes are remitted to the District by the Arapahoe County Treasurer by the tenth of the month following collections by the county, except for the months of March, May, and June in which the District receives an additional remittance from the Arapahoe County Treasurer for collections through the twentieth of such months.

Beginning of fiscal year for taxes

- January 1

Assessed valuation initially certified by County Assessor

- August 25

Property tax levy by Board of Education for ensuing calendar year

- December 10

Tax levy certified to County Commissioners

- December 15

County Commissioners certify levy to County Treasurer

- January 10

Collection Year

Mailing of tax bills (lien date)

- January 1

First installment due

- February 28

Taxes due in full (unless installments elected by taxpayer)

- April 30

Second installment due

- June 15

A fee of .25% on General Fund collections is retained by the County as compensation for collecting the taxes and is reflected as an expenditure in the General Fund.

### M) State Equalization Aid

State equalization aid is revenue received from the State of Colorado computed in accordance with a funding formula as defined by State statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

Under previous State statutes, the District was required to allocate a portion of State equalization aid to the Capital Reserve Fund. The State requirement to fund a capital reserve fund was discontinued starting with the fiscal year ending June 30, 2010. The District has continued to use this fund to account for the purposes allowed by State statute, including the acquisition of land or land improvements, construction of new facilities or additions, alterations and improvements to existing structures, acquisition of vehicles, equipment, software licensing agreements, computer equipment, and installment purchase or lease agreements. The Capital Reserve Fund is shown as a Capital Projects Fund.



### N) Long-term Liabilities

In the government-wide financial statements long-term debt, and other long-term obligations are reported as liabilities in the applicable government activities. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization, which approximates the effective interest method. Currently the District has no zero coupon bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District does not have any arbitrage liability as of June 30, 2016.

The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service - Bond Redemption Fund. The long-term compensated absences payable are serviced from property taxes and other revenues of the General Fund from future appropriations.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O) Compensated Absences**

Sick Leave

District policy allows unlimited accumulation of sick leave for all employee groups, as allowed according to their employment policies. Payment for unused sick leave is made upon the employee's retirement after ten to twelve years (depending on the employee group) of continuous employment with the District. Such payment is normally compensated for all accumulated sick leave at one-half of the current per diem rate for such employee. Additional options are granted to teachers and administrator groups that provide for a reduced rate for certain days or a different rate for days in excess of 30 days.

Early Retirement

Teachers have the option of receiving an early retirement payment based on years of service with the District. After having been employed by the District for no less than 19 years, remuneration will be based on a set payment schedule amount less amounts received based on a longevity schedule, subject to a maximum annual payout amount by the District. The liability at June 30, 2016, was \$10,247,044 with a current portion due within one year of \$783,009. These amounts are included in the compensated absences liability amount disclosed in Note 9.

Experience and Longevity

Administrators with no less than 20 years with the District have the option of participating in the experience and longevity plan for a period of up to four years. An administrator will be compensated up to a specific dollar amount per year.

The longevity plan provides for a set current year payment to teachers with no less than 19 years of service with the District. This annual amount per teacher ranges from \$1,000 to \$3,000 based on such years of service.

Vacation Leave

Bus drivers are granted vacation leave. Accrued vacation time must be used or it will be compensated for within the next fiscal year, including an additional liability for salary-related payments associated with such compensation.

**P) Deferred Inflows of Resources**

The District's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The District has two items which are classified as deferred inflows of resources related to GASB No. 68 and No. 71:

1. Change in experience; and
2. Change in assumptions.

See Note 13 for additional information.

**Q) Fund Equity**

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulation of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Education.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board of Education’s adopted policy, only the Board of Education, Superintendent, and Chief Financial Officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

The details of the fund balances are included in the Governmental Funds Balance Sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

## R) Pensions

The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been

determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## S) Current Year GASB Pronouncements

For the year ended June 30, 2016, the District adopted the provisions of GASB Statement No. 72 titled *Fair Value Measurements and Application*, which is effective for financial statement periods beginning June 30, 2015. Statement No. 72 requires disclosures to be made about fair value measurements, the level of hierarchy, and valuation techniques. The District carried investments affected by the implementation described in Note 5.

## 2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds sheet includes reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

### 3) BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

1. On or before June 1, the Superintendent will submit to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the Board of Education to obtain the comments of the District residents.
3. Prior to June 30, the budget will be adopted by the Board of Education.

Budgetary amounts, in total, reported in the accompanying financial statements for the other funds are as originally adopted. The Superintendent and/or the Board of Education throughout the fiscal year may amend budgetary amounts within each fund. Individual amendments in the General and other Funds were not material in relation to the original appropriations.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level for all funds.



The encumbrance system of accounting is used wherein encumbrances outstanding at year-end are not reported as expenditures in the financial statements for generally accepted accounting principles purposes, but are reported as an assignment of fund balance for subsequent years' expenditures based on the encumbered appropriation authority carried over. District policy requires recording of an encumbrance as a charge against appropriation in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by generally accepted accounting principles.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service Fund, and the Capital Projects Fund.

### 4) BUDGETARY BASIS OF ACCOUNTING - LEGAL COMPLIANCE

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. All appropriations lapse at the end of each fiscal year to the extent that they have not been expended or encumbered. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the District's Superintendent. Revised and/or supplemental appropriations that alter the total budget of any fund must be approved by the Board of Education.

**5) CASH AND INVESTMENTS**

DEPOSITS

The District's cash and deposit policies are approved by the Board of Education and governed by Colorado Statute. The Colorado Public Deposit Protection Act and the Savings and Loan Public Deposit Protection Act of Colorado (PDPA) require that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the deposits.

A reconciliation of the District's deposits as shown on the Statement of Net Position follows:

Cash	\$ 7,750,577
Equity in pooled cash	<u>108,182,099</u>
Total	<u>\$ 115,932,676</u>

**Component Unit:**

As of June 30, 2016, the charter school had bank deposits of \$2,393,164 and a carrying balance of \$2,175,965 and cash on hand of \$300. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the charter school are eligible public depositories.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District policy is to only place deposits in an eligible public depository as defined by State regulators with collateral defined by the PDPA.

As of June 30, 2016, the District had bank deposits of \$117,867,220 and a carrying balance of \$115,932,676, the difference is checks issued but not yet cashed. The District had cash of \$3,121,236 held by the county treasurer.



**5) CASH AND INVESTMENTS (Continued)**

INVESTMENTS

The District's investment policy, which complies with Colorado statutes, permits investment in obligations of the United States and certain agency securities, general obligation and revenue bonds of any state or political subdivision of a state, banker's

acceptances, commercial paper, certain local government investment pools, repurchase agreements collateralized by authorized securities, certain money market funds, and time deposit accounts and certificates with federally insured banks.

Investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Investments held by the District	\$ 17,561,030
Investments held by an escrow agent	<u>51,362,627</u>
Total	<u>\$ 68,923,657</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating

organization. Presented below is the minimum rating required by the District's investment policy, and the actual rating at year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>% of Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year end Not Rated</u>
Federal Home Loan Bank	\$ 6,391,135	9%	N/A	\$ 6,391,135
Freddie Mac	2,118,871	3%	N/A	2,118,871
Money Market Funds	51,362,627	75%	N/A	51,362,627
Federal National Mortg Assoc	<u>9,051,024</u>	<u>13%</u>	N/A	<u>9,051,024</u>
Total	<u>\$ 68,923,657</u>	<u>100%</u>		<u>\$ 68,923,657</u>

Federal Home Loan Bank, Farmer Mac, Federal Farm Credit Bank, and Federal National Mortgage Association typically are government backed issues with an AA+ rating. Due to the short term nature of the specific investments held by the District at June 30, 2016, the issuer chose not to have these securities rated. If the issuer had

chosen to have the specific investments rated, the District believes these securities would warrant a rating of AA+.

The money market funds are not rated. They are invested in U.S. Government and government backed securities. Money market funds are measured at amortized cost.

**Concentration of Credit Risk**

In accordance with District policy, investments in any one issuer (other than U.S. Government securities and government agency securities) should represent 2% or less of total investments at the time of purchase. At the time of purchase no investment other than U.S. Government securities and government agency securities was greater than 2%.

The District's types of investments (other than U.S. government securities and government agency securities) should represent 20% or less of total investments. The money market fund only invests in U.S. Treasury obligations.

**Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally invests in short term investments which limits this type of risk and no investment may exceed two years without the written authorization from the District's Chief Financial Officer. Information about the sensitivity of the fair values of the District's investments (including investments held by escrow agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Remaining Maturity (in Months)	
	12 Months Or Less	
Federal Home Loan Bank	\$ 6,391,135	\$ 6,391,135
Freddie Mac	2,118,871	2,118,871
Money Market Funds	51,362,627	51,362,627
Federal National Mortg Assoc	9,051,024	9,051,024
Total	<u>\$ 68,923,657</u>	<u>\$ 68,923,657</u>

**Fair Value of Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) in active markets for an identical asset or

liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Unobservable inputs for an asset or liability.

**5) CASH AND INVESTMENTS (Continued)**

The following table presents the fair value of measurements of assets recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016:

<u>Investments by fair value levels</u>	<u>Balance June 30, 2016</u>	<u>Fair Value Measurement Using Level 2</u>
Federal Home Loan Bank	\$ 6,391,135	\$ 6,391,135
Freddie Mac	2,118,871	2,118,871
Federal National Mortg Assoc	<u>9,051,024</u>	<u>9,051,024</u>
Total	<u>\$ 17,561,030</u>	<u>\$ 17,561,030</u>

**Component Unit:**

At June 30, 2016, the charter school had invested \$421,490 in Colorado Government Liquid Asset Trust Plus (COLOTRUST Plus). Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in

connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. Colotrust is rated AAAM by Standard and Poor's. The charter school's investment in Colotrust as of June 30, 2016 is measured using net asset value and is therefore not categorized in a level.



## 6) CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Governmental activities</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 19,850,598	\$ -	\$ -	\$ 19,850,598
Projects in progress	<u>26,096,182</u>	<u>8,045,210</u>	<u>16,757,186</u>	<u>17,384,206</u>
Total non-depreciable assets	<u>45,946,780</u>	<u>8,045,210</u>	<u>16,757,186</u>	<u>37,234,804</u>
Depreciable assets:				
Land improvements	24,499,250	631,653	-	25,130,903
Buildings	934,093,667	25,133,454	-	959,227,121
Equipment & vehicles	<u>68,091,036</u>	<u>8,480,186</u>	<u>1,639,927</u>	<u>74,931,295</u>
Total depreciable assets	<u>1,026,683,953</u>	<u>34,245,293</u>	<u>1,639,927</u>	<u>1,059,289,319</u>
Less accumulated depreciation for:				
Land improvements	20,244,004	766,652	-	21,010,656
Buildings	318,850,080	25,585,027	-	344,435,107
Equipment & vehicles	<u>57,099,530</u>	<u>6,152,841</u>	<u>1,639,927</u>	<u>61,612,444</u>
Total accumulated depreciation	<u>396,193,614</u>	<u>32,504,520</u>	<u>1,639,927</u>	<u>427,058,207</u>
Total capital assets being depreciated, net	<u>630,490,339</u>	<u>1,740,773</u>	<u>-</u>	<u>632,231,112</u>
Net capital assets	<u>\$ 676,437,119</u>	<u>\$ 9,785,983</u>	<u>\$ 16,757,186</u>	<u>\$ 669,465,916</u>

**6) CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 30,124,915
Indirect instruction	254,054
General administration	4,525
School administration	14,672
Business services	97,052
Operations and maintenance	759,766
Pupil transportation	646,032
Central services	305,071
Food service operations	282,504
Other support services	15,929
Total depreciation expense - governmental activities	<u>\$ 32,504,520</u>

Component unit activities

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Governmental activities:				
Land	\$ 1,028,597	\$ -	\$ -	\$ 1,028,597
Buildings	6,597,353	-	-	6,597,353
Building improvements	599,221	-	-	599,221
Furniture and equipment	237,758	80,656	-	318,414
Accumulated depreciation	<u>(1,569,488)</u>	<u>(168,465)</u>	<u>-</u>	<u>(1,737,953)</u>
Total Capital Assets, net	<u>\$ 6,893,441</u>	<u>\$ (87,809)</u>	<u>\$ -</u>	<u>\$ 6,805,632</u>

Construction commitments: The District has active construction projects as of June 30, 2016. The projects include renovation, new construction, and site improvements.

A list of significant commitments as of June 30, 2016, is as follows:

	Commitment <u>Total</u>	Completed <u>to Date</u>	Remaining <u>Commitment</u>
Holly Ridge Elementary Renovation	\$ 613,843	\$ 340,970	\$ 272,873
Arrowhead Elementary Renovation	865,496	398,596	466,900
Dry Creek Elementary Renovation	993,230	734,228	259,002
Middle School Renovations	87,870	22,427	65,443
Elementary School Renovations	1,551,552	775,950	775,602
Facility Upgrades	817,745	478,556	339,189
			<u>\$ 2,179,009</u>

**7) INTERFUND TRANSACTIONS**

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or 2) use unrestricted

revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers during the 2015 - 2016 fiscal year were as follows:

	Transfers In		
	General Fund	Nonmajor Funds	
<u>Transfers Out</u>		Food Services Fund	Capital Reserve Fund
General Fund	\$ -	\$ 1,106,640	\$ 16,663,596
Nonmajor Funds:			
Extended Child Services Fund	<u>1,408,467</u>	-	-
<b>Total</b>	<u>\$ 1,408,467</u>	<u>\$ 1,106,640</u>	<u>\$ 16,663,596</u>

Due To/Due From – Amounts owed to one fund or business-type activity by another which are due within one year are reported as due to other funds or business-type activities.

These balances arise during the normal course of business and the District’s use of pooled cash.

Due to/due from funds at year-end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Nonmajor Fund: Pupil Activities Fund	\$ 194,852
<b>Total</b>		<u>\$ 194,852</u>

**8) ACCRUED SALARIES AND BENEFITS**

The major component of accrued salaries and benefits relates to salaries and benefits of certain contractually employed personnel paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten

months. The salaries and benefits earned but unpaid at June 30, 2016, are estimated to be \$27,609,220 for the General Fund. Additional accrued salaries and benefits earned by non-contracted employees, including other hourly employees, are \$2,173,822 at June 30, 2016.

**9) COMPENSATED ABSENCES PAYABLE**

As of June 30, 2016, compensated absences payable are as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Governmental activities	\$ 5,502,956	\$ 31,233,181	\$ 36,736,137
Total	<u>\$ 5,502,956</u>	<u>\$ 31,233,181</u>	<u>\$ 36,736,137</u>

The current portion for Governmental Funds of accrued compensated absences have been recorded in the respective funds and as current liabilities in the governmental financial statements in the amount of \$2,952,956. District policy imposes an annual spending cap of \$2,550,000 for teachers and mental health employees related to compensated absences payable. This amount is also included as a current liability in the government-wide financial statements while the remaining balance is reflected as a long

term liability in the government-wide financial statements. The current portion of compensated absences payable are expected to be liquidated by the respective Governmental Funds within the next year. The majority of the Governmental Fund payments are made by the General Fund. Only compensated absences that have matured, i.e.: unused reimbursable leave still outstanding following an employee's resignation or retirement, are reported in governmental funds.

A summary of changes in compensated absences payable is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental funds	<u>\$ 34,459,764</u>	<u>\$ 7,828,914</u>	<u>\$ 5,552,541</u>	<u>\$ 36,736,137</u>

The deletions shown above reflect the combination of an annual cap on the accrued compensated absences liability, the experience and longevity plan, and an increase in new retirees.



## 10) LONG-TERM DEBT

### General Obligation Bonds Payable

General obligation bonds payable at June 30, 2016, are as follows:

<u>Description, Interest Rates, and Maturity Dates</u>	<u>Principal Balance</u>
School building bonds in the original amount of \$100,000,000 (Series 2004) due in varying installments through December 15, 2023, interest at 2.0% - 5.0%	\$ 13,525,000
School building bonds in the original amount of \$101,775,000 (Series 2009) due in varying installments through December 15, 2028, interest at 3.0% - 5.0%	88,850,000
School building bonds in the original amount of \$15,045,000 (Series 2010A) due in varying installments through December 15, 2019, interest at 2.0% - 5.0%	12,345,000
School building bonds in the original amount of \$86,730,000 (Series 2010B) due in varying installments through December 15, 2029, interest at 4.6% - 5.6%	86,730,000
Refunding bonds in the original amount of \$48,855,000 (Series 2012) due in varying installments through December 15, 2023, interest at 2.0% - 3.5%	31,995,000
School building bonds in the original amount of \$125,000,000 (Series 2012B) due in varying installments through December 15, 2032, interest at 2.0% - 3.0%	122,925,000
Refunding building bonds in the original amount of \$31,215,000 (Series 2013) due in varying installments through December 15, 2022, interest at 2.0% - 5.0%	20,450,000
Refunding building bonds in the original amount of \$37,585,000 (Series 2014) due in varying installments through December 15, 2024, interest at 3.0% - 5.0%	34,595,000
Refunding building bonds in the original amount of \$46,855,000 (Series 2015) due in varying installments through December 15, 2019, interest at 5.0%	<u>46,855,000</u>
Total general obligation bonds payable	<u>\$ 458,270,000</u>

Long-term debt maturities for all general obligation bonds outstanding at June 30, 2016, including interest, are as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 35,085,000	\$ 18,402,788	\$ 53,487,788
2018	28,065,000	17,170,663	45,235,663
2019	28,970,000	16,012,888	44,982,888
2020	30,220,000	14,643,588	44,863,588
2021	31,060,000	13,237,086	44,297,086
2022-2026	154,370,000	47,491,516	201,861,516
2027-2031	120,760,000	16,313,205	137,073,205
2032-2033	<u>29,740,000</u>	<u>898,800</u>	<u>30,638,800</u>
Total	<u>\$ 458,270,000</u>	<u>\$ 144,170,534</u>	<u>\$ 602,440,534</u>

**10) LONG-TERM DEBT (Continued)**

**Capital Lease Obligations**

Capital lease obligations at June 30, 2016, are as follows:

<u>Description, Interest Rates, and Maturity Dates</u>	<u>Balance</u>
Technology lease in the original amount of \$9,923,440 (2013) due in varying installments through August 16, 2017, interest at 1.046%	\$ 3,769,902
Technology lease in the original amount of \$1,694,812 (2014) due in varying installments through September 30, 2018, interest at 1.410%	1,070,393
Bus lease in the original amount of \$4,178,500 (2015) due in varying installments through March 24, 2025, interest at 2.090%	3,798,649
Bus lease in the original amount of \$3,368,178 (2016) due in varying installments through January 25, 2026, interest at 1.990%	<u>3,368,178</u>
Total capital lease obligations payable	<u>\$ 12,007,122</u>

The total amount of assets acquired with the technology and bus leases noted above amount to \$19,164,930 and is included in the category of equipment and vehicles.

The following is a schedule of the future minimum lease payments under capital leases and the present value of the net minimum lease payments:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,625,794	\$ 189,380	\$ 3,815,174
2018	2,402,576	142,796	2,545,372
2019	941,427	115,517	1,056,944
2020	739,225	99,092	838,317
2021	754,425	83,891	838,316
2022-2025	<u>3,543,675</u>	<u>182,699</u>	<u>3,726,374</u>
Total	<u>\$ 12,007,122</u>	<u>\$ 813,375</u>	<u>\$ 12,820,497</u>

**Other**

Payment of principal and interest for general obligation bonds is made from the Bond Redemption Debt Service Fund. The legal debt limit and debt margin as of June 30, 2016, are \$1,048,410,003 and \$642,691,916, respectively. As of June 30, 2016, the management of the District is of the opinion that it is in compliance with all significant limitations and restrictions in the bond indentures.

**Bond Refunding**

On November 18, 2015 the District refunded \$51.4 million of the 2005B Series general obligation bonds with the proceeds from the issuance of 2015 Series refunding general obligation bonds. Total debt service on the 2015 refunding bonds will be \$52,582,706 through December 15, 2019. This refunding decreases total debt service and will result in a savings to taxpayers of \$4.6 million over the life of the new debt and an economic gain on a net present value basis of \$3.6 million.

**Build America Bonds**

The 2010B Bonds were issued as Direct Pay Build America Bonds. Build America Bonds were created as part of the American Recovery and Reinvestment Act of 2009. Build America Bonds are taxable bonds to the bond holder. The District receives a direct federal subsidy in an amount equal to approximately 33 percent of the interest payment on the Build America Bonds. The District received \$1,465,562 from the United States Treasury for the fiscal year ended June 30, 2016, related to the interest payable on these bonds. This subsidy is recorded in the General Fund.

**Changes in Long-term Debt**

During the fiscal year ended June 30, 2016, the following changes occurred in long-term debt:

	Balance <u>July 1, 2015</u>	Additions	Deletions	Outstanding <u>June 30, 2016</u>
Governmental Activities:				
General obligation bonds payable	\$ 495,520,000	\$ 46,855,000	\$ 84,105,000	\$ 458,270,000
Unamortized premiums	<u>24,313,620</u>	<u>4,809,202</u>	<u>2,201,903</u>	<u>26,920,919</u>
Total bonds payable	519,833,620	51,664,202	86,306,903	485,190,919
Capital lease	11,917,226	3,368,178	3,278,282	12,007,122
Compensated absences	<u>34,459,764</u>	<u>7,828,914</u>	<u>5,552,541</u>	<u>36,736,137</u>
Total	<u>\$ 566,210,610</u>	<u>\$ 62,861,294</u>	<u>\$ 95,137,726</u>	<u>\$ 533,934,178</u>

Due within one year:	
Governmental activities:	
General obligation bonds payable	\$ 35,085,000
Capital lease	3,625,794
Compensated absences	<u>5,502,956</u>
Total	<u>\$ 44,213,750</u>

General obligation bonds payable and capital lease obligations are discussed above. Compensated absences are discussed in more detail in Note 9.

**10) LONG-TERM DEBT (Continued)**

**Component Unit Debt**

Building lease

In March 2012, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$3,460,000 Charter School Revenue Refunding Bonds, Series 2012 to refund the Charter School Revenue Bonds, Series 2001, fund the debt service reserve and pay certain issuance costs. CECFA amended the loan to the Facility Corporation to include the refunded bonds. In addition, the Facility Corporation amended the lease with the charter school to reflect the

refunded amount. The charter school is obligated to make monthly lease payments to the Facility Corporation for use of the building. The Facility Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues at rates of 2.0% to 4.75%. The lease matures in April 2030.

Future debt service requirements on the building lease are as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 140,000	\$ 132,088	\$ 272,088
2018	150,000	126,487	276,487
2019	155,000	120,487	275,487
2020	160,000	114,287	274,287
2021	165,000	104,588	269,588
2022-2026	950,000	403,332	1,353,332
2027-2030	1,210,000	137,749	1,347,749
Totals	<u>\$ 2,930,000</u>	<u>\$ 1,139,018</u>	<u>\$ 4,069,018</u>

During the year ended June 30, 2016, the following changes occurred in the charter school's long-term debt:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Building Lease, Series 2012	\$ 3,065,000	\$ -	\$ 135,000	\$ 2,930,000
Lease Discount	(17,833)	-	(1,209)	(16,624)
Total	<u>\$ 3,047,167</u>	<u>\$ -</u>	<u>\$ 133,791</u>	<u>\$ 2,913,376</u>
Due within one year: Building Lease				<u>\$ 140,000</u>

**11) SHORT-TERM DEBT**

During the year ended June 30, 2016, the District borrowed \$65,626,212 from the State Treasurer's interest-free loan program. The borrowing was necessary to finance seasonal

cash flow requirements of the District during the fiscal year ended June 30, 2016. The amount borrowed was paid in full by the maturity date June 25, 2016.

## 12) OPERATING LEASE

The District has entered into an operating lease for GPS equipment installed in District transportation vehicles. Payments made during fiscal year 2016 totaled \$122,400.

Future payments on the operating lease are as follows:

<u>Fiscal year ended June 30,</u>	<u>Annual lease payments</u>
2017	\$ 122,400
2018	122,400
2019	122,400
2020	81,600
Totals	<u>\$ 448,800</u>

## 13) DEFINED BENEFIT PENSION PLAN

### Plan Description

The District contributes to the School Division Trust Fund (SDTF), a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

### Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option

selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

**13) DEFINED BENEFIT PENSION PLAN**  
(Continued)

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser

of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**Contributions**

Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are

required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	For the year ended	
	December 31, 2016	December 31, 2015
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S § 24-51-208 (1)(f)	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S § 24-51-411	4.50%	4.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S § 24-51-411	<u>4.50%</u>	<u>4.00%</u>
Total employer contribution rate to the SCHDTF	18.13%	17.33%

Note: Rates are expressed as a percentage of salary as defined in C.R.S § 24-51-101 (42)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the

SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$65,062,685 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$1,267,410,340 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net

pension liability was based on District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, The District's proportion was 8.2868182081 percent, which was an increase of 0.4308664060 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$142,671,434. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,736,298	\$ 50,053
Changes of assumptions or other inputs	135,152	17,910,756
Net difference between projected and actual earnings on pension plan investments	106,758,214	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	43,925,380	-
Contributions subsequent to the measurement date	<u>32,724,087</u>	<u>-</u>
Total	<u>\$ 200,279,131</u>	<u>\$ 17,960,809</u>

\$32,724,087 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement

date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ended June 30,</u>	<u>Total</u>
2017	\$ 44,778,758
2018	44,497,662
2019	34,162,039
2020	<u>26,155,776</u>
Totals	<u>\$ 149,594,235</u>

### 13) DEFINED BENEFIT PENSION PLAN (Continued)

#### Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.

- Reflection of one year or service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing
- Refinements to directly value certain and live, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

**13) DEFINED BENEFIT PENSION PLAN (Continued)**

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset

class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return, by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - large cap	26.76%	5.00%
U.S. Equity - small cap	4.40%	5.19%
Non U.S. Equity - developed	22.06%	5.29%
Non U.S. Equity - emerging	6.24%	6.76%
Core fixed income	24.05%	0.98%
High yield	1.53%	2.64%
Long duration gov't/credit	0.53%	1.57%
Emerging market bonds	0.43%	3.04%
Real estate	7.00%	5.09%
Private equity	<u>7.00%</u>	7.15%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increased annual at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for

the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on

the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial costs method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated

using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 1,642,934,219	\$ 1,267,410,340	\$ 955,044,528

**Pension Plan Fiduciary Net Position**

Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which

can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Component Unit:**

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the charter school is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the charter school were \$405,675 for the year ended June 30, 2016.

At June 30, 2016, the charter school reported a liability of \$7,646,861 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial

valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The charter school's proportion of the net pension liability was based on charter school's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the charter school's proportion was 0.5000%, which was an increase of 0.00222% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the charter school recognized pension expense of \$1,113,094. At June 30, 2015, the charter school reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 100,978	\$ 304
Changes of assumptions or other inputs	-	108,064
Net difference between projected and actual earnings on pension plan investments	644,997	-
Changes in proportionate and differences between contributions recognized and proportionate share of contributions	670,001	-
Contributions subsequent to the measurement date	<u>215,810</u>	<u>-</u>
Total	<u>\$ 1,631,786</u>	<u>\$ 108,368</u>

\$215,810 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ended June 30,</u>	<u>Total</u>
2017	\$ 516,004
2018	436,417
2019	221,856
2020	<u>133,331</u>
Totals	<u>\$ 1,307,608</u>

**13) DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity of the charter school’s proportionate share of the net pension liability to changes in the discount rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 9,912,566	\$ 7,646,861	\$ 5,762,216

**14) POST-EMPLOYMENT HEALTH CARE BENEFITS**

**Plan Description**

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by PERA. The HCTF provides a health care premium subsidy to participating PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

**Funding Policy**

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members set by statute. This contribution is a portion of the funding described in Note 12, not in addition to that funding. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended.

The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended.

The District’s net contributions to the HCTF for the years ending June 30, 2016, 2015, and 2014, was \$3,745,688, \$3,446,253, and \$3,276,818, respectively, equal to its required contributions for each year.

**15) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The agreement for formation of the Joint Pool and the Colorado Pool provides that the Pools will be self-sustaining through member premiums and will reinsure through commercial reinsurance companies for catastrophic losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



**Joint School Districts Workers Compensation Self-Insurance Pool**

In 1986, the District joined with other school districts in the State to form the Joint School Districts Workers' Compensation Self-Insurance Pool (Joint Pool), a public entity risk pool currently operating as a common risk management and insurance program with four participating members. The District pays an annual contribution to the Joint Pool for its workers' compensation insurance coverage.

Each member of the Joint Pool is responsible for the first \$100,000 of each loss. Losses between \$100,000 and \$400,000 are pooled between the member districts, and losses in excess of \$400,000 are reinsured to statutory limits.

**Colorado School Districts Self-Insurance Pool**

In 1981, the District joined with other school districts in the State to form the Colorado School Districts Self-Insurance Pool (Colorado Pool), which was established by

the Colorado Association of School Boards (CASB). The Colorado Pool is a public entity risk pool currently operating as a common risk management and insurance program with 178 member school districts, Boards of Cooperative Educational Services, and charter schools. The District pays an annual premium to the Colorado Pool for its property, casualty, and liability insurance coverage. The Colorado Pool retains liability losses up to \$500,000 per occurrence and purchases reinsurance coverage of \$10,000,000 per occurrence in excess of the Pool retention. The Colorado Pool property insurance policy provides limits up to \$1,000,000,000 per occurrence subject to the Pool retention of \$1,000,000 per occurrence. Flood and earthquake coverage provided by the Colorado Pool has limits of \$100,000,000 per occurrence/aggregate for the entire pool. Each Pool member can select individual deductible levels. The District has determined it will retain the first \$50,000 per occurrence for school entity liability losses, \$10,000 for automobile liability, and \$100,000 per occurrence for property losses.

At June 30, 2016, the amount of workers compensation liability was \$0. Changes in the reported liability for the years ended June 30, 2016, and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Beginning of fiscal year liability	\$ -	\$ 550,494
Current-year claims and changes in estimate	3,400,548	2,883,782
Claim payments	<u>(3,400,548)</u>	<u>(3,434,276)</u>
Balance at fiscal year-end liability	<u>\$ -</u>	<u>\$ -</u>

**Other**

The District continues to carry commercial insurance coverage for employee medical, disability, and term life insurance. The District also provides a cafeteria plan which includes those benefits along with dental and vision

insurance which is self-funded. Accordingly, no liability is reported for those claims. The amount of insurance coverage was consistent with the previous year. In addition, settlements have not exceeded insurance coverage for each of the past three fiscal years.

## 16) COMMITMENTS

### CONSTRUCTION COMMITMENTS

The District had commitments of \$2,179,009 for capital projects at June 30, 2016, of which \$2,179,009 have been encumbered through the purchase order process. Future expenditures related to these commitments are expected to be financed through available resources.

## 17) CONTINGENCIES

### FEDERAL GRANT PROGRAMS

The District participates in a number of federal grant programs, the most significant of which are the Elementary and Secondary Education Act, Title I, Title II-A, Title II-D, Title III, special education funding under IDEA, and National School Lunch and Breakfast Programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined, although the District expects such amount, if any, to be immaterial.



### LITIGATION

The District is a defendant in a number of threatened and actual legal claims. The ultimate liability that might result from final resolution of these matters is not presently determinable. However, the District believes that the final settlement of these matters will not have a materially adverse effect on the financial position of the District.

### EMERGENCY RESERVE

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the State and local governments such as the District to increase revenues, debt, and spending and restricting property, income, and other taxes. 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 obligations without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, and salary or fringe benefit increases. These reserves are required to be 3 percent or more after 1994. The District has restricted a portion of its fund balance for emergencies as required under TABOR.

EMERGENCY RESERVE (Continued)

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 that it violates the protections afforded by the federal constitution against impairment of contracts. There have been few court

interpretations, and there is still a divergence of opinions about the interpretation of some provisions of the amendment.

At this time the amendment's further impact on the District is unknown. However, based on the best information and opinions available, the District's management believes it is in compliance with the provisions of the amendment.

As of June 30, 2016, the District has restricted 3 percent of its fiscal year 2015-2016 spending as follows:

Governmental Activities:	
General Fund	\$ 15,092,000
Capital Projects Fund: Capital Reserve Fund	468,000
Special Revenue Funds:	
Extended Child Services Fund	537,000
Food Services Fund	310,000
Pupil Activities Fund	<u>367,000</u>
 Total	 <u>\$ 16,774,000</u>

**18) RELATED PARTY TRANSACTIONS**

The District provides administrative and other services to its charter school, shown as a component unit. The amount of charges for services, in accordance with governing State statutes, for the fiscal year ended June 30, 2016, was \$297,353.

**19) SUBSEQUENT EVENTS**

On May 9, 2016, the District entered into an agreement with Heritage Heights Academy, as allowed under Colorado Charter Schools Act, or the educational instruction of children in grades K-8. The charter school is expected to be in operation for the 2016-2017 school year.



CherryCreek  
Schools  
Dedicated to Excellence

Required  
Supplementary  
Information

Defined Benefit  
Pension Plan Schedules



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**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PERA PENSION PLAN  
Last Ten Years\*  
(In Thousands of Dollars)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportion of the Net Pension Liability (Asset)	7.829%	7.856%	8.287%
Proportionate share of the Net Pension Liability (Asset)	\$ 998,604	\$ 1,064,745	\$ 1,267,410
Covered employee payroll	\$ 315,627	\$ 328,886	\$ 347,291
Proportionate share of Net Pension Liability as a percentage of its covered employee payroll	316.387%	323.743%	364.942%
Plan Fiduciary Net Position as a percentage of Total Pension Liability	64.07%	62.84%	59.16%
Total Pension Liability	\$ 35,494,976	\$ 36,473,966	\$ 37,447,062
Plan Fiduciary Net Position	<u>22,740,003</u>	<u>22,920,607</u>	<u>22,152,768</u>
Net Pension Liability	<u>\$ 12,754,973</u>	<u>\$ 13,553,359</u>	<u>\$ 15,294,294</u>

\* The amounts presented for each fiscal year were determined as of 12/31  
\* Information for the prior seven years was not available to report

**CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO**

**SCHEDULE OF CONTRIBUTIONS  
PERA PENSION PLAN  
Last Ten Fiscal Years**

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Contractually required contribution	\$ 26,241,577	\$ 30,592,398	\$ 34,503,283	\$ 38,489,687
Contributions in relation to the contractually required contribution	<u>26,241,577</u>	<u>30,592,398</u>	<u>34,503,283</u>	<u>38,489,687</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 265,036,567	\$ 280,640,509	\$ 299,482,725	\$ 310,122,745
Contributions as a percentage of covered employee payroll	9.90%	10.90%	11.52%	12.41%

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 41,241,902	\$ 43,955,795	\$ 46,977,093	\$ 51,349,225	\$ 57,048,749	\$ 65,062,685
<u>41,241,902</u>	<u>43,955,795</u>	<u>46,977,093</u>	<u>51,349,225</u>	<u>57,048,749</u>	<u>65,062,685</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 310,340,201	\$ 309,832,213	\$ 311,487,289	\$ 321,256,642	\$ 337,867,964	\$ 367,224,349
13.29%	14.19%	15.08%	15.98%	16.88%	17.72%

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## APPENDIX B

### BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited,

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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 Bonds at any time by giving reasonable notice to the District or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.*

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Cherry Creek School District No. 5, Arapahoe County, Colorado (the “District”) in connection with the issuance of its General Obligation Refunding Bonds, Series 2017B in the aggregate principal amount of \$\_\_\_\_\_ and its General Obligation Bonds, Series 2017C in the aggregate principal amount of \$100,000,000 (the “Series 2017C Bonds”), each dated as of October 4, 2017 (collectively, the “Bonds”). The Bonds are being issued pursuant to the Resolution adopted by the Board of Education of the District on September 11, 2017 (the “Resolution”). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

a. The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the District’s fiscal year of each year, commencing nine (9) months following the end of the District’s fiscal year ending June 30, 2017, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure

Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report. The information to be updated may be reported in any format chosen by the District; it is not required that the format reflected in the Official Statement be used in future years.

b. If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall file or cause to be filed with the MSRB, in a timely manner, a notice in substantially the form attached as Exhibit "A."

c. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the District, send written notice to the District at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The District shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The District shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds:

a. Principal and interest payment delinquencies;

b. Non-payment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers or their failure to perform;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

g. Modifications to rights of bondholders, if material;

h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution or sale of property securing repayment of the Bonds, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;\*

m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed, and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images, and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the earliest of: (a) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (b) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (c) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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\* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist the District in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The District will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: October 4, 2017

CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO

By: \_\_\_\_\_  
David Hart, Chief Financial Officer

**EXHIBIT "A"**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Cherry Creek School District No. 5, Arapahoe County, Colorado

Name of Bond Issue: "Cherry Creek School District No. 5, Arapahoe County, Colorado, General Obligation Refunding Bonds, Series 2017B", in the aggregate principal amount of \$\_\_\_\_\_ and "Cherry Creek School District No. 5, Arapahoe County, Colorado, General Obligation Bonds, Series 2017C", in the aggregate principal amount of \$100,000,000.

Date of Issuance: October 4, 2017.

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 15D of the Resolution, adopted on September 11, 2017, and the Continuing Disclosure Certificate executed on October 4, 2017 by the District. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO

By: \_\_\_\_\_  
Its: Chief Financial Officer

**EXHIBIT “B”**

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

See page -iv- of this Official Statement

## APPENDIX D

### FORMS OF BOND COUNSEL OPINIONS

#### 2017B Bonds

[Closing date]

Cherry Creek School District No. 5  
4850 South Yosemite Street  
Greenwood Village, Colorado 80111

\$ \_\_\_\_\_  
**Cherry Creek School District No. 5**  
**Arapahoe County, Colorado**  
**General Obligation Refunding Bonds, Series 2017B**

Ladies and Gentlemen:

We have acted as bond counsel to Cherry Creek School District No. 5, Arapahoe County, Colorado (the “District”), in connection with the issuance of its General Obligation Refunding Bonds, Series 2017B, in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”), pursuant to an authorizing resolution of the Board of Education of the District adopted on September 11, 2017 (the “Bond Resolution”). In such capacity, we have examined the District’s certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the District’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding general obligations of the District.
2. All of the taxable property of the District is subject to the levy of an ad valorem tax to pay the Bonds without limitation of rate and in an amount sufficient to pay the Bonds when due.
3. Interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), and interest on the Bonds is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District’s certified proceedings and in certain other documents and certain other certifications furnished to us.
4. Under laws of the State of Colorado in effect as of the date hereof, interest on the Bonds is exempt from Colorado income tax.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay when due, at stated maturity or upon prior redemption, all principal of, any prior redemption premiums, and interest on the Refunded Bonds.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing herein upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

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

Respectfully submitted,

BUTLER SNOW LLP

2017C Bonds

October 4, 2017

Cherry Creek School District No. 5  
4850 South Yosemite Street  
Greenwood Village, Colorado 80111

**\$100,000,000**  
**Cherry Creek School District No. 5**  
**Arapahoe County, Colorado**  
**General Obligation Bonds, Series 2017C**

Ladies and Gentlemen:

We have acted as bond counsel to Cherry Creek School District No. 5, Arapahoe County, Colorado (the “District”), in connection with the issuance of its General Obligation Bonds, Series 2017C, in the aggregate principal amount of \$100,000,000 (the “Bonds”), pursuant to an authorizing resolution of the Board of Education of the District adopted on September 11, 2017 (the “Bond Resolution”). In such capacity, we have examined the District’s certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the District’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding general obligations of the District.
2. All of the taxable property of the District is subject to the levy of an ad valorem tax to pay the Bonds without limitation of rate and in an amount sufficient to pay the Bonds when due.
3. Interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), and interest on the Bonds is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District’s certified proceedings and in certain other documents and certain other certifications furnished to us.
4. Under laws of the State of Colorado in effect as of the date hereof, interest on the Bonds is exempt from Colorado income tax.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing herein upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

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

Respectfully submitted,

BUTLER SNOW LLP