

**NEW ISSUE  
BOOK-ENTRY ONLY**

**INSURED RATINGS: Moody's: "Aaa"**

**S&P: "AAA"**

**INTERCEPT RATINGS: Moody's: "Aa3"**

**S&P: "AA-"**

**UNDERLYING RATINGS: Moody's: "Aa3"**

**S&P: "AA-"**

**See: "RATINGS"**

**INSURANCE: MBIA Insurance Corporation**

*In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded 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 excluded 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 the laws of the State of Colorado in effect as of the date of delivery of the Bonds, interest on the Bonds is exempt from Colorado income tax. See "TAX MATTERS."*

**\$127,674,973.10**

**(Consisting of \$126,385,000 Current Interest Bonds and  
\$1,289,973.10 (Original Principal Amount) Capital Appreciation Bonds)  
COLORADO SPRINGS SCHOOL DISTRICT NO. 11  
EL PASO COUNTY, COLORADO  
GENERAL OBLIGATION BONDS  
SERIES 2006**

**Dated: Date of Issuance**

**Due: December 1, as shown below**

The Colorado Springs School District No. 11, El Paso County, Colorado (the "District") General Obligation Bonds, Series 2006 (the "Bonds") are fully registered general obligation bonds issued in denominations of \$5,000 or any integral multiple thereof in the case of the Current Interest Bonds (defined herein), and in the maturity value (principal and interest payable at maturity) of \$5,000 or any integral multiple thereof in the case of the Capital Appreciation Bonds (defined herein). The Bonds initially will be registered in the name of Cede & Co. ("Cede") as nominee for The Depository Trust Company ("DTC"), as security depository for the Bonds. Purchases by beneficial owners are to be made in book-entry form. Beneficial owners will not receive certificates evidencing their interest in the Bonds. Interest on the Current Interest Bonds is payable on each June 1 and December 1, commencing June 1, 2006 to the maturity dates shown below, unless the Bonds are redeemed earlier. Interest on the Capital Appreciation Bonds accrues from their date, compounds semiannually on June 1 and December 1, commencing June 1, 2006, until maturity, and is payable at the maturity dates shown below. The principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the principal office of American National Bank, Denver, Colorado, or its successor, as the paying agent for the Bonds. See "THE BONDS."

**MATURITY SCHEDULE\***

**\$126,385,000 CURRENT INTEREST BONDS**

<b>Maturity (Dec. 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number</b>	<b>Maturity (Dec. 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number</b>
2006	\$3,840,000	3.25%	3.16%	283425FW1	2018	\$5,060,000	5.00%	4.05%	283425GJ9
2007	3,155,000	3.75	3.22	283425FX9	2019	5,315,000	5.00	4.08	283425GK6
2008	3,400,000	3.75	3.25	283425FY7	2020	1,555,000	5.00	4.11	283425GL4
2009	3,525,000	4.00	3.30	283425FZ4	2021	5,655,000	5.00	4.14	283425GM2
2010	3,665,000	4.00	3.37	283425GA8	2022	5,940,000	5.00	4.18	283425GN0
2011	3,815,000	4.00	3.46	283425GB6	2023	6,235,000	5.00	4.21	283425GP5
2013	3,965,000	5.00	3.66	283425GD2	2024	6,550,000	5.00	4.25	283425GQ3
2014	4,165,000	5.00	3.77	283425GE0	2025	6,875,000	5.00	4.27	283425GR1
2015	4,370,000	5.00	3.86	283425GF7	2026	7,220,000	5.00	4.29	283425GS9
2016	4,590,000	5.00	3.93	283425GG5	2027	7,580,000	5.00	4.32	283425GT7
2017	4,820,000	5.00	4.00	283425GH3	2028	7,960,000	5.00	4.34	283425GU4

\$17,130,000 5.00% Term Bonds Due December 1, 2030 – Yield: 4.38% CUSIP Number 283425 GW0

**\$1,289,973.10 CAPITAL APPRECIATION BONDS**

<u>Maturity (December 1)</u>	<u>Aggregate Original Principal Amount</u>	<u>Initial Value(1)</u>	<u>Appreciated Principal Amount</u>	<u>Original Yield(2)</u>	<u>CUSIP Number</u>
2012	\$1,289,973.10	\$3,039,212.15	\$3,965,000	3.910%	283425 GC4

- (1) Initial Value includes the original reoffering premium paid on the Principal Amount.  
(2) Calculated based on the Initial Value.

Certain of the Bonds are subject to redemption prior to maturity at the option of the District and are also subject to mandatory sinking fund redemption as described in "THE BONDS --Prior Redemption."

Proceeds of the Bonds will be used to (i) finance improvements to District facilities as further described herein (the "Project"); (ii) purchase a municipal bond insurance policy; and (iii) pay the costs of issuing the 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 the State of Colorado or any political subdivision thereof other than the District.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. See "SECURITY FOR THE BONDS--Bond Insurance."

[Insert MBIA Logo]

**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 Underwriter subject to the approval of legality of the Bonds by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. 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 Holme Roberts and Owen, LLP, Denver, Colorado. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about January 19, 2006.

**[INSERT DAIN LOGO]**

This Official Statement is dated January 11, 2006.

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the 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 or the Underwriter. 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, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the District. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. 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. In making an investment decision investors must rely on their own examination of the District, the Bonds and the terms of the offering, including the merits and risks involved. 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 UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITER 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.

## **COLORADO SPRINGS SCHOOL DISTRICT NO. 11**

### **Board of Education**

John Gudvangen, President  
Tami Hasling, Vice President  
Willie Breazell, Secretary  
Eric Christen, Director  
Sandy Shakes, Director  
Craig Cox, Director  
Sandra Mann, Director

### **District Administration**

Dr. Sharon A. Thomas, Superintendent  
Glenn E. Gustafson, Chief Financial Officer  
Janet Tanner, Treasurer to the Board of Education

### **District's General Counsel**

Holme Roberts & Owen, LLP  
Denver, Colorado

### **Bond and Special Counsel**

Sherman & Howard L.L.C.  
Denver, Colorado

### **Underwriter**

RBC Capital Markets  
Denver, Colorado

### **Registrar and Paying Agent**

American National Bank  
Denver, Colorado

## DISTRICT MAP

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## OFFICIAL STATEMENT

**\$127,674,973.10**  
**COLORADO SPRINGS SCHOOL DISTRICT NO. 11**  
**EL PASO COUNTY, COLORADO**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2006**

**\$126,385,000**  
**Current Interest Bonds**

**\$1,289,973.10**  
**Capital Appreciation Bonds**

### INTRODUCTION

#### General

This Official Statement, including the cover page and Appendices, is furnished by Colorado Springs School District No. 11, El Paso County, Colorado (the "District") to provide information with respect to the issuance and sale of the District's \$127,674,973.10 General Obligation Bonds, Series 2006, consisting of \$126,385,000 aggregate principal amount current interest bonds (the "Current Interest Bonds") and \$1,289,973.10 initial principal amount capital appreciation Bonds (the "Capital Appreciation Bonds" or, collectively, the "Bonds"). The Board of Education (the "Board") of the District will authorize the issuance of the Bonds prior to their delivery by adoption of an approving resolution (the "Bond Resolution").

*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 and 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, which is the oldest and largest school district in the Pikes Peak region, encompasses approximately 70.5 square miles, including a substantial portion of the City of Colorado Springs (the "City") and portions of unincorporated El Paso County (the "County"). The City is the second largest city in the State and is located approximately 65 miles south of Denver. The District's certified 2005 assessed valuation (for collection of taxes in 2006) is \$2,270,584,690 (which amount includes \$1,078,940 attributable to tax increment financing districts) and its statutory "actual" value is \$17,378,105,903. The District's estimated fall 2005 enrollment, excluding charter school students, is 27,177 students. See "THE DISTRICT."

## **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 of 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. See "SECURITY AND REMEDIES" and "LEGAL MATTERS--Certain Constitutional Limitations."

Additional Bonds. Upon issuance of the Bonds the District will have \$211,908,084.10 in general obligation bonds outstanding, consisting of (1) \$80,210,000 of its General Obligation Improvement Bonds, Series 1996 (the "Series 1996 Bonds"); (2) \$4,023,111 of its General Obligation Qualified Zone Academy Bonds, Series 2005 (the "Series 2005 QZABs"); and (3) the Bonds. The Series 1996 Bonds and the Series 2005 QZABs are collectively referred to as the "Prior Bonds." After the issuance of the Bonds, the District will have \$1,915.90 authorized but unissued general obligation debt. The Bonds are being issued pursuant to an election held within the District in November 2004 (the "Election"). The District may seek authorization from its voters for additional general obligation indebtedness at any time in the future, subject to the limitations of existing law. See "PROPERTY TAXATION, ASSESSED VALUATION AND DEBT--General Obligation Debt" and "LEGAL MATTERS--Certain Constitutional Limitations."

At the Election, the electors of the District approved the issuance of general obligation bonds in an amount not to exceed \$131,700,000 with a total repayment cost not to exceed \$269,931,600 and a maximum annual repayment cost not to exceed \$10,723,000. The District has previously issued \$4,023,111 of this authorization in 2005 with the issuance of its Series 2005 QZABs. After the issuance of the Bonds, the District will have \$1,915.90 in general obligation debt authorization remaining as a result of the Election. The District may not exceed these limitations for any reason. See "SECURITY AND REMEDIES" and "LEGAL MATTERS--Certain Constitutional Limitations."

Conditional Obligation of the State. 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. 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 in immediately available funds the amount necessary to make the payment of principal of 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 Bond Payment Act."

## **Bond Insurance**

General. The scheduled payment of the principal and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer" or "MBIA") simultaneously with the delivery of the Bonds. See "SECURITY FOR THE BONDS--Bond Insurance" and Appendix E--Specimen of Financial Guaranty Insurance Policy.

Disclaimer. The information in “SECURITY AND REMEDIES--Bond Insurance” has been furnished by MBIA for use in this Official Statement. Such information has not been independently confirmed or verified by the District. No representation is made as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct, and the District assumes no responsibility therefor. Reference is made to Appendix E, which is an integral part of this Official Statement, for a specimen of the Policy. No assurance can be given by the District that MBIA will be able to meet its obligations under the Policy.

## **Purpose**

The Bonds are being issued for the purpose of providing funds to (i) finance the acquisition, construction, or purchase of buildings and grounds; enlarging, improving, repairing and making additions to school buildings; and equipping school buildings, all as provided in the election question approved by the voters at the Election (the “Project”); (ii) purchase a municipal bond insurance policy, and (iii) pay the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.”

## **The Bonds; Prior Redemption**

The Bonds are issued solely as fully registered bonds in the denomination of \$5,000, or any integral multiple thereof in the case of the Current Interest Bonds, and in the maturity value (principal and interest payable at maturity) of \$5,000 or any integral multiple thereof in the case of the Capital Appreciation Bonds. The Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the cover page hereof. The payment of principal and interest on the Bonds is described in “THE BONDS--Payment of Principal and Interest; Record Date.”

Certain of the Bonds are subject to redemption prior to their maturities and also are subject to mandatory sinking fund redemption at the option of the District as described in “THE BONDS--Prior Redemption.”

## **Authority for Issuance**

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

## **Professionals**

Sherman & Howard L.L.C., Denver, Colorado, has acted as Bond Counsel in connection with the issuance of the Bonds. Sherman & Howard L.L.C. has also acted as special counsel to the District in connection with this Official Statement. The fees of Sherman & Howard L.L.C. will be paid only at closing from the proceeds of the Bonds. Certain legal matters will be passed on by Holme, Roberts & Owen, LLP, Denver, Colorado, as general counsel to the District. BONDI & Co., LLC, certified public accountants, Englewood, Colorado, have audited

the District's financial statements which are attached hereto as Appendix A. See "INDEPENDENT AUDITORS." American National Bank will act as the paying agent and registrar for the Bonds (the "Paying Agent" or "Registrar") and also acts as the custodian for the District's Bond Redemption Fund (the "Custodian"). RBC Capital Markets, Denver, Colorado will act as underwriter for the Bonds (the "Underwriter"). See "UNDERWRITING."

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

In the opinion of Sherman & Howard L.L.C. ("Bond Counsel"), assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded 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 excluded 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 the laws of the State of Colorado in effect as of the date of delivery of the Bonds, interest on the Bonds is exempt from Colorado taxable income tax law as described herein. 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. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the District will annually provide certain financial information and operating data to each nationally recognized municipal securities information repository ("NRMSIR") or other entity approved in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"), and will provide notice of certain material events to the Municipal Securities Rulemaking Board ("MSRB"), in compliance with the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix C. The District has not failed to materially comply with the terms of any undertaking previously entered into pursuant to the Rule.

### **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. Summary descriptions of the Bonds, the Bond Resolution and other documents described in this Official Statement are qualified 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 is available from the following sources:

The District:

Colorado Springs School District No. 11  
1115 North El Paso Street  
Colorado Springs, Colorado 80903  
(719) 520-2000

The Underwriter:

RBC Capital Markets  
1200 17th Street, Suite 2200  
Denver, CO 80202  
(303) 595-1204.

## SOURCES AND USES OF FUNDS

### Sources and Uses of Funds

The proceeds from the sale of the Bonds are expected to be applied as shown in the following table.

#### Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>
Par amount of the Bonds .....	\$127,674,973.10
Plus: Net original issue premium .....	<u>9,001,966.45</u>
Total.....	<u>\$136,676,939.55</u>
<u>Uses</u>	
The Project.....	\$135,534,174.49
Costs of Issuance (including Underwriter's discount and bond insurance premium) .....	<u>1,142,765.06</u>
Total.....	<u>\$136,676,939.55</u>

Source: The Underwriter.

### The Project

The District will use the Bond proceeds, together with investment income, to finance the Project. At the Election, the District received voter authorization to issue \$131,700,000 in general obligation bonds to finance the following improvements to District facilities: (1) \$50 million for major repairs to and replacement of roofs, electrical, heating, and technology systems, and exteriors of existing buildings in all schools in the District; (2) \$21 million for correcting fire safety problems, converting "open concept" spaces to traditional classrooms and upgrading telephone lines to District owned fiber-optic network; (3) \$22 million for the construction of a new northeast elementary school, a new southeast elementary school, and a capacity expansion addition to Doherty High School; (4) \$9.4 million for upgrading science rooms, art rooms and auditoriums; (5) purchasing, repairing or improving buildings for District charter schools, and (6) purchasing buildings, enlarging, improving, remodeling, repairing or making additions to any school building, constructing school buildings, equipping or furnishing any school building, or improving school grounds. The District issued \$4,023,111 of this authorization in May 2005 in the form of its Series 2005 QZABs to commence the construction of improvements to certain schools. The remaining improvements will constitute the Project. The District anticipates that it will commence construction of the improvements immediately. The design process for the new elementary schools will begin in January 2006. The District anticipates that construction will commence in the Spring of 2006. General improvements to District facilities will commence upon the issuance of the Bonds, and the District anticipates that all of the improvements authorized at the Election will be completed by the end of 2009.

## THE BONDS

### General

Both the Current Interest Bonds and Capital Appreciation Bonds are general obligations of the District payable from general ad valorem taxes imposed upon all taxable property in the District in an amount sufficient to pay the principal of and interest on the Bonds as the same become due, subject to the limitations discussed under “SECURITY AND REMEDIES.” The right of the District to increase the rate of levy for ad valorem taxes and to collect, retain and spend the revenues derived from such taxes may also be limited by the Constitution of the State. See “LEGAL MATTERS - Certain Constitutional Limitations.”

*Current Interest Bonds.* The Current Interest Bonds bear interest from their date to maturity or prior redemption at the rates set forth on the cover page of this Official Statement, payable semiannually on each June 1 and December 1, commencing June 1, 2006. The Current Interest Bonds shall be issued in fully registered form in denominations of \$5,000 or integral multiples thereof (provided that no Current Interest Bond may be in a denomination which exceeds the principal coming due on any maturity date and no individual Current Interest Bond may be issued for more than one maturity and interest rate and will initially be registered in the name of “Cede & Co.,” as nominee for DTC). Payments to Beneficial Owners of the Current Interest Bonds will be made as described in “Book-Entry Only System” below.

*Capital Appreciation Bonds.* The Capital Appreciation Bonds will be issued as fully registered bonds in denominations of \$5,000 (value at maturity) or integral multiples thereof (provided that no Capital Appreciation Bonds may be in a denomination which exceeds the Appreciated Principal Amount (defined below) coming due on any maturity date and no individual Capital Appreciation Bonds may be issued for more than one maturity) and will initially be registered in the name of “Cede & Co.” as nominee for DTC. The Bond Resolution defines “Appreciated Principal Amount” as an amount equal to the sum of the principal amount of the Capital Appreciation Bonds plus the accrued interest thereon compounded semiannually on each June 1 and December 1 until the maturity of the Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of their delivery and bear interest compounded semiannually on June 1 and December 1, commencing June 1, 2006, calculated pursuant to State law at the interest rate set forth in the Sale Certificate (as defined in the Bond Resolution), sold at the yield shown on the cover page and payable on the date shown on the cover page. Payments to Beneficial Owners of the Bonds will be made as described below in “Book-Entry Only System.”

### Payment of Principal and Interest; Record Date

All references to “interest” on any Bond refer, with respect to the Capital Appreciation Bonds, unless the context clearly indicates otherwise, refer to the excess of the Appreciated Principal Amount over the original principal amount of such Capital Appreciation Bonds, as of any relevant date. All references to principal of Bonds, when applied to Capital Appreciation Bonds, shall be construed to mean the original principal amount thereof. All references to principal of and accrued interest on the Bonds, or words of similar import, when applied to Capital Appreciation Bonds, shall be construed to mean the Appreciated Principal Amount of the Capital Appreciation Bonds as of the relevant date, as the case may be. The Bond

Resolution defines “Appreciated Principal Amount” as an amount equal to the sum of the principal amount of the Capital Appreciation Bonds plus the accrued interest thereon compounded semiannually on each June 1 and December 1 until the maturity of the Capital Appreciation Bonds.

The principal or Appreciated Principal Amount, as the case may be, of and premium, if any, on any Bond shall be payable to the registered owner thereof as shown on the registration books kept by the Registrar upon maturity or prior redemption of the Bonds and upon presentation and surrender at the principal office of the Registrar. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full.

Payment of interest on any Current Interest Bond shall be made to the registered owner thereof by check or draft mailed by the Registrar, on or before each interest payment date (or, if such interest payment date is not a business day, 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 close of business on the fifteenth day of the calendar month next preceding an 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 at the close of business 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. Such 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, and notice of the Special Record Date and the date for payment of defaulted interest shall be given to the registered owners of the Current Interest 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, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Registrar may make payments of interest on any Current Interest Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Registrar (provided, however, that the District shall not be required to make funds available to the Paying Agent prior to the dates in the Bond Resolution). Interest on the Capital Appreciation Bonds shall be payable to the registered owner thereof upon presentation and surrender of the Capital Appreciation Bonds at the principal office of the Paying Agent upon maturity. All such payments shall be made in lawful money of the United States of America, without deduction for services of the Registrar.

### **Prior Redemption**

Optional Redemption. The Capital Appreciation Bonds are not subject to redemption prior to maturity. The Current Interest Bonds maturing on and before December 1, 2015 are not subject to redemption prior to maturity. The Current Interest Bonds maturing on and after December 1, 2016 are subject to redemption prior to maturity, at the option of the District, on December 1, 2015 or on any date thereafter, 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 Current Interest Bonds in denominations larger than \$5,000), in such a manner as the District may determine, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

Mandatory Sinking Fund Redemption. The Current Interest Bond maturing December 1, 2030 is subject to mandatory sinking fund redemption at a price equal to the principal amount thereof plus accrued interest to the redemption date. The Current Interest Bond subject to mandatory sinking fund redemption shall be selected by lot in such manner as the Registrar shall determine (giving proportionate weight to Current Interest Bonds in denominations larger than \$5,000).

As and for a sinking fund for the redemption of the Current Interest Bond maturing December 1, 2030, the District will deposit into the Bond Fund \$8,360,000 on or before December 1, 2029. The remaining \$8,770,000 of the Current Interest Bond maturing on December 1, 2030 shall be paid upon presentation and surrender at maturity unless redeemed pursuant to optional redemption prior to maturity.

The District may receive a credit against its sinking fund obligation pursuant to the terms of the Bond Resolution.

Notice of Redemption. Notice of any redemption will 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, not more than 60 days and not less than 30 days prior to the redemption date to the Underwriter and to each registered owner of any Bond all or a portion of which is called for redemption at his 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 Underwriter, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bonds.

All official notices of redemption shall be dated and shall state (1) the CUSIP numbers of the 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 (and, in the case of partial redemption, the respective principal amounts) of the Bonds 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. 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 aforesaid, 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. Upon surrender for partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued. In addition to the foregoing notice, further notice may be given by the Paying Agent in

order to comply with the requirements of any registered securities 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 above prescribed.

Notwithstanding the provisions of this section, 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 canceled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

### **Custodial Agreement**

In 2003, the State Legislature enacted legislation requiring each school district that participates in the State Bond Payment Act (including the District) to select a commercial bank or depository trust company to act as custodian in regard to its Bond Redemption Fund prior to July 1, 2003. In compliance with the amendment, the Board has approved a custodial agreement (the "Custodial Agreement") with American National Bank, Denver, Colorado, which acts as custodian (the "Custodian") governing the administration of the District's Bond Redemption Fund. The Custodial Agreement provided for the establishment of a custodial account with the Custodian and requires the District to direct 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. All amounts on deposit in the District's Bond Redemption Fund were required to be transferred to the Custodian on or before July 1, 2003. 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 the first business day of each month. The Custodial Agreement may be amended by written agreement between the District (approved by the Board) and the Custodian.

### **Tax Covenant**

In the Bond Resolution, the District covenants for the benefit of the owners of the Bonds 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 proceeds of the Bonds if such act or omission (i) would cause the interest on the Bonds to lose its

exclusion from gross income for federal income tax purposes under 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 that 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 Colorado law. The foregoing covenant is to 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 covenant under the Tax Code and Colorado law have been met.

### **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 herein 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 in the future which, together with the Bonds, have a parity claim to District tax revenues. 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.

### **Defeasance**

When the principal and interest due in connection with any Bond have been duly paid, all obligations under the Bond Resolution with respect to the Bond are discharged, and the Bond will no longer be deemed to be outstanding for any purpose of the Bond Resolution. Payment of any Bond or any portion thereof will be deemed made when the District has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from such Federal Securities in which such amount may be wholly or in part initially invested) to meet all requirements of principal of and interest on such Bond as the same becomes due at maturity or to any redemption date as of which the District shall have exercised or obligated itself to exercise its prior redemption option and have given irrevocable instructions to the Registrar to give notice of redemption to the holder of any such Bonds. "Federal Securities" means only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States and which are not callable prior to their scheduled maturities by the issuer thereof.

### **Bond Resolution Irrepealable**

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

## **Supplemental Bond Resolutions**

The District may, without the consent of or notice to the Owners of the Bonds, adopt one or more resolutions supplemental to the Bond Resolution, which supplemental resolutions shall thereafter form a part thereof, for any one or more of the following purposes: (1) 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; (2) to pledge additional revenues, properties or collateral as security for the Bonds; (3) 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 (4) to qualify the Bond Resolution under the Trust Indenture Act of 1939.

Except for amendatory or supplemental resolutions adopted pursuant to the provisions of the above paragraph, 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 shall permit, or be construed as permitting: (1) a change in the terms of the maturity of any Bond, in the principal amount of any Bond or the rate of interest thereon or the dates of payment of principal and interest; (2) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due; (3) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or (4) 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 of 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 Underwriter of the Bonds 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 herein provided, 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 and in the value at maturity of \$5,000 or any integral multiple thereof for the Bonds. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity and interest rate, as set forth on the cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, 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 REGISTERED 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.

## 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 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 on the Bonds. Such annual levy for debt service creates a statutory tax lien. Neither the State (except as described below in “State Bond Payment Act”) nor the County have any responsibility to pay the debt service on the Bonds.

The District anticipates that the major 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.”

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 or fees, 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 or fees. 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, reorganization, insolvency or other similar laws affecting the rights of creditors generally. See “Limitations on Remedies Available to Owners of the 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.”

### **State Bond Payment Act**

Section 22-41-110, C.R.S. (the “Bond Payment Act”) applies to general obligation bonds, such as the Bonds, and certain elector-authorized lease or installment purchase agreements issued or incurred by a school district on or after July 1, 1991 (the “School District Obligation”); unless the school district opts to not participate in the program. The District will notify the State of its participation in the program in connection with the issuance of the Bonds.

Under the Bond Payment Act, if the paying agent with respect to a particular School District Obligation has not received a payment on the School District Obligation on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the school district that issued the School District Obligation. The State Treasurer is then required to contact the school district to determine whether the school district will make the payment by the date on which it is due. If the school district indicates to the State Treasurer that it will not make the payment on the School District Obligation 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 School District Obligation.

If the State Treasurer makes a payment on a School District Obligation under the Bond Payment Act, he or she is required to withhold such amount from the next succeeding payment to that school district of the State’s share of the school district’s Total Program Funding (described in “DISTRICT FINANCIAL OPERATIONS--School Finance Act”) and from property tax and specific ownership revenues collected by the county treasurer on behalf of the district (except property taxes levied for the payment of bonds) on each occasion on which the State Treasurer makes a payment on a School District Obligation on behalf of a district. The total amount withheld in each month from those sources shall not exceed one-twelfth of the amount forwarded (with certain limited exceptions). The State Treasurer shall not withhold for more than 12 consecutive months for each occasion on which the State Treasurer forwards amounts to pay School District Obligations. While the withholding of Total Program Funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the Bond Payment Act does not correspondingly limit the State’s contingent obligation to pay the School District Obligation.

If the State Treasurer is required to make a payment on a School District Obligation, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the School District Obligation and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due. In addition, if the State is required to withhold from a school district’s Total Program Funding payment because of the school district’s failure to collect property taxes levied in accordance with law for the school district’s bond redemption fund, the school district may transfer any such delinquent property taxes later collected from the school district’s bond redemption fund to its general fund.

The State has covenanted with the purchasers and owners of a School District Obligation that it will not repeal, revoke, rescind, modify or amend the Bond Payment Act so as to limit or impair the rights and remedies granted under the Bond Payment Act. The Bond Payment Act 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 Bond Payment Act 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 Bond Payment Act.

## **Bond Insurance**

The MBIA Insurance Corporation Insurance Policy. The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA’s policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “SECURITY AND REMEDIES--Bond Insurance on Certain Bonds.” Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA’s Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA’s Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA’s Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of an Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation. MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation. As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA.

Moody’s Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information. As of December 31, 2004, MBIA had admitted assets of \$10.3 billion (unaudited and restated), total liabilities of \$7.0 billion (unaudited and restated), and total capital and surplus of \$3.2 billion (unaudited and restated) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2005 MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$7.1 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2005 and for the nine month periods ended September 30, 2005 and September 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company’s web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated by reference into this Official Statement:

- (1) The Company’s Annual Report on Form 10-K/A for the year ended December 31, 2004; and
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to

Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K/A, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K/A for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

### **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.

Limitations Generally. 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; 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, 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.

## DEBT SERVICE SCHEDULE

Set forth in the following table are the fiscal year debt principal and interest requirements for the Bonds and the Prior Bonds.

<u>Debt Service Requirements</u>					
<u>Year</u> <sup>(1)</sup>	<u>The Bonds</u>			<u>Total Prior Bonds</u> <sup>(3)</sup>	<u>Total Debt Service</u>
	<u>Principal</u> <sup>(2)</sup>	<u>Interest</u>	<u>Total Debt Service</u>		
2006	\$3,840,000	\$5,252,054	\$9,092,054	\$8,424,946	\$17,517,000
2007	3,155,000	5,935,263	9,090,263	8,428,021	17,518,284
2008	3,400,000	5,816,950	9,216,950	8,426,746	17,643,696
2009	3,525,000	5,689,450	9,214,450	8,425,496	17,639,946
2010	3,665,000	5,548,450	9,213,450	8,426,121	17,639,571
2011	3,815,000	5,401,850	9,216,850	8,418,147	17,634,997
2012	1,289,973	7,924,277	9,214,250	8,409,571	17,623,821
2013	3,965,000	5,249,250	9,214,250	8,394,421	17,608,671
2014	4,165,000	5,051,000	9,216,000	8,389,596	17,605,596
2015	4,370,000	4,842,750	9,212,750	8,465,371	17,678,121
2016	4,590,000	4,624,250	9,214,250	8,458,332	17,672,582
2017	4,820,000	4,394,750	9,214,750	8,455,376	17,670,126
2018	5,060,000	4,153,750	9,213,750	8,449,376	17,663,126
2019	5,315,000	3,900,750	9,215,750	8,443,556	17,659,306
2020	1,555,000	3,635,000	5,190,000	12,457,180	17,647,180
2021	5,655,000	3,557,250	9,212,250	8,425,381	17,637,631
2022	5,940,000	3,274,500	9,214,500	--	9,214,500
2023	6,235,000	2,977,500	9,212,500	--	9,212,500
2024	6,550,000	2,665,750	9,215,750	--	9,215,750
2025	6,875,000	2,338,250	9,213,250	--	9,213,250
2026	7,220,000	1,994,500	9,214,500	--	9,214,500
2027	7,580,000	1,633,500	9,213,500	--	9,213,500
2028	7,960,000	1,254,500	9,214,500	--	9,214,500
2029	8,360,000	856,500	9,216,500	--	9,216,500
2030	<u>8,770,000</u>	<u>438,500</u>	<u>9,208,500</u>	<u>--</u>	<u>9,208,500</u>
<b>TOTAL</b>	<b><u>\$127,674,973</u></b>	<b><u>\$98,410,544</u></b>	<b><u>\$226,085,517</u></b>	<b><u>\$138,897,637</u></b>	<b><u>\$364,983,154</u></b>

- (1) Based upon a calendar year, NOT the District's fiscal year (July 1 through June 30). Includes annual payments of interest on June 1 and December 1 in each calendar year shown and payments of principal on December 1 of the calendar year.
- (2) Includes maturities and mandatory sinking fund redemptions, if any.
- (3) Includes total principal and interest on the District's Prior Bonds.

Source: The Underwriter.

## **THE DISTRICT**

### **Organization and Description**

The District originally was established 1872. The District's boundaries have changed numerous times since its formation. Today, the District is the largest and oldest school district in the Pikes Peak Region and the seventh largest in the State. The District encompasses approximately 70.5 square miles and includes a substantial portion of the City of Colorado Springs and portions of unincorporated El Paso County. According to the 2000 census (latest information available), the District's population was 222,351.

### **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 seven-director Board whose members are elected by the registered electors of the District for staggered four-year terms of office. Biennial school district elections are held in November of odd-numbered years.

The Board is a policy-making body whose 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 generally scheduled for the second and fourth Wednesday 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 and the year of expiration of their terms are as follows:

<u>Name</u>	<u>Position</u>	<u>Principal Occupation</u>	<u>Term Expires (Nov.)</u>
John Gudvangen	President	Associate Director of Financial Aid (College)	2009
Tami Hasling	Vice President	Small Business Owner	2009
Willie Breazell	Secretary	Senior System Engineer	2007
Eric Christen	Director	Independent Contractor	2007
Sandy Shakes	Director	Learning Education Consultant	2007
Craig Cox	Director	Private Investigator	2007
Sandra Mann	Director	Public Relations	2009

The Colorado constitution limits Board members to two consecutive terms (beginning with terms which commenced after January 1, 1995). District voters may vote to eliminate, extend or change the term limits imposed by the constitution. The District currently does not anticipate asking the voters to waive term limitations. Accordingly, absent future voter authorization to the contrary, each of the Board members are limited to serving two consecutive terms. Janet Tanner, a non-board member, has been appointed by the Board to serve as its treasurer.

**Administration**

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

The Director of Fiscal Services is appointed by the Chief Financial Officer. The District’s administrative personnel directly involved with the issuance of the Bonds, and their experience and responsibilities, are as follows:

Superintendent. The District’s Superintendent is Dr. Sharon Thomas. Dr. Thomas was appointed by the Board to serve as Superintendent in June 2005. Prior to her appointment, Dr. Thomas was the superintendent of schools in Little Falls, Minnesota. She began her career in public education as a classroom teacher in Ohio. She has also previously served as assistant principal, principal and personnel director within the District. Dr. Thomas was also a senior executive director of personnel and assistant superintendent, personnel division, for Jefferson County School District (Colorado) and served as general legal counsel to 80 school districts in

Colorado, including the District. Dr. Thomas received a Doctorate degree in School Administration and Educational Policy Analysis from the University of California, Los Angeles, an M.Ed. in Curriculum and Supervision from Wright State University in Dayton, Ohio, and a B.S. degree in Elementary Education from Wright State University, Dayton, Ohio. Additionally, Dr. Thomas holds a Juris Doctorate degree from the University of Denver.

Chief Financial Officer. Mr. Glenn E. Gustafson, CPA, is the District's Chief Financial Officer. He has been with the District since January 1992. Mr. Gustafson was formerly the Director of Finance for the City of Fountain, Colorado. He received his BSBA in accounting from the University of Colorado in 1982 and his MBA with an emphasis in finance from the University of Colorado at Colorado Springs in 1990.

Director of Fiscal Services. Mr. Charles M. Struck, CPA, is the District's Director of Fiscal Services. He has been with the District since July 1998. He previously worked for New Century Energy, Denver, Colorado. Mr. Struck received his B.S. in accounting from the University of Northern Colorado in 1974.

### **Accreditation**

The District is fully accredited by the Colorado Department of Education ("CDE"). The District is subject to annual accreditation monitoring by CDE in the spring of each year. As part of this monitoring process, the District gives assurance to CDE with regard to the implementation and monitoring of individual schools accreditation and the District accreditation. The criteria include 11 indicators specified by CDE, including educational improvement plans, CSAP goals, closing achievement gaps, value added growth, other curriculum standard assessment areas, schools accountability report criteria, annual report to parents specifications, compliance with "Safe Schools Act," compliance with "Colorado Basic Literacy Act," plan for educational technology, technology integration and finance.

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

Employees. In order to provide the variety of services required by law, the District employed 3,590 personnel (full-time equivalent) as of August 2005; 2,285 of which are certificated teachers and administrative personnel and 1,305 are classified employees (maintenance, clerical, food service and transportation personnel and teacher aides). As of that date, approximately 58% of the certificated staff hold advanced degrees (masters and doctorates) and approximately 75% are non-probationary. While the student/teacher ratios vary by grade level, the overall student/teacher ratio was approximately 24:1. The average salary for District teachers as of August 2005 was \$46,664.

Benefits and Pension Matters. The District provides all of its full-time employees with a comprehensive benefits program, including health, vision, life, dental and long-term disability insurance. Certain employees also are eligible for paid vacation and sick leave. Workers' compensation and unemployment insurance are provided in accordance with State law.

On July 1, 1992, the District elected to self-fund its health and vision program for District employees. The third party administrator that manages the self-insurance program is Memorial Hospital-Medical Network. In order to meet the potential future obligations of this

program, the District has funded the following reserves as of June 30, 2005: (1) Terminal Reserve (to cover plan termination) - \$3,100,000; and (2) Claim Fluctuation Reserve (for increased claim expenses) - \$800,000. These reserves are available for close-out expenses related to claims costs and contract terminations or for abnormally high claim costs in proportion to premium rates. Beginning in fiscal year 1997-98 and continuing forward, the District has seen a significant increase in health care and prescription drug utilization. The District's Employee Insurance Committee continues to recommend plan design changes and premium increases in order to effectively manage the costs of the benefit plan.

All of the District's employees are members of the Colorado Public Employees Retirement Association ("PERA"). For the fiscal years ended June 30, 2004 and 2005, the District was required by statute to contribute to PERA, from District funds, an amount equal to 10.04% and 10.15%, respectively, of the salaries of member employees. Beginning January, 2006, the District is required by statute to contribute to PERA, from District funds, an amount equal to 10.65% of the salaries of member employees. The employer contribution rate is scheduled to increase each January for several years until a final rate of 13.55% has been achieved. In addition, each member employee contributes 8% of his or her salary. The statute also provides that if the District is in arrears in its payments to PERA, all state funds due to the District are to be reduced by 10%. The District reports that it is current in its payments to PERA. In the fiscal years ended June 30, 2004 and 2005, the District contributed \$13,414,000 and \$13,666,050, respectively, to PERA.

The District also provides post-employment healthcare benefits to eligible employees of the District. Further information regarding District provided benefits (including information on PERA, PERA's post-employment healthcare benefits and the District's post-employment healthcare benefits) can be found in Notes 1, 12, 13 and 14 to the District's Basic Financial Statements for the fiscal year ended June 30, 2005, attached to this Official Statement as Appendix A.

Employment Contracts and Collective Bargaining. Teachers are employed by the District pursuant to the "Teacher Master Agreement" and approval of the Board of Education. Approximately 75% of the eligible teachers in the District are members of the Colorado Springs Education Association (the "Association"), the collective bargaining agent for the District's teachers. The District states that the relationship between the Board and the Association is good, as evidenced by amicable contract discussions and the absence of teacher and support staff strikes. The Board has a "meet and confer" agreement with both the non-teaching professional/executive staff and classified staff, and no formal bargaining units are presently in existence with these employee groups.

The contract between each teacher and the Board is a three year contract, with the current contract expiring on June 30, 2008. The Board holds contract negotiations in the spring of each year. According to the Executive Director-Human Resources, the District's relationship with its employees is good.

Certification and Probationary Status. All teachers hired by the District are required to have a bachelors degree from an accredited institution and must hold or be qualified to hold a teacher's certificate/license from the State of Colorado. In addition, secondary teachers must also meet the requirements of the North Central Association of Schools and Colleges. By

law, professional teachers' certificates/licenses expire after five or seven years, but are renewable upon application and payment of the statutory fee, and evidence of the satisfactory completion of ongoing professional development consistent with state Board of Education codes and regulations.

Teachers are appointed by the Board of Education pursuant to the Colorado Teacher Employment, Compensation, and Dismissal Act of 1990. The contracts of all full-time probationary teachers are automatically renewed for the succeeding academic year unless the Board causes written notice to the contrary to be given to said teacher on or before June 1 of the current academic year. Any teacher continuously employed in the same school district for three full academic years gains non-probationary status effective upon the first day of performance of service of the fourth employment year.

**Facilities and Enrollment**

Enrollment. The District's traditional school fall enrollment (October headcount) for the past five years is shown in the following table; the enrollment information presented below excludes preschool students and alternative school students, and also excludes enrollment at seven charter schools located within the District. The District's estimated enrollment for fall 2005 (headcount) is 27,177, a decrease of 2.2% from the fall 2004 enrollment.

Fall Enrollment(1)

<u>School Year</u>	<u>Grades</u>			<u>Total</u>	<u>Percent Increase</u>
	<u>K-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>		
1999-00	14,174	6,504	8,312	28,990	-%
2000-01	14,210	6,672	8,438	29,365	1.3
2001-02	13,832	6,727	8,439	28,998	(1.3)
2002-03	13,639	6,710	8,369	28,717	(1.0)
2003-04	13,371	6,497	8,504	28,372	(1.2)
2004-05	13,118	6,187	8,490	27,795	(2.0)
2005-06	12,787	6,003	8,387	27,177	(2.2)

(1) Enrollment figures do not include preschool students, charter schools, alternative schools and alternative programs.  
Source: The District.

Management's Discussion of Enrollment Trends. The District has experienced enrollment declines for five consecutive years; that decline is expected to continue at a rate of approximately 1% over the next five years. The District believes that these changes can be attributed to a number of geographic and demographic factors. Some of these factors include the movement of families with children to the suburban areas of Colorado Springs outside of the District's boundaries. The federal government has announced that 8,000 to 10,000 troops will move to Fort Carson over the next several years, which will impact District enrollment. However, the District hopes the focus on student achievement, school accountability and performance, expanded school choice and a variety of programs targeted at high-risk students will reduce the rate of decline on the District.

Existing Facilities. The District owns and operates a variety of facilities in meeting its objective to provide an educational program for the school-age children within the District. The District's major fixed assets are its buildings. In 1996, the District issued \$99,829,000 in general obligation bonds to fund a portion of an extensive (\$223.7 million) capital improvement plan (including construction and renovation of school buildings and other District facilities, the acquisition of land and the installation of technology improvements). The District also received the proceeds of approximately \$32 million of certificates of participation in 1998 and approximately \$14.4 million of certificates of participation in 1999 to finance portions of those capital costs. See "PROPERTY TAXATION, ASSESSED VALUATION AND DEBT--Outstanding Debt and Other Obligations of the District" for a description of those obligations and the balances currently outstanding. The District's shifting demographics have caused excess capacity in some schools in the west and central portions of the District and very tight capacity (requiring augmentation of capacity with modular units) in the northeast portion of the District.

The District currently operates 39 elementary schools, 9 middle schools and five high schools. The District also owns one educational opportunity center and six support facilities (transportation, warehouse, administration building, print shop, maintenance and technology buildings).

Charter Schools. The District currently has seven charter schools; two initially were approved to begin for fiscal year 1995-96, one for fiscal year 1996-97, two for fiscal year 1997-98, one beginning in 2004-05, and one beginning in 2005-06. The District provides a pass-through mechanism for State funding to the individual charter schools; districts must pay charter schools the per-pupil funding amount (less actual amounts used to fund central administrative overhead services) for each student enrolled. This funding mechanism approximates 98% of the District's per pupil funding for each student attending a charter school. Because some charter school pupils were pupils of the District before enrolling in a charter school, the flow-through of funding to the charter school generally has the effect of reducing both District resources and expenditures. However, expenditure levels are not reduced at the same rate as revenues, making budget reconciliations necessary.

For fiscal year 2003-04, the combined total funded pupil count for the five charter schools within the District was 1,870; the total amount of program funding for fiscal year 2003-04 was \$11,618,588. The funded budgeted pupil count and revenue flow-through for each of the charter schools for fiscal year 2004-05 is as follows:

<u>School</u>	Estimated Fiscal Year 2005-06 Funded <u>Pupil Count</u>	Estimated 2005-06 Amount of Program <u>Funding</u>
21 <sup>st</sup> Century (1)	150	\$883,587
CIVA Charter School	198	1,166,335
Community Prep School	168	989,617
Globe Charter School	209	1,231,131
Roosevelt-Edison Charter School	578	3,404,755
Emerson-Edison Charter School	421	2,479,934
Life Skills Charter	<u>278</u>	<u>1,637,581</u>
Total	2,058	\$11,792,940

(1) Anticipated first year enrollment projections.  
Source: The District.

Although this revenue flows through the District to each charter school, the District is able to recoup some revenue when the charter school chooses to purchase services from the District. Examples of these buy-back services include facilities maintenance, special education services, testing, transportation, and other centrally performed functions.

On December 21, 2005, the Board of Education approved the new charter school application for the Space, Technology and Arts (“STAR”) Charter Academy. The STAR Charter Academy is a proposed K-5 program, growing to grades K-8, that focuses on a Space and Technology curriculum. STAR’s enrollment is projected to begin at approximately 350 students and grow each year as additional grades are added. As the STAR Charter Academy’s charter application has been approved by the Board, the District now must enter into contract negotiations with STAR Charter Academy to finalize the charter school’s eligibility as a new District charter school.

In addition to the District’s seven existing and one pending charter schools, the Charter School Institute of Colorado, which is a State approved charter school institute organized for the purpose of establishing State supervised charter schools, has approved the Colorado Springs Charter Academy (the “CSCA”) charter school for existence within the District’s boundaries. The CSCA is a K-5 school focused on a Core Knowledge curriculum. CSCA’s enrollment for 2005-06 was approximately 200 students. Any Charter School Institute of Colorado approved charter schools is included in the enrollment of a school district in which they are located for funding calculation purposes but are funded by the State. The District has no oversight over the operations of the CSCA.

### **Curriculum and Standardized Test Scores**

Curriculum. The District’s curriculum has been aligned to meet or exceed State standards in all areas. The core curricular areas at the elementary schools are language arts/reading, science, math and social studies. Integrated curricular components exist in all areas, including the arts, physical education and music. The same curricular core exists at the middle school level where students also encounter a wide array of exploratory classes. The high school further extends the academic core subjects while offering further refinement of specialized elective classes. The high school graduation requirements include eight semesters of English, four semesters of science, six semesters of social studies, six semesters of mathematics, three semesters of physical education, one semester of health, two semesters of humanities, one semester of computer education, one semester of economics, one semester of practical arts and eleven semester hours of elective credits.

As part of the learning community, District students have an opportunity to participate in a wide array of intramural and interscholastic sports, vocation, and job experiential programs, art, drama, speech and music programs, and interdisciplinary and cooperative learning experiences. The District has in place programs to meet the needs of all students. Advanced placement classes, programming for the disabled, access to classes at the local community college, K-12 foreign language instruction and programming for “at risk” students are but a few examples.

Standardized Tests. In recent years, all Colorado school districts have been required by State law to participate in the Colorado Student Assessment Program (“CSAP”).

Pursuant to the CSAP, all public school students are given standardized tests in grades 3-10. The test is designed to measure student achievement in relationship to the Colorado Model Content Standards. These standards are expectations specifying what students should know at particular points in their education. As a result, CSAP provides a series of snapshots of student achievement in reading, writing, and math as they move through grades 3-10 (in addition, a separate Grade 8 science test is also administered.). CSAP test results are an important part of statewide school accreditation standards implemented in 1999. In addition, in 2001, the State began assigning individual schools a rating ranging from unsatisfactory to excellent based upon CSAP scores. If a school that receives an unsatisfactory rating does not improve within three years, the local board of education is required to begin the process of converting the school to a charter school. As described above, districts must pass through to charter schools the per-pupil funding amount (less actual amounts used to fund central administrative overhead services). The District previously had one unsatisfactory school - the Tesla Alternative School, which improved from "unsatisfactory" status to "low" status on its 2004-05 School Accountability Report.

### **Insurance**

The Board acts to protect the District against loss and liability by maintaining the following insurance coverages, with various limits and deductibles, purchased through various vendors: general liability; property and boiler; vehicle fleet and video truck equipment; school leader's errors and omissions; directors and officers; international liability; commercial crime; volunteer, field trip, student accident and community service; corporate extortion; and surety bonds for certain elected officials and employees. The policies are renewed annually; the current policies generally expire on July 1, 2006.

In addition to employee benefits, general liability, and errors and omissions programs, the District manages Workers' Compensation, Property and Casualty and other miscellaneous insurance programs. Each program uses a combination of either a self-insurance and separate stop-loss or insurance coverage protection. For each self-insured program, the District maintains internally managed reserve accounts to administer all claims. The Board also maintains a workers compensation surety bond and excess workers compensation coverage in accordance with State law. Those policies also expire on July 1, 2006.

The District has also established a risk related activities fund as an internal service fund. Premiums are paid into this fund from other District funds and are available to pay claims, claim liabilities, insurance and administrative costs of this program. The District also participates with two other school districts in an insurance pool for general liability and errors and omissions. In the opinion of the District's Director of Risk Related Activities, the District's insurance policies provide adequate insurance protection for the District.

### **Intergovernmental Relationships and Other Agreements**

The District maintains cooperative working relationships with adjacent and overlapping governmental entities including the City of Colorado Springs. The District is also a party to numerous contracts for various services necessary to the operation of the District, including contracts for food service management advisory services, charter school operations, and a variety of other programs throughout the District.

## DISTRICT FINANCIAL OPERATIONS

### Sources of School District Revenue

School Finance Act and Total Program Funding. School districts in Colorado are funded pursuant to the terms of the Public School Finance Act of 1994 (the "School Finance Act"). The amount of revenue capable of being earned by the District under the School Finance Act is determined by a formula (the "Total Program") which is based upon pupil count, local costs of living, personnel costs, the size of the District, the number of at-risk pupils and the number of on-line pupils. The District's revenue, in the amount allowed by the Total Program formula ("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. See "School Finance Act" below.

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.

*Override Levy.* School districts are permitted to receive additional property taxes for general operating uses pursuant to a separate mill levy. A school district's override revenues cannot exceed, generally, 20% of its Total Program Funding, or \$200,000, whichever is greater. Override mill levies also increase a district's share of the specific ownership tax.

At an election held in November 2000 (the "2000 Election"), the District's voters approved the imposition of an additional ad valorem tax levy (the "override levy") to eventually increase District tax revenues by up to \$26,998,822 annually (or such lesser amount as described below). The funds received from the override levy are required to be used to fund the District's educational efforts to: reduce class size; attract and retain superior teachers and educational support staff (excluding administrators) by offering competitive salaries and benefits; focus on academic core subjects like math, reading, writing and science; purchase classroom instructional supplies and materials; increase teacher training; expand student assessment and intervention support; increase library support; increase school safety and security; improve school day start times; support technology integration in the classroom; and establish a citizens' oversight committee to develop an independent comprehensive performance plan.

The question approved at the 2000 Election provided that the override mill levy of the District, together with other levies imposed by the District (excluding the mill levy for tax abatements, refunds and credits), may not exceed the greater of 39.604 mills (the District's 1999 tax levy) or, in any year, the mill levy required to generate the amount of tax revenue generated by the override levy in the previous year. The District is authorized to retain and spend all proceeds of the override levy notwithstanding the provisions of Article X, Section 20 of the Colorado Constitution ("TABOR"). See "LEGAL MATTERS--Certain Constitutional Limitations." In fiscal year 2002 (the first full year of the override levy), the District generated approximately \$16.4 million from the override levy; in fiscal year 2003, the District generated approximately \$20.9 million; in fiscal year 2004, the District generated approximately \$20.7 million, and in fiscal year 2005, the District generated \$21.5 million from this levy. The District's 2005-06 budget anticipates the receipt of approximately \$24.4 from the override levy

in fiscal year 2005-06. In order for override levy revenues to increase significantly, District assessed valuation must increase. In November 2005, the electors of the District approved a question (the “2005 Question”) which allows the District to exempt the repayment of the Bonds from the mill levy override limitation established by the 2000 Election. Similarly, nothing in the 2000 Election question limits the mill levy that the District may assess for the payment of the Prior Bonds.

In connection with the 2005 Election, the District prepared a notice of election required by TABOR which was distributed to all registered electors of the District. As provided by TABOR, comments both for and against the 2005 Question were submitted by electors of the District. The sole comment opposing the 2005 Question was submitted by the author of TABOR. This comment stated, among other things, that the 2005 Question was improperly worded and made reference to the 2005 Question being “tied up in court.” No challenge to the 2005 Question was submitted by the statutory deadline, and the District has not received any communication from this individual since the comment was filed. The District believes it unlikely that such a claim will be filed, or if it is filed, that the claim would be successful. If the 2005 Election is declared invalid and the Bonds are not excluded from the override mill levy limitation imposed by the 2000 Election, the District would be required to reduce its override mill levy by an amount that would allow the District to pay the principal of and interest on the Bonds.

*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.

*Special Building and Technology Levy.* School districts may levy up to 10 mills for not longer than 3 years to fund the purchase of land, the construction, purchase and maintenance of facilities and the purchase and installation of building security, instructional and informational technologies. The District currently does not impose this mill levy.

*Transportation Levy.* School districts may impose an additional mill levy to fund excess transportation costs with voter approval. The proceeds of such mill levy are required to be deposited into the district’s transportation fund. The District currently does not impose this mill levy. In addition, school districts are authorized to impose and collect a fee from users of transportation services for the payment of excess transportation costs after notice and a hearing. Proceeds of that fee also must be deposited in the school district’s transportation fund.

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.

Federal Revenues. The District receives funds from the federal government pursuant to Public Law 81-874. These funds mitigate the impact of federal land acquisition or federal employment on local school district revenues. In the year ended June 30, 2004, the District received \$333,811 from the federal government and \$443,826 for the year ended June 30, 2005.

Miscellaneous Revenue Sources. The District also receives revenue from investment earnings, tuition, rentals, specific State and federal grants, and other miscellaneous sources.

**School Finance Act**

General Description. The School Finance Act went into effect in 1994, and was designed to provide for a thorough and uniform system of public schools throughout the State. The School Finance Act requires that all school districts operate under the same finance formula and are subjected to the expenditure and maximum levy provisions set forth therein. The School Finance Act has been amended each year since its adoption.

The School Finance Act establishes a formula to determine the amount of funding which each of the State’s 178 school districts will receive each year. Every school district in the State is allocated the same “base” dollar amount of per pupil funding, plus an addition for inflation and an addition required by a constitutional amendment adopted in 2000 (the “School Amendment”). The School Amendment, as implemented by legislation adopted in 2001, requires that the statewide base per-pupil funding amount and the funding for categorical programs: (1) increase by the rate of inflation plus one percentage point for fiscal years 2001-02 through 2010-11, and (2) increase by at least the rate of inflation each year thereafter. The measure is funded from all revenues collected from 1/3 of 1% of the State’s existing income tax and exempts such funds from the revenue limitations of TABOR. 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. In addition, the School Amendment requires the State to increase its General Fund appropriation by at least 5% in each year from fiscal year 2001-02 through 2010-11 (except in any year in which State personal income grows less than 4.5% between the previous two calendar years). Since adoption of the School Amendment, State personal income has grown less than 4.5% each year.

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

Historical Base Per Pupil Funding

<u>Fiscal Year</u>	<u>Amount</u>			<u>Addition Due To:</u>
	<u>Base</u>	<u>Addition</u>	<u>Total</u>	
2000-2001	\$3,878	\$124	\$4,002	Inflation (3.2%)
2001-2002	4,002	200	4,202	Inflation (4.0%) plus School Amendment (1%)
2002-2003	4,202	240	4,442	Inflation (4.7%) plus School Amendment (1%)
2003-2004	4,441	129	4,570	Inflation (1.9%) plus School Amendment (1%)
2004-2005	4,570	96	4,666	Inflation (1.1%) plus School Amendment (1%)

In accordance with recently approved legislation, the base per pupil amount for 2005-06 will be \$4,717.62 (an amount equal to inflation of 0.1% plus the 1% required by the School Amendment).

Each school district is allowed to adjust the base per pupil amount pursuant to a formula set forth in the School Finance Act. Adjustments are allowed to account for differences between districts in the cost of living (the “cost of living factor”), school district size (the “size factor”) and personnel costs (the “personnel factor”). In addition, upward adjustments are allowed to be made in the per pupil funding for each pupil qualifying as “at-risk” (generally defined as those students who qualify for the federal free lunch program (the “at-risk factor”)) and for each pupil enrolled in a district’s on-line program (the “on-line factor”). Notwithstanding these adjustments, in past years the General Assembly has established a minimum amount of per pupil funding each year. For the 2003-04 fiscal year, the minimum amount was \$5,511. For the 2004-05 fiscal year, the minimum amount is \$5,627. The General Assembly did not establish a minimum amount of per pupil funding for 2005-06; however, according to the State Department of Education, that amount also will increase by 1.1% to \$5,720 for traditional students.

The per pupil amount of funding is then 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 the average of the last two, three or four prior years’ October pupil counts), (b) on-line pupil enrollment, and (c) preschool enrollment.

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. TABOR also restricts overall school district revenues to no more than 100% of the prior year revenue, adjusted for inflation and for pupil growth.

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

Uses of Total Program Funding. The Board has the discretion to determine how the District’s Total Program Funding will be expended, except as follows: (1) at least \$167 of the per pupil funding must be used for instructional supplies and materials; (2) at least \$271 (up to \$800) must be used for capital or insurance reserves; and (3) 75% of the funding from at-risk students must be used for at-risk programs.

Local and State Shares of General Fund Revenues. The percentage of revenues derived from local and State sources for each school district varies depending upon the local tax base and other factors relevant to each district. For fiscal years 2003-04 and 2004-05, approximately \$71,068,800 and \$74,053,177 (comprising 38% and 38%), respectively, of the District’s General Fund revenue (excluding transfers in), was derived from local sources. For fiscal years 2003-04 and 2004-05, approximately \$97,021,655 and \$99,730,264 (or 52% each

year), respectively, of the District's General Fund revenue (excluding transfers in), was derived from State sources.

*Local Sources.* The District's share of the cost of its Total Program Funding is derived from its property tax mill levy (in compliance with TABOR) and specific ownership tax receipts. 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; or (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." In addition, the District imposes "override" mill levies, as explained above under "Sources of District Revenue--Additional Property Taxes--Override Levy."

The District's General Fund levy in the 2004-05 fiscal year produced \$60,807,795 (including delinquent taxes collected) or 31% of the total revenue in the General Fund. The District anticipates that the 2005-06 General Fund levy will produce \$57,747,441 or 33% of the total revenue in the General Fund. The District's General Fund levy includes amounts levied pursuant to mill levy overrides approved by District voters.

Another sources of General Fund local revenue received by the District is the District's share of the annual specific ownership tax levied by the State on owners of motor vehicles and interest income earned on the District's investments. The District received \$13,245,382 in specific ownership tax revenue (approximately 6.8% of General Fund revenues) in the 2004-05 fiscal year and has budgeted to receive approximately \$4 million from specific ownership taxes in the 2005-06 fiscal year (approximately 3% of General Fund revenues). Other sources of local revenue received by the District include interest income earned on the District's investments, tuition, rentals, forward delivery fees and miscellaneous income.

*State Sources.* 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 of the District exceeds for that year, assuming 100% collection, the District's local revenue amounts. Such amounts are referred to as State "equalization" payments.

The following sets forth State equalization payments received by the District for the past five years:

State Equalization Payments Deposited to the General Fund

<u>Fiscal Year Ended June 30</u>	<u>Equalization Payment (1)</u>
2001	\$84,485,049
2002(2)	79,477,756
2003	86,409,702
2004	92,512,497
2005	95,421,325

- (1) Only reflects State equalization payments deposited into the General Fund. Does not reflect amounts transferred out to the Capital Reserve Fund, Insurance Reserve Fund, Preschool Fund or for charter schools.
- (2) The lower amount of equalization revenue in fiscal year 2002 is due to a change in accounting procedure required by the State Department of Education. That change requires that allocations of equalization revenues to other funds be recorded as contra revenue (i.e., direct reductions in revenue) rather than as expenditures.

Source: Derived from the District's comprehensive annual financial reports for fiscal years 2001-2005.

State equalization payments received by the District for the fiscal year ended June 30, 2004, represented 59% of General Fund revenues, and for the fiscal year ended June 30, 2005, represented 58% of General Fund revenues.

The State General Assembly 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 General Assembly 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, 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.

The State experienced an economic downturn in recent years and instituted large budget cuts (including cuts to K-12 funding) for fiscal years 2003, 2004 and 2005. On January 27, 2003, the Colorado General Assembly's Office of Legislative Legal Services issued an opinion stating that the School Amendment does not limit or restrict the General Assembly'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 General Assembly; however, it could be relied upon by the General Assembly to decrease the amount of State aid to public education.

The Office of State Planning and Budgeting (the "OSP") prepares quarterly revenue estimates for the State covering a six-year period. The forecasts are based on historical

patterns, with economic and policy changes explicitly included in the models that forecast revenue growth. Currently, the OSPB is forecasting for Fiscal Year 2004-05 through Fiscal Year 2009-10. Copies of such forecasts can be obtained by contacting the OSPB at the Governor's Office of State Planning and Budgeting, 200 East Colfax, Room 111, Denver, Colorado 80203, or by telephone at (303) 866-3317. Alternatively, the quarterly revenue estimates can be accessed on the State's website at: [http://www.state.co.us/gov\\_dir/govnr\\_dir/ospb](http://www.state.co.us/gov_dir/govnr_dir/ospb). *None of the content of the quarterly revenue estimates, the State's website, or any of the links contained on the State's website, is incorporated into this Official Statement or made a part hereof by such reference.*

Future Changes to State Laws; Pending Legislation. 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 State legislature. As described above, K-12 funding has been included in State budget cuts and it is possible that the General Assembly may cut public school funding as part of overall State spending cuts in the future. As a result, the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities, including, without limitation, the impact of TABOR on the State's ability to finance its share of Total Program Funding. 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.

### **Cash Flow Measures**

Although the salaries of some District employees are paid over a 12-month period, and some District expenses occur on a relatively consistent monthly basis, most salaries and expenses of the District are incurred during the traditional school year of September through May. Most 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 during the winter months.

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

Under the State Program, the State Treasurer is directed to provide sufficient funds in the form of no-interest or low-interest loans from the State general fund to any district which applies for such funds and which does not have moneys available for expenditure, in each month of the budget year, equal to at least one-twelfth of the amount of the total program funding to which it is entitled for the fiscal year. There are certain limits on the receipt and use of such loans. Any district receiving a loan under this program must begin to repay the loan to the State when the monthly property tax revenues and State aid received exceed one-twelfth of the amount of Equalization Program Funding to which such district is entitled for the budget year, and all loans must be repaid prior to June 25 of the State fiscal year in which the loan was made. A lien in the amount of any loan attaches to any district property tax revenues (except

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

In 2003, House Bill 03-1274 (“HB 1274”) became law. HB 1274 amended the State Program by authorizing the State to issue tax and revenue anticipation notes payable from funds of both the State and participating school districts. Pursuant to HB 1274, school districts may borrow funds interest-free if they participate in the State’s note program; otherwise, they may borrow at a low interest rate. Each district that participates in the State note program is required to issue a note to the State Treasurer granting a first lien on all of the district’s General Fund ad valorem tax revenues (Bond Redemption Fund tax revenues are excluded from the lien) received between March 1 and June 30; that lien has a priority over all other expenditures budgeted to be paid from such taxes until the note is paid in full. Each participating district is required to pay all of the General Fund tax revenues received between March 1 and June 30 to the State Treasurer until its note is paid in full. Accordingly, participating districts will have no ad valorem property tax revenues available to pay ongoing expenses until their notes are fully paid. Districts may borrow sufficient funds through the State note program to cover their expenses during the time required to repay their notes. The District issued its own Tax Anticipation Notes for fiscal year 2003-04, and participated in the State Program for the 2004-05 fiscal year. On June 15, 2005, the Board approved a resolution authorizing a second year for the District’s participation in the State Treasurer’s interest free loan program for fiscal year 2005-06, in an aggregate amount not to exceed \$55,000,000.

### **School District Funds**

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

Pursuant to Section 22-44-113, C.R.S., school districts may borrow unencumbered moneys from any one fund, except the Bond Redemption Fund, for the use of another fund at any time. Moneys so borrowed must be authorized by resolution of the applicable board of education and be repaid not later than three months after the beginning of the following budget year. In the event moneys are not available to repay such borrowed funds, any amount equal to the moneys so borrowed may be expended from the General Fund to repay the loan.

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 district to establish emergency reserves constituting 3% of fiscal year spending. See "LEGAL MATTERS--Certain Constitutional Limitations." Pursuant to the School District Budget Law of 1964, beginning with fiscal year 2003-04, the budget of the District is required to ensure that this reserve requirement is met by holding unrestricted General Fund or cash fund emergency reserves. The District has budgeted and set aside reserves in compliance with the TABOR reserve requirement. Under TABOR, school districts are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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 revenues from a tax levied for the purpose of making payments under certain installment purchase, lease, or rental agreements having a term of more than one year and for the purpose of obtaining the use of real property or equipment for school sites, buildings, or structures or for any other authorized school purpose. Beginning July 1, 2003, unless the local county treasurer maintains a school district's Bond Redemption Fund, all school districts are required to select one or more commercial banks or depository trust companies, that have full trust powers, are located within the State and are members of the Federal Deposit Insurance Corporation, to act as third-party custodians to administer the school district's Bond Redemption Fund. The custodian is responsible for making payments from the Bond Redemption Fund. See "THE BONDS--Custodial Agreement."

Capital Reserve Fund and Insurance Reserve Account. The Capital Reserve Fund and the Insurance Reserve Account (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. For fiscal year 2005-06, the required minimum allocation is \$271 per pupil. The Board has the discretion to allocate that amount (not to exceed \$800 per pupil): (i) to the Capital Reserve Fund; (ii) to the Insurance Reserve Account (or to any other fund established solely for the management of risk-related activities); or (iii) between such funds. Expenditures from the Capital Reserve Fund are limited to long range capital expenditures such as acquisition of land or improvements; construction of structures; construction of additions; procurement of equipment; alterations, improvements, or additions; the acquisition of school buses or other equipment; and installment purchase agreements or lease agreements with an option to purchase.

The Insurance Reserve Fund is funded at the discretion of the Board. The Insurance Reserve Fund's purpose is to enable the school district to pay its insurance premiums which are not otherwise budgeted to be paid from the General Fund, and to enable the school district to raise the deductible limits on its insurance policies in order to lower the cost of those policies to the school district.

In addition to using capital reserves for capital expenditures, State statutes also allow school districts to borrow from the State to finance capital expenditures.

Special Building and Technology Fund. Colorado law authorizes school districts to maintain a Special Building and Technology Fund funded with revenues from a voter-approved special mill levy. See "Sources of School District Revenue--Additional Property Taxes--Special Building and Technology Levy" above. The District currently does not maintain such a fund.

Transportation Fund. The revenues from certain taxes and from certain State payments must be deposited in the transportation fund of the district. Expenditures from the fund are limited to payment of transportation costs. See “Sources of School District Revenue--Additional Property Taxes--Transportation Levy” above. The District created this special fund commencing with the 2003-04 fiscal year but has discontinued the fund for fiscal year 2005-06.

Preschool Program Fund. Certain State moneys must be deposited in the Preschool Program Fund of the school district (the Preschool Program Fund may be maintained as a discrete account within the General Fund). In addition, any other moneys of the district that may be used to pay the costs of providing preschool services directly to children enrolled in the district’s preschool program may be deposited in the Preschool Program Fund of the district. Expenditures from the fund shall only be made to pay the costs of providing preschool services directly to children enrolled in the district’s preschool program.

## **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. Pursuant to State law, the District may amend its budget on or before October 15 of each year.

In addition to the October 15 budget amendment, school districts are allowed to modify or amend the budget for new, unappropriated revenues. As the final assessed valuation, final pupil count and final audited fund balance amounts are not available by October 15, the District typically does a mid-year budget amendment in January of each year. The District uses this opportunity to modify the above mentioned resources and make other budget adjustments as necessary.

Beginning in fiscal year 2004, State law prohibits school districts from providing for expenditures in excess of available revenues and beginning fund balances and requires boards of education to review the financial condition of its school district at least quarterly. The legislation also requires districts 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). State law also requires the adoption of a resolution authorizing and explaining any use of beginning fund balance authorized for expenditure in the budget.

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 and to non-ad valorem tax sources.

Pursuant to the provisions of the School Finance Act, during any budget year, if the board of education of the district 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 school district due, in whole or in part, to action by the general assembly or the governor relating to the State appropriation for the Total Program 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 by the board of education of a district, the board may implement a reduction in salaries for all employees of the school 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 boards of education from changing or modifying teacher salary schedules during a school year.

Budget 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 2003-04. This is the ninth year the District has received this award. The District also received the Government Finance Officer’s Association Distinguished Budget Presentation Award for the fiscal year 2004-05 budget. In order to receive the GFOA Award, a governmental unit must publish its budget to meet program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. These awards are valid for a period of one year.

### **General Fund Budget Summary and Comparison**

The following table sets forth a comparison of the District’s revised General Fund budget to actual results (budgetary basis) for the fiscal year ended June 30, 2005, the District’s adopted budget for fiscal year ending June 30, 2006, and the District’s year-to-date actual figures from July 1, 2005 through September 30, 2005.

The following table is presented on a basis intended to conform with generally accepted accounting principles (“GAAP”). Certain differences exist between the budgetary basis of reporting and the GAAP basis of reporting. The primary difference with respect to Colorado school districts relates to the reporting of teacher salaries. The salaries of teachers and certain other employees are paid over a 12-month period ending August 31; however, most salaries are earned over the traditional school year of September through May. Pursuant to GAAP, these salaries are recorded as an expenditure of the District in the year they are earned rather than the year in which they are paid. For budgetary purposes, the District does reflect a liability for the earned but unpaid salaries (and associated benefits).

General Fund Budget Summary and Comparison

Revised Budget to Actual (Budgetary Basis) For the Year ended June 30, 2005 and  
Adopted Budget for Year ended June 30, 2006, and Year-to-Date Actual (unaudited)  
Information.

	2004-05 Final <u>Budget(1)</u>	2004-05 Final Audited	2005-06 Adopted <u>Budget</u>	2005-06 Year to Date 7/1/05- <u>9/30/05(2)</u>
<b>REVENUES:</b>				
Local sources	\$76,582,828	\$78,991,466	\$76,743,948	\$5,100,571
State sources	99,742,990	99,730,246	97,646,658	17,481,890
Federal sources	<u>300,000</u>	<u>443,826</u>	<u>300,000</u>	<u>--</u>
Total Operating Revenue	<u>176,625,818</u>	<u>179,165,556</u>	<u>174,690,606</u>	<u>22,582,461</u>
<b>NON-OPERATING REVENUE</b>				
Transfers In:				
Mill levy override fund	15,667,005	15,103,775	17,134,462	--
Community education fund	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total non-operating revenue	<u>15,667,005</u>	<u>15,103,775</u>	<u>17,134,462</u>	<u>--</u>
<b>TOTAL REVENUE</b>	<u>\$192,292,823</u>	<u>194,269,331</u>	<u>\$191,825,068</u>	<u>22,582,461</u>
<b>EXPENDITURES:</b>				
Instruction	126,127,498	119,010,481	123,925,203	28,193,721
Pupil services	7,976,722	7,813,128	7,915,171	1,880,578
Instruction support	5,191,231	3,917,564	13,793,781	2,615,610
General administration	2,710,784	2,343,473	1,982,220	559,536
School administration	16,870,094	15,876,770	17,408,169	4,083,380
Business administration	2,374,550	2,308,346	2,219,390	573,957
Maintenance and operations	20,641,470	19,697,394	20,779,706	4,510,302
Transportation(3)	--	--	4,340,429	1,390,534
Central services	3,945,415	3,220,543	2,214,469	609,251
Other services	1,164,455	1,089,783	1,067,878	130,015
Community services	<u>786,296</u>	<u>719,177</u>	<u>1,048,075</u>	<u>148,991</u>
Total Operating Expenditures	<u>187,788,515</u>	<u>175,996,659</u>	<u>196,694,491</u>	<u>44,695,875</u>
<b>NON-OPERATING EXPENDITURES</b>				
Transfers out	17,890,395	17,802,412	6,705,149	5,411,491
Reserves	<u>10,336,897</u>	<u>--</u>	<u>13,223,311</u>	<u>--</u>
Total Non-operating Expenditures	<u>28,227,292</u>	<u>17,802,412</u>	<u>19,928,460</u>	<u>5,411,491</u>
<b>TOTAL EXPENDITURES</b>	<u>\$216,015,807</u>	<u>\$193,799,071</u>	<u>\$216,622,951</u>	<u>\$50,107,366</u>

- (1) The fiscal year 2004-05 revised budget includes modifications approved by the Board of Education in October 2004 and February 2005.
- (2) Unaudited and subject to change.
- (3) Transportation Fund was eliminated for fiscal year 2005-06; those expenses are now accounted for in the General Fund.

Sources: The District's Basic Financial Statement for the fiscal year ended June 30, 2005 and the District's Budget for the fiscal year ending June 30, 2006.

## **Accounting Records and Financial Statements**

General. The District accounts for its financial operations in compliance with State law. All funds are audited on a July 1 to June 30 fiscal year. The annually audited financial statements must be submitted to the Board within five months after the end of the fiscal year and filed with the State auditor and the commissioner of education 30 days after receipt by the District. If the District fails to file an audit report with the State auditor, the State auditor may, after notice to the District, notify the County Treasurer holding moneys of the District (if any) and authorize such treasurer to prohibit release of such moneys until the District files the audit report with the State. The District's audit for the 2003-04 and 2004-05 fiscal year were filed on time. The audited basic financial statements for the fiscal year ended June 30, 2005, attached hereto as Appendix A, represent the most recent audited financial statements of the District.

Governmental Accounting Standards Board Statement 34. Governmental Accounting Standards Board Statement 34 ("GASB 34") requires that the District's financial statements comply with certain new requirements beginning in the fiscal year ending June 30, 2003. GASB 34 changed financial reporting standards for governmental entities in several ways. The District is required to provide a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the District's financial activities. The District is also required to provide supplemental schedules showing actual fund performance as compared to the original budget for that fund in addition to the final budget. The District distinguishes between reserved and unreserved categories when reporting its fund balances. Finally, the District is required to provide government-wide financial statements, consisting of a statement of net assets and a statement of activities for all funds (except fiduciary funds) prepared using the accrual basis of accounting. This GASB 34 requirement has resulted in the inclusion in the government-wide financial statements of certain long-term liabilities (compensated absences and general obligation debt, for example) that are not offset by current revenues. As a result, net asset amounts as reflected in the government-wide financial statements may be lower than the currently reported fund balances. Net assets for governmental activities at June 30, 2004 equaled \$7.3 million. Also, on June 30, 2004, the District had total liquid assets equal to 5.1 times its liabilities, excluding long-term liabilities and component units.

Awards. The District received the Certificate of Achievement of Excellence in Financial Reporting from the Government Finance Officers of the United States and Canada for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This award represents an acknowledgment that the District prepared and presented its fiscal information in a clear, open and user friendly format that qualifies the report for its recognition of excellence. This is the thirteenth consecutive year in which the District has received such 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 of the District's General Fund, including the beginning and ending fund balances for each year. This information should be read together with the financial statements and accompanying notes of the District included as Appendix A hereto.

**General Fund Revenues, Expenditures, and Changes in Fund Balances**  
(GAAP Basis)  
(Fiscal Years ended June 30)

	Years ended June 30,				
	2001	2002	2003	2004	2005
<b>Revenues</b>					
Taxes	\$ 68,131,734	\$ 71,739,853	\$73,650,176	\$71,068,800	\$74,053,177
Intergovernmental	88,653,789	84,813,252	91,174,083	97,355,466	100,174,090
Interest	2,093,232	1,244,019	797,053	281,961	415,636
Tuition (1)	--	1,616,393	1,619,995	1,850,196	2,058,685
Other	<u>4,018,960</u>	<u>2,744,216</u>	<u>2,195,620</u>	<u>2,425,857</u>	<u>2,463,968</u>
Total revenues	<u>162,897,715</u>	<u>162,157,733</u>	<u>169,436,927</u>	<u>172,982,280</u>	<u>179,165,556</u>
<b>Expenditures</b>					
Current Operating					
Instruction	105,701,734	112,463,511	113,613,544	114,122,037	119,010,481
Pupil activities	6,942,532	6,985,635	7,519,676	7,623,644	7,813,128
Instructional support	5,997,669	3,954,642	4,517,203	4,048,701	3,917,564
General administration	1,627,033	1,771,640	1,890,275	2,003,030	2,343,473
School administration	12,778,936	13,932,401	14,722,335	15,029,644	15,876,770
Business services	2,242,056	2,439,276	2,259,073	2,305,496	2,308,346
Maintenance & operations	17,380,301	18,362,790	18,429,746	19,313,250	19,697,394
Central Services	4,061,704	3,031,804	3,020,285	3,405,863	3,220,543
Miscellaneous support services	877,135	480,215	923,858	1,061,032	1,089,783
Other services	583,978	663,667	668,906	754,386	719,177
Debt service					
Interest and fiscal charges	<u>937,536</u>	<u>746,025</u>	<u>798,750</u>	<u>357,747</u>	<u>--</u>
Total Expenditures	<u>159,130,614</u>	<u>164,831,606</u>	<u>168,363,651</u>	<u>170,024,830</u>	<u>175,996,659</u>
Excess of revenues over (under) expenditures	<u>3,767,101</u>	<u>(2,673,873)</u>	<u>1,073,276</u>	<u>2,957,450</u>	<u>3,168,897</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	3,538,909	15,886,230	12,602,450	13,888,461	15,103,775
Operating transfers out	<u>(4,531,240)</u>	<u>(12,253,694)</u>	<u>(12,827,180)</u>	<u>(13,017,001)</u>	<u>(17,802,412)</u>
Total Other Financing Sources (Uses)	<u>( 992,331)</u>	<u>3,632,536</u>	<u>(224,730)</u>	<u>871,460</u>	<u>(2,698,637)</u>
Excess of revenues and other sources over (under) expenditures and uses (2)	2,774,770	--	--	--	--
Net change in fund balance (2)	--	958,663	848,546	3,828,910	470,260
Fund Balance - July 1	7,025,046	9,799,816	10,758,479	11,607,025	15,586,943
Prior period adjustment (3)	<u>--</u>	<u>--</u>	<u>--</u>	<u>151,008</u>	<u>--</u>
Fund Balance - June 30	<u>\$9,799,816</u>	<u>\$10,758,479</u>	<u>\$11,607,025</u>	<u>\$15,586,943</u>	<u>\$16,057,203</u>

(1) Prior to 2002, tuition was included in the "miscellaneous" category.

(2) Pursuant to GASB 34, the District began reporting "Net change in fund balance" (rather than "Excess of revenues and other sources over (under) expenditures and uses") in fiscal year 2002.

(3) Adjustment was required for fiscal year ended June 30, 2004 due to salaries and benefits for the National Science Foundation being incorrectly recorded to the General Fund that should have been recorded in the Designated Purpose Grand Fund for the fiscal year ended June 30, 2003. The net effect to the General Fund was an increase in fund balance for the fiscal year ended June 30, 2004.

Source: Derived from the District's comprehensive annual financial reports for the years ended June 30, 2001 through 2005.

## PROPERTY TAXATION, ASSESSED VALUATION AND 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 conduct appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within each 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 2005 will be based on an analysis of sales and other information for the

period January 1, 2003 to June 30, 2004. The following table sets forth the State Property Appraisal System for property tax levy years 2000 through 2005:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2001	2000	July 1, 1998	Jan. 1, 1997 to June 30, 1998
2002	2001	July 1, 2000	Jan. 1, 1999 to June 30, 2000
2003	2002	July 1, 2000	Jan. 1, 1999 to June 30, 2000
2004	2003	July 1, 2002	Jan. 1, 2001 to June 30, 2002
2005	2004	July 1, 2002	Jan. 1, 2001 to June 30, 2002
2006	2005	July 1, 2004	Jan. 1, 2003 to June 30, 2004

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 General Assembly 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 1997-98 and 1999-2000); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-04 and 2005-06). In December 2005, the Colorado Legislative Council (the research division of the Colorado General Assembly) projected that the residential assessment rate will remain at 7.96% for levy years 2007-08 and will decline to 7.49% for levy years 2009-10. This projection is only an estimate, however, and is subject to change.

**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 General Assembly 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 General Assembly 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 Property Tax Exemption.* A 2000 amendment to the State constitution enacted a homestead property tax exemption for qualifying senior citizens. The amendment is restricted by legislation adopted in 2003. According to the amendment and this legislation, for the 2003 property tax collection year and for property tax collection years 2007 and later, 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. For property tax collection years 2004, 2005 and 2006, the exemption has been eliminated. In years when an exemption is available, the State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District.

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. 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 (the "County Treasurer").

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2004 will be collected in 2005. 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 tenth 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 twenty-fourth day of the months of March, May and June, reflecting taxes collected through the twentieth day of the respective month.

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

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

Potential for Overlap with Tax Increment Authorities. Colorado law allows the formation of public highway authorities. Pursuant to statute, the board of directors of a public highway authority is entitled to designate areas within the authority's boundaries as "value capture areas" to facilitate the financing, construction, operation or maintenance of highways constructed by the authority; an authority is entitled to capture a portion of the property taxes in such an area to support these purposes. No public highway authority currently exists within the County. If an authority were to be formed and a value capture area implemented in the future, 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 included within the boundaries of the South Central Downtown Urban Renewal Authority (the "Urban Renewal Authority"). With respect to the property included in the boundaries of an urban renewal authority or downtown development authority 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 Valuation" in "Ad Valorem Property Tax Data" below for information on the assessed valuation attributable to the Urban Renewal Authority. 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 five year history of the District's assessed valuation and mill levies is set forth in the following chart.

### History of Assessed Valuations and Mill Levies for the District

Levy/ Collection Year	Assessed Valuation(1)	Percent Change	General Operating Mill Levy	Debt Service Mill Levy	Over- rides Levy	Special Abate- ment Levy	Total Mill Levy
2000/2001	\$1,927,578,590	--	34.575	3.402	1.627	0.457	40.061
2001/2002	2,107,558,880	9.3%	28.002	3.720	7.882	0.140	39.744
2002/2003	2,225,564,480	5.6	27.628	2.520	9.426	0.208	39.782
2003/2004	2,124,984,927	(4.5)	27.628	3.970	9.873	0.227	41.698
2004/2005	2,109,664,257	(0.7)	27.628	4.020	9.944	0.502	42.094
2005/2006	2,269,505,750	7.6	25.543	7.650	10.411	0.209	43.813

(1) Assessed valuation figures are net of the assessed valuation attributable to tax increment financing districts in the following amounts: \$318,770 for levy year 2002; \$591,103 for 2003; \$795,543 for 2004; and \$1,078,940 for 2005.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2001-2004; and the El Paso County Assessor's Office.

The following chart sets forth a five year history of the District's ad valorem property tax collections.

### Property Tax Collections for the District

Levy/Collection Year	Taxes Levied(1)	Current Tax Collections(2)	Collection Rate
1999/2000	\$70,093,978	\$69,528,808	99.19%
2000/2001	77,220,726	76,776,203	99.42
2001/2002	83,762,820	83,126,742	99.24
2002/2003	88,537,406	85,230,276	96.26
2003/2004	88,607,621	87,837,003	99.13
2004/2005(3)	88,804,207	88,274,855	99.40

(1) Levied amounts do not reflect abatements and other adjustments.

(2) The El Paso County Treasurer's collection fees have not been deducted from these amounts. The amounts listed do not include delinquent tax collections nor interest collected on current taxes. Tax collections are net of abatements.

(3) Collection figure is through November 30, 2005.

Sources: El Paso County Treasurer's Office; and State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 1999-2004.

Based upon the most recent information available from El Paso 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 chart. Furthermore, the taxpayers shown in the chart 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 2004

<u>Taxpayer Name</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Intel Corporation	\$ 75,920,120	3.60%
Qwest Corporation	37,796,700	1.79
Agilent Technologies Inc.	18,521,670	0.88
MCI Worldcom Network Services Inc.	15,119,710	0.72
Macerich Citadel LP	12,298,510	0.58
Palmer Center Ltd.	12,163,630	0.58
Wal-Mart Real Estate Business Trust	11,481,580	0.55
AT&T Communications	8,722,420	0.41
Citadel Crossing Associates	7,667,550	0.36
Vitesse Semiconductor Corp.	<u>7,619,620</u>	<u>0.36</u>
TOTAL	<u>\$207,311,510</u>	<u>9.83%</u>

(1) Based on a 2004 assessed valuation of \$2,109,664,257.

Source: El Paso County Treasurer's Office.

The following chart sets forth the current assessed valuation of specific classes of real and personal property within the District. Residential property accounts for the largest percentage of the District assessed valuation, and therefore it is anticipated that owners of residential property will pay the largest percentage of ad valorem property taxes levied by the District.

2005 Assessed Valuation of Classes of Property in the District

<u>Property Class</u>	<u>Total Assessed Valuation(1)</u>	<u>Percent of Total Assessed Valuation</u>
Residential	\$1,047,570,380	46.14%
Commercial	914,436,050	40.27
Industrial	170,175,620	7.49
Vacant	68,286,240	3.01
State Assessed	67,548,280	2.97
Agricultural	1,310,390	0.06
Natural Resources	<u>1,257,730</u>	<u>0.06</u>
<b>TOTAL</b>	<b><u>\$2,270,584,690</u></b>	<b><u>100.00%</u></b>

(1) The assessed valuation shown includes \$1,078,940 of assessed valuation attributable to the tax increment financing district located within the District. Therefore, the total assessed valuation figure given here differs from the assessed valuation figure set forth elsewhere in the Official Statement.

Source: El Paso County Assessor' 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 larger or smaller total mill levy than the samples given in the following table.

Sample Mill Levy Affecting District Property Owners

<u>Taxing Entity</u>	<u>2004 Mill Levy(1)</u>
El Paso County	7.221
City of Colorado Springs	5.735
Pikes Peak Library	3.495
Southeastern Colorado Water Conservancy District	<u>0.947</u>
Total Overlapping Sample Mill Levy	17.398
District	<u>42.094</u>
Total Sample Mill Levy	<u>59.492</u>

(1) One mill equals 1/10 of one cent. Mill levies certified in 2004 are for the collection of ad valorem property taxes in 2005.

Source: El Paso 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 chargeable to property owners within the District as of the date of this Official Statement. Additional taxing entities may overlap with the District in the future.

### Estimated Overlapping General Obligation Debt

Entity(1)	2005 Assessed Valuation(2)	Outstanding General Obligation Debt(3)	Outstanding General Obligation Debt Chargeable to the District(4)	
			Percent	Debt
Central Marksheffel Metropolitan District	\$ 5,898,900	\$ 14,650,000	1.19%	\$ 174,335
City of Colorado Springs	4,103,863,070	11,310,000	52.11	5,893,641
Colorado Springs Cottonwood General Improvement District	98,963,020	6,390,000	99.81	6,377,859
Lowell Metropolitan District	2,447,130	9,300,000	100.00	9,300,000
Metex Metropolitan District	277,199,790	8,070,000	18.58	1,499,406
Southeastern Colorado Water Conservancy District(5)	6,170,184,424	90,932,315	34.73	<u>31,671,725</u>
TOTAL				<u>\$54,916,966</u>

- (1) The following entities also overlap the District but have no reported general obligation debt outstanding: Central Colorado Water Conservancy; Cherokee Metropolitan District; Cheyenne Creek Metropolitan Park and Water District; Cimarron Hills Fire Protection District; El Paso County; El Paso County Conservation District; Norwood Special Improvement Maintenance District; Pikes Peak Library District; and Powers and Woodman Commercial Business Improvement District.
- (2) Assessed values certified in 2005 are for collection of ad valorem property taxes in 2006.
- (3) Debt figures reflect balances after scheduled December payments and assume such payments are made.
- (4) The percentage of each entity's outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District are responsible will also change.
- (5) The Southeastern Colorado Water Conservancy District ("SCWCD") is comprised of portions of 9 Colorado counties. SCWCD's general obligation debt consists of a contractual obligation with the U.S. Bureau of Reclamation for payment of the reimbursable costs of the Fryingpan-Arkansas Project. The project's primary purpose is to divert water from the Colorado River tributaries for use in water-short areas. Revenues to meet payments are provided via an ad valorem mill levy applied against property within the nine counties in which SCWDC operates and via fees charged for sale and storage of water. SCWDC dedicates nine-tenths of its mill levy to the contractual obligation.

Sources: El Paso County Assessor's Office and information obtained from individual taxing entities.

## Debt and Population Ratios

The following table sets forth ratios, based on 2005 certified figures, of direct debt of the District and overlapping debt within the District to assessed valuation, statutory actual value, and population within the District:

### Selected Debt Ratios of the District as of the Date of this Official Statement

Direct Debt (1)	\$211,908,084
Overlapping Debt (2)	<u>54,916,966</u>
Total Direct Debt and Overlapping Debt	<u>\$266,825,050</u>
2005 Estimated District Population(3)	222,351
Per Capita Direct Debt	\$953.03
Per Capita Direct Debt Plus Overlapping Debt	\$1,200.02
2005 Certified Assessed Valuation (4)	\$2,270,584,690
Direct Debt to Assessed Valuation	9.33%
Direct Debt Plus Overlapping Debt to Assessed Valuation	11.75
2005 Statutory Actual Value (5)	\$17,378,105,903
Direct Debt to Statutory Actual Value	1.22%
Direct Debt Plus Overlapping Debt to Statutory Actual Value	1.54%

(1) Assumes issuance of the Bonds.

(2) Figure is estimated based on information supplied by other taxing authorities. See "--Estimated Overlapping General Obligation Debt" above.

(3) Population estimate based on 2000 census figures.

(4) Includes \$1,078,940 attributable to tax increment financing districts.

(5) This amount was determined by a statutory formula under which assessed valuation is calculated as 7.96% of statutory actual value of residential property and 29% of statutory actual value of all other classes of property, with certain specified exceptions. Figure used above was provided by the County Assessor's office. See "--Ad Valorem Property Taxes" herein.

Sources: El Paso County Assessor's Office; the District; and information obtained from individual entities.

## **DEBT AND OTHER FINANCIAL OBLIGATIONS**

### **General Obligation Debt**

“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, and funding floating indebtedness. 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 Article X, Section 20 of the Colorado Constitution. 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 General Assembly 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 Colorado Revised Statutes. In its 1994 session (as amended during its 1996 and 1998 sessions), the Colorado General Assembly 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 applicable boards of county commissioners; provided, however, that for districts whose enrollment has increased by 2.5% in each of the three preceding years (which does not include the District), the limitation is the greater of 25% of the latest valuation for assessment or 6% of the most recent determination of actual value. Because the 6% of actual valuation limitation and the 2.5% growth benchmark were enacted subsequent to TABOR, it is unclear whether such limitation is valid pursuant to the terms of TABOR. 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, are not 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 2005 assessed valuation of \$2,270,584,690 (which includes the assessed valuation attributable to the South Central Downtown Urban Renewal Plan and is for collection of taxes in 2006) is \$454,116,938. The District’s outstanding general obligation debt does not exceed that amount. After the issuance of the Bonds, the District will have \$242,208,853 of remaining debt capacity. The District could utilize the remainder of the debt capacity with prior voter approval. At an election on November 2, 2004, the voters of the District approved the issuance of general obligation bonds in the aggregate principal amount of \$131,700,000 of general obligation bonds to accomplish the Project. The District has issued \$4,023,111 of this authorization with its Series

2005 QZABs and anticipates issuing \$127,674,973.10 which constitute the Bonds. After the issuance of the Bonds, the District will have \$1,915.90 of authorization remaining from the Election. See “DISTRICT FINANCIAL INFORMATION--Sources of School District Revenue” above.

**Outstanding Debt and Other Obligations of the District**

General Obligation Debt. The District currently has general obligation debt outstanding in the aggregate principal amount of \$211,908,084.10 which consist of the Bonds, the 2005 QZAB’s in the aggregate principal amount of \$4,023,111, and the outstanding General Obligation Bonds, Series 1996 currently outstanding in the aggregate principal amount \$80,210,000.

Capital and Operating Leases. As of June 30, 2005, the District had the following leases outstanding:

<u>Lease</u>	<u>Description</u>
Building Lease - 627 E. Uintah	Monthly payments of \$3,299 for total yearly lease costs of \$39,586 yearly subject to annual appropriation.
Astroplay Synthetic Athletic Turf lease	3.15% interest rate with total principal payments of \$443,644 outstanding as of June 30, 2005. The lease runs through June 18, 2010 and is subject to annual appropriation.
Energy Performance Lease	2.96% interest rate with total principal payments of \$4,910,661 outstanding as of June 30, 2005. The lease is subject to annual appropriation with the final payment due on December 10, 2018.
High speed copy/printing equipment	4.68% interest rate with \$234,070 total principal amount outstanding as of June 30, 2005. The lease is subject to annual appropriation and is payable through June 2007.
High speed printing press	4.15% interest with \$435,834 principal amount outstanding as of June 30, 2005. The lease is subject to annual appropriation with a final payment due on August 1, 2013.

Lease-Purchase Obligations. In 1998, the Colorado Springs School District No. 11 Facilities Corporation (the “Corporation”) issued \$32,015,000 aggregate principal amount of certificates of participation for the purpose of funding the construction of the Jenkins Middle School, Tesla Educational Opportunity Program, and complete renovations at Palmer High School (the “1998 Certificates”). In 1999, the Corporation issued certificates of participation in the aggregate principal amount of \$14,435,000 for the purposes completing various other capital improvements within the District (the “1999 Certificates”). Both the 1998 Certificates and the 1999 Certificates were refunded by the issuance of the Adjustable Rate Refunding Certificates of Participation, Series 2004 (the “2004 Certificates”). The District has certain obligations to pay rental payments on the above referenced certificates under an annually terminable lease purchase agreement (collectively, the “Leases”). As of June 30, 2005, the District’s obligations under Leases were \$41,690,000; however, the District has the option to terminate the Lease on an annual basis. Should that occur, the District will no longer have any payment obligations under the Lease.

Qualified Zone Academy Bond. In May 2005, the District issued its General Obligation Qualified Zone Academy Bond, Series 2005, in the aggregate principal amount of \$4,023,111. The proceeds of this bond was used to re-establish the Building Fund to account for capital projects funded with the bonds. The District issued these bonds pursuant to authorization received by the voters at the Election.

Tax Anticipation Notes/State Cash Flow Loan Program. In June 2005, the Board adopted a resolution authorizing the District to participate in the State Treasurer’s interest-free loan program See “DISTRICT FINANCIAL INFORMATION--Cash Flow Measures.” The Board approved the borrowing of an amount not to exceed \$55,000,000 for fiscal year 2005-06. This borrowing was undertaken to cover an anticipated deficit in the District’s property tax collections for fiscal year 2005-06. The loan is payable from ad valorem property taxes credited to the District’s General Fund, investment proceeds from the investment of such taxes, and unexpended proceeds of the loan, if any. The principal of and interest on the loan is payable on June 30, 2006. See Notes 9 and 20 to the District’s audited financial statements attached hereto as Appendix A.

Other Obligations. As of June 30, 2005 (most recent audited amount available), the District had outstanding obligations with respect to accrued post-retirement insurance, vacation leave, and sick leave. Those obligations are quantified in Notes 7 and 10 to the audited financial statements attached hereto as Appendix A.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding El Paso 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 and Age Distribution

Population. The following table sets forth a history of the populations of the City of Colorado Springs (the "City"), the County and the State. Between 2003 and 2004, the City's population increased by 0.8%. During the same time period, the populations of the County and the State increased 1.1% and 1.4%, respectively.

<u>Population</u>						
<u>Year</u>	<u>City of Colorado Springs</u>	<u>Percent Change</u>	<u>El Paso County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
1960	70,194	--	143,742	--	1,753,947	--
1970	135,517	93.1%	235,972	64.2%	2,209,596	26.0%
1980	215,105	58.7	309,424	31.1	2,889,735	30.8
1990	280,430	30.4	397,014	28.3	3,294,394	14.0
2000	360,890	28.7	516,929	30.2	4,301,261	30.6
2001	369,853	2.5	533,534	3.2	4,446,529	3.4
2002	373,328	0.9	541,069	1.4	4,521,484	1.7
2003	377,006	1.0	547,566	1.2	4,586,455	1.4
2004	380,073	0.8	553,785	1.1	4,648,814	1.4

Sources: Figures for 1960 through 2000 were obtained from the United States Department of Commerce, Bureau of the Census; figures for 2001-2004 are estimates provided by the Colorado Department of Local Affairs, Division of Local Government, and are subject to periodic revision.

Age Distribution. The following table sets forth an estimated comparative age distribution profile for the City, the County, the State and the United States as of April 1, 2005.

Age Distribution

Age	Percent of Population			
	City of Colorado Springs	El Paso County	Colorado	United States
0-17	26.6%	27.5%	25.3%	24.9%
18-24	9.5	10.4	9.8	9.9
25-34	15.1	13.9	15.2	13.4
35-49	23.3	23.5	23.3	22.4
50 and Older	25.5	24.7	26.4	29.4

Source: Sales & Marketing Management “Survey of Buying Power,” 2005 edition.

**Income**

The following table sets forth annual per capita personal income levels for the County, the State and the United States. Per capita personal income levels in the County have consistently been lower than personal income levels in the State and the United States during the period shown.

Per Capita Personal Income

Year	El Paso County	Colorado	United States
1999	\$27,387	\$30,492	\$27,939
2000	29,603	33,370	29,845
2001	30,190	34,491	30,575
2002	30,401	34,228	30,804
2003	30,811	34,561	31,472

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

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups as reported in Sales & Marketing Management, “Survey of Buying Power.” EBI is a classification developed by Sales & Marketing Management. EBI is defined as “money income” (which includes wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income) less personal tax and nontax payments. Deductions are made for personal federal, state and local income taxes, personal contributions to social insurance (Social Security

and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income

Year	City of Colorado Springs	El Paso County	Colorado	United States
2001	\$35,809	\$37,024	\$39,741	\$39,129
2002	41,212	42,082	44,050	38,365
2003	41,529	43,129	43,510	38,035
2004	40,805	42,819	43,544	38,201
2005	41,697	43,719	44,489	39,324

Source: Sales & Marketing Management “Survey of Buying Power,” 2001-2005.

Percent of Households by Effective Buying Income Groups - 2005

Effective Buying Income Group	Percent of Households			
	City of Colorado Springs	El Paso County	Colorado	United States
Under \$20,000	16.8%	15.1%	16.1%	21.5%
\$20,000-34,999	23.5	22.4	21.3	22.5
\$35,000-49,999	20.8	21.0	19.4	19.3
\$50,000 and over	38.9	41.5	43.2	36.7

Source: Sales & Marketing Management “Survey of Buying Power,” 2005 edition.

**Employment**

The following table presents information on employment within the County, the State and the United States, for the time period indicated.

Labor Force and Percent Unemployed

Year	El Paso County		Colorado		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2000	264,772	2.8%	2,359,323	2.6%	4.0%
2001	268,642	4.5	2,394,885	3.9	4.7
2002	275,180	6.3	2,443,321	5.9	5.8
2003	279,397	6.4	2,479,753	6.2	6.0
2004	284,080	5.7	2,522,225	5.5	5.5
<u>Month of October(1)</u>					
2004	289,445	5.3%	2,551,739	5.1%	5.5%
2005	286,975	4.9	2,552,934	4.6	5.0

(1) Most current revised figures available. Figures for the County and the State are not seasonally adjusted.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Colorado Labor and Industry Focus.

The following table sets forth the number of individuals employed within selected County industries which are covered by unemployment insurance. In 2004, the largest employment sector in the County was services, followed, in order, by government, retail trade and manufacturing. For the 12-month period ended December 31, 2004, total average employment in the County increased 1.4% as compared to the same 12-month period ending December 31, 2003.

Average Number of Employees Within Selected Industries – El Paso County

	2000	2001(1)	2002(1)	2003	2004	2005(2)
Agriculture, Forestry and Fisheries	1,959	262	223	170	323	322
Mining	89	95	82	107	143	178
Construction	15,370	15,745	14,998	14,757	15,177	15,489
Manufacturing	28,761	25,209	22,280	20,497	19,893	18,529
Transportation, Communication and Public Utilities	13,526	18,203	16,716	14,296	13,818	13,140
Wholesale Trade	7,092	6,348	6,056	5,862	5,957	6,035
Retail Trade	45,716	27,890	27,648	27,818	28,375	27,773
Finance, Insurance and Real Estate Services	13,699	15,338	16,130	16,440	16,397	17,116
Non-classifiable	6	2	3	3	15	12
Government	<u>37,068</u>	<u>37,949</u>	<u>39,271</u>	<u>39,855</u>	<u>40,381</u>	<u>41,305</u>
Total	<u>237,740</u>	<u>240,094</u>	<u>235,105</u>	<u>232,505</u>	<u>235,699</u>	<u>236,931</u>

- (1) In 2001, the Colorado Department of Labor and Employment, following a decision by the United States Bureau of Labor Statistics, adopted the North American Industrial Classification System (“NAICS”). The NAICS coding is not directly comparable to the Standard Industrial Classification used in prior years. No state-produced historical time series data using the NAICS coding is available.
- (2) Figures are through 2nd quarter 2005.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Colorado Employment and Wages.

A selection of some of the largest employers in the County is set forth below. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers in the County.

## Selected Major Employers in El Paso County - 2004

### 1,000 or more employees

Atmel Corporation	Hewlett Packard
The Broadmoor Hotel	ITT Industries Inc. – Systems Division
City of Colorado Springs	Lockheed Martin Corporation
Colorado Springs Utilities	Memorial Hospital
El Paso County	Penrose-St. Francis Health Services
El Paso School District 2 - Harrison	Peterson Air Force Base
El Paso School District 3 - Widefield	Progressive Insurance Company
El Paso School District 11 - Colo. Spgs.	Schriever Air Force Base
El Paso School District 20 - Air Academy	United Services Automobile Assoc. (USAA)
El Paso School District 49 – Falcon	United States Air Force Academy
Focus on the Family	University of Colorado at Colorado Springs
Fort Carson	

### 500 - 999 employees

Adelphia Communications	Honeywell
Agilent Technologies	ICT Group, Inc.
Advantage Logistics	Intel Corporation
Bank of America, Fleet Credit Card Services	IR Security & Safety
The Colorado College	The Navigators (Glen Eyrie Castle)
Current Inc.	Northrop Grumman
Direct Checks Unlimited	Oracle Corporation
EDS	Pikes Peak Community College
El Paso Natural Gas/Colorado Interstate Gas Co.	Quantum Corp, DLT Division
El Paso School District 8 - Fountain/Ft. Carson	Sanmina –SCI (Plant #12)
El Paso School District 12 – Cheyenne Mountain	SI International
El Paso School District 38 – Lewis Palmer	Synthes, USA
Ford Credit Regional Service Center	Western Forge Corporation
The Gazette	

### 350-499 employees

California Casualty Group	Northrop Grumman Mission Syst (TRW)
Compassion International	Premiere Conferencing
Fed Ex Services Corporation	Qwest Communications International
Lexis-Nexis	Science Applications International
	T. Rowe Price Associates, Inc.

Source: The Greater Colorado Springs Economic  
Development Corporation.

## Retail Sales

Annual retail sales figures for the City, the County and the State are set forth below. Retail sales figures have increased during the time period indicated.

<u>Retail Sales</u> (in thousands)						
Year	City of Colorado Springs	Percent Change	El Paso County	Percent Change	Colorado	Percent Change
2000	\$8,281,816	--	\$9,185,167	--	\$101,008,296	--
2001	8,450,554	2.0%	9,549,844	4.0%	102,633,648	1.6%
2002	8,624,448	2.1	9,839,568	3.0	103,777,621	1.1
2003	9,129,067	5.9	10,403,169	5.7	105,420,075	1.6
2004	9,653,119	5.7	11,004,831	5.8	114,280,780	8.4
2005(1)	7,393,516	--	8,421,238	--	87,910,185	--

(1) Figures are through 3rd quarter 2005.

Source: State of Colorado, Department of Revenue, Sales Tax Statistics, 2000-2005.

## Current Construction

The following table sets forth the number of permits issued for both residential and commercial construction in the County during the time period indicated.

### Building Permits Issued for New Structures in El Paso County

Year	<u>Single Family</u>		<u>Multi-Family(1)</u>		<u>Commercial(2)</u>	
	<u>Permits</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2000	4,675	\$571,714,702	1,611	\$123,978,942	333	\$216,507,037
2001	4,925	591,142,633	2,192	181,429,629	302	117,021,791
2002	4,466	542,584,562	2,357	211,185,243	254	115,434,602
2003	4,356	576,923,765	947	84,485,891	331	157,522,205
2004	5,060	713,608,537	1,424	179,198,536	364	103,384,007
2005(3)	4,986	745,514,647	1,307	146,884,605	328	149,732,587

(1) Includes town houses, duplexes, condominiums, and apartment housing.

(2) Includes hotels, motels, manufacturing, offices, banks and professional buildings, and stores.

(3) Figures are through November 2005.

Source: Pikes Peak Regional Building Department.

## Foreclosure Activity

The following table sets forth the number of foreclosures filed in the County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

### History of Foreclosures - El Paso County

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
2000	1,003	--
2001	1,165	16.2%
2002	1,594	36.8
2003	1,932	21.2
2004	2,275	17.8
2005(1)	2,038	--

(1) Figures are for January 1 through November 30, 2005.

Source: El Paso County Public Trustee's Office.

## TAX MATTERS

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded 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”), interest on the Bonds is excluded 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, and interest on the Bonds is excluded from Colorado income tax under Colorado income tax laws in effect on the date of delivery of the Bonds. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the Bonds only to the extent such original issue discount is accrued as described herein.

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 excluded from gross income, alternative minimum taxable income (except to the extent of the aforementioned adjustments applicable to corporations), and Colorado income tax. 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 adjustments applicable to corporations) under such federal income tax laws and Colorado income tax 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, Colorado income tax, or a combination thereof, 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.

With respect to the Capital Appreciation Bonds, the difference between the amount of the Capital Appreciation Bonds payable at maturity and the original offering price of the Capital Appreciation Bonds (i.e., the price actually paid by the owners of the Capital Appreciation Bonds in the initial offering, including amounts deemed to constitute a premium on the Capital Appreciation Bonds for state law purposes, as described in the following paragraph) will be treated as original issue discount for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is not included in gross income, alternative minimum taxable income, Colorado taxable income, and Colorado alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs. The original issue discount on the Capital Appreciation Bonds is treated as accruing over the respective terms of such Capital Appreciation Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on June 1 and December 1 with straight line interpolation between compounding dates. In the case of a purchaser who acquires the Capital Appreciation Bonds in this offering, the amount of original issue discount accruing each period (calculated as described in the preceding sentence) constitutes interest which is not included in gross income, alternative minimum taxable income, Colorado taxable income, and Colorado alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs and will be added to the owner's basis in the Capital Appreciation Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Capital Appreciation Bonds (including sale or payment at maturity).

Owners who purchase Capital Appreciation Bonds in the initial offering at a price other than the original offering price shown on the cover page hereof and owners who purchase Capital Appreciation Bonds after the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Capital Appreciation Bonds. Owners who are subject to state or local income taxation (other than Colorado state income taxation) should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Capital Appreciation Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Capital Appreciation Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment. For Colorado state law purposes, the Capital Appreciation Bonds are being sold at a premium over their initial aggregate principal amount; however, for federal tax purposes, this premium is treated as part of the price by owners and so, when repaid, is treated as a repayment of principal rather than interest.

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. 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 (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income, alternative minimum taxable income, and Colorado income tax 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 upon 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 any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the Bonds, the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income, alternative minimum taxable income, Colorado income tax, or any combination thereof from the date of issuance of the Bonds or any other date, or which could result in other adverse federal or Colorado tax consequences. Bondowners 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 Underwriter or Bond Counsel is responsible for paying or reimbursing any Registered Owner or Beneficial Owner for any audit or litigation costs relating to the Bonds.

The IRS currently is auditing the District's Tax Anticipation Notes, Series 2002 (the "2002 Notes") and Tax Anticipation Notes, Series 2003 (the "2003 Notes" and, with the 2002 Notes, the "Notes"). The IRS is examining federal tax issues specific to Tax Anticipation Notes, including the sizing and actual deficits incurred. On November 28, 2005 the District received a notice of preliminary adverse determination with respect to the 2002 Notes, and on December 15, 2005 received a notice of preliminary adverse determination with respect to the 2003 Notes. The amount assessed by the IRS pursuant to each letter is approximately \$144,000 plus accrued interest for each Note issue. The District believes that it sized both the 2002 Notes and the 2003 Notes correctly and plans to appeal the finding. The audits of the Notes do not impact the security for the Bonds, nor is the District's ability to levy ad valorem property taxes to pay debt service on the Bonds affected by the audits.

## LEGAL MATTERS

### **Litigation**

According to the District and its general counsel, no litigation challenging the validity or the issuance of the Bonds is pending or threatened. The District states that as of the date hereof, to the best of its knowledge, although the District is subject to certain pending or threatened litigation or administrative proceedings, these matters either are adequately covered by insurance or, to the extent not insured, the final settlement thereof is not expected to materially, adversely affect the financial position of the District.

### **Sovereign Immunity**

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort. The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle, owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$150,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$600,000; except in such instance, no person may recover in excess of \$150,000. 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 federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

## **Approval of Certain Legal Proceedings**

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation, are subject to the approving legal opinion of Sherman & Howard, L.L.C., Denver, Colorado, as Bond Counsel. Such opinion, the form of which is attached hereto as Appendix D, will be dated as of and delivered at closing. Certain legal matters pertaining to the District will be passed upon by Holme Roberts & Owen, LLP, Denver, Colorado.

## **Certain Constitutional Limitations**

TABOR (Article X, Section 20 of the Colorado Constitution). At the general election on November 3, 1992, the voters of Colorado approved TABOR. 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. TABOR generally applies to the State and all local governments, including the District (“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. 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 for 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. As required by TABOR, the Bonds are being issued pursuant to an election held within the District in November 2004.

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 unless the local government’s voters approve an increase in spending. Debt service, however, including debt service on the Bonds, can be paid without regard to any spending limits, assuming revenues are available to do so.

According to District administration officials, to date the spending and revenue limits imposed by TABOR have not negatively affected the District. However, no representations can be made as to the overall impact of TABOR on the District's future operations.

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. The District 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.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Group, a Division of McGraw-Hill Companies, Inc. ("S&P") have assigned the Bonds the Insured Rating set forth on the cover page of this Official Statement on the understanding that the Policy will be issued by MBIA concurrently with the issuance of the Bonds. Additionally, the District has received the underlying ratings from Moody's and S&P as shown on the cover as well as ratings of "Aa3" from Moody's and "AA-" from S&P as a result of the Bond Payment Act. Such ratings reflect only the views of such organizations. An explanation of the significance of any ratings given by Moody's at 99 Church Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041.

Such ratings reflect only the views of such rating agency, and there is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. 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 ratings once received or to oppose any such proposed revision.

## **UNDERWRITING**

RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") has agreed to purchase the Bonds from the District under a Bond Purchase Agreement at a purchase price of \$135,906,865.49 (representing the par amount of the Bonds, plus net premium of \$9,001,966.45 and less an underwriting discount of \$770,074.06),

plus accrued interest to the date of delivery. The Underwriter is committed to take and pay for all of the Bonds if any are taken. The Bonds are being offered for sale to the public at the yields shown on the cover of this Official Statement.

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

**INDEPENDENT AUDITORS**

The Basic Financial Statements of the District for the fiscal year ended June 30, 2005 (the most recent audited financial statements available) included in this Official Statement as Appendix A, have been audited by BONDI & Co. LLC, certified public accountant, Englewood, Colorado, to the extent and for the period indicated in their report thereon, and such financial statements have been included herein in reliance upon such report.

**OFFICIAL STATEMENT CERTIFICATION**

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

**COLORADO SPRINGS SCHOOL DISTRICT  
NO. 11  
EL PASO COUNTY, COLORADO**

By: \_\_\_\_\_ /s/ John Gudvangen  
President, Board of Education

## **APPENDIX A**

### **Audited Basic Financial Statements of the District as of and for the year ended June 30, 2005**

NOTE: The supplemental information referred to in the auditor's report attached hereto has purposely been excluded from this Official Statement. Such information provides supporting details and are not necessary for a fair presentation of the Basic Financial Statements of the District.

## **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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 Bonds unless authorized by a Direct Participant in accordance with DTC's 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, nor its nominee, 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

*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.*

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

The District and the Registrar and Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Resolution, including any notice of redemption, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Registrar and Paying Agent will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Bond Resolution, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice of redemption or any other notices required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

## APPENDIX C

### Form of Continuing Disclosure Certificate

#### **COLORADO SPRINGS SCHOOL DISTRICT NO. 11 EL PASO COUNTY, COLORADO**

#### **CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Colorado Springs School District No. 11, El Paso County, Colorado (the “District”) in connection with the issuance of its General Obligation Bonds, Series 2006, dated as of the date of delivery, in the aggregate principal amount of \$127,674,973.10 (the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Education of the District on January 11, 2006. 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 Bond 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, if such event is material.

“National Repository” shall mean each Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as recognized by the SEC and currently listed on the Internet at the website [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Repository Agent” shall mean any filing system approved by the SEC for transmission of filings under the Rule for submission to the Repositories, including without limitation the central post office known as DisclosureUSA, currently managed by the Municipal Advisory Council of Texas and located on the Internet at the website [www.DisclosureUSA.org](http://www.DisclosureUSA.org).

“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.

“State Repository” shall mean any public or private repository or entity designated by the State of Colorado as a state information depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

### 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, 2006, provide to either (i) each Repository or (ii) a Repository Agent, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report.

b) If the District is unable to provide to each Repository or the Repository Agent an Annual Report by the date required in subsection (a), the District shall send a notice in substantially the form attached as Exhibit “A” to any of the following: (i) the Municipal Securities Rulemaking Board (“MSRB”) and the State Repository, if any; or (ii) each Repository; or (iii) a Repository Agent.

c) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository, each State Repository, if any, and any Repository Agent;

(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, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

b) An update of the information of the type contained in the tables in the Official Statement, identified in Exhibit "B" hereto.

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 have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such document incorporated by reference.

SECTION 5) Reporting of Material Events. The District shall provide or cause to be provided, in a timely manner, to any of the following: (i) the MSRB and the State Repository, if any; or (ii) each Repository; or (iii) a Repository Agent, notice of any of the following events with respect to the Bonds, if such event is material:

- a) Principal and interest payment delinquencies;
- b) Non-payment related defaults;
- 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 or events affecting the tax-exempt status of the Bonds;

- g) Modifications to rights of bondholders;
- h) Bond calls;
- i) Defeasances;
- j) Release, substitution or sale of property securing repayment of the Bonds;

or

- k) Rating changes.

SECTION 6) Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the District shall no longer constitute an “obligated person” within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 7) 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 8) Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, without the consent of the holders 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 each Repository or Repository Agent.

SECTION 9) 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 10) 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 Indenture, 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 11) 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: January 19, 2006.

COLORADO SPRINGS SCHOOL DISTRICT NO.  
11  
EL PASO COUNTY, COLORADO

By: \_\_\_\_\_  
President

**EXHIBIT "A"**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of District: Colorado Springs School District No. 11, El Paso County, Colorado

Name of Bond Issue: Colorado Springs School District No. 11, El Paso County, Colorado, General Obligation Bonds, Series 2006, dated as of the date of delivery, in the aggregate principal amount of \$127,674,973.10.

Date of Issuance: January 19, 2006

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 Bond Resolution, adopted on January 11, 2006, and the Continuing Disclosure Certificate executed on January 19, 2006, by the District. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

COLORADO SPRINGS SCHOOL DISTRICT NO.  
11  
EL PASO COUNTY, COLORADO

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT “B”**

**INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED**

(see page vi to this official statement)

## APPENDIX D

### Form of Opinion of Bond Counsel

January 19, 2006

Colorado Springs School District No. 11  
1115 North El Paso Street  
Colorado Springs, Colorado 80903

**\$127,674,973.10**  
**Colorado Springs School District No. 11**  
**El Paso County, Colorado**  
**General Obligation Bonds**  
**Series 2006**

Ladies and Gentlemen:

We have acted as bond counsel to Colorado Springs School District No. 11, El Paso County, Colorado (the "District"), in connection with the issuance of its General Obligation Bonds, Series 2006, in the aggregate principal amount of \$127,674,973.10 (the "Bonds"), pursuant to an authorizing resolution of the Board of Education of the District adopted on January 11, 2006 (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.

Regarding questions of fact material to our opinions, we have relied upon the 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 in 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 excluded 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 excluded 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 or 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 obligations of the District pursuant to the Bonds and the Bond Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

We understand that MBIA Insurance Corporation has issued a financial guaranty insurance policy relating to the Bonds. We express no opinion as to the validity or enforceability of such policy or the security afforded thereby.

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 upon the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership 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,

**APPENDIX E**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**