NEW ISSUE
BOOK ENTRY ONLY

INSURED RATINGS: Moody's: "Aaa"
S&P: "AAA"
(INSURANCE: Financial Security Assurance Inc.)
UNDERLYING RATINGS: Moody's: "A1"
S&P: "A+"
See "RATINGS"

In the opinion of Kutak Rock LLP, Special Counsel, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the owners of the Certificates, is included in gross income for federal and State of Colorado income tax purposes. See "TAX MATTERS."

JEFFERSON COUNTY SCHOOL FINANCE CORPORATION
CERTIFICATES OF PARTICIPATION
TAXABLE SERIES 2006A AND TAXABLE SERIES 2006B
Representing Assignments of Interests in the Right to Receive Lease Payments to Be Made By
JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1
(IN JEFFERSON AND BROOMFIELD COUNTIES, COLORADO)
Pursuant to a Lease Purchase Agreement dated as of December 1, 2006

JEFFCO PUBLIC SCHOOLS
Building Bright Futures

$25,440,000
CERTIFICATES OF PARTICIPATION,
TAXABLE SERIES 2006A

$13,230,000
CERTIFICATES OF PARTICIPATION,
TAXABLE SERIES 2006B

Dated: Date of Delivery

Due: December 15, as shown on the inside cover page

The Certificates of Participation, Taxable Series 2006A (the "Series 2006A Certificates") and Certificates of Participation, Taxable Series 2006B (the "Series 2006B Certificates" and together with the Series 2006A Certificates, the "Certificates") evidence assignments of a right to receive certain revenues pursuant to an annually terminable Lease Purchase Agreement, dated as of December 1, 2006 (the "Lease"), entered into between Jefferson County School Finance Corporation, as sublessor (the "Corporation"), and Jefferson County School District No. R-1, Jefferson and Broomfield Counties, Colorado, as sublessee (the "District"). The Certificates are executed and delivered pursuant to a Mortgage and Indenture of Trust dated as of December 1, 2006 (the "Indenture"), between American National Bank, Denver, Colorado, as trustee (the "Trustee"), and the Corporation.

The Certificates will be executed and delivered as fully registered certificates and are initially to be registered in the name of "Cede & Co." as nominee for The Depository Trust Company ("DTC"), the securities depository for the Certificates. Purchases by Beneficial Owners (as defined herein) are to be made in book-entry form in denominations of $5,000 or any integral multiple thereof. Beneficial Owners will not receive certificates evidencing their interest in the Certificates. See "THE CERTIFICATES - Book-Entry Only System." Interest on the Certificates is payable to the registered owners of the Certificates (i.e., to Cede & Co.), semiannually on June 15 and December 15, commencing June 15, 2007, to and including the maturity dates shown on the inside cover page hereof (unless the Certificates are redeemed earlier). The principal of the Certificates will be payable upon presentation and surrender at the principal operations office of the Trustee, or its successor, as the paying agent for the Certificates. See "THE CERTIFICATES."

The Certificates are subject to redemption prior to maturity at the option of the District as described in "THE CERTIFICATES - Redemption Provisions." The Certificates also are subject to mandatory redemption upon the occurrence of an Event of Nonappropriation or a Lease Event of Default as provided in the Indenture. See "THE CERTIFICATES - Mandatory Redemption Upon the Occurrence of Certain Events."

Certain real property, including all existing improvements thereon, consisting of various elementary schools (the "Leased Property") is to be leased by the District to the Corporation pursuant to the Site Lease and subleased by the Corporation to the District pursuant to the Lease. See "INTRODUCTION - The Leased Property" and "SECURITY FOR THE CERTIFICATES - The Leased Property." The proceeds of the Certificates will be used to: (i) pay a portion of the currently estimated amount of the District's unfunded actuarial accrued liability with respect to one of its pension plans; (ii) purchase a debt service reserve fund insurance policy; (iii) purchase a financial guaranty insurance policy; and (iv) pay the costs of issuing the Certificates. See "USES OF PROCEEDS."

Neither the Lease nor the Certificates constitutes a general obligation indebtedness or a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of any constitutional or statutory debt limitation. Neither the Lease, the Indenture nor the Certificates have directly or indirectly obligated the District to make any payments beyond those appropriated for any Fiscal Year in which the Lease shall be in effect. Except to the extent payable from the proceeds of the sale of the Certificates and income from the investment thereof, from Net Proceeds of certain insurance policies and condemnation awards, from Net Proceeds of the subleasing of or a liquidation of the Trustee's interest in the Leased Property or from other amounts made available under the Indenture, the Certificates will be payable during the Lease Term solely from Base Rentals to be paid by the District under the Lease. All payment obligations of the District under the Lease, including, without limitation, the obligation of the District to pay Base Rentals, are from year to year only and do not constitute a mandatory payment obligation of the District in any Fiscal Year beyond a Fiscal Year in which the Lease shall be in effect. The Lease is subject to annual renewal at the option of the District and will be terminated upon the occurrence of an Event of Nonappropriation or Event of Default. In such event, all payments from the District under the Lease will terminate, and the Certificates and the interest thereon will be payable from certain moneys, if any, held by the Trustee under the Indenture, any amounts paid under the policy of insurance, and any moneys available by action of the Trustee regarding the Leased Property. *The Corporation has no obligation to make any payments on the Certificates.* See "SECURITY FOR THE CERTIFICATES."

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by FINANCIAL SECURITY ASSURANCE INC.

FSA

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, giving particular attention to the section "CERTAIN RISK FACTORS."

The Certificates are offered when, as, and if executed and delivered and accepted by the Underwriters named below, subject to the approval of validity by Kutak Rock LLP, Denver, Colorado, Special Counsel, and certain other conditions. Sherman & Howard L.L.C., Denver, Colorado, has acted as special counsel to the District in connection with the preparation of this Official Statement. Caplan and Earnest LLC, Boulder, Colorado, has acted as counsel to the District. The Certificates will be available for delivery through the facilities of DTC on or about December 21, 2006.

Stifel, Nicolaus & Company, Incorporated

UBS Investment Bank

This Official Statement is dated December 5, 2006.

SERIES 2006A CERTIFICATES - MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Price	CUSIP Number†	Maturity	Principal Amount	Interest Rate	Price	CUSIP Number†
6/15/07	$365,000	5.450%	100%	472737 CK9	6/15/10	$435,000	4.990%	100%	472737 CN3
12/15/07	370,000	5.280	100	472737 EB7	12/15/10	435,000	5.000	100	472737 EE1
6/15/08	390,000	5.130	100	472737 CL7	6/15/11	455,000	5.030	100	472737 CP8
12/15/08	395,000	5.040	100	472737 EC5	12/15/11	455,000	5.040	100	472737 EF8
6/15/09	410,000	5.000	100	472737 CM5	6/15/12	480,000	5.010	100	472737 CQ6
12/15/09	415,000	5.020	100	472737 ED3	12/15/12	480,000	5.050	100	472737 EG6

$1,005,000 5.130% Term Certificates Due December 15, 2013 – Price: 100% - CUSIP Number:† 472737 CV5
$1,060,000 5.170% Term Certificates Due December 15, 2014 – Price: 100% - CUSIP Number:† 472737 CX1
$1,115,000 5.230% Term Certificates Due December 15, 2015 – Price: 100% - CUSIP Number:† 472737 CY9
$1,175,000 5.250% Term Certificates Due December 15, 2016 – Price: 100% - CUSIP Number:† 472737 DA0
$2,540,000 5.430% Term Certificates Due December 15, 2018 – Price: 100% - CUSIP Number:† 472737 DB8
$4,370,000 5.520% Term Certificates Due December 15, 2021 – Price: 100% - CUSIP Number:† 472737 DC6
$9,090,000 5.640% Term Certificates Due December 15, 2026 – Price: 100% - CUSIP Number:† 472737 DD4

SERIES 2006B CERTIFICATES - MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Price	CUSIP Number†	Maturity	Principal Amount	Interest Rate	Price	CUSIP Number†
6/15/07	$190,000	5.350%	100%	472737 DF9	6/15/12	$250,000	4.910%	100%	472737 DL6
12/15/07	195,000	5.180	100	472737EH4	12/15/12	250,000	4.950	100	472737 EN1
6/15/08	210,000	5.030	100	472737 DG7	6/15/13	260,000	5.010	100	472737 DM4
12/15/08	205,000	4.940	100	472737 EJ0	12/15/13	265,000	5.030	100	472737 DR3
6/15/09	215,000	4.900	100	472737 DH5	6/15/14	280,000	5.050	100	472737 DN2
12/15/09	220,000	4.920	100	472737 EK7	12/15/14	275,000	5.070	100	472737 DT9
6/15/10	225,000	4.890	100	472737 DJ1	6/15/15	290,000	5.110	100	472737 DP7
12/15/10	230,000	4.900	100	472737 EL5	12/15/15	290,000	5.130	100	472737 DU6
6/15/11	240,000	4.930	100	472737 DK8	6/15/16	305,000	5.140	100	472737 DQ5
12/15/11	240,000	4.940	100	472737 EM3	12/15/16	305,000	5.150	100	472737 DW2

$1,325,000 5.330% Term Certificates Due December 15, 2018 – Price: 100% - CUSIP Number:† 472737DX0
$2,265,000 5.420% Term Certificates Due December 15, 2021 – Price: 100% - CUSIP Number:† 472737 DY8
$4,700,000 5.520% Term Certificates Due December 15, 2026 – Price: 100% - CUSIP Number:† 472737 DZ5

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

The information set forth in this Official Statement has been obtained from the District, 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. In accordance with their responsibilities under federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. 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 Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "SECURITY FOR THE CERTIFICATES – Insurance on the Certificates" and Appendix F – Form of Municipal Bond Insurance Policy herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Certificates; or (iii) the tax exempt status of the interest on the Certificates.

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

The Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision investors must rely on their own examination of the District, the Certificates and the terms of the offering, including the merits and risks involved. The Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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

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JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1

Board of Education

Jane Barnes, President
Vince Chowdhury, First Vice President
Sue Marinelli, Second Vice President
Hereford Percy, Treasurer
Scott Benefield, Secretary

District Administration

Dr. Cynthia Stevenson, Superintendent
Dr. Patrick Hickey, Chief Operating Officer
Lorie Gillis, Chief Financial Officer

TRUSTEE, REGISTRAR AND PAYING AGENT

American National Bank
Denver, Colorado

GENERAL COUNSEL

Caplan and Earnest LLC
Boulder, Colorado

SPECIAL COUNSEL

Kutak Rock LLP
Denver, Colorado

SPECIAL DISCLOSURE COUNSEL

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

UNDERWRITERS

Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

UBS Securities LLC
Denver, Colorado

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INDEX OF TABLES

NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended. See "INTRODUCTION - Continuing Disclosure Undertaking" and Appendix C.

(1) Only those portions of the table involving the direct debt of the District are subject to the continuing disclosure undertaking.

OFFICIAL STATEMENT

**JEFFERSON COUNTY SCHOOL FINANCE CORPORATION
CERTIFICATES OF PARTICIPATION
TAXABLE SERIES 2006A AND TAXABLE SERIES 2006B**

**Representing Assignments of Interests in the Right to Receive
Lease Payments to Be Made By
JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1
(IN JEFFERSON AND BROOMFIELD COUNTIES, COLORADO)
Pursuant to a Lease Purchase Agreement dated as of December 1, 2006**

$25,440,000 CERTIFICATES OF PARTICIPATION TAXABLE SERIES 2006A	$13,230,000 CERTIFICATES OF PARTICIPATION TAXABLE SERIES 2006B

INTRODUCTION

General

This Official Statement, including the cover page and the appendices, is furnished in connection with the execution and delivery and sale of $25,440,000 aggregate principal amount of Certificates of Participation, Taxable Series 2006A (the "Series 2006A Certificates") and $13,230,000 aggregate principal amount of Certificates of Participation, Taxable Series 2006B (the "Series 2006B Certificates" and together with the Series 2006A Certificates, the "Certificates"), representing an assignment of the right to receive certain revenues pursuant to a Lease Purchase Agreement dated as of December 1, 2006 (the "Lease"), between Jefferson County School District No. R-1, Colorado (the "District") as sublessee, and Jefferson County School Finance Corporation (the "Corporation"), as sublessor. The Certificates are executed and delivered pursuant to a Mortgage and Indenture of Trust dated as of December 1, 2006 (the "Indenture"), between the Corporation and American National Bank, as trustee (the "Trustee"). Certain of the capitalized terms used herein are defined in Appendix E hereto.

The offering of the Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Certificates. Prospective purchasers should read this entire Official Statement before making an investment decision, giving particular attention to the section "CERTAIN RISK FACTORS."

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated November 30, 2006, including the final use of proceeds of the Certificates and the maturity dates, interest rates, prices, redemption provisions, and other terms of the Certificates. In addition, on December 1, 2006, Jefferson County and the City and County of Broomfield released final 2006 certifications of assessed valuation for the District. Accordingly, the preliminary 2006 assessed valuations referred to in the Preliminary Official Statement have been updated. The preliminary 2006 assessed valuation of the District was $6,712,853,564 (net of $100,769,200 attributable to tax increment financing districts). The final 2006 assessed valuation of the District is $6,700,566,763 (net of $97,809,990 attributable to tax increment financing districts). See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data.”

The District

The District is a political subdivision of the State of Colorado (the “State”) and a body corporate which was organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses all 774 square miles of Jefferson County, Colorado, and also includes approximately 5 square miles in the City and County of Broomfield, Colorado. The District’s certified 2006 assessed valuation (for collection of taxes in 2005, and net of $97,809,990 attributable to tax increment financing districts) is $6,700,566,763. The District’s fall 2006 enrollment was 84,790 students. The District has the highest enrollment of any school district in the State. According to the Colorado Division of Local Government, the population of Jefferson County was estimated to be 532,608 as of July 1, 2005 (most current figure available). See “THE DISTRICT.”

The Corporation

The Corporation was formed in 1984 as a Colorado nonprofit corporation, created to facilitate District financings, including the acquisition of real estate, property and improvements for lease to the District. The Corporation is governed by a five-member board of directors. The directors of the Corporation have no private or proprietary interest in the Corporation. The board of directors serves without compensation (except reimbursement of expenses) and no part of the Corporation’s net earnings, income or assets inures to the benefit of any private entity or person. See “THE CORPORATION.”

Purpose

The proceeds of the Certificates will be used to: (i) pay a portion of the currently estimated amount of the District’s unfunded actuarial accrued liability with respect to one of its pension plans; (ii) purchase a debt service reserve fund insurance policy; (iii) purchase a financial guaranty insurance policy; and (iv) pay the costs of issuing the Certificates. See “USES OF PROCEEDS.”

The Certificates

The Certificates are executed and delivered as fully registered obligations in denominations of $5,000 or integral multiples thereof in conformance with the Constitution and laws of the State. The Certificates bear interest from their date, payable semiannually on June 15 and December 15, commencing on June 15, 2007, at the rates set forth on the inside cover page of this Official Statement. See “THE CERTIFICATES.” The Certificates are initially to be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company (“DTC”), the securities depository for the Certificates. See “THE CERTIFICATES - Book-Entry Only Form” and Appendix D.

Security for the Certificates; Termination of Lease

General. Each Certificate is payable solely from Revenues under the Lease (defined below) as, when and if the same are received by the Trustee, which Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The execution and delivery of the Certificates does not directly or contingently obligate the District to make any payments beyond those budgeted and appropriated for the District's then current Fiscal Year.

Sources of Payment for Certificates. The Certificates and the interest thereon are payable solely from annually appropriated Base Rentals and other revenues to be paid by the District under the Lease from any legally available District funds (the "Revenues"). The Lease defines Revenues as: (a) all amounts payable by or on behalf of the District with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Purchase Option Prices and Net Proceeds, but not including Additional Rentals other than Reserve Fund payments or deposits, payable under the Lease; (b) any portion of the proceeds of the Certificates deposited with the Trustee in the Certificate Fund or the Reserve Fund; (c) any earnings on moneys on deposit in the Certificate Fund and the Reserve Fund; (d) all other revenues derived from the Lease, excluding Additional Rentals other than those constituting Reserve Fund payments; and (e) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the Certificates.

The Certificates also are secured by the Reserve Fund, which will be funded by purchasing the Reserve Policy to be issued by the Insurer (defined below). See "SECURITY FOR THE CERTIFICATES - The Reserve Fund."

Except for funds in the District's bond redemption fund and tax revenues collected for the repayment of outstanding bonds or tax anticipation notes, there is no legal limit on the source of funds the District may use to make payments under the Lease. The District currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from its General Fund; however, the General Fund is not pledged to the payment of Base Rentals or Additional Rentals. Further, such Base Rentals and Additional Rentals, if appropriated by the Board, may be budgeted, appropriated and paid from any of the District's available funds in the future. The majority of the moneys deposited into the General Fund are derived from State equalization payments and ad valorem property tax revenues. See "DISTRICT FINANCIAL OPERATIONS - General Fund Budget Summary and Comparison" for a discussion of each of those sources of revenue. Certain statutory and constitutional limitations limit the amount of property taxes the District can levy. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT - Ad Valorem Property Taxes" and "LEGAL MATTERS - Certain Constitutional Limitations" for a discussion of those limitations. State educational funding, including equalization payments, is governed by State law, which is subject to change. See "DISTRICT FINANCIAL OPERATIONS - School Finance Act." *The Corporation does not have any obligation to, and will not, make any payment on the Certificates or otherwise pursuant to the Lease. See "THE CORPORATION."*

Neither the Certificates nor any payments required under the Lease, constitute an indebtedness of the District within the meaning of any provision or limitation of the Constitution or statutes of the State. Neither the Certificates nor the Lease will directly or indirectly obligate the District to make any payments other than those which may be appropriated by the District for its then-current fiscal year.

Termination of Lease. The District may terminate its obligations under the Lease on an annual basis. However, the District may not terminate the Lease with respect to less than, and any termination must be made jointly as to, all of the Leased Property. If on or before the last day of any fiscal year, the District fails to budget and appropriate sufficient funds to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the ensuing fiscal year, the District will be considered to have terminated the Lease (subject to certain waiver and cure provisions). Upon termination of the District's obligations under the Lease, the Trustee will be permitted to repossess, liquidate or otherwise dispose of its interest in the Leased Property, or exercise any other remedies available to the Trustee. See "CERTAIN RISK FACTORS - Nonappropriation" and Appendix E – Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - The Lease - Nonappropriation. The net proceeds of such dispositions will be applied toward the payment of the Certificates. See "THE CERTIFICATES - Redemption Provisions."

The Leased Property. The Leased Property consists of nine of the District's 94 elementary schools, which together have an insured value (buildings only) of approximately $39 million. See "SECURITY FOR THE CERTIFICATES – The Leased Property." The District will have the option to purchase the Corporation's leasehold interest in the Leased Property pursuant to the Lease. See Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - The Lease.

Certificate Insurance

The scheduled payment of the principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued by Financial Security Assurance Inc. (the "Insurer") simultaneously with the delivery of the Certificates. See "SECURITY FOR THE CERTIFICATES – Insurance on the Certificates" and Appendix E.

Prospective investors should be aware that so long as the Insurer is not in default under the Policy, the Insurer will have specific rights with respect to the Certificates, including the right to control remedies should an Event of Default occur under the Indenture.

Authority for the Lease, the Site Lease and the Certificates

Execution of the Lease and the Site Lease by the District is authorized by Section 22-32-110(1)(b) and (f), Colorado Revised Statutes ("C.R.S.") and a resolution adopted by the Board of Education of the District (the "Board") prior to execution and delivery of the Certificates. The Certificates will be executed and delivered pursuant to the Indenture and Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act").

Book-Entry Registration

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

Professionals

Kutak Rock LLP, Denver, Colorado, has acted as Special Counsel in connection with the issuance of the Certificates. Certain legal matters will be passed on by Caplan and Earnest LLC, Boulder, Colorado, as general counsel to the District. Sherman & Howard L.L.C., Denver, Colorado, has acted as special disclosure counsel to the District in connection with the Official Statement. Clifton Gunderson LLP, Certified Public Accountants, Greenwood Village, Colorado, has audited the District's financial statements which are attached hereto as Appendix A. See "INDEPENDENT AUDITORS." American National Bank, Denver, Colorado, will act as the Trustee, Registrar and Paying Agent. Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is serving as the managing underwriter (the "Managing Underwriter"), and UBS Securities LLC, Denver, Colorado, is serving as the co-underwriter (the "Co-Underwriter" and together with the Managing Underwriter, the "Underwriters").

Tax Status of Interest on the Certificates

In the opinion of Kutak Rock LLP, Special Counsel, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the owners of the Certificates, is included in gross income for federal and State of Colorado income tax purposes. 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 Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Certificates. The Disclosure Certificate will provide that so long as the Lease has not been terminated, the District will annually provide certain financial information and operating data to each nationally recognized municipal securities information repository ("NRMSIR") 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 never failed to materially comply with a continuing disclosure undertaking entered into pursuant to the Rule.

Additional Information

<u>This Introduction is only a brief summary of the provisions of the Certificates, the Lease, the Site Lease, the Indenture and other documents described in this Official Statement; a full review of the entire Official Statement should be made by potential investors.</u> Summary

descriptions of the Certificates, the Lease, the Site Lease, the Indenture 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 District and the Underwriters as follows:

<u>The District</u>:

Jefferson County School District No. R-1
1829 Denver West Drive
P.O. Box 4001
Golden, Colorado 80401
Telephone: (303) 982-6500

<u>The Underwriters</u>:

Stifel, Nicolaus & Company, Incorporated	UBS Securities LLC
1125 17th Street, Suite 1600	370 17th Street, Suite 4100
Denver, Colorado 80202	Denver, Colorado 80202
Telephone: (303) 296-2300	Telephone: (303) 436-9000

CERTAIN RISK FACTORS

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

Nonappropriation

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

Various political, legal and economic factors could lead to the nonappropriation of sufficient funds to make the required payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Board will appropriate sufficient funds each year, and the District has no obligation to do so. In addition, the ability of the District to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the District's control, such as amendments or revisions to the School Finance Act, Amendment 23 (the "School Amendment;" see "DISTRICT FINANCIAL OPERATIONS - School Finance Act"), the general economy and tax collections. It is impossible to predict whether current economic conditions will continue or to predict how such conditions will affect the District's finances in general or the Board's decision each year to appropriate funds to pay Base Rentals and Additional Rentals. See "LEGAL MATTERS - Certain Constitutional Limitations," "SECURITY FOR THE CERTIFICATES" and "DISTRICT FINANCIAL OPERATIONS."

Sources of Base Rental and Additional Rental Payments

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

Effect of a Termination of the Lease Term

General. In the event of termination of the District's obligations under the Lease upon the occurrence of an Event of Nonappropriation or a Lease Event of Default, the District is required to vacate the Leased Property by the first Business Day of the Fiscal Year in respect of which an Event of Nonappropriation has occurred. The District's failure to do so will constitute an Event of Default under the Lease. In the case of any Indenture Event of Default, including an Event of Nonappropriation, the Trustee may, with the prior consent of the Certificate Insurer and shall, upon direction of the Certificate Insurer: (a) terminate the Lease Term and give notice to the District to vacate the Leased Property as provided in the Lease; (b) foreclose and sell or otherwise liquidate or dispose of the Leased Property; (c) lease the Leased Property or any portion thereof for the benefit of the Certificate Owners; (d) recover certain Base Rental and Additional Rental amounts from the District; or (e) take whatever action at law or in equity may appear desirable to enforce its rights in the Leased Property under the Lease and the Indenture. See "THE CERTIFICATES - Redemption Provisions" and Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - The Lease - Events of Default and Remedies. All property, funds and rights acquired by the Trustee upon the termination of the Lease upon the occurrence of an Event of Nonappropriation, an Event of Default or any other event upon which the Lease will terminate (see Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - The

Indenture – Application of Moneys in Event of Default), along with other moneys then held by the Trustee under the Indenture and available to pay the Certificates, are required to be used to redeem the Certificates, if and to the extent any such moneys are realized.

Limitations Upon Value and Use of the Leased Property. A potential purchaser of the Certificates should not assume that it will be possible to liquidate or otherwise dispose of the leasehold interest in the Leased Property, or any portion thereof, for an amount equal to the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon. See "BASE RENTALS SCHEDULE." The value of the buildings comprising the Leased Property currently is approximately $38.8 million; no valuation of the land comprising the Leased Property is available. This valuation represents the insurance valuation of the buildings for 2006. No appraisals of the Leased Property have been completed. The Leased Property may depreciate in value each year; it is not possible to predict whether the depreciated value of the Leased Property will be equal to the aggregate principal amount of Certificates outstanding, plus accrued interest thereon, at any particular future point in time.

In addition, because the Leased Property consists of elementary school buildings, land and related equipment of particular design and use for school purposes, the Leased Property may not be easily converted to alternate uses. Further, the majority of the Leased Property is zoned for residential or school uses. Unless such zoning is changed on these facilities, or for-profit uses are allowed by way of special permit, variance, or other means, it may be difficult or impossible for the Trustee to sublease or sell its leasehold interest in these schools in a manner which generates sufficient funds to pay the Certificates. *There is no guarantee that the Trustee will be able to liquidate or otherwise dispose of its interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.*

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

Enforceability of Remedies; Liquidation Delays

Under the Lease, the Trustee has the right to take possession of and dispose of its leasehold interest in the Leased Property upon a Event of Nonappropriation or an Event of Default under the Lease. However, the enforceability of the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the District. Because the Leased Property (or portions thereof) will be used by the District to provide for the welfare and safety of school children, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the District may be in default under the Lease. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or lease the Leased Property as permitted under the

Lease or to redeem or pay the Certificates except from funds otherwise available to the Trustee under the Indenture, including the Reserve Fund.

Effect of Termination on Exemption from Registration

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

Condemnation Risk

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

Casualty Risk

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

Insurance Risk

The Lease requires that the District provide casualty, public liability and property damage insurance for the Leased Property in an amount equal to the full replacement value of the Leased Property. The District may provide such insurance through commercial policies or, in its discretion, through a qualified self-insurance pool. For a description of the insurance requirements related to the Leased Property (including requirements related to a qualified self-insurance pool), see Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - The Lease – Insurance to be Maintained for the Leased Property. The District currently maintains the insurance described in "THE DISTRICT -District Insurance Coverage." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date.

Future Changes in Laws

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

Forward-Looking Statements

This Official Statement, including but not limited to the sections entitled "USES OF PROCEEDS - The Project" and "DISTRICT FINANCIAL OPERATIONS – General Fund Budget Summary and Comparison," contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results. Those differences could be material and could impact the availability of Revenues.

Secondary Market

There presently is a limited market for the Certificates, and there can be no assurance or guaranty that a secondary market for the Certificates will be maintained or that sufficient information will be publicly available to permit the maintenance of such a market. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Certificates to maturity.

USES OF PROCEEDS

The Project

In 1999, the Board of Education adopted the Supplemental Retirement Plan for Employees of the Jefferson County Public School District R-1 (as amended, the "Plan") as a method to provide incentives for early retirement of District employees. The Plan is a single employer defined benefit plan under Section 401(a) of the Internal Revenue Code. Covered employees are those that were actively employed in full time or approved job-share positions by the District on August 31, 1999. A participant reaches normal retirement date when he or she has attained 55 years of age and has completed 20 years of service.

The Plan currently has an unfunded actuarial accrued liability of approximately $47.3 million, as of June 1, 2006, as determined by an independent actuary. The District has determined that the net proceeds of the Certificates should be applied to this unfunded actuarial accrued liability (the "Project"). In addition, effective September 1, 2006, the Board of Education began to offer members of the Plan the option to receive their Plan benefits in the form of a one-time lump sum payment. The deposit to the Plan of the net proceeds of the Certificates will assist the Plan in funding this payment option.

Sources and Uses of Funds

The sources and uses of funds for the Certificates are anticipated to be used as follows:

Sources and Uses of Funds

Sources	Amount
Proceeds of the Series 2006A Certificates	$25,440,000
Proceeds of the Series 2006B Certificates	13,230,000
Total Sources	$38,670,000
Uses	
Deposit to Proceeds Fund	$38,000,000
Costs of issuance, insurance premiums, underwriting discount (see "UNDERWRITING") and contingency	670,000
Total Uses	$38,670,000

Source: The Managing Underwriter.

THE CERTIFICATES

General

The Certificates are executed and delivered as fully registered Certificates and initially will be registered in the name of "Cede & Co.," as nominee for DTC, the securities depository for the Certificates. Purchases by Beneficial Owners of the Certificates are to be made in book-entry only form. Payments to Beneficial Owners are to be made as described in "Book-Entry Only Form" below and Appendix C. The Certificates are dated as of the date of their execution by the Trustee, and bear interest from their date of delivery to maturity or prior redemption, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2007. The Certificates mature on the dates, and in the amounts and bear interest at the rates set forth on the inside cover page of this Official Statement.

Payment Provisions

The principal of and premium, if any, on the Certificates shall be payable to the registered owners thereof, as shown on the registration books kept by the Trustee, upon presentation and surrender thereof at the principal operations office of the Trustee or its successor. Payment of interest on any Certificate shall be made to the registered owner thereof by check or draft mailed by the Trustee, 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 shown on the registration books kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment 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 Regular 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 shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the Certificates not less than ten days prior thereto by first-class mail to each such registered owner as shown on the registration books kept by the Trustee on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Trustee may make payments of interest on any Certificate by such alternative means as may be mutually agreed to between the registered owner of such Certificate and the Trustee including payment through the Federal Reserve System by wire transfer in same day funds without cost or expense to the registered owner. All such payments shall be made in lawful money of the United States of America without deduction for the services of the Trustee.

Each Certificate evidences the assignment of a proportionate undivided interest in the right to receive Base Rentals and certain other Revenues under the Lease. The Certificates are payable solely from Revenues under the Lease as, when and if the same are received by the Trustee. The Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The execution and delivery of the Certificates does not directly or indirectly obligate the District to make any payments beyond those appropriated for the District's then current fiscal year. See "SECURITY FOR THE CERTIFICATES" and "CERTAIN RISK FACTORS."

Redemption Provisions

The Certificates are subject to optional and mandatory redemption prior to their respective maturities as set forth below.

(a) Redemption Upon Exercise of Option to Purchase the Leased Property. The Certificates shall be called for redemption, in whole, at a redemption price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the redemption date, on any Interest Payment Date in the event, and to the extent that moneys are actually received by the Trustee from the exercise by the District of its option to purchase the Leased Property, as provided in the Lease, upon payment of the then-applicable Purchase Option Price from any source other than moneys borrowed by the District or derived from any installment purchase or lease purchase financing by the District.

(b) Optional Redemption. The Series 2006A Certificates maturing on or after December 15, 2018, shall be callable for redemption prior to maturity, at the option of the District, in whole or in part, on December 15, 2016 and on any date thereafter at the redemption price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the redemption date.

The Series 2006B Certificates maturing on or after December 15, 2018, shall be callable for redemption prior to maturity, at the option of the District, in whole or in part, on December 15, 2016 and on any date thereafter at the redemption price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the redemption date.

(c) Optional Redemption Upon Delivery of Tax-Exempt Opinion – Series 2006A Certificates. The Series 2006A Certificates shall be callable for redemption prior to maturity, at the option of the District, in whole or in part, on December 15, 2007 and on any date thereafter through and including December 15, 2012 at the redemption price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the redemption date, but only from proceeds of obligations issued to refund the Series 2006A Certificates, which refunding obligations are the subject of a private letter ruling from the Internal Revenue Service issued to the District and subject to the approving opinion of Special Counsel that interest on the obligations, the proceeds of which shall be used to redeem Series 2006A Certificates as provided in this subsection (c), is excludable from gross income for purposes of federal income taxation under the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(d) Redemption Upon Occurrence of a Termination Event. The Certificates are callable for redemption, in whole, at any time upon the occurrence of an Event of Nonappropriation or an Event of Default, with the consent or at the direction of the Insurer. If the Certificates are to be redeemed by reason of any such event, the Certificate Owners shall have no right to payment from the District, the Corporation or the Trustee, in redemption of their Certificates or otherwise, except as expressly set forth in the Indenture.

Upon the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee shall immediately give notice of such occurrence to the Certificate Owners and the

Insurer, shall cooperate with the Insurer to obtain payment of the Certificates, and shall exercise all available remedies, subject to the provisions of the Indenture, to obtain payment of the Certificates.

If the Lease is terminated by reason of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee shall immediately notify the registered owners of the Certificates and the Insurer of such termination and, if moneys available under the Indenture and the Policy of Insurance are insufficient to provide for the payment in full of all Outstanding Certificates and the interest thereon when due, shall notify the registered owners of the Certificates of the related redemption. If moneys on hand, including any Net Proceeds and other moneys then available under the Indenture and the Policy of Insurance, are insufficient to redeem all Outstanding Certificates at a redemption price (expressed as a percentage of principal amount) of 100% plus accrued interest to the redemption date, the Trustee may, or at the request of the registered owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon indemnification as to costs and expenses as provided in the Indenture, shall, without any further demand or notice, exercise all or any combination of Lease Remedies as provided in the Lease, and the Outstanding Certificates shall be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand, including moneys then available under the Indenture and the Policy of Insurance, and being held by the Trustee for the registered owners of the Outstanding Certificates. If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys, including moneys then available under the Indenture and the Policy of Insurance, shall be insufficient to redeem the Outstanding Certificates at a redemption price (expressed as a percentage of principal amount) of 100% plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys, including moneys then available under the Indenture and the Policy of Insurance, shall be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Outstanding Certificates at a redemption price (expressed as a percentage of principal amount) of 100% plus interest accrued to the redemption date, then such excess moneys shall be paid first to the Insurer as reimbursement for its payments under the Policy of Insurance, and second, any remaining balance shall be paid to the District. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies in redemption of the Certificates pursuant to this section of the Indenture, the Trustee shall be entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys. IF THE OUTSTANDING CERTIFICATES ARE TO BE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT SHALL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE OUTSTANDING CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO REGISTERED OWNER OF SUCH OUTSTANDING CERTIFICATES SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE CORPORATION, THE TRUSTEE OR THE DISTRICT.

(e) Mandatory Sinking Fund Redemption. The Series 2006A Certificates maturing on December 15, 2013 (the "2013 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2013	$500,000
December 15, 2013*	505,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2014 (the "2014 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2014	$525,000
December 15, 2014*	535,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2015 (the "2015 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2015	$555,000
December 15, 2015*	560,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2016 (the "2016 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2016	$585,000
December 15, 2016*	590,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2018 (the "2018 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2017	$615,000
December 15, 2017	620,000
June 15, 2018	650,000
December 15, 2018*	655,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2021 (the "2021 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2019	$690,000
December 15, 2019	690,000
June 15, 2020	730,000
December 15, 2020	725,000
June 15, 2021	765,000
December 15, 2021*	770,000

* Final Maturity

The Series 2006A Certificates maturing on December 15, 2026 (the "2026 Series 2006A Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	Principal Amount
June 15, 2022	$810,000
December 15, 2022	810,000
June 15, 2023	855,000
December 15, 2023	860,000
June 15, 2024	910,000
December 15, 2024	905,000
June 15, 2025	955,000
December 15, 2025	960,000
June 15, 2026	1,010,000
December 15, 2026*	1,015,000

* Final Maturity

On or before the thirtieth day prior to each such sinking fund redemption date, the Trustee shall proceed to select by lot the Series 2006A Certificates for redemption from such sinking fund on the next June 15 or December 15, as applicable, and on the thirtieth day prior to each sinking fund redemption date give notice of such call. At its option, to be exercised on or before the sixtieth day next preceding any such sinking fund redemption date, the District may (a) deliver to the Trustee for cancellation 2013 Series 2006A Certificates, 2014 Series 2006A Certificates, 2015 Series 2006A Certificates, 2016 Series 2006A Certificates, 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, that are subject to mandatory sinking fund redemption as provided in the Indenture in any aggregate principal amount desired, and (b) receive a credit in respect of its sinking fund redemption obligation for any such 2013 Series 2006A Certificates, 2014 Series 2006A Certificates, 2015 Series 2006A Certificates, 2016 Series 2006A Certificates, 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, so delivered and which, prior to said date, have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation. Each such 2013 Series 2006A Certificate, 2014 Series 2006A Certificate, 2015 Series 2006A Certificate, 2016 Series 2006A Certificate, 2018 Series 2006A Certificate, 2021 Series 2006A Certificate, or 2026 Series 2006A Certificate, as applicable, so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation of the District on such sinking fund redemption date, and, to the extent of any excess, to the next sinking fund redemption date or dates, and the principal amount of 2013 Series 2006A Certificates, 2014 Series 2006A Certificates, 2015 Series 2006A Certificates, 2016 Series 2006A Certificates, 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, to be redeemed by operation of such sinking fund on such date or dates shall be accordingly reduced.

In the event that the 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, are called for optional redemption in part, the principal amount so redeemed shall be immediately credited against the obligation to call the 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, for mandatory sinking fund redemption in the same proportion (rounding to the nearest $5,000) as the principal amount of 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, that are required to be called for mandatory sinking fund redemption on each mandatory sinking fund redemption date bears to the principal amount of 2018 Series 2006A Certificates, 2021 Series 2006A Certificates, or 2026 Series 2006A Certificates, as applicable, that are outstanding prior to such option redemption.

(b) The Series 2006B Certificates maturing on December 15, 2018 (the "2018 Series 2006B Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	**Principal Amount**
June 15, 2017	$320,000
December 15, 2017	325,000
June 15, 2018	340,000
December 15, 2018*	340,000

* Final Maturity

The Series 2006B Certificates maturing on December 15, 2021 (the "2021 Series 2006B Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	**Principal Amount**
June 15, 2019	$355,000
December 15, 2019	360,000
June 15, 2020	375,000
December 15, 2020	380,000
June 15, 2021	395,000
December 15, 2021*	400,000

* Final Maturity

The Series 2006B Certificates maturing on December 15, 2026 (the "2026 Series 2006B Certificates"), are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee shall determine, at a price (expressed as a percentage of principal amount) of 100%, plus accrued interest to the date of redemption, on the following dates and in the following amounts:

Sinking Fund Redemption Date	**Principal Amount**
June 15, 2022	$420,000
December 15, 2022	420,000
June 15, 2023	445,000
December 15, 2023	445,000
June 15, 2024	465,000
December 15, 2024	470,000
June 15, 2025	495,000
December 15, 2025	495,000
June 15, 2026	525,000
December 15, 2026*	520,000

* Final Maturity

On or before the thirtieth day prior to each such sinking fund redemption date, the Trustee shall proceed to select by lot the Series 2006B Certificates for redemption from such sinking fund on the next June 15 or December 15, as applicable, and on the thirtieth day prior to each sinking fund redemption date give notice of such call. At its option, to be exercised on or before the sixtieth day next preceding any such sinking fund redemption date, the District may (a) deliver to the Trustee for cancellation 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, that are subject to mandatory sinking fund redemption as provided in the Indenture in any aggregate principal amount desired, and (b) receive a credit in respect of its sinking fund redemption obligation for any such 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, so delivered and which, prior to said date, have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation. Each such 2018 Series 2006B Certificate, 2021 Series 2006B Certificate, or 2026 Series 2006B Certificate, as applicable, so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation of the District on such sinking fund redemption date, and, to the extent of any excess, to the next sinking fund redemption date or dates, and the principal amount of 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, to be redeemed by operation of such sinking fund on such date or dates shall be accordingly reduced.

In the event that the 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, are called for optional redemption in part, the principal amount so redeemed shall be immediately credited against the obligation to call the 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, for mandatory sinking fund redemption in the same proportion (rounding to the nearest $5,000) as the principal amount of 2018 Series 2006B Certificates, 2021 Series 2006B Certificates, or 2026 Series 2006B Certificates, as applicable, that are required to be called for mandatory sinking fund redemption on each mandatory sinking fund redemption date bears to the principal amount of 2018 Series 2006B Certificates, 2021 Series 2006B

Certificates, or 2026 Series 2006B Certificates, as applicable, that are outstanding prior to such optional redemption.

Notice of Redemption

Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee, upon being satisfactorily indemnified as to expenses, by mailing a copy of the redemption notice by first-class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the registered owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

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

Additional Certificates

So long as the Lease Term shall remain in effect and no Event of Nonappropriation or Event of Default shall have occurred, one or more issues of Additional Certificates (the "Additional Certificates") may be issued upon the terms and conditions provided in the Indenture.

Additional Certificates may be executed and delivered to provide funds for any one or more of the following: (i) refunding all of any of the Outstanding Certificates and Additional Certificates for purposes of reducing the Base Rentals; (ii) providing additional moneys for the Proceeds Fund; (iii) at any time or from time to time, renovating or remodeling, or making such modifications and improvements in, on or to, the Leased Property as the District may deem necessary or desirable; and (iv) paying costs incurred in connection with the execution and delivery of the Additional Certificates, any deposit to the Reserve Fund that is required due to an increase in the Reserve Requirement and capitalized interest, if any, and other costs reasonably related to the execution and delivery of the Additional Certificates.

Additional Certificates may be issued for the purposes specified in clauses (i) and (iv) of the immediately preceding paragraph without the consent of or notice to the Certificate Owners or the consent of the Insurer. The prior approval of the Insurer, but not of the Certificate Owners, shall be required for the issuance of Additional Certificates for all other purposes specified in the immediately preceding paragraph.

Additional Certificates shall, in all cases, be executed and delivered only upon satisfaction of the conditions set forth in the Indenture. Each of the Additional Certificates executed and delivered shall evidence an assignment of a proportionate interest in rights to receive Revenues under the Lease, as amended, proportionately and ratably secured with the Certificates originally executed and delivered and all other issues of Additional Certificates, if any, executed and delivered, without preference, priority or distinction of any Certificate or Additional Certificates over any other.

Book-Entry Only Form

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

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

Neither the District nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (each as defined in Appendix D), 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 Certificates as further described in Appendix D to this Official Statement.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences the assignment of a proportionate interest in rights to receive Base Rentals paid by the District pursuant to the Lease. The Corporation has assigned its right to receive payments pursuant to the Lease (other than its rights to payments or reimbursements of certain fees and expenses) to the Trustee under the Indenture and the Trustee has agreed to hold such moneys in trust for the benefit of the registered owners of the Certificates. As more fully described under the caption "CERTAIN RISK FACTORS," the Lease is subject to termination on an annual basis at the option of the District. The Lease Term and the schedule of payments of Base Rentals are designed to produce moneys sufficient to pay the Certificates and interest thereon when due if the District elects to renew the Lease for each of the Renewal Terms. The District also may elect to purchase the Leased Property for the Purchase Option Price. See "Base Rentals and Purchase Option Price" below and Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture.

The Lease provides that it is the intention of the District that the decision to renew or not to renew the Lease is to be made solely by the Board. Neither the Lease nor the Certificates constitutes a general obligation or a multiple fiscal-year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of any constitutional or statutory debt limitation. Neither the Lease, the Indenture nor the Certificates have directly or indirectly obligated the District to make any payments beyond those appropriated for any Fiscal Year in which the Lease shall be in effect. Base Rentals and Additional Rentals may be paid from any lawfully available District monies appropriated for that purpose. See "DISTRICT FINANCIAL OPERATIONS." See "CERTAIN RISK FACTORS - Effect of a Termination of the Lease Term" for a description of the requirements resulting from an Event of Nonappropriation or an Event of Default under the Lease.

Pursuant to the Indenture, the Corporation has also granted to the Trustee a security interest in the Leased Property. See "The Leased Property" below.

Base Rentals and Purchase Option Price

The District is obligated to pay Base Rentals (assuming the District does not terminate the Lease, which it has an annual option to do), on the first day of June and December. The amount of Base Rentals due under the Lease will be reduced by any amounts on deposit in the Certificate Fund. Principal of and interest on the Certificates is expected to be paid semi-annually from the Base Rentals paid under the Lease. See "BASE RENTALS SCHEDULE."

The Purchase Option Price, as provided in the Lease, is the amount payable, at the option of the District, for the purpose of terminating the Lease and purchasing the Leased Property pursuant to the Lease, which amount will be the amount necessary to discharge the Indenture as provided therein. See Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture - Definitions. The District also must pay, as part of the Purchase Option Price, all fees and expenses due to the Corporation or the Trustee.

The Reserve Fund

The Indenture establishes the Reserve Fund as additional security for the Certificates. The Reserve Fund must be funded in an amount equal to the Reserve Requirement, which is defined as the amount of $3,205,682.25, initially deposited into the Reserve Fund pursuant to the Indenture. The income derived from the investment of the Reserve Fund shall be deposited when received as follows: (i) to the Reserve Fund until the amount on deposit shall equal the Reserve Requirement; and (ii) all remaining income derived from the investment of the Reserve Fund shall be deposited in the Interest Account of the Certificate Fund. See Appendix E – Certain Definitions and Summary of Certain Terms of the Lease, the Site Lease and the Indenture – Funds and Accounts. The District intends to satisfy the Reserve Requirement by depositing the Reserve Policy to the Reserve Fund. "Reserve Policy" is defined in the Indenture as the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Certificates when due.

The Leased Property

The Leased Property consists of nine elementary schools, as follows:

Leased Property Description

Elementary School Facility	Address	Year of Construction (1)	Building Size (Square Feet)	Land Parcel Size (Acres)	Zoning	Estimated Value (2)
Allendale	5900 Oak Street, Arvada	1956 (1964, 1995, 2001)	38,763	9.62	R-L (residential low density)	$4,457,224
Belmar	885 S. Garrison St., Lakewood	1961 (1967, 2000)	37,121	10.59	2-R (small lot residential)	6,777,445
Deane	580 S. Harlan St., Lakewood	1954 (1963, 1973, 1996)	46,087	21.11	3-R (duplex and small lot residential)	4,251,417
Elk Creek	13304 US Hwy 285, Pine	1989 (1997, 1999)	50,858	14.00	A-2 (agricultural, general farming or ranching)	4,514,422
Foothills	13165 W. Ohio Ave., Lakewood	1970 (1995)	40,005	15.95	2-R (small lot residential)	3,660,156
Hutchison	12900 W. Utah Ave., Lakewood	1960 (1973, 1995)	44,092	9.99	PD (Planned Development - school site)	4,031,519
Peiffer	4997 S. Miller Way, Littleton	1973 (1986, 1997)	43,389	10.78	MR-1 (low density single family)	4,067,096
Prospect Valley	3400 Pierson, Wheat Ridge	1967 (1996)	45,361	8.23	R-1 (single family detached) and R-1A (single family)	4,177,126
Ralston	25856 Columbine Glen, Golden	1955 (1964, 1986, 1997, 2001)	32,414	10.00	A-2 (agricultural, farming or ranching)	2,903,283
TOTAL						$38,839,688

(1) First date refers to initial construction date. Dates in parentheses refer to major renovation dates.
(2) As determined by the District for casualty insurance purposes. Reflects only the value of the buildings, and does not reflect any value for the land.

The Lease provides that when the principal component of Base Rentals paid or prepaid by the District equals the amounts set forth in an exhibit to the Lease, the cost of the corresponding elementary schools which comprise the Leased Property set forth in the exhibit (or of any property substituted for such schools pursuant to the procedures set forth in the Lease) shall be deemed to have been fully purchased and the Corporation and the Trustee shall release such portion of the Leased Property.

Insurance Disclaimer

The following information has been furnished by the Insurer 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.

No assurance can be given by the District that the Insurer will be able to meet its obligations under the Policy.

Insurance on the Certificates

Bond Insurance Policy. Concurrently with the issuance of the Certificates, Financial Security Assurance Inc. ("Financial Security" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc. Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2006, Financial Security's combined policyholders' surplus and contingency reserves were approximately $2,581,107,000 and its total net unearned premium reserve was approximately $1,992,163,000 in accordance with statutory accounting principles. At September 30, 2006, Financial Security's consolidated shareholder's equity was approximately $3,058,987,000 and its total net unearned premium reserve was approximately $1,590,538,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Certificates, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Certificates or the advisability of investing in the Certificates. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the District the information presented under this caption for inclusion in the Official Statement.

BASE RENTALS SCHEDULE

	Series 2006A Certificates (1)			Series 2006B Certificates (1)			
Year	Principal Component	Interest Component	Total	Principal Component	Interest Component	Total	Total Base Rentals
6/15/07	$365,000	$665,271	$1,030,271	$190,000	$338,947	$528,947	$1,559,218
12/15/07	370,000	678,265	1,048,265	195,000	345,552	540,552	1,588,817
6/15/08	390,000	668,497	1,058,496	210,000	340,502	550,502	1,608,998
12/15/08	395,000	658,493	1,053,493	205,000	335,220	540,220	1,593,713
6/15/09	410,000	648,539	1,058,539	215,000	330,157	545,157	1,603,696
12/15/09	415,000	638,289	1,053,289	220,000	324,889	544,889	1,598,178
6/15/10	435,000	627,873	1,062,873	225,000	319,477	544,477	1,607,350
12/15/10	435,000	617,020	1,052,020	230,000	313,976	543,976	1,595,996
6/15/11	455,000	606,145	1,061,145	240,000	308,341	548,341	1,609,486
12/15/11	455,000	594,701	1,049,701	240,000	302,425	542,425	1,592,126
6/15/12	480,000	583,235	1,063,235	250,000	296,497	546,497	1,609,732
12/15/12	480,000	571,211	1,051,211	250,000	290,360	540,360	1,591,571
6/15/13	500,000	559,091	1,059,091	260,000	284,172	544,172	1,603,263
12/15/13	505,000	546,266	1,051,266	265,000	277,659	542,659	1,593,925
6/15/14	525,000	533,313	1,058,313	280,000	270,994	550,994	1,609,307
12/15/14	535,000	519,742	1,054,742	275,000	263,924	538,924	1,593,666
6/15/15	555,000	505,912	1,060,912	290,000	256,953	546,953	1,607,865
12/15/15	560,000	491,399	1,051,399	290,000	249,544	539,544	1,590,943
6/15/16	585,000	476,755	1,061,755	305,000	242,105	547,105	1,608,860
12/15/16	590,000	461,399	1,051,399	305,000	234,267	539,267	1,590,666
6/15/17	615,000	445,911	1,060,911	320,000	226,413	546,413	1,607,324
12/15/17	620,000	429,214	1,049,214	325,000	217,885	542,885	1,592,099
6/15/18	650,000	412,381	1,062,381	340,000	209,224	549,224	1,611,605
12/15/18	655,000	394,733	1,049,733	340,000	200,163	540,163	1,589,896
6/15/19	690,000	376,950	1,066,950	355,000	191,102	546,102	1,613,052
12/15/19	690,000	357,906	1,047,906	360,000	181,481	541,481	1,589,387
6/15/20	730,000	338,862	1,068,862	375,000	171,725	546,725	1,615,587
12/15/20	725,000	318,714	1,043,714	380,000	161,563	541,563	1,585,277
6/15/21	765,000	298,704	1,063,704	395,000	151,265	546,265	1,609,969
12/15/21	770,000	277,590	1,047,590	400,000	140,560	540,560	1,588,150
6/15/22	810,000	256,338	1,066,338	420,000	129,720	549,720	1,616,058
12/15/22	810,000	233,496	1,043,496	420,000	118,128	538,128	1,581,624
6/15/23	855,000	210,654	1,065,654	445,000	106,536	551,536	1,617,190
12/15/23	860,000	186,543	1,046,543	445,000	94,254	539,254	1,585,797
6/15/24	910,000	162,291	1,072,291	465,000	81,972	546,972	1,619,263
12/15/24	905,000	136,629	1,041,629	470,000	69,138	539,138	1,580,767
6/15/25	955,000	111,108	1,066,108	495,000	56,166	551,166	1,617,274
12/15/25	960,000	84,177	1,044,177	495,000	42,504	537,504	1,581,681
6/15/26	1,010,000	57,105	1,067,105	525,000	28,842	553,842	1,620,947
12/15/26	1,015,000	28,623	1,043,623	520,000	14,352	534,352	1,577,975
TOTAL	$25,440,000	$16,769,348	$42,209,343	$13,230,000	$8,518,950	$21,748,950	$63,958,293

(1) This schedule sets forth the annualized principal and interest components of Base Rentals for each period indicated. The Lease requires the District (subject to annual appropriation) to make semi-annual payments of Base Rentals to the Trustee on June 1 and December 1 of each year. The Base Rentals correspond to the debt service payable on the Certificates on June 15 and December 15 of each year. The payment of Base Rentals by the District is expected to commence on June 1, 2007, and payments to the Owners are expected to commence on June 15, 2007.

Source: the Managing Underwriter.

THE CORPORATION

General

The Corporation was formed in November 1984 as a Colorado nonprofit corporation for the purpose of purchasing, leasing or otherwise acquiring real estate and personal property and constructing, installing or acquiring public improvements to be located thereon, all for the use and benefit of the District. The Corporation was also formed for the purpose of operating and maintaining such property and borrowing money to acquire such property.

Board of Directors

The Corporation is governed by a five member board of directors. One position is currently vacant. The directors of the Corporation have no private or proprietary interest in the Corporation. The board of directors serves without compensation (except reimbursement of expenses) and no part of the Corporation's net earnings, income or assets inures to the benefit of any private entity or person. The persons currently on the board of directors, their officer positions and principal occupations are as follows:

Name and Office	Principal Occupation	Length of Service	Term Expires
Judith C. Wonning, President	Retired	21 years	11/1/08
Judy Pierce, Secretary	Self-employed	12 years	11/1/07
Wayne A. Van Arsdale, Treasurer	Retired	19 years	11/1/09
Glen Keller, Jr., Vice President	Attorney	12 years	11/1/07

Corporation's Limited Liability

The Corporation has agreed to enter into the Lease with the District solely to facilitate the financing of the Project. The Corporation has assigned its rights and interests under the Lease (with certain limited exceptions) to the Trustee for the benefit of the registered owners of the Certificates. The Corporation is not liable for the payment of Base Rentals or Additional Rentals, and the registered owners of the Certificates have no right to look to the Corporation for any payments of the Certificates or for any other payments. In addition, the Corporation has no control over the expenditure of the proceeds of the Certificates. Neither the Lease nor the Indenture creates any pecuniary liability on the part of the directors or officers of the Corporation.

THE DISTRICT

Organization

The District is a body corporate and a political subdivision of the State which was duly organized in 1950, as a result of the consolidation of several smaller school districts, for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries.

Description

The District encompasses all 774 square miles of Jefferson County, Colorado, and also includes approximately 5 square miles in the City and County of Broomfield, Colorado. The District is located on the western side of the Denver metropolitan area, and includes the cities of Arvada, Bow Mar, Edgewater, Golden, Lakewood, Morrison, Westminster, Wheat Ridge, and a portion of Broomfield, as well as the unincorporated portions of Jefferson County.

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 contract for the transportation of pupils enrolled in the District's public schools.

Governing Board

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

The Board is a policy-making body 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, 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:

Name	Office	Principal Occupation	Term Expires
Jane Barnes	President	Hospital Manager, Senior Programs	Nov. 2007
Vince Chowdhury	First Vice President	Insurance Agent	Nov. 2009
Sue Marinelli	Second Vice President	Community volunteer and retired teacher	Nov. 2009
Hereford Percy	Treasurer	Community volunteer and retired bank president	Nov. 2007
Scott Benefield	Secretary	Community volunteer and retired school administrator	Nov. 2009

Administration

The District's administrative personnel directly involved with the issuance of the Certificates, and their experience and responsibilities, are as follows:

Superintendent. The Superintendent is the Chief Executive Officer of the District and exercises general supervision over all public schools and public school employees. Cynthia Stevenson, Ph.D., became superintendent in 2002. Dr. Stevenson has been employed by the District since 1972, and has held positions including elementary school teacher, principal, assistant superintendent and deputy superintendent. She attended elementary, junior high school, and high school in the District. She holds a bachelor's degree, master's degree and doctorate from the University of Colorado.

Chief Operating Officer. Dr. Patrick Hickey joined the Jefferson County Public Schools District in August 2006. Previously, he served as the Assistant Superintendent for Educational Support Services for the Douglas County School District in Colorado. Prior experience includes service as the Business Manager for the Kodiak Island Borough School District in Alaska and as the Assistant Superintendent for Operations and Business Management for the Kenai Peninsula Borough School District in Alaska. He is a Registered School Business Administrator with the Association of School Business Officials International and holds graduate degrees in Computer Information Resource Management, Education Leadership, and Business Administration.

Chief Financial Officer. In 2002, Lorie Gillis joined the District in the new position of Executive Director of Budget Management. In 2003, Ms. Gillis became Chief Financial Officer. From 1996 to 2002, she served as Director of Finance for the City of Golden, Colorado, and prior to that position, served as the Director of Budget and Finance for the University Corporation for Atmospheric Research in Boulder, Colorado. She holds a B.S. in Business Administration from Colorado State University.

Accreditation

The District is fully accredited by the Colorado Department of Education. The District is subject to periodic monitoring by the State to ensure continued compliance with accreditation standards. The District is also accredited with the North Central Association of Schools and Colleges.

Employees; Benefits and Pension Matters and Employment Contracts

Employees. In order to provide the variety of services required by law, the District employed 12,161 personnel as of June 30, 2006. Included in this number are 5,650 certificated full-time or part-time teachers and administrative personnel and 2,315 classified employees (including administrative personnel). At this time, approximately 62% of the certificated staff hold advanced degrees (masters and doctorates) and approximately 79% are non-probationary. In addition, the District employs approximately 5,432 part-time/hourly employees during the school year.

Benefits and Pension Matters. The District provides all of its full-time employees with a comprehensive benefits program, including medical, dental, vision and life insurance. Workers' compensation and unemployment insurance are provided in accordance with State law. The District maintains a self-insured workers' compensation program. The District is entitled to join the State Unemployment Insurance Pool on an annual basis.

The District is affiliated with the Colorado Public Employees' Retirement Association ("PERA"). Qualifying employees automatically become members of PERA. Beginning with the fiscal year ending June 30, 2002, the District has been required by statute to contribute to PERA, from District funds, an amount equal to 10.04% of the salaries of member employees. The amount of employer contribution was increased January 1, 2006, to 10.65%. In addition, each member employee contributes up to 8% of his or her salary. State law provides that if the District is in arrears in its payments to PERA, all State funds due to the District are to be reduced by 10%. For the fiscal year ended June 30, 2005, the District's contribution to PERA was $43,416,333, and for the fiscal year ended June 30, 2006, the District's contribution to PERA was $45,816,817.

In 1999, the District adopted the Plan (defined in "USES OF PROCEEDS"). The District's contribution to the Plan for the fiscal year ending June 30, 2005 was $3,351,265. The contribution for the fiscal year ending June 30, 2006 was $6,856,788. The proceeds of the Certificates are expected to be used to fund a portion of the District's unfunded actuarial accrued liability to the Plan. See "USES OF PROCEEDS."

For the fiscal year ended June 30, 2005, the District paid unused sick and personal leave in the amount of $2,948,435 to 267 early retirees, and for the fiscal year ended June 30, 2006, the District paid unused sick and personal leave in the amount of $2,433,212 to 232 early retirees. In addition, a District-paid $2,000 life insurance policy is provided each retiree upon reaching age 65 and is accounted for through a retired life insurance program in the Employee Benefits Fund.

Further information regarding District provided benefits can be found in Notes 16 and 17 to the District's Basic Financial Statements and Management's Discussion and Analysis for the fiscal year ended June 30, 2006, attached as Appendix A.

Employment Contracts and Collective Bargaining. The District negotiates with three employee groups or unions. In addition, certain District administrators belong to the Jefferson County Administrators' Association, with which the District meets and confers, but this organization is not recognized as a bargaining unit. The District has agreements with the groups and for the periods indicated in the following table:

Employee Group	Agreement Represented By	Effective Through
Teachers	Jefferson County Education Association	August 31, 2007
Nurses	Jefferson County Education Association	August 31, 2007
Counselors, Psychiatrists And Social Workers	Jefferson County Education Association	August 31, 2007
Bus Drivers/Mechanics	Classified School Employee Association	August 31, 2009
Custodial/Maintenance	Classified School Employee Association	August 31, 2009
Support Staff	Classified School Employee Association	August 31, 2009
Food Service	Classified School Employee Association	August 31, 2009
Educational Assistants	Jefferson County Association of Educational Assistants and Preschool Teachers Assistants	August 31, 2008

Salaries and benefits are received and renegotiated annually. Both the Board and administrative staff of the District believe that the District enjoys a very good working relationship with its employees.

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 fall enrollment (October headcount) since 1996-97 is shown in the following table. The District has the highest enrollment of any school district in the State. The District's most recent official enrollment was 84,790, as of October 2006.

Fall Enrollment - October Headcount

School Year	Elementary	Middle/ Jr. High	Senior High	District Wide/ Choice	Charter Schools	Total	Percent Increase (Decrease)
1996-1997	45,777	13,666	23,426	3,126	873	86,868	–
1997-1998	45,729	13,745	24,145	3,583	1,067	88,269	1.61%
1998-1999	45,519	13,712	24,462	3,590	1,510	88,793	0.59
1999-2000	45,591	13,543	24,903	3,583	2,143	88,763	(0.03)
2000-2001	43,298	13,277	25,068	3,666	2,523	87,832	(1.05)
2001-2002	42,050	13,063	25,476	3,737	2,869	87,240	(0.67)
2002-2003	40,753	12,924	25,459	4,215	3,262	86,613	(0.72)
2003-2004	39,881	12,816	25,199	4,289	3,515	85,700	(1.05)
2004-2005	39,123	12,780	25,282	4,159	4,134	85,478	(0.35)
2005-2006	38,783	12,393	25,293	4,383	4,231	85,083	(0.46)
2006-2007	39,023	11,811	25,042	4,403	4,511	84,790	(0.34)

Management's Discussion of Enrollment Trends. For each of the past eight fiscal years, the District's enrollment has decreased slightly. The District anticipates that this trend will continue for at least the next three to four school years, based upon population forecasts within the District and other factors. Enrollment is important for a school district's revenue in Colorado due to the operation of the School Finance Act. See "DISTRICT FINANCIAL OPERATIONS - School Finance Act." The reduction in funding due to declining funded pupil enrollment is estimated to be approximately $4.3 million in fiscal year 2007.

Existing Facilities. The District owns and operates a variety of facilities in meeting its objective to provide and educational program for the school-age children of Jefferson County and a small portion of the City and County of Broomfield. The District's major fixed assets are its buildings. Many of the school buildings were built in the 1950-70 time period. The District completed the last project of its 1998 capital improvement program in 2006. This program was funded with proceeds (and interest thereon) from general obligation bonds issued in 1998 and from its Capital Reserve Fund. This program contained approximately 340 identified projects, which included one new and three partially replaced elementary schools, two new and one partially replaced middle schools, one new area high school and two new high schools for choice programs.

The District currently operates 94 elementary schools (of which 9 schools constitute the Leased Property) with a total permanent program capacity of 41,531 students; 20 middle schools with a total permanent program capacity of 14,114 students; 17 high schools with a total permanent program capacity of 22,358 students; and 9 District-wide school facilities offering choice/optional programs with a total permanent program capacity of 3,893. Total permanent program capacity, therefore, is 81,896 students (excluding charter schools). The District currently relies on approximately 480 modular structures, which serve as classrooms and support spaces to handle student capacity, special programs and housing during capital construction programs.

Additional Facilities and the 2005-10 Capital Improvement Program. At the 2004 Election, District voters approved the issuance of $323.8 million of general obligation bonds to finance the construction of new facilities and improvements to existing facilities. In connection therewith, the Board has approved a new capital improvement program for 2005-10 which includes approximately $469.5 million of improvements, currently expected to be funded as follows (all amounts are approximate): $323.8 million of bond proceeds (consisting of General Obligation Bonds, Series 2004, in the amount of $257 million and General Obligation Bonds, Series 2006, in the amount of $66.8 million), $98.5 million of miscellaneous sources such as internal transfers, fees, surplus property sales and energy savings refinancings, $10 million of existing funds, and $37.2 million of bond issuance premium and investment earnings. Such amounts are projections and are subject to change.

The new capital improvement program consists of the replacement of older schools and the renovation of other schools and District facilities in the following categories (all amounts are approximate): $236.9 million for high schools, $88.6 million for elementary schools, $63.2 million for middle schools, $22.1 million for District-wide initiatives, $51.1 million for option schools, special programs and charter schools, $2.3 million for support facilities, and $5.3 million for athletic complexes. Such amounts are projections and are subject to change. Proceeds of the Series 2004 Bonds are currently being expended and are expected to finance approximately $275 million of the program (excluding investment earnings thereon). Proceeds of General Obligation Bonds, Series 2006, are expected to finance approximately $73.2 million of the program (excluding investment earnings thereon). The District continually assesses the physical and educational adequacy of all buildings, and future capital improvements programs will be based upon these assessments and long range plans and the availability of funds.

Charter Schools. The District currently contracts with 12 charter schools to provide 100% of each school's per pupil revenues for each student enrolled. The District provides certain services to these charter schools, including insurance and administrative and business services, which are billed to the schools and must be paid from their 100% funding. The 2004-05 enrollment of funded pupils for the charter schools was 3,721 students, and the 2005-06 enrollment of funded pupils for the charter schools was 3,785 students. The preliminary estimate for the 2006-07 school year enrollment of funded pupils for the charter schools is 3,885.

Curriculum and Standardized Test Scores

The District's curriculum is a knowledge and skills based curriculum in all content areas for kindergarten through twelfth grade. Recent State laws require that all students within the State meet or exceed certain content standards. In an effort to comply with these laws, such standards have been developed by content area experts for the District and approved by the District's Board. Teams of content area specialists work continuously to develop and revise curricula as well as train teachers in all content areas.

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 two years, the state board of education will review the operations of the public school to determine whether the public school will be allowed to continue to operate pursuant to its improvement plan, whether the improvement plan should be modified, or whether the public school should be converted to an independent charter school.

A public school that receives an "unsatisfactory" performance rating also may submit a voluntary restructuring plan to the state board of education. If the state board of education determines that the restructuring plan constitutes a major restructuring of the public school, the public school will be allowed to operate under the restructuring plan. If the public school receives an overall academic rating of "unsatisfactory" for two school years in any three year period after the year in which the public school submits its restructuring plan, the state board of education will review the operations of the public school as stated above and make the same determinations. If a public school voluntarily restructures, the district school board shall allow members of the community the opportunity to review and comment on the restructuring plan.

In addition, the CSAP test results have been important for the District because for several years, the results of the CSAP tests were used to calculate the property tax revenue increase due to the District pursuant to a mill levy override ballot initiative adopted by the District's voters in 1999. The most recent CSAP results were made available in July 2006. A complete discussion of the 1999 mill levy override question is set forth in "DISTRICT FINANCIAL OPERATIONS - Sources of School District Revenue." Districts must pay charter schools the per-pupil funding amount (less actual amounts used to fund central administrative overhead services). The District currently has no unsatisfactory schools.

Insurance

Through June 1, 2007, the District maintains the types and amounts of insurance coverage summarized below. In addition to the insurance coverage described in the following table, the Colorado Governmental Immunity Act provides the District with protection from liability as described in "LEGAL MATTERS - Sovereign Immunity." In the opinion of the District's Insurance Manager, the District's insurance policies provide adequate insurance protection for the District. Additional information regarding risk management is provided in Note 14 to the District's Basic Financial Statements, attached hereto as Appendix A. Information regarding the District's Insurance Reserve Fund is provided below in "DISTRICT FINANCIAL OPERATIONS - School District Funds - Capital Reserve Fund and Insurance Reserve Fund."

Type of Coverage	Coverage/Limit
Comprehensive/General Liability	Bodily injury and property damage; personal injury, professional and Errors and Omissions. Limit $5,000,000 each occurrence subject to $500,000 self-insured retention.
Automobile Liability	All owned, hired and non-owned vehicles. Limit $5,000,000 subject to $500,000 self-insured retention per occurrence.
Fiduciary Liability	Coverage for wrongful acts of plan administrators, with $1 million coverage each claim, subject to a $10,000 deductible.
Property/Boiler & Machinery	"All risk" property and builders' risk coverage for losses subject to $100,000 self-insured retention per occurrence with blanket limit of $125,000,000 per occurrence. Physical damage for on site autos subject to $100,000 retention; coverage for boilers, machinery, and air conditioning systems, subject to $10,000 retention per occurrence. Builders' Risk coverage for sites under construction, subject to a $5,000 deductible.
Corporate Extortion	$1,000,000 coverage (without deductible) for kidnapping, wrongful detention, computer virus and extortion.
Crime	Coverage for computer fraud, forgery, extortion, theft, disappearance, limit $1 million; Public Employee Dishonesty, limit $1 million - subject to $50,000 deductible. Includes position bond requirements.
Excess Workers' Compensation	Coverage per State statute in excess of District's self-insured Workers' Compensation Program (subject to $500,000 retention). Employer liability limit of $1,000,000 per occurrence.
Underground Storage Tank Pollution Liability	Coverage for liability that rises out of pollution from storage tanks in the amount of $2 million,subject to a $10,000 deductible.
Foreign Package	$3 million general liability coverage for employees out of the United States. $500,000 emergency assistance provided.

In addition, the District maintains a Workers' Compensation Surety Bond.

Intergovernmental Relationships and District Agreements

The District maintains cooperative working relationships with adjacent and overlapping governmental entities. These relationships include land dedications which include dedications from developers as required by city ordinances, reciprocal use agreements, capital improvements to land and joint use facilities. The District is also a party to numerous contracts for various services necessary to the operation of the District. In the opinion of the District's general counsel, the District is not a party to any agreements or contracts which materially adversely affect its ability to pay Base Rentals under the Lease.

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 Levies. 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. The District's electors have approved two mill levy override ballot questions, in 1999 and 2004.

In 1999, the District's voters approved a ballot question (the "1999 Override") which tied a portion of its funding to improvements in student achievement, as measured by the Colorado Student Assessment Program ("CSAP"). A description of the CSAP is provided above in "THE DISTRICT - Curriculum and Standardized Testing." Specifically, the 1999 Override permitted the District to collect revenues based upon a formula which provided for a guaranteed amount of tax increase, plus an additional amount which was tied to CSAP results in the first few years. The District has received an additional approximately $35.8 million in tax revenues each fiscal year since 2001-02 from the 1999 Override, and anticipates receiving such amount in future fiscal years.

In 2004, the District's voters approved an additional ballot question (the "2004 Override") which authorizes the District to increase taxes an additional $38.5 million annually for deposit in the District's General Fund for educational purposes. This tax increase is not tied to student achievement. The Board first imposed a mill levy to produce not more than this amount in 2004, for collection in 2005.

Bond Redemption Levy. School districts also may impose a separate mill levy for purposes of generating revenues for the district's 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. 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.

<u>Other State Revenue - Categorical Programs</u>. 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 forms of State funding to pay for such programs.

<u>Miscellaneous Revenue Sources</u>. The District also receives revenue from investment earnings, specific State and federal grants, and other miscellaneous sources.

School Finance Act

<u>General Description</u>. 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 that requires that all school districts operate under the same finance formula and are subject to the expenditure and maximum levy provisions set forth therein. The School Finance Act has been amended each year since its adoption.

<u>Funding Formula</u>. 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 Article X, Section 20 of the Colorado Constitution (the Taxpayers Bill of Rights or "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

	Amount			
Fiscal Year	Base Amount	Addition	Total	Addition Due To:
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%)
2005-2006	4,666	51	4,717	Inflation (0.1%) plus School Amendment (1%)

In accordance with recently approved legislation, the base per pupil amount for 2006-07 will be $4,863.87 (an amount equal to $4,717 supplemented by $146.25 to account for inflation of 2.1% 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 2004-05 fiscal year, the minimum amount was $5,627. The General Assembly did not establish a minimum amount of per pupil funding for 2005-06 or 2006-07; however, according to the State Department of Education, that amount will also be increased by inflation plus the School Amendment amount to $5,720 for traditional students for 2005-06 to $5,865 for fiscal year 2006-07.

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.

<u>Uses of Total Program Funding</u>. The Board has the discretion to determine how the District's Total Program Funding will be expended, except as follows: (1) at least $172 of the per pupil funding must be used for instructional supplies and materials; (2) at least $279 (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.

<u>Local and State Shares of Total Program Funding</u>. 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 the District for fiscal year 2005-06, approximately $278,399,530, or 49.7%, was derived from local sources, and approximately $281,173,393, or 50.2%, 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 an "override" mill levy, as explained above under "Sources of School District Revenue - Additional Property Taxes - Override Levies."

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 table sets forth State equalization payments received by the District for the past five fiscal years:

State Equalization Payments

Fiscal Year Ended June 30	Deposited to the General Fund (1)	Deposited to Charter School Funds (1)	Total
2001	$247,112,252	$ --	$247,112,252
2002	244,648,985	15,840,586	260,489,571
2003	262,962,410	18,909,830	281,872,240
2004	268,567,509	20,652,484	289,219,993
2005	273,963,074	23,379,502	297,342,576
2006	281,173,393	24,521,495	305,694,888

(1) For fiscal year 2001, all of the State equalization payments were deposited into the General Fund. Beginning in fiscal year 2002, the District elected to account for State equalization payments derived from charter school students outside of the General Fund, in discretely presented component units for each charter school.

State equalization payments received by the District for the fiscal year ended June 30, 2006, represented 47% 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 budget cuts (including cuts to K-12 funding) for fiscal years 2004, 2005 and 2006. 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 "OSPB") 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 2005-06 through Fiscal Year 2010-11. 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. *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.

District Cash Flow

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, legislation was adopted to allow the State to issue tax and revenue anticipation notes and to use the proceeds of such notes to loan to school districts under the State Program. Each district participating in the State note program must issue a note to the State Treasurer granting a first lien on all of the district's General Fund ad valorem tax revenues received between March 1 and June 30; that lien has a priority over all other expenditures. Accordingly, participating districts have no property tax revenues available to pay ongoing expenses until their notes are fully paid. Districts may borrow sufficient funds to cover their expenses during the time required to repay their notes, which may result in significantly larger borrowings than in previous years.

During much of the 1990's, the District typically addressed its cash flow shortfall by participating in the State Program. The last year in which the District used the State Program was the 1997-98 fiscal year. Due to the restrictions of the State Program, and due to certain advantages to the District achieved by issuing tax anticipation notes, the Board issued tax anticipation notes each year from 1998-2004, in amounts varying from $84 million to $128 million. Each series of tax anticipation notes is payable on approximately June 30 of the year following their issuance. With the passage of the mill levy override election in November 2004, the District received property tax revenues in 2005 that were not budgeted and subsequently were not appropriated. This revenue built cash reserves for the District, and therefore the District was not required to issue tax anticipation notes or participate in the State Program for fiscal years 2005-06 and 2006-07. The District anticipates that tax anticipation notes will again be required for fiscal year 2007-08 as reserves from the 2004 mill levy election are expended.

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, 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 the State's share of Total Program Funding. 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 is currently 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. The District has selected J.P. Morgan Trust Company, National Association, to administer its Bond Redemption Fund.

Capital Reserve Fund and Insurance Reserve Fund. The Capital Reserve Fund and the Insurance Reserve Fund (which may be a separate 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 2006-07, the required minimum allocation is $279 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 Fund (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. The District has no such obligations outstanding.

Special Building and Technology Fund. State 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 a school 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 currently does not maintain such a fund.

Preschool Program Fund. Certain State moneys must be deposited in the Preschool Program Fund of the school district. 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

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.

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. 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.

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

General Fund Budget Summary and Comparison

The following table sets forth the District's General Fund budget compared to actual results (budgetary basis) for the year ended June 30, 2006 and the budget for the year ended June 30, 2007. The District's General Fund budget compared to actual results for the year ended June 30, 2006, is located in Appendix A.

General Fund Budgets for the Fiscal Years ending June 30, 2006-07, and Schedule of Revenues, Expenditures and Operating Transfers
For the Year ended June 30, 2006

	2005-06			
	Revised Budget	Actual	Variance	2006-07 Budget
REVENUES:				
Taxes	$279,268,000	$278,399,530	$(868,470)	$282,123,000
Intergovernmental	302,189,000	301,648,167	(540,833)	308,499,000
Interest	850,000	3,755,042	2,905,042	1,000,000
Other	17,444,500	17,155,370	(289,130)	17,443,500
Total Revenue	599,751,500	600,958,109	1,206,609	609,065,500
EXPENDITURES:				
Instruction (1)	445,668,361	439,006,517	6,661,844	459,166,797
Supporting Services (2)	106,255,829	100,589,836	5,665,993	116,527,480
Total expenditures	551,924,190	539,596,353	12,327,837	575,694,277
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	47,827,310	61,361,756	13,534,446	33,371,223
OTHER FINANCING USES:				
Operating transfers (out)	(30,898,500)	(30,898,320)	180	(29,967,500)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$16,928,810	$30,463,436	13,534,626	3,403,723
Compensated absences, and salaries and benefits earned but unpaid: (3)				
July 1, 2005		55,366,359		
June 30, 2006		(56,664,191)		
Beginning Fund balance (deficit) July 1, 2005 - GAAP		42,930,834		
Ending Fund balance (deficit) July 1, 2006 - GAAP		$72,096,438		

(1) Instruction includes direct and indirect instruction at all District schools except charter schools, which are funded directly and treated as a component unit on the District's financial statements.

(2) Supporting Services includes school administration, operations and maintenance, transportation, custodial services, field services, business services and other support services.

(3) 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. These salaries have been recorded as an expenditure of the District in the year earned rather than the year paid. In accordance with State law, for budgetary purposes, the District considers certain accrued salaries and benefits to be permanently deferred and therefore available for budgetary purposes; this method accounts for the difference in expenditures reported on a GAAP basis versus expenditures reported on a budgetary basis.

Sources: The District's adopted budgets for the fiscal years ended June 30, 2006-07, and the District's financial statements for the fiscal year ended 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 Treasurers and authorize such treasurers to prohibit release of any moneys of the District until the District files the audit report with the State. The District's audit for the 2004-05 fiscal year was filed on time, and the District expects to file its audit for the 2005-06 fiscal year on time.

The audited Basic Financial Statements for the fiscal year ended June 30, 2006, attached hereto as Appendix A, represent the most recent audited financial statements of the District. From 1984 to 2005 (inclusive), the District has received a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report. Such certificate is awarded by the Government Finance Officers Association to local governments whose comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting.

Governmental Accounting Standards Board Statement 34. Governmental Accounting Standards Board Statement 34 ("GASB 34") requires that the District's financial statements comply with certain requirements beginning in the fiscal year ending June 30, 2002. The District voluntarily adopted the GASB 34 standards beginning with the fiscal year ending June 30, 2001.

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, in particular Note 4, which describes the reporting differences between budgetary and GAAP accounting bases. As described in said Note 4, salaries of teachers and certain other employees, though earned over the traditional nine month school year, are paid over a 12-month period ending August 31. For financial reporting purposes (on a GAAP basis), such salaries are recorded as expenditures in the year earned rather than the year paid, resulting in a year-end operating deficit. On a budgetary basis, the District showed a fund balance of $128,760,629 as of June 30, 2006 in the General Fund, an increase of 31% from the fund balance of $98,297,193 as of June 30, 2005.

For fiscal years 1998 and 1999 (not shown in the table below), the District recorded larger than anticipated deficits in the General Fund, which were largely the result of higher than expected labor costs and expenditures for technology. As a result of certain actions taken by the District, the spending and cash flow position of the District improved during the 2000-02 fiscal years. For the 2003 fiscal year, however, the negative year end GAAP balance of the General Fund increased by approximately $16 million. This increase was due to several factors, including increased technology deficit funding and expenditures based upon planned

1999 Override funding which did not occur as budgeted due to student achievement which did not result in increased funding. During the 2004 fiscal year, the entire technology deficit was eliminated, therefore eliminating the need for increased funding for technology beginning in the 2005 fiscal year. The 2004 fiscal year results were positive, resulting in an approximately $2 million reduction in the negative fund balance.

The Board of Education and the District's administrative staff continue to take steps to limit General Fund spending. Budgetary reductions of $14.5 million were implemented for fiscal year 2004, $8.8 million for fiscal year 2005, and $3.0 million for fiscal year 2006. The budget for fiscal year 2007 includes reductions of $4.5 million. These reductions ensure a balanced budget and increase the budgetary General Fund balance. The District embarked upon a new budget development process for fiscal year 2007 called "Budgeting for Results". The process is a major attempt to align available resources with increased student achievement. The District anticipates that this type of process is a long-term initiative with results of the new process evident in future years and measured by increased student achievement. In addition, Budgeting for Results is a process that attempts to encourage communication and leverage between organizational units within the entire District. Through the process, the District received proposals from departments and stakeholders designed to provide funding for projects that would increase student achievement. The process also established a strategic investment fund of $3.0 million to fund one-time proposals that are also designed to increase student achievement or add value to the organization and community. The District is believed to be the first school district in the nation to undertake this type of budget process. Even through the Budgeting for Results process, with the reality of declining enrollment, the District must continue to reduce both fixed and variable costs, and is doing so in fiscal year 2007 through the budgetary reduction of $4.5 million.

In November 2004, the District's voters approved an annual property tax increase for the school district of $38,500,000, to be used for operating costs. The first revenues from this tax increase were received in the spring of 2005, and were not budgeted as part of the 2004-05 fiscal year budget. Accordingly, the funds were considered to be one-time funds and were not applied to on-going programs. It is anticipated that these funds will not be fully expended until fiscal year 2010. Until this time, these funds are expected to provide resources that will partially offset the need for future reductions in programs.

The budgetary fund balance consists of several components. Pursuant to the State constitution, the District must maintain a TABOR reserve equal to 3% of its fiscal year spending (excluding federal funds and other expenditures set forth in TABOR). See "LEGAL MATTERS - Certain Constitutional Requirements." In addition, the Board requires that the General Fund contain a reserve equal to 2% of total expenditures. Finally, in 2003, the Board established an additional reserve to be funded from the proceeds of a forward delivery agreement that is expected to produce approximately $1.1 million per year in interest earnings for 10 years. It is expected that these funds will build an additional 2% reserve which will be fully funded in fiscal year 2008. Accordingly, the total anticipated reserve is expected to be 7% in fiscal year 2008.

In 1999, the Board established the Financial Oversight Committee, a committee comprised of eight citizens with finance and accounting experience, which meets monthly to review the District's finances. In addition, the District's staff has established an internal auditing process to provide site evaluations of fiscal accounting and processes, and provides monthly cash flow reports and quarterly financial reports to the Board.

General Fund Revenues, Expenditures, and
Changes in Fund Balances (GAAP Basis)

	Years ended June 30,				
	2002	2003	2004	2005	2006
Revenue:					
Taxes	$238,068,201	$239,851,969	$241,071,054	$281,179,724	$278,399,529
Intergovernmental	266,278,891	283,816,827	289,506,974	293,954,391	301,648,167
Interest	1,208,977	421,805	--	3,916,574	3,755,042
Other	14,139,505	15,388,560	15,726,793	17,055,867	17,155,370
Total Revenue	519,695,574	539,479,161	546,304,821	596,106,556	600,950,108
Expenditures:					
Instruction (1)	398,524,989	428,574,585	420,175,841	419,614,692	440,359,121
Supporting Services (2)	85,617,414	91,856,409	91,884,306	92,803,671	100,535,063
Total expenditures	484,142,403	520,430,994	512,060,147	512,418,363	540,894,184
Excess of Revenue Over (Under) Expenditures	35,553,171	19,048,167	34,244,674	83,688,193	60,063,924
Other Financing Sources (Uses):					
Operating transfers in	--	--	152,500	580,015	--
Operating transfers (out) (3)	(30,169,184)	(33,179,406)	(32,587,152)	(27,642,544)	(30,898,320)
Excess of Revenue Over (Under) Expenditures and Other Financing Sources (Uses)	5,383,987	(14,131,239)	1,810,022	56,625,664	29,165,604
Beginning Fund balance (deficit)	(7,665,390)	(2,281,403)	(16,412,642)	(13,694,830) (4)	42,930,834
Ending Fund balance (deficit)	$(2,281,403)	$(16,412,642)	$(14,602,620)	$42,930,834	$72,096,438

(1) Instruction includes elementary, middle, senior, District-wide, intervention services and other instructional services.
(2) Supporting services includes school administration, operations and maintenance, and other support services.
(3) The District transfers amounts from the General Fund to other funds to meet their operational needs and legal requirements.
(4) The beginning fund balance was restated from the prior year's ending fund balance to reflect a prior period adjustment of $907,790, which was made to transfer residual equity from the grants fund to the general fund from a previous year. See Note 18 to the audited financial statements attached as Appendix A.

Source: District's Financial Statements for the years ended June 30, 2002-06.

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 Jefferson County Board of County Commissioners and to the City Council of the City and County of Broomfield (together, 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 assessors of Jefferson County and the City and County of Broomfield (together, the "County Assessors") 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 Assessors 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 2003 and 2004 are based on an analysis of sales and other information for the period January 1, 2001 to June 30, 2002. The following table sets forth the State Property Appraisal System for property tax levy years 1999 through 2004:

Collection Year	Levy Year	Value Calculated As Of	Based on the Market Period
2000	1999	July 1, 1998	Jan. 1, 1997 to June 30, 1998
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

The County Assessors 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 Assessors 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). 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. In 2003, Colorado voters rejected a proposed amendment to the constitution which would have permanently fixed the residential assessment ratio at 8%.

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 respective county's Board of Equalization. Upon the conclusion of such hearings, the County Assessors are 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 Assessors 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.

<u>Taxation Procedure</u>. The County Assessors are 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 Assessors, 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 applicable 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 Assessors 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 Assessors of the tax list and warrant to the treasurers of Jefferson County and the City and County of Broomfield (together, the "County Treasurers").

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in December 2006, will be collected in 2007. 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 Treasurers collect 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 Treasurers are also 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 Treasurers' 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 Treasurers, 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

Treasurers remove 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.

Ad Valorem Property Tax Data

A five-year history of the District's certified assessed valuation and mill levies is set forth in the following chart.

History of Assessed Valuations and Mill Levies for the District

Levy Year	Collection Year	Assessed Valuation (1)	Percent Change	Total Mill Levy
2001	2002	$5,888,224,940	--	45.201
2002	2003	5,974,914,912	1.5%	45.387
2003	2004	6,303,017,924	5.5	43.848
2004	2005	6,319,961,310	0.3	51.098
2005	2006	6,624,065,323	4.8	49.053
2006	2007	6,700,566,763	1.2	n/a(2)

(1) Assessed valuation figures are net of the assessed valuation attributable to various tax increment financing districts in the following amounts: $55,988,240 for 2001; $64,634,060 for 2002; $84,552,710 for 2003; $89,924,610 for 2004; $125,614,320 for 2005; and $97,809,990 for 2006.

(2) The 2006 mill levy (for collection of taxes in 2007) will not be certified until December 2006.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports (2001-2005); and the County Assessors' Offices.

The following chart sets forth the District's current ad valorem property tax collections for the past five years.

Property Tax Collections in the District

Levy Year	Tax Year	Taxes Levied (1)	Current Collections (2)	Current Collections as a % of Tax Levied
2000	2001	$251,224,692	$249,737,587	99.41%
2001	2002	266,153,655	264,074,397 (3)	99.22
2002	2003	271,183,463	269,679,066 (3)	99.45
2003	2004	276,374,729	275,074,926 (3)	99.53
2004	2005	322,937,383	321,379,052 (3)	99.52
2005	2006	324,930,276	319,410,546 (4)	98.30

(1) Tax levies net of all revenue attributable to various tax increment financing districts in the following amounts for the respective levy years: $2,107,973 for 2000; $2,530,725 for 2001; $2,933,546 for 2002; $3,707,467 for 2003; $4,594,968 for 2004, and $6,161,760 for 2005..

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

(3) Consists of: for tax year 2002, $262,164,647 within Jefferson County and $1,909,750 within the City and County of Broomfield; for tax year 2003, $266,815,239 within Jefferson County and $2,863,827 within the City and County of Broomfield; for tax year 2004, $271,845,132 within Jefferson County and $3,229,794 within the City and County of Broomfield, for tax year 2005, $317,327,374 within Jefferson County and $4,051,678 within the City and County of Broomfield; and for tax year 2006 through September 30th, $315,389,392 within Jefferson County and $4,021,154 within the City and County of Broomfield.

(4) Taxes collected through approximately September 30, 2006.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports (2000-2005); and the County Treasurers' Offices.

Based upon the most recent certified information available from the County Assessors' Offices, the following chart presents the largest taxpayers within the District as measured by assessed value. 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 Within the District

Taxpayer Name	2006 Preliminary Assessed Valuation	Percentage of Total Assessed Valuation(1)
Coors Brewing Company	$110,884,940	1.65%
Public Service Co. of Colorado (2)	106,886,330	1.59
Lockheed Martin (3)	68,415,350	1.02
Qwest Corp.	56,907,930	0.85
Colorado Mills Mall Limited Partnership	45,675,000	0.68
SP4 Westmoor LP (4)	39,121,780	0.58
Denver West (5)	27,021,110	0.40
Southwest Denver Land LLC	22,263,160	0.33
Belmar Mainstreet Holdings I LLC	17,858,770	0.27
K N Interstate Gas Transmission Co.	14,809,800	0.22
TOTAL	$509,844,170	7.59%

(1) Based on a 2006 preliminary assessed valuation of $6,712,853,564. Taxpayer information based upon the final 2006 assessed valuation is not yet available.
(2) Now known as Xcel Energy.
(3) Includes Lockheed Martin Corporation and Martin Marietta Corporation.
(4) Includes numerous office buildings in the Westmoor Technology Park.
(5) Includes numerous office buildings in the Denver West Office Park.

Source: Counties of Broomfield and Jefferson Assessors' Offices.

The following table sets forth the current assessed valuation of specific classes of real and personal property within the District (based upon the District's 2006 assessed valuation). As shown below, residential property accounts for the largest percentage of the District's 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.

Assessed Valuation of Classes of Property in the District

Property Class	Total 2006 Assessed Valuation (1)	Percent of Total Assessed Valuation
Residential	$4,018,546,840	59.11%
Commercial	1,810,661,900	26.63
Industrial	506,046,910	7.44
State Assessed	234,103,593	3.44
Vacant	211,290,830	3.11
Agricultural	9,222,620	0.14
Natural Resources	8,504,060	0.13
TOTAL	$6,798,376,753	100.00%

(1) Due to the inclusion of $97,809,990 of assessed valuation attributable to various tax increment financing districts, the total assessed valuation differs from the assessed valuation figure set forth elsewhere in this Official Statement.

Source: Jefferson County Assessor's Office and Central Records Office of City and County of Broomfield.

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 Levies in the County - 2005

Taxing Entity(1)	2005 Mill Levy(2)
City of Arvada(3)	
School District	49.053
County	24.346
Arvada Fire Protection District	9.480
North Jeffco Park and Recreation District	4.614
City of Arvada	4.310
Urban Drainage and Flood Control	0.597
North Table Mountain Water and Sanitation District	0.000
Total	92.400
City of Golden(3)	
School District	49.053
County	24.346
City of Golden	12.340
Golden Downtown Improvement District	2.352
Urban Drainage and Flood Control	0.597
Total	88.688
City of Lakewood(3)	
School District	49.053
County	24.346
West Metro Fire Protection District	11.458
Northwest Lakewood Sanitation District	7.696
City of Lakewood	4.711
Urban Drainage and Flood Control	0.597
Total	97.861
City of Westminster(3)	
School District	49.053
County	24.346
North Jeffco Park and Recreation District	4.614
City of Westminster	3.650
Urban Drainage and Flood Control	0.597
Total	82.260
City of Wheat Ridge(3)	
School District	49.053
County	24.346
Westridge Sanitation District	8.028
Wheat Ridge Fire Protection District	4.400
City of Wheat Ridge	1.786
Urban Drainage and Flood Control	0.597
Total	88.210
Unincorporated Jefferson County-Ken Caryl Ranch Metro.(3)	
School District	49.053
County	24.346
Ken Caryl Ranch Metropolitan District	14.420
West Metro Fire Protection District	11.458
Jefferson County Law Enforcement Authority	3.016
Urban Drainage and Flood Control	0.597
Ken Caryl Water and Sanitation District	0.000
Total	102.890

Footnotes on next page.

(1) Certain properties within the County are not located within the boundaries of all the entities listed above, and thus are subject to a smaller or larger total mill levy.
(2) One mill equals 1/10 of one cent. Mill levies certified in 2005 result in the collection of property taxes in 2006.
(3) The Regional Transportation District also overlaps with these entities but does not assess a mill levy.

Source: Jefferson 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 chart sets forth the estimated overlapping general obligation debt chargeable to property owners within the District.

Estimated Overlapping General Obligation Debt

Name of Overlapping Entity (1)	2006 Preliminary Assessed Valuation (2)	Outstanding G.O. Debt	Outstanding G.O. Debt Attributable to the District(3) Percent	Amount
Arista Metropolitan District	$ 2,082,590	$ 31,175,000	100.00%	$ 31,175,000
Arvada West Center Business Improvement	5,658,930	5,345,000	100.00	5,345,000
Town of Bow-Mar	18,180,400	650,000	29.12	189,280
Bowles Metropolitan District	48,570,320	24,685,000	48.95	12,083,307
Brook Forest Water District	7,909,030	188,171	100.00	188,171
City/County of Broomfield	873,656,760	2,555,000	9.94	253,967
Chimney Rock Metropolitan District	13,346,480	5,245,000	100.00	5,245,000
Church Ranch Metropolitan District	13,181,130	3,415,000	100.00	3,415,000
Countrydale Metropolitan District	44,261,680	26,335,000	100.00	26,335,000
Deer Creek Metropolitan District	18,542,230	4,760,000	100.00	4,760,000
Denver West Metropolitan District	136,594,330	61,325,000	100.00	61,325,000
Eagle View Metropolitan District	2,994,720	2,303,346	100.00	2,303,346
El Rancho Metropolitan District	11,149,210	2,055,000	100.00	2,055,000
Evergreen Fire Protection District	426,032,640	9,385,000	87.63	8,224,075
Evergreen Park and Recreation District	391,449,160	15,300,000	100.00	15,300,000
Fairmount Fire Protection District	189,893,280	3,300,000	100.00	3,300,000
Foothills Fire Protection District	73,589,460	160,000	100.00	160,000
Foothills Recreation and Park Subdistrict A	794,552,390	21,255,000	100.00	21,255,000
Foothills Recreation and Park Subdistrict B	14,874,070	1,325,000	100.00	1,325,000
Forest Hills Metropolitan District	7,728,920	3,130,000	100.00	3,130,000
Genesee Water & Sanitation District	69,383,530	9,610,084	100.00	9,610,084
Jeffco Business Center Metropolitan District No. 1	14,054,020	2,016,000	100.00	2,016,000
Jefferson County Meadow Ranch Public Imp. Dist.	15,297,930	1,540,000	100.00	1,540,000
Kipling Ridge Metropolitan District	6,805,290	14,990,000	100.00	14,990,000
Lookout Mountain Water District	21,213,320	500,000	100.00	500,000
Mount Carbon Metropolitan District (4)	3,996,820	16,000,000	100.00	16,000,000
NBC Metropolitan District	10,813,510	9,140,000	100.00	9,140,000
North Jeffco Park & Recreation District	1,166,922,680	18,565,000	100.00	18,565,000
North Metro Fire Rescue District	1,211,020,030	25,250,000	8.79	2,219,475
Plaza Metropolitan District Nos. 1, 2, and 3 (5)	44,429,960	95,500,000	100.00	95,500,000
Ralston Valley Water and Sanitation District	35,857,320	2,500,000	100.00	2,500,000
Section 14 Metropolitan District	53,695,230	10,230,000	76.21	7,796,283
South Suburban Park and Recreation District	2,352,643,689	35,810,000	0.99	354,519
Southwest Plaza Metropolitan District	37,159,180	5,325,000	100.00	5,325,000
Spring Mesa Metropolitan District	1,014,900	5,700,000	100.00	5,700,000
Tablerock Metropolitan District	9,025,090	4,000,000	100.00	4,000,000
Trailmark Metropolitan District	23,215,330	7,414,977	100.00	7,414,977
Vintage Reserve Metropolitan District	5,058,170	5,000,000	100.00	5,000,000
West Metro Fire Protection District	2,764,070,640	34,820,000	96.67	33,660,494
West Point Metropolitan District	18,503,040	8,500,000	100.00	8,500,000
Westglenn Metropolitan District	24,936,390	3,110,000	100.00	3,110,000
Westgold Meadows Metropolitan District	16,044,000	1,015,000	100.00	1,015,000
Wheat Ridge Fire Protection District	286,895,110	1,140,000	100.00	1,140,000
Total				$462,973,978

Footnotes on next page.

(1) The following entities also overlap the District but have no reported general obligation debt outstanding: Alameda Corridor Business Improvement District; Alameda Water and Sanitation District; Applewood Sanitation District; City of Arvada; Arvada Fire District; Arvada Urban Renewal Authority; Aspen Park Metropolitan District; Bancroft-Clover Water and Sanitation District; Bear Creek Water and Sanitation District; Bennett Bear Creek Farms Water and Sanitation District; Berkeley Water and Sanitation District; Blue Mountain Water District; Bonvue Water and Sanitation District; Bow-Mar Water and Sanitation District; Buffalo Creek Water District; Cherryvale Fire Protection District; Clear Creek Valley Water and Sanitation District; Coal Creek Canyon Fire District; Colfax/Wadsworth Reinvestment District; College Park Water and Sanitation District; Columbine Knolls Grove Metropolitan Recreation District; Conifer Metropolitan District; Daniels Sanitation District; East Jefferson County Sanitation District; East Lakewood Sanitation District; City of Edgewater; Edgewater Redevelopment Authority; Elk Creek Fire District; Evergreen Metropolitan District; Fruitdale Sanitation District; Genesee Fire Protection District; City of Golden; City of Golden Downtown Development Authority; Golden Downtown Improvement District; Golden Gate Fire Protection District; Golden Urban Renewal District; Grant Water and Sanitation District; Great Western Park Metropolitan District; Green Mountain Water and Sanitation District; High View Water District; Idledale Water and Sanitation District; Indian Hills Fire Protection District; Indian Hills Water District; Indiana Valley Metropolitan District; Inter-Canyon Fire District; Jefferson Center Metropolitan District Nos. 1, 2, 3, 4, 5, and 6; Jefferson Center Urban Renewal District; Jefferson County; Jefferson County Law Enforcement Authority; Ken Caryl Ranch Metropolitan District; Ken Caryl Ranch Water and Sanitation District; Ken Caryl West Ranch Water; Kittredge Sanitation and Water District; Lakehurst Water and Sanitation District; Town of Lakeside; City of Lakewood; Leawood Metropolitan Recreation and Park District; Lena Gulch Metropolitan District; Leyden Water District; City of Littleton; Littleton Fire Protection District; Lochmoor Water and Sanitation District; Mandalay Gardens Urban Renewal Authority; Mandalay Town Center General Improvement District; Meadowbrook Water District; Meadowbrook-Fairview Metropolitan Water and Sanitation District; Town of Morrison; Mount Vernon Country Club Metropolitan District; Town of Mountain View; Mountain Water and Sanitation District; Normandy Estates Metropolitan Recreation District; North Fork Fire Protection District; North Table Mountain Water and Sanitation; Northwest Lakewood Sanitation District; Plains Metropolitan District; Platte Canyon Water and Sanitation District; Pleasant View Metropolitan District; Pleasant View Water and Sanitation District; Promenade Parking General Improvement District; Prospect Recreation and Park District; Ralston Fields Urban Renewal Authority; Regional Transportation District; Roxborough Park Metropolitan District; South Evergreen Water District; South Sheridan Water, Sanitary Sewer and Storm Drainage District; Southwest Metropolitan Water and Sanitation District; Southwest Suburban Denver Water and Sanitation District; Town of Superior; Timber Estates Metropolitan District; Upper Bear Creek Water and Sanitation District; Upper South Platte Water Conservancy; Urban Drainage and Flood Control District; Urban Drainage and Flood Control District - South Platte; Valley Water District; Vance Street Metropolitan District No. 1; Vance Street Metropolitan District No. 2; Vineyard Town Square Metropolitan District; West Alameda Avenue Urban Redevelopment District No. 1; West Alameda Avenue Urban Redevelopment District No. 2; West Jefferson County Metropolitan District; West Meadows Metropolitan District; City of Westminster; Westminster Center Urban Renewal Authority; Westridge Sanitation District; City of Wheat Ridge; Wheat Ridge Sanitation District; Wheat Ridge Town Center District; Wheat Ridge Water District; and Willowbrook Water and Sanitation District. In addition, Superior Metropolitan District No. 3 has an outstanding general obligation debt of $3,215,000; no percentage is attributable to the District due to the insignificant assessed value of the portion that overlaps.

(2) The 2006 assessed valuation figures were certified by the County Assessors for collection of ad valorem property taxes in 2007.

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

(4) The Mount Carbon Metropolitan District ("Mount Carbon") consists of undeveloped property located in the City of Lakewood and the Town of Morrison. In 1997, Mount Carbon filed for protection under Chapter 9 of the U.S. Bankruptcy Court. The figure for Mount Carbon's outstanding general obligation debt reflects the amount of exchange bonds issued by the District pursuant to its Seventh Amended Plan for Adjustment of Debts, which became effective in 2004.

(5) The assessed valuation number includes the values of all three Plaza Metropolitan Districts. Districts Nos. 2 and 3 are assessed a mill levy for debt service to support the bond issue held by control District No. 1. The greater portion of the debt is supported by public improvement fees.

Sources: Assessors' Offices of Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, and Jefferson Counties; and individual taxing entities.

Debt and Population Ratios

The following table sets forth ratios of direct debt of the District within the District to assessed valuation and population within the District:

Selected Debt Ratios of the District as of the
Date of Issuance of the Certificates (Unaudited)

Direct Debt	$693,395,000
Estimated Overlapping Debt (1)	462,973,978
Total Estimated Overlapping Debt	$1,156,368,978
2004 Estimated District Population (2)	532,723
Per Capita Direct Debt	$1,301
2006 District Assessed Valuation (3)	$6,700,566,763
Direct Debt to 2006 Assessed Valuation	10.4%
Total Estimated Overlapping Debt to 2006 Assessed Valuation	17.3%
2006 Preliminary District Statutory "Actual" Valuation (4)	$60,068,113,914
Direct Debt to 2006 Statutory "Actual" Valuation	1.2%
Total Estimated Overlapping Debt to 2006 Statutory "Actual" Valuation	1.9%

(1) See "Estimated Overlapping General Obligation Debt," above.
(2) Population figure was provided by the Demography Section of the Colorado Division of Local Government and consists of the population of Jefferson County.
(3) Excludes assessed valuation attributable to various tax increment financing districts located within the District's boundaries.
(4) This figure has been calculated using a statutory formula under which assessed valuation is calculated at 7.96% of the statutory "actual" value of residential property in the District, and 29% of the statutory "actual" value of other property within the District (with certain specified exceptions). Statutory "actual" value is not intended to represent market value. See "Ad Valorem Property Taxes," above.

Sources: County Assessors' Offices; the District; and information obtained from individual entities.

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 irrepealable 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, C.R.S. 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 2006 net assessed valuation of $6,700,566,764 is $1,340,113,353. Based upon that debt limit calculation and the District's outstanding debt of $693,395,000 (the expected amount as of the date of issuance of the Certificates), the District has $646,718,353 of remaining debt capacity. The District could issue such debt only with additional voter approval.

Outstanding Debt and Other Obligations of the District

General Obligation Debt. The District plans to issue its General Obligation Bonds, Series 2006 (the "Series 2006 Bonds"), on or about December 14, 2006, in the amount of $66,800,000. After the issuance of the Series 2006 Bonds, the District will have the following general obligation debt outstanding:

Outstanding General Obligation Debt

Bond Series	Amount Outstanding
General Obligation Bonds, Series 1992 (1)	$7,670,000
General Obligation Refunding Bonds, Series 1997	187,040,000
General Obligation Bonds, Series 1998A	24,870,000
General Obligation Refunding Bonds, Series 2003	48,315,000
General Obligation Refunding Bonds, Series 2004A	62,680,000
General Obligation Bonds, Series 2004	257,000,000
General Obligation Refunding Bonds, Series 2005A	39,020,000
General Obligation Bonds, Series 2006	66,800,000
Total:	$693,395,000

(1) Represents the maturity value of these capital appreciation bonds, which are due on December 15, 2007.

Other Obligations. As of June 30, 2006, the District had $4,553,829 of outstanding obligations with respect to accumulated vacation. See Note 1(N) to the financial statements included as Appendix A hereto.

Capital Lease Obligations. The District has utilized capital lease obligations to finance some assets. The District's capital lease obligations (unaudited information as of the date of issuance of the Certificates, assuming no additional leases are entered into prior to such date other than the Lease, and excluding lease obligations of component units) are set forth below:

Capital Leases	Amount Outstanding
Elementary schools (1)	$38,670,000
School buses - 2003 Lease	8,700,000
Computers	310,117
Copiers	52,257
Subtotal Internal Service Funds	$47,732,374

(1) Constitutes the Lease. See "THE CERTIFICATES" and "SECURITY FOR THE CERTIFICATES."

Although the capital leases described above are annually renewable, it is the stated intention and expectation of the District that the leases will be renewed annually until title to the related property is acquired by the District pursuant to the terms of such leases.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population and Age Distribution

Population. The following table sets forth population statistics for Jefferson County, the Denver-Aurora Metro Core Based Statistical Area ("Denver-Aurora Metro") and the State of Colorado. The Denver-Aurora Metro is comprised of six metro counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. Between 2000 and 2005, the population of Jefferson County increased approximately 1.1%, Denver-Aurora Metro increased 11.0% and the State increased 9.8%.

Population

Year	Jefferson County	Percent Change	Denver-Aurora Metro	Percent Change	Colorado	Percent Change
1960	127,520	--	868,453	--	1,753,947	--
1970	235,368	84.6%	1,118,563	28.8%	2,209,596	26.0%
1980	371,753	57.9	1,450,768	29.7	2,889,735	30.8
1990	438,430	17.9	1,650,489	13.8	3,294,394	14.0
2000	527,056	20.2	2,157,756	30.7	4,301,261	30.6
2005(1)	532,608	1.1	2,395,309	11.0	4,722,478	9.8

(1) Preliminary.

Source: Figures for 1960 through 2000 were obtained from the United States Department of Commerce, Bureau of Census; figures for 2005 are estimates provided by the Colorado Department of Local Affairs, Division of the Local Government, and are subject to periodic revision.

Age Distribution. The following table sets forth a comparative age distribution profile for Jefferson County, Denver-Aurora Metro, the State and the United States as of April 1, 2005.

Age Distribution - 2005

Age	Jefferson County	Denver-Aurora Metro	Colorado	United States
	Percent of Population			
0-17	24.1%	25.9%	25.3%	24.9%
18-24	8.9	8.8	9.8	9.9
25-34	12.9	15.7	15.2	13.4
35-49	24.5	24.0	23.3	22.4
50 and Older	29.6	25.6	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 Jefferson County, Denver-Aurora Metro, the State, and the United States. Per capita personal income levels in Jefferson County has consistently exceeded levels in the State and the United States during the period shown.

Annual Per Capita Personal Income

Year	Jefferson County	Denver-Aurora Metro	Colorado	United States
2000	$38,231	$37,848	$33,371	$29,845
2001	39,362	39,449	34,493	30,574
2002	38,059	38,827	34,027	30,810
2003	38,466	39,212	34,528	31,484
2004	40,334	40,939	36,113	33,050

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	Jefferson County	Denver-Aurora Metro(1)	Colorado	United States
2001	$51,452	--	$39,741	$39,129
2002	54,470	--	44,050	38,365
2003	50,830	--	43,510	38,035
2004	51,688	$47,275	43,544	38,201
2005	52,289	48,239	44,489	39,324

(1) In 2004, Sales & Marketing Management, following the federal government's Office of Management and Budget's announced revisions to its geographic census definition, replaced Metropolitan Statistical Areas with Core Based Statistical Areas . No comparable prior history is available from this source.

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

Percent of Households by Effective Buying Income Group - 2005

Effective Buying Income Group	Jefferson County	Denver-Aurora Metro	Colorado	United States
Under $20,000	10.3%	13.4%	16.1%	21.5%
$20,000 - 34,999	17.5	19.6	21.3	22.5
$35,000 - 49,999	19.1	19.1	19.4	19.3
$50,000 and Over	53.1	47.9	43.2	36.7

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

Employment

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

Labor Force and Percent Unemployed

	Jefferson County		Colorado		United States
Year	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2001	304,906	3.7%	2,394,885	3.9%	4.7%
2002	303,098	5.5	2,431,203	5.7	5.8
2003	304,561	6.0	2,463,161	6.1	6.0
2004	304,328	5.5	2,510,392	5.6	5.5
2005	308,500	5.0	2,547,895	5.0	5.1
Month of July(1)					
2005	309,042	5.1%	2,557,846	5.1%	5.0%
2006	319,007	4.7	2,650,230	4.7	4.8

(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, Labor and Industry Focus.

The following two tables set forth the number of individuals employed within selected Jefferson County industries and Denver Metro Area industries which are covered by unemployment insurance. In 2005, the largest employment sector in Jefferson County was government (comprising approximately 16.1% of the county's work force), followed, in order, by retail trade; accommodation and food services; health care and social assistance, and manufacturing. For the twelve-month period ended December 31, 2005, total average employment in Jefferson County increased by 1.2% as compared to the same twelve-month period ending December 31, 2004, and total average wages increased by 3.0% during the same time period.

Average Number of Employees Within Selected Industries – Jefferson County

Industry	2001	2002	2003	2004	2005	2006(1)
Agriculture, Forestry, Fishing, Hunting	483	449	391	377	381	282
Mining	458	420	275	271	280	345
Utilities	703	734	737	753	802	844
Construction	16,539	15,748	14,845	14,979	15,124	14,736
Manufacturing	21,491	18,700	18,187	18,486	18,532	18,655
Wholesale Trade	6,588	6,175	5,762	5,981	5,944	5,898
Retail Trade	29,626	29,170	28,843	28,690	29,521	29,095
Transportation & Warehousing	2,389	2,128	2,172	2,229	2,132	2,101
Information	4,491	4,258	4,095	4,018	4,169	4,274
Finance & Insurance	8,179	8,303	8,732	8,537	8,399	8,298
Real Estate, Rental & Leasing	4,091	4,000	4,006	4,177	4,189	3,912
Professional & Technical Services	16,425	15,642	14,986	15,004	15,634	16,035
Management of Companies/Enterprises	1,255	1,399	1,587	1,752	2,376	2,374
Administrative & Waste Services	16,641	16,363	15,964	15,490	14,855	13,264
Educational Services	1,791	1,940	2,027	2,135	2,351	2,337
Health Care & Social Assistance	17,442	17,958	18,336	18,873	19,056	19,302
Arts, Entertainment & Recreation	3,006	3,041	3,094	3,265	3,211	2,703
Accommodation & Food Services	19,903	19,634	19,389	19,424	19,770	19,541
Other Services	6,444	6,457	6,388	6,248	6,144	5,949
Non-classifiable	7	8	3	13	8	5
Government	32,423	33,462	33,336	32,914	33,155	33,413
Total	210,375	205,990	203,155	203,614	206,035	203,362

(1) Figures for 1st quarter 2006.

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

In 2005, the largest employment sector in the Denver Metro Statistical Area ("DMSA") was government (comprising approximately 13.9% of the metro area's work force), followed in order by retail trade; health care and social assistance; accommodations and food services; and professional and technical services. For the twelve month period ending December 31, 2005, total average employment in the DMSA increased by approximately 1.9% as compared to the same twelve month period ending December 31, 2004, and total average wages increased by 3.0% during the same time period.

Average Number of Employees Within Selected Industries – DMSA(1)

Industry	2001	2002(2)	2003	2004	2005	2006(3)
Agriculture, Forestry, Fishing, Hunting	2,151	2,024	1,855	1,715	1,903	1,443
Mining	5,261	5,127	4,977	5,141	5,093	5,752
Utilities	3,752	3,758	3,588	3,627	3,710	3,725
Construction	90,603	86,775	79,659	79,282	83,256	83,263
Manufacturing	78,108	74,956	70,821	71,684	72,091	71,609
Wholesale Trade	68,124	65,068	62,673	61,982	62,566	63,409
Retail Trade	120,285	122,675	120,298	120,474	123,825	121,559
Transportation & Warehousing	46,787	44,090	43,112	43,674	43,418	43,015
Information	67,300	60,094	54,470	51,314	48,424	47,724
Finance & Insurance	69,011	68,357	69,124	69,498	70,555	71,637
Real Estate, Rental & Leasing	26,037	25,830	26,095	26,167	25,968	25,641
Professional & Technical Services	89,819	86,505	83,527	85,268	89,744	91,704
Management of Companies/Enterprises	12,998	14,889	16,167	17,652	19,581	20,969
Administrative & Waster Services	85,584	79,912	77,318	79,613	82,048	78,708
Educational Services	13,540	13,976	14,320	15,007	15,882	16,507
Health Care & Social Assistance	91,730	94,987	97,297	99,445	101,523	102,760
Arts, Entertainment & Recreation	14,672	15,014	15,006	16,325	16,633	14,658
Accommodation & Food Services	92,467	94,076	93,785	95,880	98,586	97,918
Other Services	35,558	36,027	35,276	35,324	35,178	34,705
Non-Classifiable	27	23	23	59	69	71
Government	153,826	160,443	160,755	159,994	161,286	162,397
Total All Industries	1,167,639	1,154,605	1,130,147	1,139,124	1,161,334	1,159,174

(1) The Colorado Department of Labor and Employment continues to use the Denver Metropolitan Statistical Area ("DMSA") geographical designation which is comprised of Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson counties.

(2) Beginning January 2002, the Department of Labor and Employment included Broomfield County in the DMSA number of employees in selected industries. Prior years are not directly comparable.

(3) Figures for 1st quarter 2006.

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

The following table sets forth major employers in Jefferson County. 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 Jefferson County.

Major Employers in Jefferson County

Employer	Product or Service	Estimated Number of Employees (1)
Jefferson County School District No. R-1	Public education	12,161
Denver Federal Center	Federal government offices	6,000
Lockheed Martin Space & Strategic Missiles	Aerospace/defense related systems	5,500
Coors Brewing Company	Beverage	3,000
Exempla – Lutheran Medical Center	Medical services	2,500
Gambro Companies	Medical technology	1,500
Ball Corporation	Aerospace manufacturer & bottling	1,200
CoorsTek	Ceramic component manufacturing	1,200
National Renewable Energy Laboratory	Federal laboratory	950
COBE Cardiovascular	Medical technology	620
The Integer Group	Marketing services	530

(1) As of December 2005, except for the District, which is as of June 30, 2006.

Source: Jefferson Economic Council and the District (for District employee figure).

Retail Sales

Annual retail sales figures for Jefferson County, Denver-Aurora Metro and the State are set forth below.

Retail Sales
(in thousands)

Year	Jefferson County	Percent Change	Denver-Aurora Metro	Percent Change	Colorado	Percent Change
2001	$11,198,329	--	$56,025,593	--	$102,633,648	--
2002	10,923,477	(2.5)%	56,769,859	1.3%	103,777,621	1.1%
2003	11,488,912	5.2	57,327,070	1.0	105,420,075	1.6
2004	11,807,444	2.8	62,192,706	8.5	114,280,780	8.4
2005	12,052,146	2.1	66,294,012	6.6	122,907,089	7.5
2006(1)	5,951,135	--	33,938,700	--	62,891,065	--

(1) Figures through 2nd quarter 2006.

Source: State of Colorado, Department of Revenue, “Sales Tax Statistics,” 2001-2006.

Building Permit Activity in the County

The following table sets forth a history of building permits issued for new residential and new commercial/industrial construction for unincorporated portions of Jefferson County.

Building Permit Issuances for New Structures in Unincorporated Jefferson County

	Residential		Commercial/Industrial(1)	
Year	Permits	Amount	Permits	Amount
2001	815	$130,189,613	36	$24,131,581
2002	521	85,905,620	39	21,422,454
2003	498	126,759,706	37	29,630,998
2004	812	197,646,066	32	20,187,039
2005	944	257,030,754	34	39,869,520
2006(2)	534	143,663,526	33	50,568,502

(1) Figures include permits issued for hotels and motels; amusement and recreational buildings; industrial buildings; office, banks and professional buildings; and stores and customer service buildings.
(2) Permits issued through September 2006

Source: Jefferson County Building Department.

Foreclosure Activity

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

History of Foreclosures - Jefferson County

Year	Number of Foreclosures Filed	Percent Change
2001	808	--
2002	1,130	39.8%
2003	1,532	35.6
2004	1,880	22.7
2005	2,120	12.8
2006(1)	2,145	--

(1) Figure is through September 2006.

Source: Jefferson County Public Trustee's Office.

TAX MATTERS

Generally. In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates, is includible in gross income for federal and State of Colorado income tax purposes. Special Counsel has expressed no opinion regarding other federal or State of Colorado tax consequences arising with respect to the Certificates, and has expressed no opinion as to the effect of any termination of the District's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal and State of Colorado income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Certificates under the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder (final and proposed) (the "Regulations"), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Certificates should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Certificates.

In general, interest paid on the Certificates, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Certificates, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Premium. An investor that acquires a Certificate for a cost greater than its remaining stated redemption price at maturity and holds the Certificate as a capital asset will be considered to have purchased the Certificate at a premium and, under Section 171 of the Code, must generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of premium, but such regulations do not fully address the method to be used to amortize premium on obligations such as the Certificates. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing premium.

Market Discount. An investor that acquires a Certificate for a price less than the adjusted issue price of such Certificate (or an investor who purchases a Certificate in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Certificate originally issued at a discount, the amount by which the issue price of such Certificate, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Certificate not originally issued at a discount, the amount by which the stated redemption price of such Certificate at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Certificate will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Certificate as ordinary income to the extent of any remaining accrued market discount (as described at “Sale or Other Dispositions” under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Certificate with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Certificate who acquired a Certificate at a market discount also may be required to defer, until the maturity date of such Certificate or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Certificate in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such Certificate. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Certificate for the days during the taxable year on which the owner held the Certificate and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Certificate matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Certificate is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Certificate. The adjusted basis of a Certificate generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Certificate and reduced by any amortized premium under Section 171 of the Code and by the payments on the Certificate (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Certificate to which it is attributable is held as a "capital asset." Currently, for corporations, capital gains are taxed at the same rate as ordinary income. However, for individuals and certain estates and trusts, the maximum capital gain rate applicable to the sale or exchange of capital assets held for more than one year is 15%. The tax rate is decreased to five-percent (5%) (and then to zero in 2008 through 2010) for individual holders in the 10% or 15% regular income tax brackets. The tax rates apply for both regular tax and alternative minimum tax and terminate on December 31, 2010.

Gain on the sale or other disposition of a Certificate that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Certificate was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount").

Backup Withholding. Payments of principal and interest (including original issue discount) on the Certificates, as well as payments of proceeds from the sale of the Certificates may be subject to the "backup withholding tax" under Section 3406 of the Code at a rate of 28% for tax years through 2010 and 31% for tax years 2011 and thereafter with respect to interest or original issue discount on the Certificates if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the Trustee certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Certificate that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Certificate will generally not be subject to United States income or withholding tax in respect of a payment on a Certificate, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Certificates owned by foreign investors. In those instances in which payments of interest on the Certificates continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Certificates having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Certificate.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts ("IRA's") under the Code and persons who, with respect to any such plan or arrangement, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between such a plan or arrangement and a "party in interest" with respect to ERISA or a "disqualified person" within the meaning of the Code, including the acquisition by one from the other of a Certificate, could be viewed as violating those prohibitions. For example, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as IRA's and disqualified persons, and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the District or any underwriter of the Certificates might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code with respect to any plan or arrangement subject to ERISA or Code Sections 4975 or 503, and prohibited transactions may arise if the Certificates are acquired by such plans or arrangements. In all events, fiduciaries of plans or arrangements subject to ERISA or the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Certificates.

Treasury Circular 230 Disclosure. Any federal tax advice contained in this Official Statement was written to support the marketing of the Certificates and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Changes in Federal Tax Law. From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to obligations issued prior to enactment. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Special Counsel are based upon existing legislation as of the date of issuance and delivery of the Certificates and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

The foregoing discussion of certain federal income tax consequences is for general information only and is not tax advice. Accordingly, each prospective owner of the Certificates should consult such prospective owner's own tax advisor with respect to the tax consequences to such prospective owners, including the tax consequences under the state, local, foreign and other tax laws, of the acquisition, ownership and disposition of the Certificates.

LEGAL MATTERS

Litigation

There is no litigation now pending which questions the validity of the Lease, the Indenture, the Certificates or any proceedings the District or the Corporation have taken with respect thereto. In addition, the District's general counsel states that as of the date hereof, to the best of their 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 payment of the Certificates.

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 Certificates are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Special Counsel. Such opinion, the form of which is attached hereto as Appendix B, will be dated as of and delivered at closing. Certain legal matters will be passed upon by Sherman & Howard L.L.C. as special counsel to the District in connection with the preparation this Official Statement. Certain legal matters pertaining to the organization and operation of the District will be passed upon by its general counsel, Caplan and Earnest LLC, Boulder, Colorado.

Certain Constitutional Limitations

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights, or "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.

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

In 1999, the District's voters approved an election question which authorizes the District to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers, and according to District administration officials, the spending and revenue limits imposed by TABOR have so far not negatively affected the District. However, no representation can be made as to the overall impact of TABOR on the District's future operations.

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

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

Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Services, Inc. ("Moody's") have provided the ratings set forth on the cover page hereof based upon (as applicable to the relevant rating): the issuance of the Policy by the Insurer, and the underlying credit of the District. Additional information regarding the ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041.

The ratings reflect only the views of such rating agencies, and there is no assurance that any rating will continue for any given period of time after obtained or that any rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Neither the District nor the Underwriters have undertaken any responsibility either to bring to the Participants' attention any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the Certificates.

INDEPENDENT AUDITORS

The Basic Financial Statements of the District for the fiscal year ended June 30, 2006 (the most recent audited financial statements available) included in this Official Statement as Appendix A, have been audited by Clifton Gunderson LLP, Certified Public Accountants, Greenwood Village, Colorado, to the extent and for the period indicated in its report thereon. Such financial statements have been included in reliance upon the report of the auditor.

UNDERWRITING

Stifel, Nicolaus & Company Incorporated, Denver, Colorado (the "Managing Underwriter"), on behalf of itself and UBS Securities LLC, Denver, Colorado (together with the Managing Underwriter, the "Underwriters"), has agreed to purchase the Certificates from the District under a Certificate Purchase Agreement between the District and the Managing Underwriter at a purchase price of $38,360,640.00 (representing the par amount of the Certificates of $38,670,000.00 less an underwriting discount of $309,360.00). The Underwriters are committed to take and pay for all of the Certificates if any are taken. The Certificates are being offered for sale to the public at the prices shown on the cover of this Official Statement.

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

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.

JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1

By: /s/ Jane Barnes
Jane Barnes
President, Board of Education

APPENDIX A

Audited Basic Financial Statements of the District
as of and for the year ended June 30, 2006

NOTE: The information attached hereto consists of the Independent Auditor's Report, Management's Discussion and Analysis and Basic Financial Statements portions of the District's Comprehensive Annual Financial Report.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Board of Education
Jefferson County School District No. R-1
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County School District No. R-1 as of and for the year ended June 30, 2006, which collectively comprise Jefferson County School District No. R-1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson County School District No. R-1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County School District No. R-1 as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006 on our consideration of Jefferson County School District No. R-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 16 through 27 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County School District No. R-1's basic financial statements. The combining and individual fund financial statements and schedules and the Colorado Department of Education Auditor's Electronic Financial Data Integrity Check Figures listed in the table of contents are presented for purposes of legal compliance and additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Greenwood Village, Colorado
October 31, 2006

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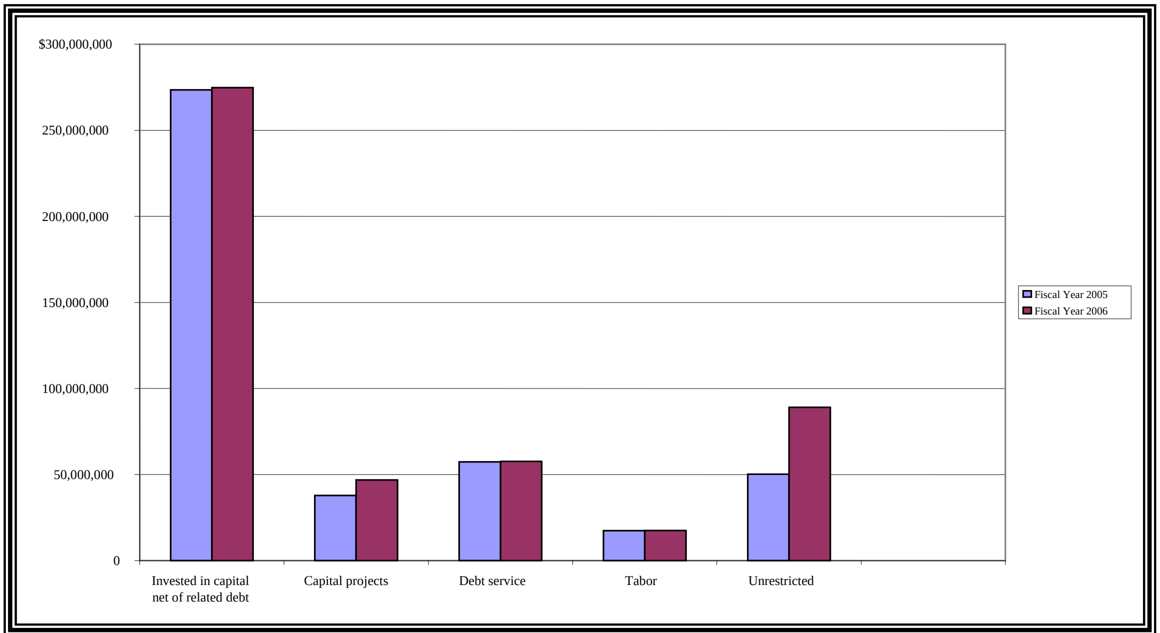
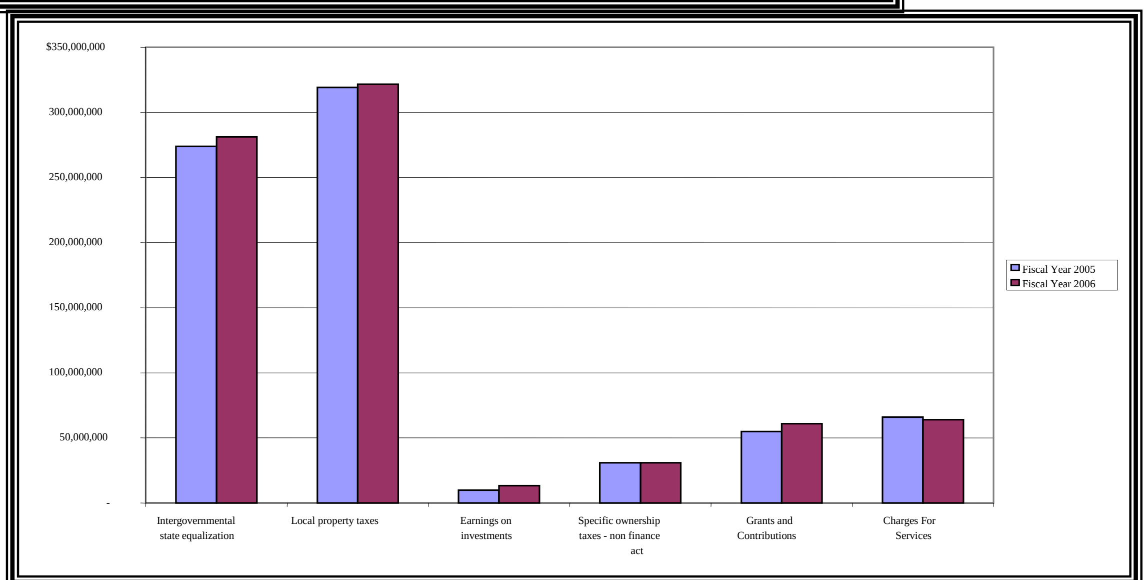
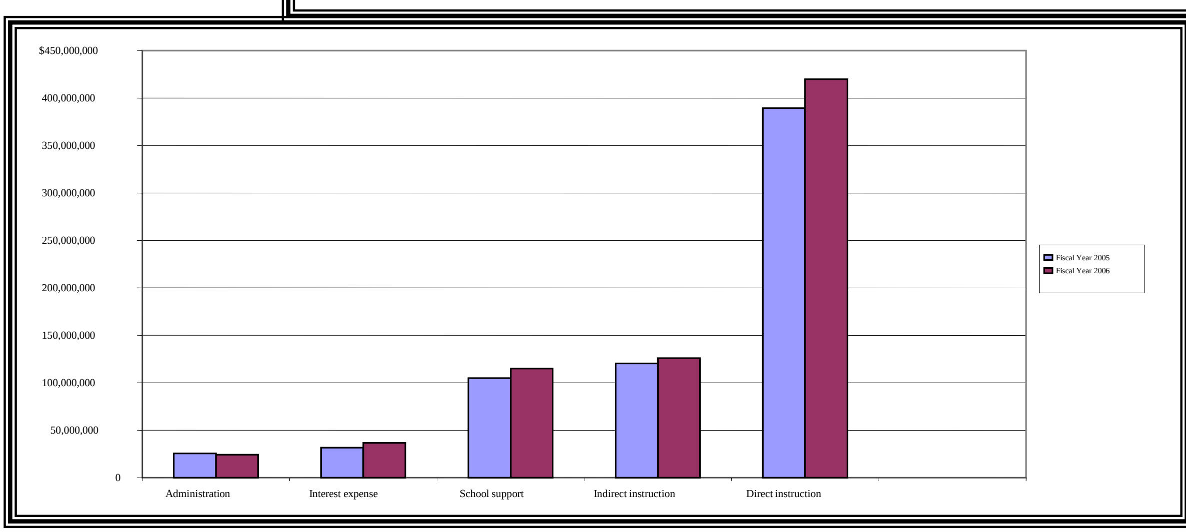
Management's Discussion and Analysis



Primary Government Government-wide Net Assets:
Increased $49.7 million over prior year.



Primary Government Government-wide Revenues:
Increased $17 million over prior year.



Primary Government Government-wide Expenses:
Increased $50 million over prior year.

As management of the Jefferson County School District, No. R-1, Jefferson County, Colorado (the District), we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the primary government for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the letter of transmittal on pages 1-5.

Financial highlights

- The government-wide current assets decreased $8 million over the prior year. Cash and investments had a net decrease of $12.8 million. This net decrease is from the use of cash for the Building Fund – Capital Projects offset by the additional source of cash from the mill levy override. The spend down of the proceeds from the bonds are planned to be complete in 2010. The mill levy override was used in part, to continue to build a higher reserve balance therefore strategically stretching the voter approved revenues. Receivables had a net increase of $4 million from the prior year. The Grants Fund receivables from federal and state sources increased $4 million from the prior year.

- Capital assets, net of depreciation increased $35 million. This increase is due to the capital projects being constructed from the Building Fund – Capital Projects.

- Government-wide current liabilities increased $16.7 million over the prior year. Accounts payable increased $12 million with the activity of the six year capital construction program in the Building Fund – Capital Projects. Increases also occurred in accrued salaries and benefits and payroll withholding of $1.9 million.

- The District's noncurrent liabilities in the government-wide statement decreased $39 million from the prior year. This decrease is from principal payments and amortization of discounts and premiums in 2006.

- Government-wide net assets increased $49.7 million from year 2005. Capital Reserve Capital Projects fund net assets increased $9 million. The reserve is being increased to complete the Capital Projects program as planned. The unrestricted portion of net assets increased $39 million from the prior year, as planned with the strategic utilization of mill levy override revenues.

- Government-wide revenues increased $17 million over the prior year. Intergovernmental state equalization increased $7.2 million and interest earnings increased $3.4 million. Grant revenues from IDEA – Part B, Title I – Part A and Title II contributed to the increase of $5.6 million from the prior year.

- Government-wide expenses increased $50 million from the prior year. Direct instruction costs increased $30.8 million due to one new school opening, increases in salaries and benefits, increase grant expenditures and increased depreciation in 2006. Indirect expenses increased $5.6 million from a new school opening and increases in salary and benefits. Interest expenses on debt service increased $5 million. Telecom increased for technology services an additional $700,000 and utilities increased $2.5 million.

The District's financial position remained positive during fiscal 2006 as reflected by Standard & Poor's rating of AA- with a stable outlook and Moody's rating of A1.

Overview of the financial statements

Management's Discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 30-69 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves on pages 74-97.

Government-wide financial statements

The government-wide financial statements are designed to provide the reader of the District's Comprehensive Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net assets and the statement of activities. The statement of net assets presents information about all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time changes in net assets may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements consolidate governmental and internal service activities that are supported from taxes and intergovernmental revenues and business-type activities that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service, capital reserve capital projects fund, building fund capital projects and special revenue funds with internal services funds including the employee benefits fund, the risk management fund and the technology fund. Business-type activities consolidate funds that include the food service fund, the child care fund and property management fund.

The government-wide financial statements also include information on component units that are legally separate from the District (known as the primary government). At the close of the current fiscal year, the District has included information for two component units, the Jefferson County School Finance Corporation and Charter Schools.

The only activity of the District's Finance Corporation is to act as a conduit for the transfer of funds relating to the issuance and refunding of certificates of participation. The Corporation has no assets or liabilities at June 30, 2006, and therefore has no financial impact on the District. Financial information for the Charter Schools is presented separately from the primary government because the Charter Schools are considered discrete component units of the District.

The government-wide financial statements can be found on pages 30-31.

Fund financial statements

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

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

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

The District maintains six different governmental funds. The major funds are the general fund, the capital reserve capital projects fund, the building fund capital projects and the bond redemption debt service fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled other governmental funds. Individual fund information for the non-major funds is presented as other supplemental information in this document.

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

The basic governmental fund financial statements can be found on pages 32-39.

The District maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The fund financial statements of the enterprise funds provide the same information as the government-wide financial statements only in more detail. Internal service funds are used to accumulate and allocate costs internally among the governmental functions.

The enterprise funds (Food Service Fund, Child Care Fund, and Property Management Fund) are listed individually and are considered to be major funds. Individual internal service fund information is presented as other supplemental information in this document. The District's internal service funds are the Central Services Fund, the Employee Benefits Fund, the Insurance Reserve Fund, the Technology Fund, and the Utility Revolving Fund.

The basic proprietary fund financial statements are presented on pages 40-45.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 48-69 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental and internal service funds. Combining and individual fund statements and schedules can be found on pages 74-87 of this report.

Government-wide financial analysis

Government-wide net assets

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. Cash and investments account for 93 percent of the current assets. Receivables are due in large part as a result of the property tax collection process; the District receives almost 60 percent of the annual property tax assessment in May and June.

Capital assets are used in the operations of the District. These assets are land, construction in progress, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenue, interest payable, estimates for claims and premiums, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2007. Long-term liabilities such as long-term debt obligations, early retirement benefits and compensated absences will be liquidated from resources that will become available after fiscal 2007.

The assets of the primary government activities exceed liabilities by $486 million with an unrestricted net asset balance of $89 million.

A net investment of $275 million in land, buildings, equipment, and vehicles, net of debt, to provide the services to the District's 84,500 public school students represents 57 percent of the District's net assets. The capital projects net assets of $47 million are restricted for construction projects. Debt service net assets of $56 million have been accumulated due to voter approved bonded debt mill levy assessments that have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserve has also been restricted.

The $62 million of accrued salaries as of June 30, 2006 includes $57 million of earned but unpaid salaries associated with teacher contracts for the 2006 school year requiring resources from fiscal 2007 to liquidate.

Comparative Summary of Net Assets
As of June 30, 2005 and 2006

	June 30, 2005			June 30, 2006		
	Governmental Activities	Business-type Activities	Government Wide	Governmental Activities	Business-type Activities	Government Wide
Assets:						
Total current assets	$ 537,550,657	$ 7,688,013	$ 545,238,670	$ 527,048,861	$ 10,443,889	$ 537,492,750
Capital assets:						
Capital assets net of accumulated depreciation	738,470,286	2,887,640	741,357,926	773,521,665	2,610,619	776,132,284
Total assets	$1,276,020,943	$ 10,575,653	$ 1,286,596,596	$ 1,300,570,526	$ 13,054,508	$ 1,313,625,034
Liabilities:						
Total current liabilities	$ 149,866,243	$ 1,680,122	$ 151,546,365	$ 166,749,650	$ 1,515,583	$ 168,265,233
Total noncurrent liabilities	698,756,782	79,299	698,836,081	659,330,784	141,177	659,471,961
Total liabilities	848,623,025	1,759,421	850,382,446	826,080,434	1,656,760	827,737,194
Net assets:						
Invested in capital net of related debt	270,489,848	2,887,640	273,377,488	272,131,267	2,610,619	274,741,886
Restricted for:						
Capital projects	37,807,190	-	37,807,190	46,892,129	-	46,892,129
Debt service	57,407,112	-	57,407,112	56,153,394	-	56,153,394
TABOR	16,747,008	688,076	17,435,084	16,840,819	709,513	17,550,332
Unrestricted	44,946,760	5,240,516	50,187,276	82,472,483	8,077,616	90,550,099
Total net assets	427,397,918	8,816,232	436,214,150	474,490,092	11,397,748	485,887,840
Total liabilities and net assets	$ 1,276,020,943	$ 10,575,653	$ 1,286,596,596	$ 1,300,570,526	$ 13,054,508	$ 1,313,625,034

Investments in capital assets net of related debt for the District's governmental and business-type activities is computed as follows:

Comparative Schedule of Capital Assets Net of Related Debt
As of June 30

	Fiscal Year 2005		Fiscal Year 2006	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	$ 738,470,286	$ 2,887,640	$ 773,521,665	$ 2,610,619
Less: General obligation bonds	717,762,295	-	680,551,786	-
Certificates of participation	9,603,750	-	8,508,250	-
Capital leases	763,744	-	362,374	-
Add: Unspent proceeds from 2004 bonds	260,149,351	-	188,032,012	-
Invested in capital net of related debt	$ 270,489,848	$ 2,887,640	$ 272,131,267	$ 2,610,619

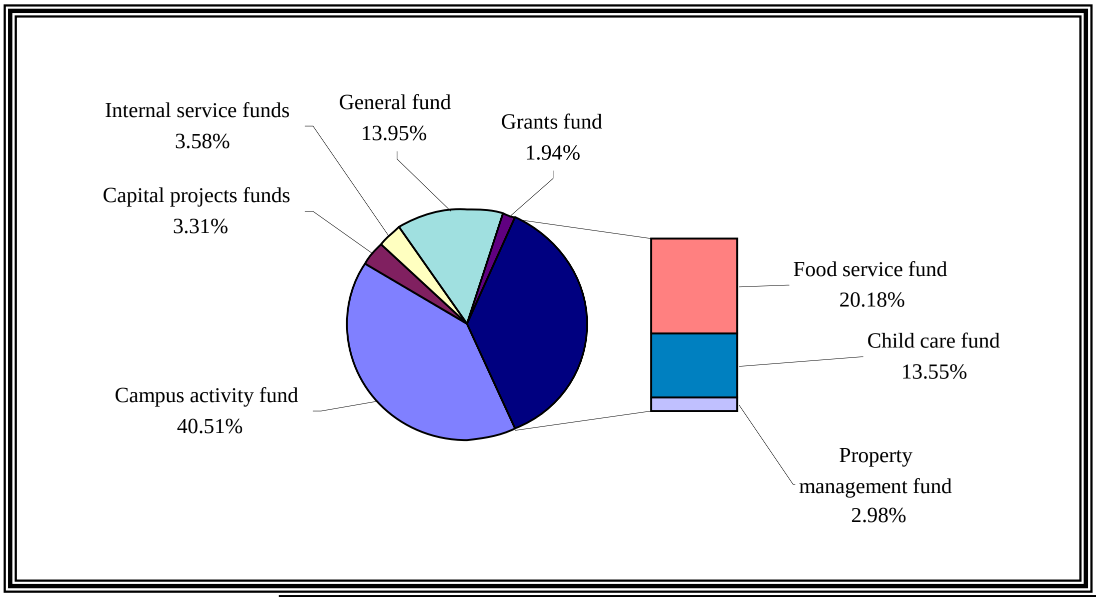
Government-wide activities

Government-wide activities increased the net assets of the District by $49.7 million during the year ended June 30, 2006. Revenues increased $17 million from the prior year, $7.2 million in intergovernmental state equalization, $3.4 million in interest earnings and $5.6 million in additional grant revenues.

Comparative Schedule of Changes in Net Assets
For the fiscal years ended June 30, 2005 and 2006

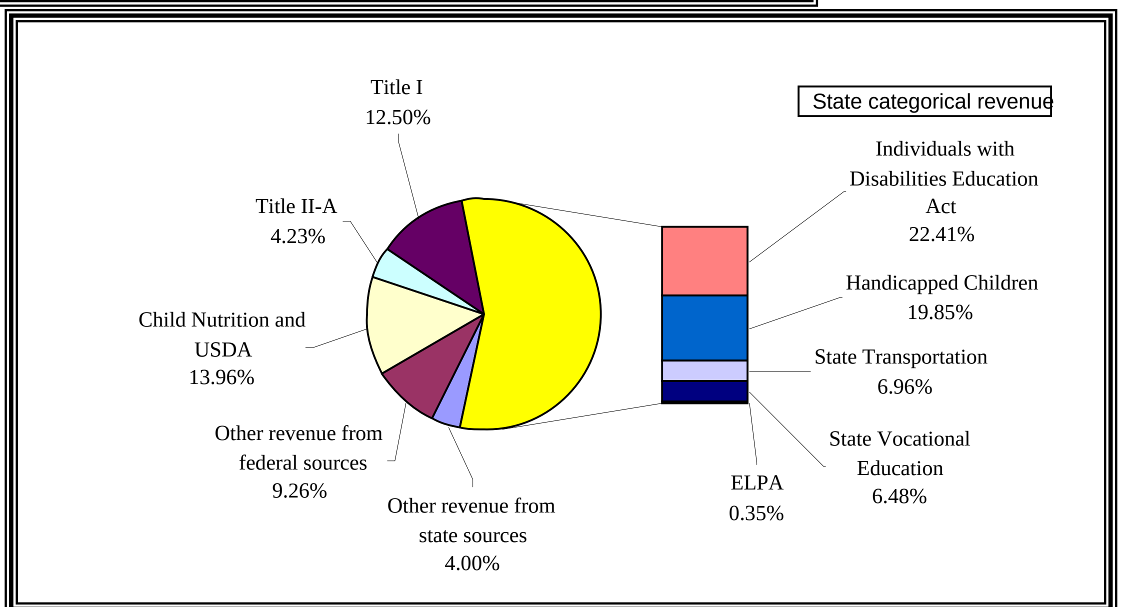
	Fiscal Year 2005			Fiscal Year 2006		
	Governmental Activities	Business-type Activities	Government Wide	Governmental Activities	Business-type Activities	Government Wide
Revenues						
Program revenues:						
Charges for services	$ 43,139,868	$ 22,891,139	$ 66,031,007	$ 40,500,148	$ 23,482,265	$ 63,982,413
Operating grants and contributions	47,437,286	6,360,540	53,797,826	52,386,865	7,092,392	59,479,257
Capital grants and contributions	-	1,011,907	1,011,907	-	1,405,393	1,405,393
General revenues:						
Taxes:						
Local property taxes	319,150,542	-	319,150,542	321,679,910	-	321,679,910
Specific ownership taxes	30,817,445	-	30,817,445	30,814,386	-	30,814,386
Intergovernmental state equalization	273,963,074	-	273,963,074	281,173,393	-	281,173,393
Earnings on investments	9,924,454	44,723	9,969,177	13,237,589	184,004	13,421,593
Total revenues	724,432,669	30,308,309	754,740,978	739,792,291	32,164,054	771,956,345
Expenses						
Governmental activities:						
Direct instruction	389,330,732	-	389,330,732	420,089,848	-	420,089,848
Indirect instruction	120,382,252	-	120,382,252	126,074,406	-	126,074,406
Transportation	17,269,372	-	17,269,372	18,779,643	-	18,779,643
Custodial services	23,354,067	-	23,354,067	24,209,356	-	24,209,356
Field services	18,665,080	-	18,665,080	21,508,695	-	21,508,695
Telecommunications, networking and utilities	16,500,402	-	16,500,402	19,653,828	-	19,653,828
Support services	18,753,372	-	18,753,372	18,789,170	-	18,789,170
General administration	2,859,645	-	2,859,645	2,894,361	-	2,894,361
District-wide	2,374,468	-	2,374,468	1,548,547	-	1,548,547
Interest expense, unallocated	31,651,073	-	31,651,073	36,819,243	-	36,819,243
Food services	-	19,130,176	19,130,176	-	19,750,220	19,750,220
Child care	-	9,899,843	9,899,843	-	11,039,953	11,039,953
Property management	-	1,466,991	1,466,991	-	1,125,385	1,125,385
Total expenses	641,140,463	30,497,010	671,637,473	690,367,097	31,915,558	722,282,655
Increase (decrease) in net assets before transfers	83,292,206	(188,701)	83,103,505	49,425,194	248,496	49,673,690
Transfers	(1,733,944)	1,733,944	-	(2,333,020)	2,333,020	-
Increase in net assets	81,558,262	1,545,243	83,103,505	47,092,174	2,581,516	49,673,690
Net assets, July 1	345,839,656	7,270,989	353,110,645	427,397,918	8,816,232	436,214,150
Net assets, June 30	$ 427,397,918	$ 8,816,232	$ 436,214,150	$ 474,490,092	$ 11,397,748	$ 485,887,840

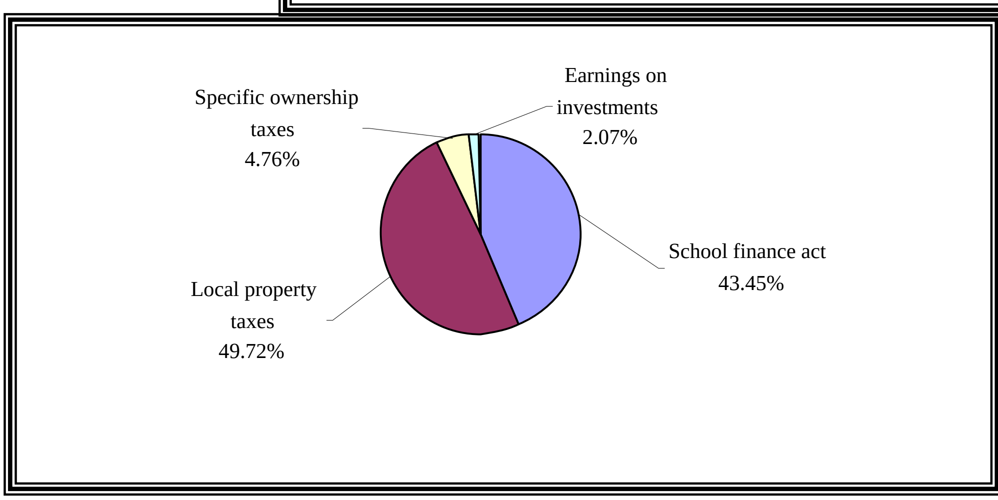
Analysis of Revenues



Government-wide Charges for Services totals $64 million

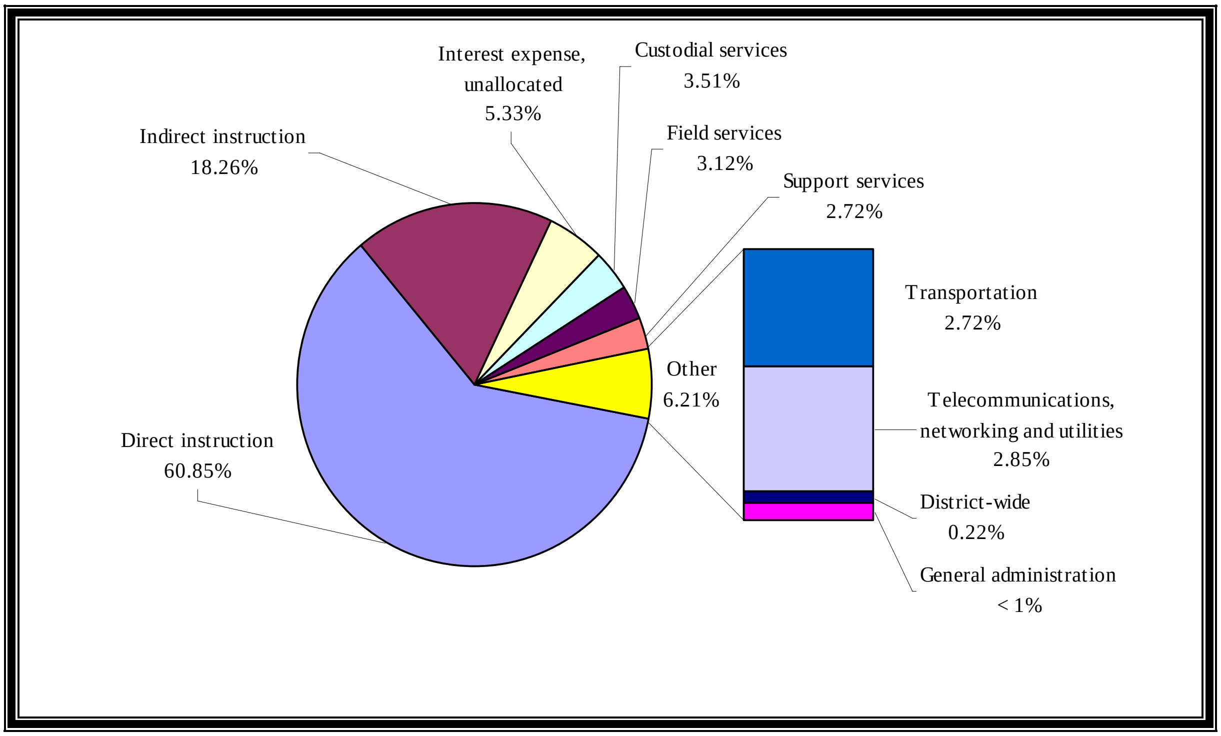
Government-wide Operating Grants and Contributions (includes Capital grants and contributions) totals $61 million





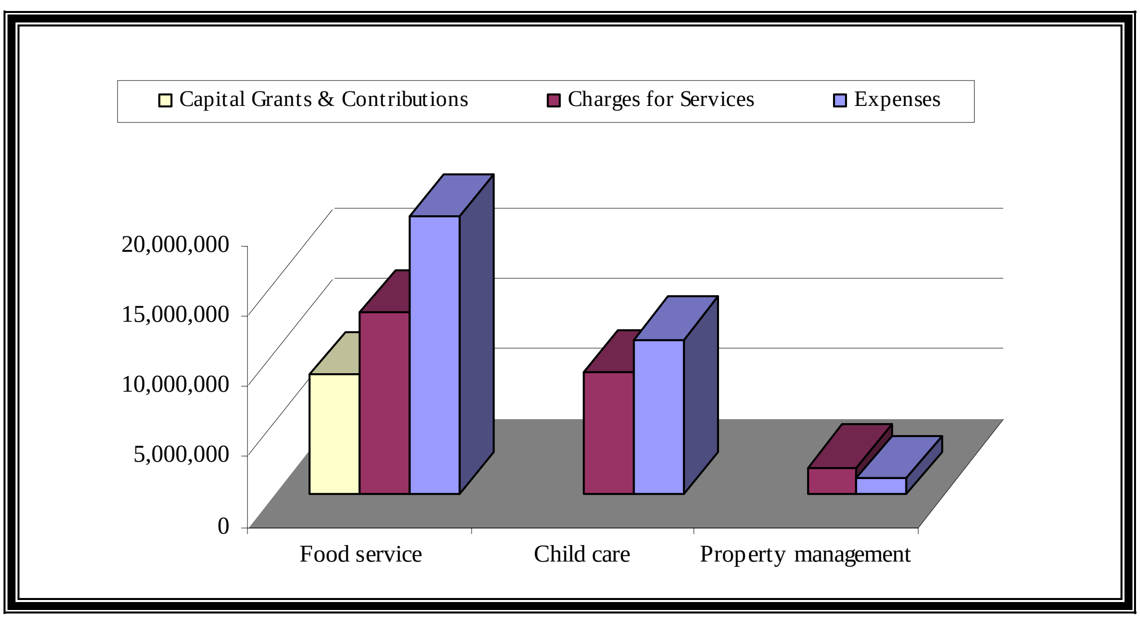
Total general revenues of $647 million

Analysis of Expenditures



Governmental activities
Expenditures tota
$690 million

Business-type activities
Expenses and
Program revenue



Proprietary funds

Governmental activities – Internal Service Funds for the District provide greater detail of the same information presented in the government – wide financial statements. Combining fund financial statements of the internal service funds can be found on pages 82-87 of this report. Following are highlights of activity in the District's internal service funds for fiscal year 2006.

- Central services ended the year with $370,475 in net income. Rate increases, reduction in copier volume and savings on purchased paper contributed to the increase.
- The employee benefits fund increased net assets by $4,140,495. The additional transfer from the General Fund of $3,000,000 to provide reserves to offset medical insurance utilization risk being the large portion of this increase.
- The insurance reserve fund increased net assets by $60,767. Lower insurance recoveries and higher claims costs resulted in lower net income than the prior year.
- The technology fund increased net assets by $2,794,922, will be spent down in the next two years for technology initiatives.
- The utility revolving fund closed at the end of 2006.

The District's business-type activities increased net assets by $2,581,516. Key elements that highlight the activities in fiscal year 2006 are as follows.

- The food services fund reported a change in net assets in the amount of $1,714,644, an increase from the prior year of $757,084. The increase was due to several factors; meal counts increased, federal reimbursements increased and efficiencies achieved through grab and go service that serves more children faster and uses less staff time.
- The child care fund reported an increase in net assets of $35,933. This is lower than the prior year net increase of $240,365. The decrease is due to spending down reserves on kindergarten programs and closing programs.
- The property management fund increased net assets by $830,939. Salaries and benefits as well as depreciation were lower than the prior year. Revenues increased $103,820 from building use.

Financial analysis of the District's governmental funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with GAAP, the School Finance Act and other related legal requirements.

The governmental funds of the District provide information on near – term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unreserved fund balance, in particular, measures the District's net resources available for spending at the end of the fiscal year.

Unreserved fund balance for the District at the end of the fiscal year includes a combination of the unreserved balance for the general fund of $50,631,896 and an unreserved fund balance of $6,730,727 for other governmental funds.

The general fund is the primary operating fund of the District with the majority of funding based on School Finance Act per pupil revenue. Student enrollment decreased by 395 students during the fiscal year. This reduction amounts to approximately $2.3 million in decreases from the state's School Finance Act funding. The immediate effect of this decrease is softened by the four-year average calculation used by the Colorado Department of Education.

The bond redemption debt service fund has adequate resources accumulated to make the December 2006 principal and interest payments. The mill levy to accumulate resources for the June 2007 principal and interest payments will be certified in December 2006. In compliance with Senate Bill 237 the District has contracted with a third party custodian to administer bond principal and interest payments.

The capital reserve capital projects fund has begun building reserves that will be used in the latter part of the 2005-2010 capital improvement program. The building fund capital projects fund was started in fiscal year 2005 with the issuance of the 2004 general obligation bond proceeds. This fund will be used to account for resources from the 2004 voter approved bond for the capital improvement program.

General fund budgetary highlights

The final budget of the general fund increased the anticipated excess of revenues over expenditures by $8.3 million in comparison to the original budget. The major adjustments to the budget are as follows:

- Increase to property taxes of $749,000.
- Increase to state equalization of $7.3 million due to higher pupil counts than anticipated.
- Increase in education of handicapped state revenue of $213,100. This is additional revenue received from Referendum C passing in the fall of 2005.

The unreserved fund balance for the general fund at the end of the fiscal year is $50,631,896. For budgetary purposes, however, the current available resources for the general fund can be computed as follows:

Fund balance-GAAP basis	$ 72,096,438
Add: Effect of salaries earned but unpaid	56,664,191
Total fund balance (Budgetary basis)	$128,760,629
Less reserved for: TABOR	15,941,062
Board of education contingency	11,409,178
School carry forward	9,250,000
Additional 2% reserve	3,300,000
Maintenance operations	4,000,000
School operations	6,000,000
Unreserved fund balance (Budgetary basis)	$ 78,860,389

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total fund expenditures. Actual budget basis expenditures of the general fund including other financing uses - transfers out amounted to $570,494,672. Unreserved fund balance (budgetary basis) represents 14 percent of expenditures while total fund balance (budgetary basis) represents 23 percent of budget based expenditures. This is a percentage increase from the prior year of 5 percent for each.

Capital assets and debt administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2006 increased to $776,132,284 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment.

Major capital events during the year include the following:

- Additions to construction in progress of $86,308,661 which include: replacement of Dunstan Middle School, the new Al Meiklejohn Elementary school, and a major addition to Lakewood High school.
- Depreciation of $57,017,193 for governmental activities and $479,598 for business-type activities.

	Fiscal Year 2005		Fiscal Year 2006	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Non-depreciable assets:				-
Land	$ 42,291,174	-	$ 43,633,359	-
Construction in progress	57,905,680	-	110,817,232	-
Total non-depreciable assets	100,196,854	-	154,450,591	-
Depreciable assets:				
Buildings and site improvements	597,698,544	-	581,703,984	-
Equipment and vehicles	40,574,888	$ 2,887,640	37,367,090	$ 2,610,619
Total depreciable assets	638,273,432	2,887,640	619,071,074	2,610,619
Total assets:	$ 738,470,286	$ 2,887,640	$ 773,521,665	$ 2,610,619

Additional information on the District's capital assets can be found in note 7on pages 58-60 of this report.

At June 30, 2006, the District had total bonded debt outstanding of $664,553,474 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for capital leases and certificates of participation in the amount of $9,062,374 for governmental activities still outstanding at the end of the current fiscal year.

Jefferson County Public Schools
General Obligation Bonds, Capital Leases and Certificates of Participation

	Fiscal Year 2005			Fiscal Year 2006		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
General obligation bonds	$ 700,940,289	-	$ 700,940,289	$ 664,553,474	-	$ 664,553,474
Certificates of participation	9,825,000	-	9,825,000	8,700,000	-	8,700,000
Capital leases	763,744	-	763,744	362,374	-	362,374
Total outstanding long-term debt	$ 711,529,033	-	$ 711,529,033	$ 673,615,848	-	$ 673,615,848

The reduction in total outstanding long-term debt is due to retirements from annual principal payments.

The District maintains an "A1" rating from Moody's and an "AA- stable" with Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was $1,324,813,065 and the legal debt margin was $717,883,323.

Additional information on the District's long–term obligations can be found in notes 10 and 11 on pages 62-65.

General budgetary highlights and economic factors

For the 2006–2007 budget, the Board of Education established parameters to be met by the budget process. They determined that the budget would:

- Balance with available resources including revenues and reserves exceeding expenditures.
- Communicate any planned spend down of reserves.
- Identify evidenced –based results that increase student achievement.
- Comply with all state, federal, and local statutes and regulations.
- Support necessary capital improvements and maintain existing capital investments.
- Comply with relevant Executive Limitations.
- Be aware of public perception and expectations.
- Identify major resource reallocations.
- Identify all changes from the current year's budget.
- Help meet performance and financial objectives.
- Consider reserve balances at the fund level and set appropriations to ensure positive reserves.
- Include adequate funding for internal controls and management of District assets.
- Ensure long-term financial impacts are considered when adding, modifying or eliminating District programs.

Several factors impact the Districts Adopted Budget and are considered when making budget assumptions; student funded counts declined by 564 FTE's, salary and benefit costs increased and fuel and utility costs increased in fiscal year 2006. Revenue increases for 2006/2007 of $9.3 million include assumptions for state funding and continued declining student enrollment. Expenditure increases of $30.3 million include assumptions for salaries and benefits, energy costs, and continued declining student enrollment. The $21 million overage of expenditures will be used as planned from the mill levy dollars received.

The budget cycle begins in July and ends in June with the Board adopting the budget. The cycle includes review of all program and department budgets to help establish the budget assumptions. Economic conditions are factored in with the demographic changes for the District. Budget workgroups that involve the community provide significant and valuable input to the process. An in depth perspective of the budget process is available in the adopted budget.

Requests for information

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

Kathleen Askelson, Director of Accounting
Jefferson County School District, No. R-1
1829 Denver West Drive, Building 27
Golden, Colorado 80401

JEFFCO
PUBLIC SCHOOLS
Building Bright Futures

Basic Financial Statements

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Charter Schools
Assets				
Current assets:				
Cash	$ 20,950,407	$ 11,709	$ 20,962,116	$ 51,392
Restricted cash	259,259	-	259,259	4,888,508
Restricted cash TABOR	-	-	-	944,887
Cash held by county treasurer	4,436,453	-	4,436,453	-
Equity in pooled cash and temporary investments	179,734,118	8,391,698	188,125,816	4,406,770
Investments	283,298,156	-	283,298,156	-
Property taxes receivable	12,679,675	-	12,679,675	-
Accounts receivable	1,576,519	175,542	1,752,061	22,152
Intergovernmental receivable	8,437,439	867,265	9,304,704	-
Due from component units	51,581	-	51,581	-
Inventories	1,757,001	947,624	2,704,625	-
Prepaid expenses	13,868,253	50,051	13,918,304	1,566
Total current assets	527,048,861	10,443,889	537,492,750	10,315,275
Capital assets:				
Land and construction in progress	154,450,591	-	154,450,591	8,496,607
Depreciable assets	1,130,311,814	9,558,206	1,139,870,020	24,175,185
Accumulated depreciation	(511,240,740)	(6,947,587)	(518,188,327)	(3,185,063)
Capital assets, net of depreciation	773,521,665	2,610,619	776,132,284	29,486,729
Total assets	$ 1,300,570,526	$ 13,054,508	$ 1,313,625,034	$ 39,802,004
Liabilities				
Current liabilities:				
Accounts payable	$ 24,307,381	$ 109,803	$ 24,417,184	$ 442,471
Accrued salaries and benefits	61,373,267	822,574	62,195,841	1,144,859
Payroll withholding	15,419,828	-	15,419,828	-
Due to primary government	-	-	-	51,581
Unearned revenue	10,302,094	583,206	10,885,300	233,990
Liability claims/premiums	13,887,428	-	13,887,428	-
Interest payable	1,473,303	-	1,473,303	361,111
General obligation bonds	38,635,505	-	38,635,505	-
Certificates of participation	1,145,000	-	1,145,000	-
Capital leases	205,844	-	205,844	835,805
Total current liabilities	166,749,650	1,515,583	168,265,233	3,069,817
Noncurrent liabilities:				
General obligation bonds	641,916,281	-	641,916,281	-
Certificates of participation	7,363,250	-	7,363,250	-
Early retirement	7,000,000	-	7,000,000	-
Capital leases	156,530	-	156,530	36,100,920
Compensated absences	2,894,723	141,177	3,035,900	-
Total noncurrent liabilities	659,330,784	141,177	659,471,961	36,100,920
Total liabilities	826,080,434	1,656,760	827,737,194	39,170,737
Net assets				
Invested in capital assets, net of related debt	272,131,267	2,610,619	274,741,886	(6,594,839)
Restricted for:				
Capital projects	46,892,129	-	46,892,129	312,661
Debt service	56,153,394	-	56,153,394	4,656,895
TABOR	16,840,819	709,513	17,550,332	944,887
Unrestricted	82,472,483	8,077,616	90,550,099	1,311,663
Total net assets	474,490,092	11,397,748	485,887,840	631,267
Total liabilities and net assets	$ 1,300,570,526	$ 13,054,508	$ 1,313,625,034	$ 39,802,004

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

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Activities
Fiscal year ended June 30, 2006

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets: Primary Government			Component Units
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	TOTAL	Charter Schools
Functions/Programs								
Primary government:								
Governmental activities:								
Direct instruction	$ 420,089,848	$ 4,329,271	$ 41,131,579	-	$ (374,628,998)	-	$ (374,628,998)	-
Indirect instruction	126,074,406	29,837,974	7,020,660	-	(89,215,772)	-	(89,215,772)	-
Transportation	18,779,643	502,601	4,234,626	-	(14,042,416)	-	(14,042,416)	-
Custodial services	24,209,356	-	-	-	(24,209,356)	-	(24,209,356)	-
Field services	21,508,695	2,292,589	-	-	(19,216,106)	-	(19,216,106)	-
Telecommunications, networking and utilities	19,653,828	-	-	-	(19,653,828)	-	(19,653,828)	-
Support services	18,789,170	-	-	-	(18,789,170)	-	(18,789,170)	-
General administration	2,894,361	-	-	-	(2,894,361)	-	(2,894,361)	-
District-wide	1,548,547	3,537,713	-	-	1,989,166	-	1,989,166	-
Interest expense, unallocated	36,819,243	-	-	-	(36,819,243)	-	(36,819,243)	-
Total governmental activities	690,367,097	40,500,148	52,386,865	-	(597,480,084)	-	(597,480,084)	-
Business-type Activities:								
Food services	19,750,220	12,906,439	7,092,392	$ 1,405,393	-	$ 1,654,004	1,654,004	-
Child care	11,039,953	8,669,515	-	-	-	(2,370,438)	(2,370,438)	-
Property management	1,125,385	1,906,311	-	-	-	780,926	780,926	-
Total business-type activities	31,915,558	23,482,265	7,092,392	1,405,393	-	64,492	64,492	-
								-
Total primary government	$ 722,282,655	$ 63,982,413	$ 59,479,257	$ 1,405,393	$ (597,480,084)	$ 64,492	$ (597,415,592)	-
Component units-Charter schools	$ 28,832,930	$ 5,354,784						$ (23,478,146)
General revenues								
Taxes:								
Local property taxes					321,679,910	-	321,679,910	-
Automotive ownership taxes					30,814,386	-	30,814,386	-
Intergovernmental state equalization					281,173,393	-	281,173,393	24,521,495
Investment income					13,237,589	184,004	13,421,593	-
Transfers					(2,333,020)	2,333,020	-	-
Total general revenues and transfers					644,572,258	2,517,024	647,089,282	24,521,495
Change in net assets					47,092,174	2,581,516	49,673,690	1,043,349
Net assets July 1, 2005, as restated					427,397,918	8,816,232	436,214,150	(412,082)
Net assets June 30, 2006					$ 474,490,092	$ 11,397,748	$ 485,887,840	$ 631,267

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

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Balance Sheet
Governmental Funds
June 30, 2006

	General	Bond Redemption Debt Service
Assets		
Cash	$ 3,525	-
Restricted Cash	-	-
Cash held by county treasurer	4,015,172	$ 421,281
Equity in pooled cash and temporary investments	125,497,193	-
Investments	-	56,039,529
Property taxes receivable, net of allowance for doubtful collections of $6,498,606	9,770,834	2,908,841
Accounts, notes, contracts, and interest receivable	1,418,160	-
Intergovernmental receivables	-	-
Due from other funds	4,604,045	-
Due from component units	51,581	-
Inventories	1,252,449	-
Prepaid items	145,155	-
Total assets	$ 146,758,114	$ 59,369,651
Liabilities and Fund Balances (Deficit)		
Liabilities:		
Accounts and retainages payable	$ 3,474,994	-
Accrued salaries, benefits, and compensated absences	56,664,191	-
Due to other funds	-	$ 1,550
Unearned property tax revenues	5,867,700	1,744,369
Other unearned revenues	8,654,791	-
Total liabilities	74,661,676	1,745,919
Fund balances:		
Reserved for:		
TABOR	15,941,062	-
Grants	-	-
Inventory	1,252,449	-
Prepaid items	145,155	-
Debt service	-	57,623,732
Construction	-	-
Unreserved, designated for, reported in:		
Encumbrances	4,125,876	-
Special revenue funds	-	-
Unreserved, undesignated reported in:		
General fund	50,631,896	-
Total fund balances	72,096,438	57,623,732
Total liabilities and fund balances	$ 146,758,114	$ 59,369,651

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

Capital Reserve Capital Projects	Building Fund Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 185,257	$ 20,661,972	$ 99,353	$ 20,950,107
176,151	83,108	-	259,259
-	-	-	4,436,453
6,476,723	-	9,250,015	141,223,931
40,760,385	186,484,213	-	283,284,127
-	-	-	12,679,675
82,274	17,079	42,526	1,560,039
-	-	8,437,439	8,437,439
983,341	-	-	5,587,386
-	-	-	51,581
-	-	377,376	1,629,825
-	-	-	145,155
$ 48,664,131	$ 207,246,372	$ 18,206,709	$ 480,244,977
$ 1,607,936	$ 18,231,019	$ 460,445	$ 23,774,394
57,938	-	2,214,708	58,936,837
-	983,341	3,329,400	4,314,291
-	-	-	7,612,069
-	-	586,816	9,241,607
1,665,874	19,214,360	6,591,369	103,879,198
106,131	-	726,048	16,773,241
-	-	2,714,437	2,714,437
-	-	377,376	1,629,825
-	-	-	145,155
-	-	-	57,623,732
46,892,126	188,032,012	-	234,924,138
-	-	1,066,752	5,192,628
-	-	6,730,727	6,730,727
-	-	-	50,631,896
46,998,257	188,032,012	11,615,340	376,365,779
$ 48,664,131	$ 207,246,372	$ 18,206,709	$ 480,244,977

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1

Reconciliation of governmental funds balance sheet to statement of net assets

June 30, 2006

Governmental funds total fund balances	$	376,365,779
Add:		
Unearned property tax revenue: Revenues that do not provide current financial resources are unearned on the governmental fund financial statements but recognized on the government-wide financial statements.		7,612,069
Capital assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.		1,263,658,397
Net pension assets are not considered current financial resources, therefore, not reported in the governmental funds. The net pension asset is recorded in the current asset section on the prepaid expense line.		12,248,581
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net assets of the internal service funds are included in the governmental activities statement of net assets.		15,883,298
Less:		
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition. Internal service funds include depreciation.		501,305,670
Long-term liabilities for general obligation debt, net of discounts and premiums ($680,551,786), certificates of participation net of discounts and premiums ($8,508,250), early retirement estimate ($7,000,000), and compensated absences ($2,441,991) are not due and payable in the current period and, therefore, not reported in the funds.		698,502,027
Interest payable on certificates of participation and general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.		1,470,331
Governmental activities net assets	$	474,490,096

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

JEFFCO
PUBLIC SCHOOLS

Building Bright Futures

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
Fiscal Year Ended June 30, 2006

	General	Bond Redemption Debt Service	Capital Reserve Capital Projects
Revenues:			
Taxes	$ 278,399,529	$ 73,633,314	-
Intergovernmental	301,648,167	-	-
Investment income	3,755,042	-	$ 1,417,543
Other	17,155,370	-	2,120,170
Total revenues	600,958,108	73,633,314	3,537,713
Expenditures:			
Current:			
Direct instruction	352,328,434	-	-
Indirect instruction	88,030,687	-	-
Transportation	18,502,815	-	-
Custodial services	23,956,510	-	-
Field services	17,608,414	-	-
Telecommunications, networking and utilities	19,606,348	-	-
Support services	17,482,207	-	-
General administration	2,716,752	-	-
Districtwide	662,017	-	-
Capital outlay	-	-	11,774,087
Debt Service:			
Principal retirements	-	36,810,000	1,125,000
Interest and fiscal charges	-	36,606,694	283,829
Total expenditures	540,894,184	73,416,694	13,182,916
Excess (deficiency) of revenues over (under) expenditures	60,063,924	216,620	(9,645,203)
Other Financing Sources (Uses):			
Transfers out	(30,898,320)	-	-
Transfers in	-	-	18,708,000
Total other financing sources (uses)	(30,898,320)	-	18,708,000
Net change in fund balances	29,165,604	216,620	9,062,797
Fund balances - July 1, 2005	42,930,834	57,407,112	37,935,460
Fund balances - June 30, 2006	$ 72,096,438	$ 57,623,732	$ 46,998,257

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

Building Fund Capital Projects	Other Governmental Funds	Total Governmental Funds
	-	$ 352,032,843
	$ 31,912,090	333,560,257
$ 8,049,107	15,898	13,237,590
-	27,160,528	46,436,068
8,049,107	59,088,516	745,266,758
-	25,433,672	377,762,106
-	32,428,854	120,459,541
-	-	18,502,815
-	-	23,956,510
-	-	17,608,414
-	-	19,606,348
-	-	17,482,207
-	-	2,716,752
-	-	662,017
80,166,445	-	91,940,532
-	-	37,935,000
-	-	36,890,523
80,166,445	57,862,526	765,522,765
(72,117,338)	1,225,990	(20,256,007)
-	-	(30,898,320)
-	-	18,708,000
-	-	(12,190,320)
(72,117,338)	1,225,990	(32,446,327)
260,149,350	10,389,350	408,812,106
$ 188,032,012	$ 11,615,340	$ 376,365,779

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Reconciliation of Revenues, Expenditures and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities
Fiscal year ended June 30, 2006

Governmental funds changes in fund balances	$	(32,446,327)
Add:		
Unearned property tax revenue: Revenues that do not provide current financial resources are unearned on the governmental fund financial statements but recognized on the government-wide financial statements.		7,612,069
Principal retirements (net of amortization of discounts): Retirements of principal outstanding on the District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.		38,306,009
Reverse the prior year interest payable accrued to offset current year expenditures.		1,552,969
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net income of the internal service funds are included in the statement of activities.		7,228,656
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (governmental additions less construction in progress transfers $88,677,884) exceeded depreciation (governmental additions $54,111,842) in the current period.		34,566,042
Additional amount of long term compensated absences accrued for the current year.		42,179
Governmental funds report pension funding in excess of the annual required contribution as expenditures. However, in the statement of activities the cost of pension funding in excess of the annual required contribution should be reported as an asset.		417,964
Less:		
Loss on disposals: The net effect of transactions involving these capital assets is to reduce net assets.		1,066,438
Unearned property taxes of the prior year: Property taxes unearned in the prior year and received in the current year are recognized in the prior year net assets on the statement of activities.		7,150,618
Interest payable on certificates of participation and general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.		1,470,331
Increase in the early retirement long term liability		500,000
Governmental activities change in net assets	$	47,092,174

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

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

General Fund

Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Budget Basis	(Negative)
Revenues:				
Taxes:				
Property taxes	$ 247,519,000	$ 248,268,000	$ 247,585,143	$ (682,857)
Automotive ownership taxes	31,000,000	31,000,000	30,814,386	(185,614)
Total Taxes	278,519,000	279,268,000	278,399,529	(868,471)
State of Colorado:				
State equalization	274,013,900	281,325,900	281,173,393	(152,507)
Education of handicapped	11,600,000	11,813,100	12,085,660	272,560
Transportation	4,500,000	4,500,000	4,234,626	(265,374)
Vocational education	4,300,000	4,300,000	3,942,913	(357,087)
Other	250,000	250,000	211,575	(38,425)
Total State of Colorado	294,663,900	302,189,000	301,648,167	(540,833)
Investment income	850,000	850,000	3,755,042	2,905,042
Other	17,444,500	17,444,500	17,155,370	(289,130)
Total revenues	591,477,400	599,751,500	600,958,108	1,206,608
Expenditures:				
Current:				
Direct instruction	363,347,282	355,945,519	350,719,118	5,226,401
Indirect instruction	89,172,069	89,722,842	88,287,398	1,435,444
Transportation	18,913,228	19,546,697	18,591,264	955,433
Custodial services	24,411,427	24,495,146	23,955,962	539,184
Field services and property management	19,012,052	19,188,230	17,609,668	1,578,562
Telecommunications, network and utilities	18,913,000	21,296,500	19,606,348	1,690,152
Support services	17,499,998	17,777,382	17,450,026	327,356
General administration	2,904,731	2,936,074	2,718,747	217,327
District-wide	1,015,602	1,015,800	657,821	357,979
Total expenditures	555,189,389	551,924,190	539,596,352	12,327,838
Excess of revenues over expenditures	36,288,011	47,827,310	61,361,756	13,534,446
Other financing sources (uses) -				
Transfers out	(27,633,300)	(30,898,500)	(30,898,320)	180
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$ 8,654,711	$ 16,928,810	30,463,436	$ 13,534,626
Salaries, benefits, and compensated absences				
earned but unpaid: July 1, 2005			55,366,359	
June 30, 2006			(56,664,191)	
Fund balance - July 1, 2005			42,930,834	
Fund balance - June 30, 2006			$ 72,096,438	

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

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Net Assets
Proprietary Funds
June 30, 2006

Assets	Business-Type Activities Enterprise Funds: Food Services Fund	Business-Type Activities Enterprise Funds: Child Care Fund
Current assets:		
Cash	$ 9,001	$ 2,708
Equity in pooled cash and temporary investments	3,549,748	2,586,470
Investments	-	-
Accounts and other receivable	21,020	14,893
Intergovernmental receivables	867,265	-
Inventories	947,624	-
Prepaid items	50,051	-
Total current assets	5,444,709	2,604,071
Noncurrent assets:		
Capital assets:		
Vehicles and equipment	5,958,383	622,633
Less accumulated depreciation	(3,966,557)	(528,595)
Total capital assets, net of accumulated depreciation	1,991,826	94,038
Total assets	$ 7,436,535	$ 2,698,109
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 70,862	$ 38,941
Accrued salaries, benefits, and compensated absences	592,591	228,898
Payroll withholding	-	-
Interest Payable	-	-
Due to other funds	-	-
Other unearned revenues	278,789	304,417
Current capital lease obligations	-	-
Estimated liability for premiums and claims	-	-
Total current liabilities	942,242	572,256
Non-current liabilities:		
Compensated absences	71,189	67,819
Long-term capital lease obligations	-	-
Total noncurrent liabilities	71,189	67,819
Total liabilities	1,013,431	640,075
Net assets:		
Invested in capital assets, net of related debt	1,991,826	94,038
Restricted for:		
TABOR	388,795	262,028
Unrestricted	4,042,483	1,701,968
Total net assets	6,423,104	2,058,034
Total liabilities and net assets	$ 7,436,535	$ 2,698,109

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

Business-Type Activities Enterprise Funds		Governmental Activities - Internal Service Funds
Property Management Fund	Totals	
-	$ 11,709	$ 300
$ 2,255,480	8,391,698	38,510,187
-	-	14,029
139,629	175,542	16,480
-	867,265	-
-	947,624	127,176
-	50,051	1,474,517
2,395,109	10,443,889	40,142,689
2,977,190	9,558,206	21,104,009
(2,452,435)	(6,947,587)	(9,935,070)
524,755	2,610,619	11,168,939
$ 2,919,864	$ 13,054,508	$ 51,311,628
-	$ 109,803	$ 532,987
$ 1,085	822,574	2,436,430
-	-	15,419,828
-	-	2,972
-	-	1,273,095
-	583,206	1,060,484
-	-	205,844
-	-	13,887,428
1,085	1,515,583	34,819,068
2,169	141,177	452,732
-	-	156,530
2,169	141,177	609,262
3,254	1,656,760	35,428,330
524,755	2,610,619	10,806,565
58,690	709,513	67,578
2,333,165	8,077,616	5,009,155
2,916,610	11,397,748	15,883,298
$ 2,919,864	$ 13,054,508	$ 51,311,628

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2006

	Business-Type Activities Enterprise Funds	
	Food Services Fund	Child Care Fund
Operating Revenues:		
Food sales	$ 12,630,088	-
Insurance premiums	-	-
Service contracts	276,351	$ 1,317,485
Tuition	-	7,352,030
Total operating revenues	12,906,439	8,669,515
Operating Expenses:		
Purchased food	7,417,218	-
USDA commodities	1,177,801	-
Salaries and employee benefits	8,860,999	8,534,798
Administration services	569,372	994,396
Utilities	254,794	11,185
Supplies	922,475	602,634
Repairs and maintenance	26,656	1,056
Rent	-	842,984
Depreciation	299,169	41,255
Other	214,493	3,048
Claim losses	-	-
Premiums paid	-	-
Total operating expenses	19,742,977	11,031,356
Income (loss) from operations	(6,836,538)	(2,361,841)
Non-operating revenues (expenses):		
USDA commodities	1,405,393	-
Reimbursement from government sponsored programs	7,092,392	-
Investment income	60,640	73,351
Interest expense	-	-
Gain (loss) on sale of fixed assets	(7,243)	(8,597)
Total non-operating revenues (expenses)	8,551,182	64,754
Income (loss) before transfers	1,714,644	(2,297,087)
Capital Contributions	-	-
Transfers in from other funds	-	2,333,020
Change in net assets	1,714,644	35,933
Total net assets - July 1, 2005	4,708,460	2,022,101
Total net assets - June 30, 2006	$ 6,423,104	$ 2,058,034

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

Business-Type Activities Enterprise Funds: Property Management Fund	Business-Type Activities Enterprise Funds: Totals	Governmental Activities - Internal Service Funds
-	$ 12,630,088	-
-	-	$ 59,936,474
$ 1,906,311	3,500,147	17,365,404
-	7,352,030	-
1,906,311	23,482,265	77,301,878
-	7,417,218	-
-	1,177,801	-
736,783	18,132,580	9,049,045
65,786	1,629,554	3,135,705
175,215	441,194	57,289
-	1,525,109	1,318,030
-	27,712	1,585,848
-	842,984	10,800
139,174	479,598	2,905,351
8,427	225,968	16,421
-	-	9,823,492
-	-	52,896,824
1,125,385	31,899,718	80,798,805
780,926	(8,417,453)	(3,496,927)
-	1,405,393	-
-	7,092,392	-
50,013	184,004	451,614
-	-	(39,784)
-	(15,840)	(170,311)
50,013	8,665,949	241,519
830,939	248,496	(3,255,408)
-	-	626,764
-	2,333,020	9,857,300
830,939	2,581,516	7,228,656
2,085,671	8,816,232	8,654,642
$ 2,916,610	$ 11,397,748	$ 15,883,298

JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2006

	Business-Type Activities Enterprise Funds	
	Food Services Fund	Child Care Fund
Cash flows from operating activities:		
Receipts from customers	$ 12,666,761	$ 8,688,527
Payments to employees	(8,816,201)	(8,444,735)
Payments to vendors	(10,440,863)	(2,444,547)
Net cash provided by (used for) operating activities	(6,590,303)	(2,200,755)
Cash flows from noncapital financing activities:		
Transfers received	-	2,333,020
Federal reimbursements	8,497,785	-
Net cash provided by noncapital financing activities	8,497,785	2,333,020
Cash flows from capital and related financing activities:		
Purchase of capital assets	(151,605)	-
Capital contributions	-	-
Principal payments	-	-
Interest payments	-	-
Net cash used for capital and related financing activities	(151,605)	-
Cash flows from investing activities:		
Interest received	60,640	73,351
Sale of investments	-	-
Net cash provided by (used for) noncapital financing activities	60,640	73,351
Net increase(decrease) in cash and cash equivalents	1,816,517	205,616
Cash and cash equivalents - July 1, 2005	1,742,232	2,383,562
Cash and cash equivalents - June 30, 2006	$ 3,558,749	$ 2,589,178
Reconciliation of cash flows from operating activities:		
Operating Income (Loss)	$ (6,836,538)	$ (2,361,841)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	299,169	41,255
(Increase) decrease intergovernmental and other receivables	(34,665)	(10,447)
Decrease in prepaid items	(8,685)	-
Decrease in USDA commodities inventories	8,069	-
(Increase) in purchased food and supplies inventories	212,616	-
(Increase) decrease in other inventories	-	-
Increase (decrease) in accounts payable	(70,054)	10,756
Increase (decrease) in accrued salaries, benefits, and compensated absences	44,798	90,063
Increase in payroll withholding	-	-
Increase (decrease) in due to other funds	-	-
Increase (decrease) in unearned revenues	(205,013)	29,459
Increase in estimated liability for premiums and claims	-	-
Net cash provided by (used for) operating activities	$ (6,590,303)	$ (2,200,755)
Noncash investing, capital, and financing activities:		
Donated commodities acquired and used from USDA	$ 1,177,801	-
Disposal and write off of capital assets	7,243	$ 8,597

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

Business-Type Activities Enterprise Funds: Property Management Fund	Business-Type Activities Enterprise Funds: Totals	Governmental Activities - Internal Service Funds
$ 1,875,518	$ 23,230,806	$ 77,347,446
(739,455)	(18,000,391)	(8,973,117)
(249,427)	(13,134,837)	(68,019,979)
886,636	(7,904,422)	354,350
-	2,333,020	9,857,300
-	8,497,785	-
-	10,830,805	9,857,300
(66,811)	(218,416)	(4,627,436)
-	-	626,764
-	-	(401,370)
-	-	(77,229)
(66,811)	(218,416)	(4,479,271)
50,013	184,004	451,614
-	-	-
50,013	184,004	451,614
869,838	2,891,971	6,183,993
1,385,642	5,511,436	32,340,523
$ 2,255,480	$ 8,403,407	$ 38,524,516
$ 780,926	$ (8,417,453)	$ (3,496,927)
139,174	479,598	2,905,351
(30,792)	(75,904)	(10,223)
-	(8,685)	82,553
-	8,069	-
-	212,616	-
-	-	11,866
-	(59,298)	(225,067)
	-	
(2,672)	132,189	(705,344)
-	-	981,714
-	-	(847,878)
-	(175,554)	55,790
-	-	1,602,515
$ 886,636	$ (7,904,422)	$ 354,350
-	$ 1,177,801	-
-	15,840	$ 170,311

JEFFCO
PUBLIC SCHOOLS
Building Bright Futures

Notes to Basic Financial Statements

1. Summary of significant accounting policies

The Jefferson County School District, No. R-1 (the District) was formed in 1950 when 39 independent districts were consolidated into a countywide district encompassing the 785 square miles of Jefferson County, Colorado. The District operates under an elected Board of Education with five members and provides educational services to approximately 84,500 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Jefferson County, Colorado. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A) Reporting entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" *(GASB No. 14)* describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB No. 14. As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the nature and significance of their operational or financial relationships with the District. None of the component units are considered to be a major fund.

Discretely presented component units - charter schools

The State of Colorado Legislature in 1993 enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101." This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter schools are financed from a portion of the district's school finance act revenues, property taxes and from revenues generated by the charter school, within the limits established by the Charter School Act. Charter Schools have separate governing boards; however, the Jefferson County School District's Board of Education must approve all Charter School applications and budgets. The Charter Schools are discretely presented component units as required by the Colorado Department of Education. Charter schools have the option to issue separate financial statements. Compass Montessori - Wheatridge, Free Horizon, Lincoln Academy, Rocky Mountain Academy of Evergreen and Rocky Mountain Deaf Schools did not issue separate statements for fiscal year 2005.

Blended component unit - Jefferson County School District Finance Corporation

The purpose of the Jefferson County School Finance Corporation (the Corporation) is to provide a mechanism to issue certificates of participation. Because the Board of Directors is appointed by the Board of Education and must obtain the Board of Education's approval for renovation and expansion decisions, issuance of debt, disbursements of funds, and any amendments to the articles of incorporation, the Corporation is considered to be a part of the District.

B) GASB statement No. 20

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all business-type and enterprise funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, business-type and enterprise funds have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards for all of its business-type and enterprise funds.

C) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Bond Redemption Debt Service Fund, Capital Reserve Capital Projects Fund and Building Fund – Capital Projects) and individual enterprise funds (Food Services Fund, Child Care Fund and Property Management Fund) are reported as separate columns in the fund financial statements.

D) Measurement focus, basis of accounting, and financial statement presentation

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

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

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and unearned revenue when levied and as revenues when due for collection in the following year and determined to be available.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

E) Fund accounting

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

- **Major governmental funds**

  1. General fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
  2. Bond redemption debt service fund - used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
  3. Capital reserve capital projects - used to account for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
  4. Building fund – Capital projects – used to account for resources to be used from the 2004 voter approved bond for a six-year capital improvement program.

- **Major proprietary funds-business-type activities**

  Enterprise funds - used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

  1. Food services fund: This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.
  2. Child care fund: This fund accounts for all financial activities associated with the District's school-age child care, preschool, and extended day kindergarten classes.
  3. Property management fund: This fund accounts for all financial activities associated with the District's facilities.

- **Internal service funds**

  Internal service funds account for central services, employee benefits, insurance reserve, technology operations, and utility improvements (closed). These services are provided to other funds of the District on a cost reimbursement basis.

F) Cash and investments

The pooled cash concept is used whereby cash balances of each of the District's funds are pooled and invested in certain investments. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to the various funds based on their anticipated respective average periodic equity in pooled cash. For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G) Restricted cash

Certain assets of the Capital Reserve Capital Projects, Building Fund – Capital Projects and Component Units are classified as restricted because their use is restricted to liabilities relating to deposits and capital leases.

H) Receivables

Property taxes levied in 2005 but not yet collected in 2006 are identified as property taxes receivable and unearned revenues at June 30, 2006, and are presented net of an allowance for uncollectable taxes. Intergovernmental receivables of $9,276,132 include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2006, the District had $8,466,299 and $838,405 due from the Federal and State government, respectively, reflected as intergovernmental receivables in the accompanying basic financial statements.

I) Inventories and prepaid items

Materials and supplies inventories are stated at average cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt. The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed. Fund balance is reserved for the inventory balances as follows: General Fund - $1,252,449 and Special Revenue Funds - $377,376.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The General Fund balance is reserved for prepaid items of $145,155.

J) Capital assets

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

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

Notes to Basic Financial Statements

The monetary threshold for capitalization of assets is $5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets used by proprietary funds is charged as an expense against their operations. No depreciation is recorded in the year of acquisition with the remaining depreciation being recorded in the year of disposition. Estimated useful lives are:

Motor vehicles	5 to 7 years
Equipment, built-in	8 to 20 years
Equipment, movable	3 to 20 years
Buildings and improvements	30 to 40 years

K) Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The District records long-term debt of governmental funds at the face value. Currently, the District has no zero coupon bonds. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the Capital Reserve Fund and component units. The long-term accumulated unpaid vacation, accrued sick and personal leave, and estimated liability for insurance claims (note 13) are serviced from property taxes and other revenues by the respective fund type from future appropriations.

L) Constitutional amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 2, 1999, the District conducted a TABOR revenue and expenditure override election and the Jefferson County voters approved the measure exempting the District from the TABOR revenue and expenditure limits. Management believes it is in compliance with the provisions of TABOR. However, the provisions are complex and subject to interpretation. Many of the provisions may require judicial interpretation.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2006, for budgetary purposes the District reserved $18,495,219 ($15,941,062 in the General Fund, $726,048 in the Campus Activity Special Revenue Fund, $106,131 in the Capital Reserve Fund, $388,795 in the Food Service Enterprise Fund, $262,028 in the Child Care Enterprise Fund, $58,690 in the Property Management Enterprise Fund, $2,077 in the Central Services Internal Service Fund, $34,278 in the Employee Benefits Internal Service Fund, $17,763 in the Insurance Reserve Internal Service Fund, $13,460 in the Technology Internal Service Fund and $944,887 in the Component Units Charter Schools) for this purpose.

M) Property taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The property tax calendar for Jefferson County was as follows:

Levy date	December 2
Lien date	January 1
Tax bills mailed	January 1
First installment due	February 28
Second installment due	June 15
If paid in full, due	April 30

N) Accumulated sick and personal leave and vacation

District policy allows unlimited accumulation of sick and personal leave, and accumulation of vacation to a maximum of 40 days. Accrued vacation is paid to employees upon termination of employment. Payment for unused sick and personal leave days is made upon meeting eligibility requirements at the rate of .0015 times annual rate of pay times accumulated days. Each fund liquidates the accrued vacation, personal and sick leave for its respective liabilities.

As of June 30, 2006, accumulated unused benefits are as follows:

	Accumulated Vacation		
Fund Types	Current (Due within one year)	Long-term	Total
Governmental:			
General	$ 1,144,088	$ 2,288,211	$ 3,432,299
Special revenue	18,952	37,903	56,855
Capital projects	57,938	115,877	173,815
	1,220,978	2,441,991	3,662,969
Proprietary:			
Enterprise	70,587	141,177	211,764
Internal service	226,363	452,732	679,095
	296,950	593,909	890,859
Total	$1,517,928	$ 3,035,900	$ 4,553,828

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

Fund	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
General	$ 2,347,534	$ 438,341	$ (497,664)	$ 2,288,211
Special revenue	48,074	12,756	(22,927)	37,903
Capital projects	88,562	39,119	(11,804)	115,877
Enterprise	79,299	82,383	(20,505)	141,177
Internal service	402,379	107,817	(57,464)	452,732
	$ 2,965,848	$ 680,416	$ (610,364)	$ 3,035,900

Accumulated vacation pay is recorded as accrued salaries, benefits and compensated absences with the current portion reported as current liabilities in the government-wide financial statements. The long-term portion is included in the District's long-term liabilities in the government-wide financial statements.

O) Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. Reconciliation of government-wide and fund financial statements

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

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

Due to the general fund from other funds – fund statements	$ 4,655,626
Elimination of governmental and internal service interfund activity	(4,604,045)
Due to the general fund from component units – governmental activities	$ 51,581

3. Budgetary information

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

1. Within the third quarter of the fiscal year, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and citizen reviews are conducted at special meetings and at regular Board of Education meetings to obtain taxpayer comments.
3. Prior to June 30, the budget is legally adopted by the Board of Education.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund, Proprietary Funds, and Internal Service Funds.
5. The District issues a separate budget document after it is approved by the Board of Education.

Budgets are adopted on a basis consistent with generally accepted accounting principles except that expenditures for budgetary purposes exclude amounts for salaries and benefits earned but unpaid and the accrual for compensated absences for the Governmental Fund types except for the Grants Fund (see note 4).

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. Where applicable, the Board of Education includes available fund balance in the amount appropriated in the annual Appropriations Resolution.

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the superintendent and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

Individual amendments in the General Fund were not material in relation to the original appropriation. The budget for the Grants Fund includes the adopted budget and additional expenditures and grants approved by the Board of Education. The budget and actuals for the Proprietary Funds and Internal Service Funds at June 30, 2006 are as follows:

	Budget	Actuals	Variance
Food services fund	$ 20,854,800	$19,742,977	$1,111,823
Child care fund	10,621,800	11,031,356	(409,556)
Property management fund	1,584,450	1,125,385	459,065
Central services fund	3,384,900	3,201,967	182,933
Employee benefits fund	64,060,800	58,527,050	5,533,750
Insurance reserve fund	6,799,570	6,596,892	202,678
Technology fund	13,640,600	12,255,582	1,385,018
Utility revolving fund	423,300	217,314	205,986

4. Budget/GAAP reporting differences

The accompanying statement of revenues, expenditures, and changes in fund balance (deficit) for the general fund budget and actual has been prepared on a legally prescribed basis of accounting, which differs from GAAP. The following Expenditure (excluding other financing uses) and Fund Balance Schedules identify these differences for the governmental activities, business-type activities and component units:

Expenditure Schedule

Governmental Fund Type	Expenditures Reported on a GAAP Basis	Effect of: Salaries and Benefits Earned but Unpaid	Compensated Absences	Expenditures Reported on a Budget Basis
General fund	$ 540,894,184	$ (1,324,626)	$ 26,794	$ 539,596,352
Capital reserve fund	$ 13,182,916	$ -	$ (13,658)	$ 13,169,258
Component units (charter schools):				
Collegiate Academy of Colorado	$ 3,730,567	$ (19,838)	-	$ 3,710,729
Compass Montessori–Wheatridge	1,836,157	(71,598)	-	1,764,559
Compass Montessori-Golden	2,574,348	(22,162)	-	2,552,186
Excel	4,203,652	(26,234)	-	4,177,418
Free Horizon	1,377,945	(15,728)	-	1,362,217
Jefferson	4,772,750	(25,817)	-	4,746,933
Lincoln Academy	3,889,549	(18,695)	-	3,870,854
Montessori Peaks	2,701,700	(21,558)	-	2,680,142
Rocky Mtn. Academy	1,818,504	(17,294)	-	1,801,210
Rocky Mtn. Deaf School	652,040	33,784	-	685,824
Woodrow Wilson	4,677,071	(10,812)	-	4,666,259
Total component units	$ 32,234,283	$ (215,952)	$ -	$ 32,018,331

Notes to Basic Financial Statements

Governmental Fund Type	Fund Balance (Deficit) Reported on a GAAP Basis	Plus effect of accrued salaries, benefits and compensated absences earned but unpaid	Fund Balance on a Budgetary Basis
General Fund	$ 72,096,438	$ 56,664,191	$ 128,760,629
Capital reserve/Building capital projects funds	46,998,257	57,938	47,056,195
Total governmental funds	$ 119,094,695	$ 56,722,129	$ 175,816,824

Governmental Fund Type	Fund Balance (deficit) Reported on a GAAP Basis	Plus effect of accrued salaries, benefits and compensated absences earned but unpaid	Fund Balance on a Budgetary Basis
Component units:			
Collegiate Academy of Colorado	$ 1,006,333	$ 145,068	$ 1,151,401
Compass Montessori – Wheatridge	(132,459)	150,687	18,228
Compass Montessori - Golden	689,065	109,531	798,596
Excel	1,766,894	91,697	1,858,591
Free Horizon	(6,258)	56,909	50,651
Jefferson	716,348	219,751	936,099
Lincoln Academy	1,638,973	106,289	1,745,262
Montessori Peaks	973,778	106,632	1,080,410
Rocky Mtn. Academy	122,252	73,659	195,911
Rocky Mtn. Deaf School	(53,375)	34,779	(18,596)
Woodrow Wilson	1,720,822	49,857	1,770,679
Total component units	$ 8,442,373	$ 1,144,859	$ 9,587,232

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. For financial reporting purposes, these salaries have been recorded as expenditures of the District in the year earned rather than the year paid.

Salaries and benefits earned but unpaid at June 30, 2006, including accrued vacation pay, are not required to be funded by Colorado State law. Accordingly, for budgetary purposes, the District considers accrued salaries, benefits and compensated absences amounting to $56,664,191 to be permanently deferred and therefore available for budgetary purposes.

5. Excess expenditures over appropriations and deficit fund equity

As of June 30, 2006, three Component Unit Charter Schools had accumulated deficits of $192,092. The charter schools review their budgets with management and are monitored closely.

The District exceeded Board-approved appropriation budgets in the Building Fund – Capital Projects and the Child Care proprietary fund. The difference is as follows:

Fund	Appropriation	Expenditure	Variance
Building Fund – Capital Projects	$78,416,800	$80,166,445	$(1,749,645)
Child Care Fund	10,621,800	11,031,356	(409,556)

6. Deposits and investments

Deposits:

The District investment policies are approved by the Board of Education and governed by Colorado statute. The discretely presented component unit's investment policies are approved by their respective Boards and governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another financial institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District and the discretely presented component units do not have a deposit policy for custodial credit risk. As of June 30, 2006, $3,476,797 of the District and the discretely presented component unit's bank balance of $3,788,303 were exposed to custodial credit risk. Deposits exposed to credit risk of $3,476,797 are collateralized with securities held by the pledging financial institution through PDPA.

Cash held in trust:

As of June 30, 2006 the District had $4,436,453 held in trust. Jefferson County collects the property taxes for the District and holds the funds in trust until sent to the District monthly.

Investments:

As of June 30, 2006, the District had the following investments. Investments held in the guaranteed investment contract are not a part of pooled cash until drawn. All other deposits and investments are internally pooled to maximize investment safety, liquidity, and interest yield.

Investments	Maturities	Fair Value
JP Morgan (Flex Repo Agreement)	02/01/2008	$ 40,760,385
Colorado Surplus Asset Fund Trust (external investment pool)	Weighted average under 60 days	52,162,736
Smith Barney Citigroup (money market)	Dollar average under 90 days	2,583,840
Colotrust (external investment pool)	Less than 1 year	138,265,656
Bank One – JP Morgan (forward delivery agreement)	12/15/2017	56,039,529
MBIA (U.S Treasuries)	Weighted average of 171 days	2,547,620
MBIA (U.S. Instrumentality)	Weighted average of 715 days	9,904,723
MBIA (Commercial Paper)	Weighted average of 26 days	5,285,749
U.S. Bank (Repurchase agreement)	Overnight Sweep	5,381,503
FSA Capital Management Services (Guaranteed Investment Contract)	06/04/2008	186,484,213
Total Investments:		$ 499,415,954

Interest rate risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

Forward delivery agreements – The agreement with JP Morgan has a maturity date of December 15, 2017, but the District has the option of canceling the agreement prior to that date. The District has received interest in advance on the investment which is recorded in deferred revenue in the General Fund. If the District cancelled the agreement prior to the December 15, 2017 date, an amount calculated at that date would be returned to JP Morgan.

Credit risk - State law allows school districts to invest U.S. treasury securities and other securities guaranteed by the full credit of the U.S. Treasury without any credit quality limitations. Securities issued by the Government National Mortgage Association and by Federal Government Sponsored Enterprises require the highest rating by at least two nationally recognized rating agencies. Money market instruments including bankers acceptances and commercial paper must be rated A-1, P-1, or F-1, or the equivalent by at least two nationally recognized rating agencies. State law allows other securities, including money market funds that are registered under the Federal Investment Company Act of 1940, if they have assets in excess of $1 billion or have the highest credit rating from one or more of a nationally recognized rating agency. Colorado Surplus Asset Fund Trust (CSAFE) and Colorado Local Government Liquid Asset Trust (Colotrust) are rated AAAm by Standard & Poors. These local government investment pools are regulated by the Colorado Division of Securities and they maintain a constant net asset value of $1.00. Smith Barney Citigroup is not rated. MBIA is rated AAA by Standard & Poors and Aaa by Moody's. The commercial paper at MBIA is rated A1 by S&P and P1 by Moody's. The FSA Capital Management Guaranteed Investment Contract is not rated but the provider must maintain a rating of Aaa by Moody's and AAA by Standard & Poors.

Concentration of Credit Risk – The District places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district's investments are in the JP Morgan (flex repo agreement) which holds FHA securities, JP Morgan (forward delivery agreeement) which holds FNMA and FHLMC securities and FSA Capital Management Services guaranteed investment contract. These investments are 8 percent, 12 percent and 37 percent, respectively, of the District's total investments.

7. Capital assets

A summary of changes in capital assets is as follows:

Governmental Activities

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Non-depreciable assets:				
Land	$ 42,291,174	$ 1,342,185	-	$ 43,633,359
Construction in progress	57,905,680	86,308,661	$ (33,397,109)	110,817,232
Total Non-depreciable assets	$ 100,196,854	$ 87,650,846	$ (33,397,109)	$ 154,450,591
Depreciable assets:				
Buildings and site improvements	$ 992,831,812	$ 32,164,181	$ (41,487)	$1,024,954,506
Equipment and vehicles – **Internal service funds**	37,315,052	4,627,436	(20,838,480)	21,104,008
Equipment and vehicles	88,924,163	2,259,967	(6,930,830)	84,253,300
Total Depreciable assets	$1,119,071,027	$ 39,051,584	$ (27,810,797)	$1,130,311,814

Notes to Basic Financial Statements

Less accumulated depreciation for:	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Building and site improvements	$ (395,133,268)	$ (48,130,771)	$ 13,517	$ (443,250,522)
Equipment and vehicles – **Internal service funds**	(27,697,888)	(2,905,351)	20,668,169	(9,935,070)
Equipment and vehicles	(57,966,439)	(5,981,071)	5,892,362	(58,055,148)
Total Accumulated depreciation	$ (480,797,595)	$ (57,017,193)	$ 26,574,048	$ (511,240,740)
Total capital assets, net	$ 738,470,286	$ 69,685,237	$ (34,633,858)	$ 773,521,665

Note: In the reconciliation of governmental funds balance sheet to statement of net assets on page 34, internal service funds will be a reconciling item with the capital assets added.

Business-type activities

A summary of changes in Food services fund capital assets is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Equipment	$ 6,828,171	$ 151,605	$(1,021,393)	$ 5,958,383
Accumulated depreciation	(4,681,538)	(299,169)	1,014,150	(3,966,557)
Total	$ 2,146,633	$ (147,564)	$ (7,243)	$ 1,991,826

A summary of changes in Child care fund capital assets is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Equipment	$ 683,264	-	$ (60,631)	$ 622,633
Accumulated depreciation	(539,375)	$ (41,255)	52,035	(528,595)
Total	$ 143,889	$ (41,255)	$ (8,596)	$ 94,038

A summary of changes in Property management fund capital assets is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Equipment	$ 2,910,379	$ 66,811	-	$ 2,977,190
Accumulated depreciation	(2,313,261)	(139,174)	-	(2,452,435)
Total	$ 597,118	$ (72,363)	-	$ 524,755

Total capital assets being depreciated, business-type activities	$ 9,558,206
Accumulated depreciation	(6,947,587)
Business-type activities capital assets, net	$ 2,610,619

Notes to Basic Financial Statements

Discretely presented component units

A summary of changes in Component unit charter schools capital assets is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Non-depreciable assets:				
Land	$ 2,898,719	-	-	$ 2,898,719
Construction in progress	3,089,443	$ 2,508,445	-	5,597,888
Total Non-depreciable assets:	$ 5,988,162	$ 2,508,445	-	$ 8,496,607
Depreciable assets:				
Buildings and equipment	$ 24,021,794	$ 175,892	$ (22,501)	$ 24,175,185
Accumulated depreciation	(1,994,483)	(1,200,698)	10,118	(3,185,063)
Total	$ 28,015,473	$ 1,483,639	$ (12,383)	$ 29,486,729

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

Governmental activities:	
Direct instruction	$ 40,746,579
Indirect instruction	7,371,517
Field services	3,794,087
Support services	100,778
General administration	139,823
District-wide (Non-departmental)	1,959,058
Capital assets held by the District's internal service funds	2,905,351
Total depreciation expense – governmental activities	$ 57,017,193
Business-type activities:	
Food services	$ 299,169
Child care	41,255
Property management	139,174
Total depreciation expense – business-type activities	$ 479,598

Construction commitments

The District has active construction projects as of June 30, 2006. The projects include renovations and site improvements. At year end, commitments with contractors on all projects are too numerous to list. All accumulated resources for capital projects are reserved for construction commitments. A list of significant commitments as of June 30, 2006 are as follows:

	Spent-to-Date	Remaining Commitment
Arvada West HS Replacement Site	$2,028,573	$24,403,384
Lakewood HS Addition	9,248,167	20,362,782
Chatfield HS Addition Site	5,909,886	20,349,616
Bear Creek K-8 Replacement	6,343,038	10,673,825
Hackberry Hill ES Replacement	1,122,858	5,060,762
Fairmount ES Remodel/Renovation	1,825,009	3,903,063
Ralston Valley HS Addition	4,886,781	3,078,210
Bear Creek HS Replace Facility	362.747	2,405,450
Wheat Ridge HS Remote Site Develop	759,887	2,346,268
Dunstan MS Replace Facility Site	17,781,072	1,134,117

8. Interfund receivables and payables

The following identifies amounts due to and from individual funds at June 30, 2006:

Fund	Due To	Due From
General fund	$ 4,604,045	-
Governmental fund:		
Bond Redemption Debt Service	-	$ 1,550
Capital Reserve Capital Projects	983,341	-
Building Fund Capital Projects	-	983,341
Special revenue fund:	-	
Grants	-	3,329,400
Internal service fund:		
Technology	-	1,273,095
	$5,587,386	$5,587,386

Internal services internal balances with the general government are not included in the total for the statement of net assets (see note 2). Interfund balances are used to account for the pooled cash investing of the District.

9. Transfers

The District transfers amounts from the General Fund to other funds to meet their operational needs and legal requirements. At June 30, 2006 the detail for these transfers is as follows:

General Fund Transfers

Capital reserve fund	$ 18,708,000
Net transfers within the governmental funds	18,708,000
Child care fund	2,333,020
Insurance reserve fund	5,607,300
Employee benefits fund	3,000,000
Technology fund	1,250,000
Net transfers into the proprietary funds	12,190,320
Total transfers out from the General fund	$ 30,898,320

Notes to Basic Financial Statements

10. Capital leases and certificates of participation

The 2003 COP's were issued to purchased new school buses for the District. The buses were used as collateral in the COPs Series 2003 which are also included in the District's capital assets. The net book value at June 30, 2006 was $9,862,941.

The District has entered into several capital lease agreements for the purchase of copiers and computers. The lease terms are generally three to five years with interest ranging from 4.65 percent to 8 percent. Certificates of participation terms are ten years with interest ranging from 2 percent to 3.75 percent. Certificates of participation and capital lease obligations for the fiscal year ended June 30, 2006, are comprised of the following:

	Balance July 1, 2005	Additions	Retirements	Outstanding June 30, 2006	Current Portion
Governmental activities					
Bus – 2003 COP's	$ 9,825,000	-	$ (1,125,000)	$ 8,700,000	$ 1,145,000
Less deferred amounts:					
For issuance costs	(221,250)	-	29,500	(191,750)	-
Total COP's	$ 9,603,750	-	$ (1,095,500)	$ 8,508,250	$ 1,145,000
Internal service funds – capital leases:					
Copiers	$ 213,643	-	$ (161,386)	$ 52,257	$ 52,257
Computers	523,433	-	(213,316)	310,117	153,587
Utility lighting retro-fit	26,668	-	(26,668)	-	-
Subtotal - Internal service funds	763,744	-	(401,370)	362,374	205,844
Governmental activity long-term liabilities	$ 10,367,494	-	$ (1,496,870)	$ 8,870,624	$ 1,350,844
Component unit activities:					
Component units – Buildings/Capital leases	$ 38,270,000	$ 7,610,000	$ (7,270,000)	$ 38,610,000	$ 665,000
Less deferred amounts:					
For issuance costs	(1,461,218)	(1,171,891)	473,298	(2,159,811)	-
Total Component unit capital lease	$ 36,808,782	$ 6,438,109	$ (6,796,702)	$ 36,450,189	$ 665,000
Component Units - Promissory notes	$ 445,025	$ 260,192	$ (218,681)	$ 486,536	$ 170,805

In fiscal year 2006, Excel Academy charter school (a component unit) refunded the 2003 capital lease with a 2005 capital lease, realizing an economic gain (difference between the present values of the old and new debt service payments) of $975,067.

For financial reporting purposes, the District follows the requirements of FASB Statement No. 13; i.e., under certain circumstances, for capital leases, the present value of future minimum lease payments should be shown as a liability and related assets should be capitalized in the basic financial statements. It is the expectation that the leases will be renewed annually until title to the related property is acquired pursuant to the leases.

The assets acquired through capital leases excluding COP's and Component Units are as follows:

Asset:		
	Equipment and vehicles	$ 1,119,863
	Less: Accumulated depreciation	(691,856)
Total:		$ 428,007

Notes to Basic Financial Statements

Certificates of Participation (COPs) and capital leases have the following minimum annual lease payments:

Capital leases

Fiscal Year Ending June 30	Governmental Activities COP'S		Governmental Activities Internal Service Funds		Component Units Charter Schools	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 1,145,000	$ 257,542	$ 205,844	$ 7,772	$ 665,000	$ 2,259,105
2008	1,170,000	232,053	156,530	3,000	740,000	2,229,624
2009	1,200,000	200,912	-	-	765,000	2,198,655
2010	1,235,000	164,053	-	-	805,000	2,165,899
2011	1,270,000	122,068	-	-	840,000	2,127,386
2012-2016	2,680,000	101,108	-	-	4,770,000	9,978,681
2017-2021	-	-	-	-	5,730,000	8,542,494
2022-2026	-	-	-	-	8,845,000	6,578,834
2027-2031	-	-	-	-	10,205,000	3,574,844
2032-2036	-	-	-	-	5,245,000	472,594
Total	$8,700,000	$1,077,736	$ 362,374	$ 10,772	$38,610,000	$40,128,116

Promissory note

Fiscal Year Ending June 30	Component Units Charter Schools	
	Principal	Interest
2007	$ 170,805	$ 31,101
2008	95,079	20,537
2009	24,815	15,670
2010	23,160	13,902
2011	24,958	12,104
2012 – 2016	147,719	28,328
Total	$ 486,536	$ 121,642

The District has appropriated amounts from 2007 revenues in the Capital Reserve Fund to meet the lease payments for the buses which are due in 2007. Appropriations for the 2007 copier and computer lease payments have been made in the Central Services Fund and Technology Fund for 2007.

11. General obligation bonds payable

General obligation bonds payable and payments on the bonds for the fiscal year ended June 30, 2006 are comprised of the following:

$39,595,000 2005 Series A Refunding Bonds due in semi-annual installments with annual payments of $453,701 to $20,484,625 through December 15, 2017. Interest rate: 3.00% to 5.00%.	$ 39,020,000
$257,000,000 2004 Series Bonds due in semi-annual installments with annual payments of $5,883,963 to $38,601,125 through December 15, 2024. Interest rate: 3.50% to 5.00%.	257,000,000
$63,440,000 2004 Series A Refunding Bonds due in semi-annual installments with annual payments of $1,680,989 to $18,711,375 through December 15, 2015. Interest rate: 2.00% to 5.25%.	62,680,000
$48,315,000 2003 Series Refunding Bonds due in semi-annual installments with annual payments of $430,000 to $18,130,000 through December 15, 2014. Interest rate: 3.00% to 5.00%.	48,315,000
$2,230,000 in registered coupons for 2003 due in semi-annual installments of $110,000 to $1,425,000 through December 15, 2009.	575,000
$200,000,000 1998 Series A Bonds due in semi-annual installments with annual payments of $8,676,000 to $13,304,925 through December 15, 2008. Interest rate: 4.20% to 7.00%. $48,310,000 of these bonds were refunded and defeased with the 2003 series refunding bonds, and $103,035,000 were refunded and defeased with the 2004 and 2005 series refunding bonds. (See note 12)	36,205,000
$309,885,000 1997 Series Refunding Bonds due in semi-annual installments with annual payments of $15,689,000 to $39,673,000 through December 15, 2012. Interest rate: 4.30% to 6.50%.	213,775,000
$7,670,000 1992 Series Capital Appreciation Bonds discounted at 6.35%, due December 15, 2007; net of unamortized discount of $686,526	6,983,474
Total	$ 664,553,474

Notes to Basic Financial Statements

	Balance July 1, 2005	New and Refunding Issues	Payments & Amortization of Discount	Balance June 30, 2006	Current Portion
General obligation bonds:					
Refunding - 2005	$ 39,595,000	-	$ (575,000)	$ 39,020,000	-
Construction - 2005	257,000,000	-	-	257,000,000	-
Refunding - 2004	62,680,000	-	-	62,680,000	-
Refunding – 2003	48,315,000	-	-	48,315,000	-
Registered coupons 2003	690,000	-	(115,000)	575,000	115,000
Construction - 1998A	46,900,000	-	(10,695,000)	36,205,000	11,335,000
Refunding - 1997	239,200,000	-	(25,425,000)	213,775,000	26,735,000
Capital appreciation - 1992	6,560,289	-	423,185	6,983,474	450,505
Less deferred amounts:					
On refunding discounts, premiums and issue costs	16,822,006	-	(823,694)	15,998,312	-
	$ 717,762,295	-	$ (37,210,509)	$ 680,551,786	$ 38,635,505

Future years general obligation bonds repayment schedule:

Fiscal Year Ending June 30	Principal	Interest
2007	$ 38,635,505	$ 34,532,000
2008	39,127,969	32,371,100
2009	42,385,000	29,916,163
2010	45,120,000	27,229,425
2011	47,270,000	24,482,088
2012-2016	172,205,000	87,333,531
2017-2021	139,570,000	53,235,000
2022-2026	140,240,000	14,413,000
Total	$ 664,553,474	$ 303,512,307

The Series 2003 Registered Coupons were issued June 1, 2003 in the amount of $2,230,000. The Coupons do not constitute a general obligation or other indebtedness of the District under Colorado statute, but have been reflected as long-term debt under generally accepted accounting principles in the financial statements.

The bonds are secured by the District's covenant to certify a rate of levy sufficient to meet the principal and interest payments with respect to the bonds.

Payment of principal and interest for general obligation bonds is made from the Bond Redemption Fund. The legal debt limit and debt margin as of June 30, 2006, are $1,324,813,065 and $717,883,323, respectively. The District is in compliance with the legal debt limit.

12. Defeased debt

In prior years, the District has issued bonds for the purpose of refunding portions of the 1998A bonds. The proceeds of these bonds were placed in an irrevocable trust to provide the future debt service payments on the old bonds. The trust account assets and the liabilities for the defeased bonds are not included in the District's basic financial statements. At June 30, 2006 the defeased debt and respective assets and liabilities are as follows:

Refunding Series	Amount Financed	Escrow Disbursement Completion	Assets in Trust	Principal Outstanding
2003	$48,310,000	December, 2008	$50,058,159	$48,310,000
2004	64,450,000	December, 2008	67,612,044	64,450,000
2005	40,325,000	December, 2008	41,857,102	40,325,000

13. Risk management

The Employee Benefits Fund and Insurance Reserve Fund are provided to maintain and to account for insurance reserves on a self-insurance basis and other benefits provided to employees. The Insurance Reserve Fund was established in 1981 by the Colorado Legislature to provide insurance reserves to fund certain liability, property and workers' compensation claims, including estimates for incurred but not reported claims, premiums and applicable administrative costs. The Insurance Reserve Fund allows the District to manage its exposure to risk, i.e., loss of assets by fire, weather, etc., loss through third party litigation, and obligations based on statutory requirements imposed by the Workers' Compensation Act. This is accomplished by self-insuring the retention of risk and the purchase of excess insurance coverage.

The District retains the first $100,000 of any property loss, the first $500,000 of auto and general liability losses, the first $500,000 of workers' compensation losses, and the first $500,000 of errors and omissions claims. In order to minimize expenditures for self-insured losses and for excess premiums, the District adjusts its own workers' compensation claims and manages the handling of all other claims.

The District manages a loss control program and maintains a security system, which provides for around-the-clock computerized monitoring of District facilities for intrusion and fire.

The cost of Insurance Reserve Fund claims and premiums are recorded when incurred. Estimates for unsettled and incurred but not reported claims in the amount of $6,143,810 are included as an estimated liability in the Insurance Reserve Fund as of June 30, 2006. Claim liabilities are calculated considering the effects of inflation and claim settlement trends that include such factors as pay-out amounts and economic and social indicators. The incurred but not reported amount was calculated by the Mercer Firm at the request of the District. It is contained in the Unpaid Loss and Allocated Loss Adjustment Expense Reserve Review as of June 30, 2006 for Jefferson County School District.

The change in the Insurance Reserve Fund estimates for unsettled and incurred but not reported claims are:

Balance July 1, 2005	$ 5,695,659
Increase (Decrease) in estimated claims:	
Estimated property claims	84,926
Errors and omissions claims	(93,879)
Automobile claims	(40,328)
General liability claims	(23,308)
Workers' compensation claims	520,740
Balance June 30, 2006	$ 6,143,810

Notes to Basic Financial Statements

The following is a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year:

	2005	2006
Amount of claims liabilities at July 1	$ 5,242,832	$ 5,695,659
Incurred claims and change in reserve	4,358,405	4,629,956
Payments on claims	(3,905,578)	(4,181,805)
Amount of claims liabilities at June 30	$ 5,695,659	$ 6,143,810

The Employee Benefits Fund was established in 1984 to account for the District's previous self-insured medical plan and retired paid-up life insurance programs for eligible employees, retirees, dependents, and other approved individuals. On January 1, 1995, the self-insured medical plan was replaced with a third-party insured medical plan, no claims are outstanding on the old self-insured medical plan as of June 30, 2006. The Employee Benefits Fund is reimbursed by the other funds based on predetermined rates or allowances. Included in the current liability total in the Employee Benefits Fund is $705,100 and $123,700 to cover the estimated cost of claims incurred but not paid or reported as of June 30, 2006, related to the District's self-insured dental and vision plans respectively and $6,914,818 for medical insurance and other benefit premiums.

	2005	2006
Amount of claims liabilities at July 1	$ 842,500	$ 841,700
Incurred claims and change in reserve	5,257,859	5,193,536
Payments on claims	(5,258,659)	(5,206,436)
Amount of claims liabilities at June 30	$ 841,700	$ 828,800

14. Commitments and contingencies

A number of claims are presently pending against the District, but management believes final settlement of these matters will not result in any material adverse effect on the financial operations of the District. The District receives revenues from various federal and state grant programs subject to final review and approval as to allowability of expenditures by the respective grantor agencies. District management believes that disallowances, if any, will be immaterial to the basic financial statements. From time to time, the District enters into long-term construction contracts for which future commitments may exist.

15. Pension plan

All District full-time employees are members of the Public Employees' Retirement Association of Colorado (PERA). The District contributes to the Combined State and School Division Trust Fund (CSSDTF) within PERA. PERA administers this cost-sharing multiple-employer defined benefit plan (the Plan). Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the CSSDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.65 percent. Also, a portion of the District's contribution (1.02 percent of covered salary) is allocated for the Health Care Trust Fund (see below). The District's contributions to CSSDTF for the years ending June 30, 2004, 2005 and 2006 were, $40,450,862, and $43,416,334, and $45,816,817 respectively, equal to their required contributions for each year.

The District also contributes to the Health Care Trust Fund (HCTF), a cost-sharing mutiple-employer postemployment healthcare plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contributions requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The District's contributions to HCTF for the years ending June 30, 2004, 2005 and 2006 were $4,383,832, $4,361,922, and $4,419,565 respectively, equal to their required contributions for each year.

Additionally, Trust members for the District may voluntarily contribute to the Voluntary Investment Program (VIP), an internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. Statutes have assigned the State Legislature the authority to establish VIP plan provisions. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($13,000 in 2004, $14,000 in 2005, and $15,000 in 2006).

16. Early, supplemental and post retirement benefits

Plan Description - On October 15, 1998, the District obtained approval from the Board of Education (the Board) to revise its early retirement plan. Subsequently, the Board adopted the Supplemental Retirement Plan effective August 31, 1999 and amended and restated the plan effective December 9, 1999 and adopted an amendment on June 15, 2006. The supplemental retirement plan is a single employer defined benefit plan qualified under Section 401(a) of the Internal Revenue Service Code. Covered employees are those that were actively employed in full-time or approved job-share positions by the District on August 31, 1999, and certain employees who were on an authorized unpaid leave of absence on August 31, 1999 which leave did not exceed 39 months for certified employees and administrators and 36 months for classified and other employees as of August 31, 1999. A participant reaches normal retirement date when he or she has attained 55 years of age and has completed 20 years of service. An employee may elect early retirement if he or she has have attained 20 years of service and is age 50. The monthly-accrued benefit that an employee may receive is .257 percent of monthly 1999 base salary multiplied by years of service as of August 31, 1999 up to a maximum of 20 years. The monthly benefit is payable as a life annuity with three optional forms of payment: 100 percent Joint and Survivor Annuity, 50 percent Joint and Survivor Annuity, 10-Year Certain Payment Only. The Life Annuity, the 100 percent Joint and Survivor Annuity and the 50 percent Joint and Survivor Annutiy will not be available to employees who elect to retire after the January 16, 2007 application deadline. In 2006, the plan was amended to allow a fourth optional form of payment, available to individuals retiring in that year. The Board approves funding of the plan each year with the budget adoption. The plan financials are available from Key Bank. To obtain a copy, contact Key Bank at 1674 Broadway, Suite 300, Denver, Colorado 80202, or telephone 720-904-4321.

Funding Policy – The Plan and each obligation of the District hereunder are subject to and contingent upon funds being budgeted and appropriated for such purpose prior to the beginning of each applicable fiscal year of the District in accordance with the requirements of Article X, Section 20 of the Colorado State Constitution and any other existing or future constitutional or statutory provision that may apply.

Annual pension cost and net pension obligation (asset) – The District's annual pension cost and net pension asset from the plan for the current year were as follows:

Annual required contributions (ARC)	$ 3,577,818
Contributions made for fiscal year 2006	3,856,788
Increase in net pension obligation (Asset)	(278,970)
Interest on net pension obligation	(1,035,179)
Adjustment on annual required contribution	896,185
Net pension asset, beginning of year	(11,830,617)
Net pension asset, end of year	$ (12,248,581)

The annual required contribution for the current year was determined as part of the September 1, 2005 actuarial valuation prepared by Mercer Human Resource Consulting, using the traditional unit credit actuarial cost method and a level dollar amortization method for a 40 year open period. The actuarial assumptions include (a) 7.75 percent investment rate of return for August 31, 2005, and later, 8.75 percent before August 31, 2005, (b) inflation at 2.5 percent, and no projected salary or cost of living increases. The actuarial value of assets was equal to market value. The net pension asset is recorded as prepaid expense in the government-wide statements.

Trend information –

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation (Asset)
August 31, 2003	$3,395,114	$4,290,423	127.7%	$ (12,063,914)
August 31, 2004	3,584,562	3,351,265	94.5	(11,830,616)
August 31, 2005	3,438,824	3,856,788	107.8	(12,248,581)

Notes to Basic Financial Statements

Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
August 31, 2003	$17,704,428	$57,918,504	$40,214,076	30.6%	$189,293,462	21.2%
August 31, 2004	18,333,937	58,094,029	39,760,092	31.6	158,996,444	25.0
August 31, 2005	19,754,373	66,985,446	47,231,073	29.5	149,593,414	31.6

Payment of unused sick and personal leave in the amount of $2,442,457 was paid to 232 early retirees in fiscal year 2006.. The Board has appropriated $7,000,000 for it's early retirement programs to be paid in Fiscal year 2007. It is anticipated expenditures for health/group life and sick/personal leaves for Fiscal year 2007 will be $2,354,269. The remaining $4,645,731 will be paid to the supplemental retirement program.

A District-paid $2,000 life insurance policy is provided each retiree upon reaching age 65 and is accounted for through a retired life insurance program in the Employee Benefits Fund.

17. Prior period adjustment

A prior period adjustment was made to beginning net assets to record $330,696 of bond premiums associated with Woodrow Wilson Academy (a component unit of Jeffco Public Schools) debt issuance in fiscal year 2005. The result of this adjustment decreased the beginning net assets of Woodrow Wilson Academy from $691,600 to a restated balance of $360,904. The aggregate discretely presented component units beginning balance was decreased from a beginning blance of $(81,386) to $(412,082) as a result of this adjustment.

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APPENDIX B

Form of Special Counsel Opinion

December 21, 2006

$25,440,000 Jefferson County School District No. R-1 Lease Purchase Agreement With Jefferson County School Finance Corporation Certificates of Participation Taxable Series 2006A	$13,230,000 Jefferson County School District No. R-1 Lease Purchase Agreement With Jefferson County School Finance Corporation Certificates of Participation Taxable Series 2006B

We have acted as Special Counsel in connection with the execution and delivery of that certain Lease Purchase Agreement dated as of December 1, 2006 (the "Lease"), between the Jefferson County School Finance Corporation, as sublessor (the "Corporation"), and Jefferson County School District No. R-1 (Jefferson and Broomfield Counties, Colorado), as sublessee (the "District"), and the execution and delivery of the above-captioned Certificates of Participation (the "Certificates"). The Certificates are authorized pursuant to the Mortgage and Indenture of Trust dated as of December 1, 2006 (the "Indenture"), between the Corporation and American National Bank, as trustee (the "Trustee"). The Certificates evidence assignments of interests in rights to receive certain revenues under the Lease.

The Certificates are executed and delivered in the aggregate principal amounts and are dated, bear interest at the rates and mature on the dates provided in the Indenture. The registered owners of the Certificates are entitled to receive payments, as provided in the Certificates and the Indenture, from the Base Rentals (as defined in the Lease) payable by the District under the Lease, which payments include portions designated as interest and principal as provided in the Lease. The Certificates are executed and delivered solely as fully registered Certificates in the denomination of $5,000 or any integral multiple thereof. The Certificates are subject to redemption prior to maturity in the manner and upon the terms set forth therein and in the Indenture.

The real property that is being subleased to the District under the Lease (the "Leased Property") is also being leased to the Corporation by the District under the Site Lease dated as of December 1, 2006 (the "Site Lease"), between the District, as lessor, and the Corporation, as lessee. Under the Lease, the Leased Property has been subleased by the Corporation to the District, and the District has agreed to pay the Base Rentals, if moneys are specifically budgeted and appropriated therefor. Pursuant to the Indenture, the Corporation has assigned its rights under the Site Lease and the Lease (with certain exceptions) to the Trustee for the benefit of the registered owners of the Certificates.

Under the Lease, the District has been granted an option to purchase the Leased Property and to terminate its obligations under the Lease upon payment of the then-applicable Purchase Option Price (as defined in the Lease). In addition, the District has been granted the option to otherwise terminate its obligations under the Lease, for any reason, without payment of the Purchase Option Price, upon the occurrence of an Event of Nonappropriation or an Event of Default as described in the Lease.

The Certificates are payable solely from the sources described in the Lease, including the Base Rentals to be paid by the District to the Corporation under the Lease (collectively, the "Revenues"), and in the Indenture. Neither the Lease nor the Certificates shall constitute a mandatory payment obligation of the District in any ensuing fiscal year beyond a fiscal year for which the District has appropriated amounts to make payments under the Lease, nor directly or indirectly obligate the District beyond such fiscal year, nor constitute or give rise to a general obligation indebtedness or a direct or indirect indebtedness or other financial obligation whatsoever of the District within the meaning of any constitutional or statutory provision.

We have examined the Constitution and the statutes of the State of Colorado (the "State"), as interpreted by judicial decisions, and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

We have examined an executed Certificate and have found it to be in proper legal form.

Based upon an examination of the aforementioned documents, it is our opinion as Special Counsel that:

1. The District is a school district validly organized and existing under the Constitution and laws of the State with full power and authority to consummate all transactions contemplated by the Site Lease and the Lease.

2. The Site Lease and the Lease have been duly authorized by the District and duly executed and delivered by authorized officials of the District and, assuming due execution thereof by the Corporation, constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, moratorium or other laws or principles of equity affecting the enforcement of creditors' rights generally and liens securing such rights.

3. Assuming due execution of the Site Lease and the Lease by the Corporation, and due execution of the Certificates by the Trustee, the Certificates evidence legal, valid and binding assignments of proportionate interests in rights to receive Revenues pursuant to the Lease, which rights are enforceable in accordance with the terms of the Lease, subject to any applicable bankruptcy, insolvency, moratorium or other laws or principles of equity affecting the enforcement of creditors' rights generally and liens securing such rights.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by the District and which is designated and paid as interest (the "Interest

Component") as provided in the Lease, is includible in gross income for purposes of federal and State of Colorado income taxation. The accrual or receipt of the Interest Component may otherwise affect the federal or Colorado income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status or other items of income or deduction. We express no opinion with respect to such consequences. We also express no opinion for federal or Colorado income tax purposes as to any moneys received in payment of or in respect to the Certificates subsequent to termination of the obligations of the District under the Lease by reason of an Event of Nonappropriation or an Event of Default.

Any federal tax advice contained in this letter was written to support the marketing of the Certificates and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code of 1986, as amended. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

5. The obligations of the District under the Site Lease and the Lease are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

In rendering the foregoing opinions, we are not passing upon the matters of the corporate status of the Corporation, the power of the Corporation to execute and deliver the Site Lease, the Lease or the Indenture, the power of the Trustee to execute and deliver the Certificates, or the enforceability of the Site Lease or the Lease against any party other than the District. As to the foregoing matters, the original purchasers of the Certificates have received certificates of even date herewith of the District, the Trustee and the Corporation. We express no opinion as to the ability of the District to apply amounts on deposit in any particular fund or account of the District for the purpose of making payments under the Lease. In addition, we express no opinion as to the sufficiency of the legal description in the Site Lease, the Lease or the Indenture. We also express no opinion as to the creditworthiness or financial condition of the District or as to the adequacy or sufficiency of any information provided to any person in connection with the offering or sale of any of the Certificates.

This opinion speaks only as of its date and is limited to the statutes, regulations, rulings and judicial decisions in effect on such date. Our engagement as Special Counsel with respect to the transaction referred to herein ends on the date of this letter and we assume no further responsibilities or duties with respect to said engagement.

Very truly yours,

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APPENDIX C

Form of Continuing Disclosure Certificate

JEFFERSON COUNTY SCHOOL FINANCE CORPORATION
CERTIFICATES OF PARTICIPATION
TAXABLE SERIES 2006A
TAXABLE SERIES 2006B

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Jefferson County School District No. R-1, Colorado (the "District") in connection with the issuance of the Jefferson County School Finance Corporation, Certificates of Participation, Taxable Series 2006A, and Certificates of Participation, Taxable Series 2006B (the "Certificates"). The Certificates are being executed and delivered pursuant to a Mortgage and Indenture of Trust dated as of December 1, 2006, between the Jefferson County School Finance Corporation and American National Bank, as Trustee (the "Indenture"). The District covenants and agrees as follows:

SECTION 1) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and the Insurer and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC").

SECTION 2) Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Material Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repositories" shall mean all of the Nationally Recognized Municipal Securities Information Repositories 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.

"Participating Underwriters" shall mean the meaning given thereto under the Rule.

"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.

"Repositories" shall mean the National Repositories and any State Repository.

"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, 2007, provide to the Insurer and either (i) the Repositories 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 the Repositories 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 the Insurer and any of the following: (i) the MSRB and the State Repository, if any; or (ii) the National Repositories; 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 the Repositories 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 with respect to the Certificates, 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 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 the Insurer and to any of the following: (i) the MSRB and the State Repository, if any; or (ii) the National Repositories; or (iii) a Repository Agent, notice of any of the following events with respect to the Certificates, 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 Certificates;

g) Modifications to rights of bondholders;

h) Bond calls;

i) Defeasances;

j) Release, substitution or sale of property securing repayment of the Certificates; 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 Certificates; (ii) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates.

SECTION 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 Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriters in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The District will provide notice of such amendment or waiver to the Insurer and either the Repositories 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 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the 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 Insurer, the Dissemination Agent, the Participating Underwriters and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

DATE: December 21, 2006.

JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1

By:____
President, Board of Education

EXHIBIT “A”

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name: Jefferson County School District No. R-1

Name of Issue: Certificates of Participation, Taxable Series 2006A, Certificates of Participation, Taxable Series 2006B, dated as of December 1, 2006, in the aggregate principal amount of $38,670,000.

Date of Issuance: December 21, 2006.

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed as of December 21, 2006, by the District. The District anticipates that the Annual Report will be filed by ________________________.

Dated: _______________, _____

JEFFERSON COUNTY SCHOOL DISTRICT NO. R-1

By:____
Its:____

EXHIBIT “B”

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

Fall Enrollment - October Headcount
State Equalization Payments
General Fund Budgets for the Fiscal Years ending June 30, 2006-07, and
Schedule of Revenues, Expenditures and Operating Transfers
For the Year ended June 30, 2006
General Fund Revenues, Expenditures, and Changes in Fund Balances (GAAP Basis)
History of Assessed Valuations and Mill Levies for the District
Property Tax Collections in the District
Ten Largest Taxpayers Within the District
Assessed Valuation of Classes of Property in the District
Selected Debt Ratios of the District as of the Date of Issuance of the Certificates
Outstanding General Obligation Debt

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Certificates will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, 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 securities depository with respect to the Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

The District and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Certificates registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Certificates, giving any notice permitted or required to be given to registered owners under the Indenture, including any notice of redemption, registering the transfer of Certificates, 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 Paying Agent will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Certificates under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Paying Agent 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 Certificates; 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 Certificates; 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 Indenture, 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 Certificates; 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 Certificates, the Paying Agent will give any notice of redemption or any other notices required to be given to registered owners of Certificates 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 Certificates called for redemption or of any other action premised on such notice.

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APPENDIX E

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN TERMS OF THE LEASE, THE SITE LEASE AND THE INDENTURE

APPENDIX E

**CERTAIN DEFINITIONS AND SUMMARY OF
CERTAIN TERMS OF THE LEASE, THE SITE LEASE AND THE INDENTURE**

This Appendix includes definitions of some of the terms used in this Official Statement, the Lease, the Site Lease and the Indenture and summaries of certain provisions of the Lease, the Site Lease and the

Indenture. Reference is hereby made to the actual provisions of the Lease, the Site Lease and the Indenture for a complete recital of the definitions used in and terms of the Lease, the Site Lease and the Indenture. Copies of the Lease, the Site Lease and the Indenture may be obtained from the Trustee or the District or, during the period of the offering, from the Underwriters.

DEFINITIONS

Set forth below are the definitions of some of the terms used in this Official Statement, the Lease, the Site Lease and the Indenture. Reference is hereby made to the actual provisions of the Lease, the Site Lease and the Indenture for a complete recital of the terms defined therein.

"*Additional Rentals*" means the cost of all (a) reasonable expenses and fees of the Trustee and the Corporation related to the performance of the provisions of the Lease or the Site Lease, or otherwise incurred at the request of the District; (b) taxes, insurance premiums, utility charges, maintenance, upkeep, repair, improvement and replacement in respect of the Leased Property; (c) payments or deposits in the Reserve Fund; (d) payments to the Insurer as a result of draws on amounts available under the Reserve Policy; and (e) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the District shall fail to pay the same) which the District assumes or agrees to pay as Additional Rentals with respect to the Leased Property. Additional Rentals do not include Base Rentals.

"*Base Rental Payment Dates*" means December 1 and June 1 of each Fiscal Year.

"*Base Rentals*" means the payments payable by the District during the Lease Term pursuant to the Lease, which constitute the payments payable by the District for and in consideration of the right to use the Leased Property during the Lease Term.

"*Buildings*" means the buildings or other structures and fixtures located on the Sites, as described in the Lease.

"*Business Day*" means any day, other than a Saturday, Sunday or legal holiday or day on which the Trustee is required or authorized by law to close.

"*Equipment*" means (a) those items of equipment, machinery and related property included in the Leased Property; and (b) any items of equipment, machinery and related property acquired in replacement or substitution for the Leased Property, less equipment, machinery and related property released from the Lease, or damaged, destroyed or condemned.

"*Event of Default*" means one or more events of default under the Lease.

"*Event of Nonappropriation*" means a termination of the Lease by the District, determined by the failure of the District, for any reason, to duly enact by the last day of each Fiscal Year an appropriation resolution for the ensuing Fiscal Year which includes (a) by specific line item reference amounts authorized and directed to be used to pay all Base Rentals; and (b) sufficient amounts to pay such Additional Rentals as are estimated to become due. The term also means a notice of the intention of the District to terminate and a failure by the District to appropriate amounts due as Additional Rentals in excess of the amounts estimated to become due.

"*Fiscal Year*" means the fiscal or budget year of the District.

"*Force Majeure*" means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the District.

"*Insurer*" means Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

"*Interest Payment Date*" means June 15 and December 15 of each calendar year, commencing June 15, 2007.

"*Leased Property*" means the interests in the Site, Building, Equipment and other property described in the Lease.

"*Lease Purchase Agreement Balance*" means the Outstanding principal amount of the Certificates.

"*Lease Remedy*" or "*Lease Remedies*" means any or all remedial steps provided in the Lease whenever an Event or Default thereunder has happened and is continuing, which may be exercised by the Trustee.

"*Lease Term*" means the time during which the District is the lessee of the Leased Property under the Lease, including the Original Term and all Renewal Terms.

"*Net Proceeds*" when used with respect to any performance or payment bond proceeds, or proceeds of insurance, including self insurance, required by the Lease (except the Policy), or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under a contract relating to the Leased Property or proceeds from any Lease Remedy, means the amount remaining after deducting from such proceeds (a) all expenses (including, without limitation, attorneys fees and costs) incurred in the collection of such proceeds or award; and (b) all other fees, expenses and payments due to the Trustee or the Corporation.

"*Original Term*" means the portion of the Lease Term that terminates on June 30, 2007.

"*Outstanding*" means, with respect to the Certificates, all Certificates executed and delivered under the Indenture as of the time in question, except:

(a) Certificates cancelled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed and delivered under the Indenture;

(c) Certificates which shall have been redeemed as provided in the Indenture; and

(d) Certificates for the payment or redemption of which provision has been made in accordance with the Indenture.

"*Owner*" or "*owner*" or "*registered owner*" of a Certificate means the registered owner of any Certificate as shown in the registration records of the Trustee.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Lease, the Indenture and the Site Lease; (c) utility, access and other easements and rights of way, restrictions and exceptions which an authorized officer of the District certifies will not interfere with or impair the use of the Leased Property, including rights or privileges in the nature of easements; (d) any financing statements filed to perfect security interests pursuant to the Lease, the Indenture or the Site Lease; (e) any encumbrance represented by financing statements in forms appropriate to perfect purchase money security interests in any of the Leased Property; (f) existing leases, easements, covenants, restrictions, liens and encumbrances, if any, to which title to the Leased Property was subject when a leasehold interest therein was conveyed to the Corporation or otherwise and which do not interfere in any material way with the use of the Leased Property; and (g) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not render the title unmarketable.

"*Policy*" or "*Policy of Insurance*" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Certificates when due.

"*Purchase Option Price*" means the amount payable, at the option of the District, for the purpose of terminating the Lease with respect to the Leased Property and purchasing such Leased Property, which amount shall be (a) an amount equal to the District's outstanding Lease Purchase Agreement Balance, plus all Base Rentals representing interest in the Certificates, which may be due on any date, to the proposed date of repayment of the Certificates; or (b) an amount calculated by the Trustee or its designee, which may be a certified public accountant, which is due in addition to the Lease Purchase Agreement Balance upon prepayment equal to an amount that together with the amount of such Lease Purchase Agreement Balance, shall be invested in noncallable obligations issued or guaranteed by the United States of America, the principal of and interest on which will be sufficient to pay (i) the principal or redemption price of the Outstanding Certificates; and (ii) interest on the Outstanding Certificates coming due on each Interest Payment Date until the last of the Outstanding Certificates is redeemed and cancelled, as specified by the District; plus (c) any other amount for costs or otherwise necessary to discharge the Indenture with respect to the Lease; and plus (d) any Additional Rentals then due or accrued.

"*Renewal Term*" means any optional renewal of the Lease Term for the next Fiscal Year by the District, as provided in the Lease.

"*Reserve Requirement*" means the amount of $3,205,682.25.

"*Revenues*" means (a) all amounts payable by or on behalf of the District with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Purchase Option Prices, and Net Proceeds, but not including Additional Rentals other than Reserve Fund payments or deposits, payable thereunder; (b) any portion of the proceeds of the Certificates deposited with the Trustee in the Certificate Fund or the Reserve Fund; (c) any earnings on moneys on deposit in the Certificate Fund and the Reserve Fund; (d) all other revenues derived from the Lease, excluding Additional Rentals other than those constituting Reserve Fund payments; and (e) any other moneys to which the Trustee may be entitled for the benefit of the owners of the Certificates.

"*Sites*" means the parcels of land, the legal description of which is set forth in the Site Lease and the Lease.

THE LEASE

The following is a summary of certain provisions of the Lease. Reference is hereby made to the actual Lease for a complete recital of its terms.

Lease Term

The Lease Term is to commence on December 21, 2006. The Lease Term consists of the Original Term, which will continue through the last day of the current Fiscal Year of the District, and additional Renewal Terms, each of which will be for twelve months and coincide with the District's next succeeding Fiscal Year, except that the Renewal Term beginning on July 1, 2026 shall terminate on December 15, 2026. The District has the right to annually renew the Lease Term at the end of the Original Term and at the end of each Renewal Term. Each Renewal Term becomes effective solely at the option of the District, as evidenced by the specific annual appropriation by the District of sufficient funds to make payment of the Base Rentals and reasonably estimated Additional Rentals payable during such next succeeding Renewal Term. The terms and conditions of the Lease during any Renewal Term will be the same as the terms and conditions during the Original Term, except that the Base Rentals will be as specified in the Lease for that Renewal Term.

The Lease Term, including the Original Term and all Renewal Terms, may not exceed the weighted average useful life of the Leased Property. If the Lease involves both real property and other property, the cost of such real property will be amortized over a period not exceeding its weighted average useful life, and the cost of such other property will be separately amortized over a period not exceeding its weighted average useful life.

The Lease Term will terminate upon the earliest of any of the following events: (a) the expiration of the Original Term or any Renewal Term of the Lease during which there occurs an Event of Nonappropriation (which is not thereafter waived); (b) the purchase by the District of the Leased Property, upon payment of the Purchase Option Price, and discharge of the Indenture, as more fully provided in the Lease; (c) an Event of Default and a termination of the Lease Term by the Trustee; (d) the election of the District to terminate the Lease in certain events as described herein under the caption "—Damage, Destruction and Condemnation," or (e) December 15, 2026, which date constitutes the last day of the final Renewal Term of the Lease, or such later date as all Base Rentals and Additional Rentals required under the Lease shall be paid.

Termination of the Lease Term will terminate all unaccrued obligations of the District under the Lease, and will terminate the rights of the District to possession of the Leased Property under the Lease (except to the extent of any conveyance to the District pursuant to the Lease); but all other provisions of the Lease, including all obligations of the District accrued prior to such termination and all obligations of the Trustee with respect to the owners of the Certificates and the receipt and disbursement of funds and all rights and remedies of the Trustee, shall be continuing until the Indenture is discharged, as provided in the Indenture.

Base Rentals and Additional Rentals

The Base Rentals and Additional Rentals constitute currently budgeted expenditures of the District. The obligations of the District under the Lease are from year to year only and do not constitute a mandatory payment obligation of the District in any Fiscal Year beyond a Fiscal Year in which the Lease is in effect. No provision of the Lease shall be construed or interpreted as creating a general obligation indebtedness or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of any constitutional or statutory debt limitation. Neither the Lease nor the execution and delivery of the Certificates directly or indirectly obligates the District to make any payments beyond the funds legally available for any Fiscal Year in which the Lease shall be in effect.

Under the Lease, the District is required to pay Base Rentals directly to the Trustee on the Base Rental Payment Dates during the Original Term and any Renewal Term, in the amounts specified in the Lease. The amount of Base Rentals otherwise payable will be reduced by an amount equal to the moneys on deposit at such time in the Certificate Fund. A portion of each payment of Base Rentals represents the payment of interest as set forth in the Lease.

The Lease also requires the District to pay Additional Rentals during the Original Term and any Renewal Term. The Additional Rentals during the Original Term and any Renewal Term are to be in an amount sufficient to pay the fees and expenses of the Trustee, to restore the amount on deposit in the Reserve Fund to the Reserve Requirement and for the cost of taxes, insurance, utilities, maintenance and other expenses as provided in the Lease. The Additional Rentals are to be paid by the District on a timely basis directly to the person or entity to which such Additional Rentals are owed; any payments into the Reserve Fund are to be made to the Trustee.

The District may, at any time during the Lease Term, pay the then applicable Purchase Option Price related to the Leased Property, for the purpose of terminating the Lease and purchasing the Leased Property. Certificates will be redeemed on the first Interest Payment Date on which the Certificates may be redeemed following the prepayment of such Base Rentals.

The Base Rentals and, if paid, the Purchase Option Price, are payable directly to the Trustee at its operations office. The District is not to withhold any Base Rentals or Additional Rentals (with certain exceptions as to Additional Rentals as provided in the Lease) pending final resolution of any dispute, or to assert any right of set-off or counterclaim against its obligation to make those payments.

Nonappropriation

If the Board of Education of the District does not specifically budget and appropriate, on or before the last day of each Fiscal Year, moneys to pay all Base Rentals and reasonably estimated Additional Rentals for the next ensuing Renewal Term, or if the Trustee receives written notice from the Board of Education of the District that the Lease will not be renewed, an Event of Nonappropriation shall be deemed to have occurred under the Lease. The Trustee shall also declare an Event of Nonappropriation on any earlier date on which the Trustee receives specific written notice from the District that the Lease will be terminated. The Trustee shall, at the direction of the Insurer and may, with the consent of the Insurer, waive any Event of Nonappropriation which is cured by the District within a reasonable time if in the judgment of the Trustee such waiver is in the best interests of the owners of the Certificates, and the Trustee shall waive any Event of Nonappropriation which is cured by the District, within 10 days of the giving of notice by the Trustee as provided in the Lease, by inclusion in a duly enacted appropriation resolution (a) by specific line item reference amounts authorized and directed to be used to pay all Base Rentals, and (b) sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Fiscal Year. An Event of Nonappropriation shall also be deemed to have occurred (subject to waiver by the Trustee as described above) if, during the Original Term or any Renewal Term, (i) any Additional Rentals shall become due which were not included in the then current budget of the District, or which exceed the amount included in such budget; and (ii) the District does not specifically budget and appropriate moneys sufficient to pay such Additional Rentals within 45 days (or longer, as may be approved by the Insurer) after the date on which such Additional Rentals are due.

If an Event of Nonappropriation occurs, the District will not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments provided for in the Lease which accrue after the last day of the Original Term or Renewal Term during which such Event of Nonappropriation occurs; provided, however, that the District will be required to pay to the Trustee that portion of Base Rentals and Additional Rentals allocable to any period during which the District continues to occupy the Leased Property, beginning with the first day of the Fiscal Year in respect of which the Event of Nonappropriation occurs. The District is obligated to vacate the Leased Property by the first Business Day of the Fiscal Year in respect of which an Event of Nonappropriation occurs. Upon the occurrence of an Event of Nonappropriation, the Trustee will be entitled to all moneys then held for the District's account under the Indenture. After the first Business Day of the Fiscal Year in respect of which an Event of Nonappropriation occurs, the Trustee will be entitled to, with the consent of the Insurer, and shall, at the direction of the Insurer, lease its leasehold interest in the Leased Property and may take certain other actions as provided in the Lease, subject to the direction of the Insurer. All property, funds and rights acquired by the Trustee by reason of an Event of Nonappropriation, less any moneys due and owing to the Trustee for services performed as Trustee, will be held by the Trustee for the benefit of the owners of the Certificates as set forth in the Indenture.

Title to the Leased Property

Except for personal property purchased by the District at its own expense, a leasehold interest in the Leased Property and any and all additions, modifications and replacements thereto will be held in the name of the Corporation pursuant to the Site Lease, subject only to Permitted Encumbrances, until the termination of the Site Lease.

Pursuant to the Lease, the District shall not permit any mechanic's or other lien, except for Permitted Encumbrances, to exist with respect to the Leased Property. The District may, on prior notice to the Trustee, in good faith contest such mechanic's or other lien filed or established against the Leased Property, and permit the items so contested to remain undischarged during the period of such contest and any appeal therefrom unless the Trustee shall notify the District that by nonpayment of any such items the Trustee's leasehold interest in the Leased Property or lien on the Leased Property pursuant to the Indenture will be materially endangered, or the Corporation's interest in the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay and cause to be satisfied and discharged such unpaid items. The Corporation is also prohibited under the Lease from creating any lien or encumbrance with respect to the Leased Property, except Permitted Encumbrances.

Maintenance and
Modification of Leased Property

Pursuant to the Lease, at all times during the Lease Term the District will cause the Leased Property to be kept in good repair, working order and condition and the District will from time to time make or cause to be made all necessary and proper repairs; provided, however, that in the event of damage, destruction or condemnation, and in the event that Net Proceeds from insurance or other sources are insufficient to repair the Leased Property, the obligation to repair the Leased Property, at the option of the District, may be waived by depositing the Net Proceeds of insurance policies, performance bonds or condemnation awards made available by the event, into the Certificate Fund. Neither the Corporation, the Trustee nor any of the owners of the Certificates will have any responsibility in any of these matters or for the making of any additions, modifications or replacements to the Leased Property.

The District is granted the privilege of remodeling the Leased Property or making substitutions or additions to the Leased Property at its own cost and expense, and the same will be leased to the Corporation pursuant to the Site Lease, subject to the Lease and the Indenture, and will be included under the terms of the Site Lease, the Lease and the Indenture. Any remodeling, substitutions or additions may not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of the Lease or the Constitution, statutes and laws of the State. Upon completion of the remodeling, substitution or additions, the Leased Property must be of a value no less than the value of the Leased Property immediately prior to any of these actions.

Insurance To Be Maintained for the Leased Property

The District shall, at its own expense, cause casualty and/or property insurance to be carried and maintained with respect to the Leased Property in an amount equal to the aggregate principal amount of the Certificates then outstanding or the replacement cost of the Leased Property, whichever is greater. Such insurance policy may have a deductible in an amount not to exceed $25,000. The Leased Property may be insured under a blanket insurance policy or policies which insure not only the Leased Property, but other property as well, as long as such blanket insurance policies comply with the requirements of the Lease. The provisions of the required property insurance policies are required to show the Trustee and the Corporation as mortgagee/sublessor/trustee and/or loss payee and/or additional insureds and to make losses exceeding $25,000, if any, payable to the District, the Trustee and the Corporation as their interests may appear. If the District shall insure similar properties by self-insurance, the District, at its election, may provide for casualty and property insurance with respect to the Leased Property by means of an actuarially established self-insurance fund so long as the District provides an annual certification to the Trustee and the Insurer that the reserves therein are adequate as determined by an independent insurance consultant or actuary.

Upon the execution and delivery of the Lease, the District is required, at its own expense, to cause reasonable and customary public liability insurance, including (a) blanket contractual liability or specific contractual liability insurance for the Lease; and (b) public officials errors and omissions coverage to be carried and maintained in connection with the Leased Property, in amounts not less than the limits of liability per occurrence set by the Colorado Governmental Immunity Act, as the same may be amended from time to time, for claims to which the defense of sovereign immunity applies. All such policies (except errors and omissions) shall show the District, its officers and employees, and the Trustee and the Corporation as additional insureds. Such coverage may be by a blanket insurance policy or policies. If the District shall insure against similar risks by self-insurance, the District, at its election, may provide for public liability insurance with respect to the Leased Property by means of an actuarially established self-insurance fund so long as the District provides an annual certification to the Trustee and the Insurer that the reserves therein are adequate as determined by the District's insurance consultant or actuary.

Upon the delivery and acceptance of the Leased Property, the District shall, at its own expense, cause workers' compensation insurance to be procured and maintained covering the District's employees working in or on the Leased Property. Such insurance, if issued by a private carrier, shall contain a provision that such coverage shall not be cancelled without 60 days prior written notice to the District, the Corporation and the Trustee. The workers' compensation insurance may be by blanket insurance policy or policies. If the District insures against similar risks by self insurance, the District, at its election, may provide for workers' compensation insurance with respect to employees working in or on the Leased Property by means of an actuarially established self-insurance fund so long as the District provides an annual certification to the Trustee and the Insurer that the reserves therein are adequate as determined by the District's insurance consultant or actuary.

Advances by Trustee and Penalty Interest

If the District fails to pay any Additional Rentals required by the Lease, the Trustee may (but shall be under no obligation to) pay such Additional Rentals, which Additional Rentals, together with interest thereon at the "Prime Rate" quoted periodically by the Trustee plus 2%, are to be reimbursed to the Trustee by the District to the extent permitted by law.

Damage, Destruction and Condemnation

If, during the Lease Term (a) the Leased Property or any portion thereof shall be destroyed (in whole or in part), or damaged by fire or other casualty; (b) title to, or the temporary or permanent use of, the Leased Property or any portion thereof or the estate of the District, the Corporation or the Trustee in the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental authority; (c) a breach of warranty or a material defect in construction, manufacture or design of the Leased Property shall become apparent; or (d) title to or the use of all or any portion of the Leased Property should be lost by reason of a defect in title; then the District unless it elects to proceed under any of its options described in clauses (a), (b) and (c) below, is required to continue to pay Base Rentals and Additional Rentals and to take certain actions to repair and replace the Leased Property.

The District and the Trustee, except as otherwise provided below, are required to cause the Net Proceeds of any insurance policies or condemnation awards with respect to the Leased Property, to be deposited in a separate trust fund; and all Net Proceeds so deposited are to be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the District as specified in the Lease. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited in the Certificate Fund.

If the Net Proceeds are insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement of the Leased Property, the District may elect, within 90 days of the occurrence of an event specified in clauses (a) through (d) above, any of the following options:

(a) commence and complete the work or replace such Leased Property with similar property of a value equal to or in excess of such Leased Property and pay any cost in excess of the Net Proceeds, in which case the District agrees that it will not be entitled to any reimbursement from the Corporation, the Trustee or the owners of the Certificates or to any diminution of the Base Rentals or Additional Rentals;

(b) apply such Net Proceeds to the payment of the Purchase Option Price, in which case, if the Net Proceeds are insufficient to pay the Purchase Option Price, the District shall pay such amounts as are necessary to equal the Purchase Option Price, and if the Net Proceeds exceed the Purchase Option Price, such excess shall be retained by the District; or

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

The District has agreed that any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds will be leased to the Corporation, subject to the Indenture, and will be included as part of the Leased Property subject to the Lease.

Granting of Easements

So long as no Event of Nonappropriation or Event of Default is occurring, and so long as the Lease shall not be terminated as described herein under the caption "—Damage, Destruction and

Condemnation," the Corporation and the Trustee are authorized to grant and release easements and similar interests in the Leased Property, free from the lien of the Indenture and the Lease, upon application by the District stating that such grant or release will not impair the effective use of or interfere with the operation of the Leased Property and the prior written consent of the Insurer.

Conveyance of Leased Property to District

The Corporation's interest in the Leased Property will be transferred to the District (a) upon payment by the District of the then applicable Purchase Option Price related to the Leased Property; (b) upon payment of all Base Rentals related to the Leased Property for the Original Term and all Renewal Terms and all then current Additional Rentals, in which case the Corporation shall transfer and convey such Leased Property to the District; or (c) upon the discharge of the Indenture as provided therein.

Assignment of Lease

The rights of the Corporation under the Lease, including rights to receive and enforce payments and other obligations under the Lease, except certain rights of the Corporation to indemnification and payment of its attorneys fees, have been assigned to the Trustee pursuant to the Indenture. The Lease may not be assigned by the District. However, the Leased Property may be subleased, as a whole or in part, by the District, with the consent of the Insurer, but without the necessity of obtaining the consent of the Corporation, the Trustee or any owner of the Certificates; subject, however, to each of the following conditions:

(a) the Leased Property may be subleased, in whole or in part, only to an agency or department or political subdivision of the State;

(b) the Lease, and the obligations of the District thereunder, shall, at all times during the Original Term and any Renewal Term, remain obligations of the District, and the District shall maintain its obligations to the Corporation and the Trustee, notwithstanding any sublease; and

(c) the District shall furnish or cause to be furnished to the Trustee a copy of any sublease agreement.

Events of Default

Any of the following will be an "Event of Default" under the Lease:

(a) failure by the District to pay any Base Rentals or Additional Rentals during the Lease Term, within five days after the same become due;

(b) failure by the District to vacate or surrender possession of the Leased Property by the first Business Day of the Fiscal Year in respect of which an Event of Nonappropriation occurs and is not cured;

(c) failure by the District to observe and perform any of its covenants, conditions or agreements, other than as referred to in clause (a) or (b) above, for a period of 30 days after written notice, specifying the failure and requesting that it be remedied, is given to the District and the Insurer by the Trustee, unless the Trustee or the Insurer shall agree in writing to an extension of time prior to expiration of the 30-day period; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee and the Insurer shall not withhold their consent to an extension of time if, in the Trustee's judgment, corrective action can be instituted by the District within the applicable time period and diligently pursued until the default is corrected; or

(d) the District (i) files a petition or application seeking reorganization or protection under federal bankruptcy law, or other debtor relief under the laws of the State or (ii) is the subject of such a petition or application which is not contested by the District, or otherwise dismissed or discharged, within 60 days.

The foregoing provisions concerning Events of Default are subject to the following limitations: (i) the District shall be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except as otherwise expressly provided in the Lease; and (ii) if, by reason of events specified in the Lease as events of Force Majeure, the District is unable in whole or in part to carry out any agreement on its part, other than the obligations to pay Base Rentals and Additional Rentals as specified in the Lease, the District will not be deemed in default during the continuance of such inability. The District agrees, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the District from carrying out its agreement, except that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the District.

Remedies Under the Lease

Vacate and Surrender Possession of the Leased Property. Upon an Event of Default the Trustee may, with the consent of the Insurer, or shall, at the direction of the Insurer, terminate the Lease Term and give notice to the District to vacate and surrender possession of the Leased Property within 10 Business Days of such notice. In the event that payments under the Policy shall be insufficient to pay the principal of and interest on the Certificates when due, or upon the direction of the Insurer, the Trustee may proceed to foreclose through the courts on or otherwise sell, trade-in, repossess or liquidate its interest in the Leased Property, or any part thereof and may exercise all the rights and remedies of a secured party under the Colorado Uniform Commercial Code with respect to any equipment included in the Leased Property; provided, however, that the Trustee may not recover from the District any deficiency which may exist following the liquidation of its interest in the Leased Property in excess of Base Rentals and Additional Rentals for the then current Fiscal Year and in excess of amounts payable under paragraph (b) below.

Under the Indenture, if moneys available under the Indenture and the Policy shall be insufficient to pay the principal of and interest on the Certificates when due, the Certificates then Outstanding are to be redeemed by the Trustee at 100% of their principal amount plus accrued interest to the redemption date, from and to the extent of Net Proceeds from the subleasing of or sale of the Trustee's interest in the Leased Property and other moneys, if any, then on hand and being held by the Trustee for the owners of the Certificates. In the event that such Net Proceeds and other moneys then available under the Indenture and the Policy are insufficient to redeem the Certificates in the manner set forth in the preceding sentence, the Indenture provides that such Net Proceeds and other moneys are to be allocated proportionately among the Certificates, according to principal amount Outstanding. In the event that such Net Proceeds and other moneys exceed the amount required to redeem the Certificates then Outstanding at 100% of principal amount plus accrued interest to the redemption date, such excess moneys shall be applied to reimburse the Insurer for any payments made under the Policy, and the balance shall be paid to the District. IF THE CERTIFICATES ARE TO BE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF, PLUS ACCRUED INTEREST TO THE REDEMPTION DATE, NO OWNER THEREOF WILL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE, THE CORPORATION OR THE DISTRICT. IN SUCH

EVENT, THE CERTIFICATE OWNERS MAY PURSUE ANY AVAILABLE REMEDIES AGAINST THE INSURER.

Additional Remedies Upon Default. After the occurrence of an Event of Default, the Trustee may, with the consent of the Insurer, or shall, at the direction of the Insurer, proceed to take possession of the Leased Property as described above, and take one or any combination of the following additional remedial steps:

(a) The Trustee may, in the event that the Trustee deems such action to be in the best interests of the owners of the Certificates, sublease the Leased Property or any portion thereof or sell an assignment of any interest the Trustee has in any Leased Property for the benefit of the owners of the Certificates.

(b) The Trustee may recover from the District:

(i) the portion of Base Rentals and Additional Rentals which would otherwise have been payable under the Lease during any period in which the District continues to occupy or possess the Leased Property; and

(ii) Base Rentals and Additional Rentals which would otherwise have been payable by the District under the Lease during the remainder, after the District vacates and surrenders possession of the Leased Property, of the Original Term or Renewal Term in which such Event of Default occurs.

(c) The Trustee may take whatever action at law or in equity appear necessary or desirable to enforce its rights in and to the Leased Property under the Lease, the Indenture and the Site Lease.

A judgment requiring a payment of money may be entered against the District by reason of an Event of Default only as to the liabilities described in paragraph (b) above. A judgment requiring a payment of money may be entered against the District by reason of an Event of Nonappropriation only to the extent that the District fails to vacate and surrender possession of the Leased Property as required by the Lease, and only as to the liabilities described in paragraph (b)(i) above. Notwithstanding anything else set forth in the Lease, any Event of Default consisting of a failure by the District to vacate and surrender possession of the Leased Property within 10 Business Days following notice of an Event of Nonappropriation shall not result in any liability for Base Rentals or Additional Rentals under paragraph (b)(ii) above.

The Trustee may waive an Event of Default under the Lease under certain circumstances as provided in the Lease. The exercise of any remedies by the Trustee under the Lease is subject to the limitations and requirements of the Indenture.

The exercise of any remedies by the Trustee under the Lease is subject to the limitations and requirements of the Indenture, including the right of the Insurer to direct or consent to, the exercise of certain remedies under certain circumstances if the Insurer is in compliance with its payment obligation under the Policy.

Amendments and Modifications

Except as otherwise provided in the Lease or the Indenture, the Lease may not be amended without the written consent of the Trustee and the Insurer as provided in the Indenture.

Partial Release and Substitution of Leased Property

So long as no Event of Default or Event of Nonappropriation shall have occurred and is continuing, the Corporation and the Trustee shall release any portion of the Leased Property, and shall execute all documents necessary or appropriate to reconvey such portion of the Leased Property to the District, free of all restrictions and encumbrances imposed or created by the Lease, the Site Lease and the Indenture, upon receipt by the Trustee of the following: (a) a written request of the District for such release, describing the portion of the Leased Property to be released; (b) written consent of the Insurer or, in the event the Insurer is in default under the Policy, a certificate of the District certifying (i) the value of any real property to be substituted for the portion of the Leased Property to be released, as determined by the District, (ii) that the disposition of the portion of the Leased Property to be released and the substitution therefor of the real property to be substituted for the portion of the Leased Property to be released (if any) will not materially adversely affect the ability of the District to operate the remaining Leased Property or to fulfill its obligations under the Lease; (iii) that any real property to be substituted for the portion of the Leased Property to be released is necessary or useful to the operation of the District; and (iv) that the fair value of any real property to be substituted for the portion of the Leased Property to be released, as determined by the District, together with remaining Leased Property and cash to be paid by the District to the Trustee, if any, is at least equal to the aggregate principal amount of the Certificates and Additional Certificates then Outstanding; and (c) supplements and amendments to the Lease, the Site Lease and the Indenture and any other documents necessary to subject to the lien of the Indenture any real property to be substituted for the portion of the Leased Property to be released.

Release and Conveyance of Portions of the Leased Property

When the principal component of Base Rentals paid or prepaid by the District equals the amounts set forth in the Lease, the cost of the corresponding portion of the Leased Property set forth in the Lease (or of any property substituted for such portion of the Leased Property pursuant to the Lease) shall be deemed to have been fully purchased and the Corporation and the Trustee shall release such portion of the Leased Property (or any property substituted for such portion of the Leased Property pursuant to the Lease). The Corporation and the Trustee shall execute and deliver to the District all documents necessary or appropriate to convey such portion of the Leased Property to the District, free of all restrictions and encumbrances imposed or created by the Lease, the Site Lease and the Indenture. After such release and conveyance, the property so released and conveyed shall no longer be a part of the Leased Property for any purpose of the Lease, the Site Lease or the Indenture.

Indemnification

To the fullest extent permitted by law, the District shall indemnify the Trustee and the Corporation and any of their directors, members, officers, employees or agents against any liability resulting from acts or omissions of the District in connection with any acts taken pursuant to the Lease as it relates to the Leased Property. The District shall also indemnify the Trustee and the Corporation and its directors, members, officers, employees or agents against all claims arising from (a) the conduct, management, operation or use of, or from any work or thing done on, the Leased Property during the Lease Term; (b) any condition of the Leased Property; and (c) any act of negligence of the District or of any of its agents, contractors or employees or any violation of law by the District or breach of any covenant or warranty by the District.

Rights of the Insurer

(a) Notwithstanding any other provision of the Lease or the Indenture, so long as the Insurer is not in default under the Policy, (i) the Insurer, acting alone, shall have the right to direct all remedies upon the occurrence of an Event of Nonappropriation or an Event of Default; (ii) the Insurer shall be deemed to be the Owner of all the Certificates for purposes of exercising all rights and privileges available to Owners of the Certificates; (iii) the Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of the Certificates in accordance with the applicable provisions of the Lease and the Indenture; and (iv) there shall be no acceleration of the payment of the Certificates without the consent of the Insurer.

(b) In the event that the Insurer is in default under the Policy or the Policy is no longer in effect, all references to the Insurer shall be of no effect.

THE SITE LEASE

The following is a summary of certain provisions of the Site Lease. Reference is hereby made to the actual Site Lease for a complete recital of its terms.

Site Lease and Term

Pursuant to the Site Lease the District has leased to the Corporation and the Corporation has leased from the District, on the terms and conditions set forth in the Site Lease, the parcels of land identified therein (the "Sites") and the buildings and fixtures located thereon (the "Buildings").

The term of the Site Lease shall commence on December 21, 2006 and shall end on June 30, 2046 (the "Site Lease Termination Date"), unless such term is sooner terminated pursuant to the terms of the Site Lease. If prior to the Site Lease Termination Date, (a) all of the Leased Property has been conveyed to the District pursuant to the Lease as a result of the District's payment of (i) the Purchase Option Price thereunder, or (ii) all Base Rentals and Additional Rentals as provided in the Lease; and (b) the Lease has been discharged, then the term of the Site Lease shall thereafter immediately terminate.

Rentals

During the Lease Term of the Lease, the District shall receive one dollar from the Corporation as rent under the Site Lease. In the event that the Lease is terminated for any reason, and the Site Lease is not terminated, and the Trustee subleases all or any portion of the Leased Property or sells an assignment of its interest in the Site Lease, then the rental due from the Corporation to the District under the Site Lease shall be (a) an amount equal to five percent (5%) of the net proceeds (gross proceeds less any taxes, maintenance expenses and utility charges) of any such leasing or sale received by the Trustee; and (b) payable to the District by the Trustee within 30 days after the receipt of such proceeds by the Trustee.

Purpose

The Corporation shall use the Leased Property solely for the purpose of providing the Leased Property and leasing the Leased Property to the District pursuant to the Lease and for such purposes as may be incidental thereto; provided, that upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the District shall vacate the Leased Property as provided in the Lease and the Corporation and the Trustee may exercise the remedies provided in the Lease.

Owner in Fee

The District has covenanted that it is the owner in fee of the Leased Property, subject only to Permitted Encumbrances.

Assignments and Subleases

Unless an Event of Nonappropriation or an Event of Default under the Lease shall have occurred and except as may otherwise be provided in the Lease, the Corporation may not assign its rights under the Site Lease or sublet the Leased Property, except to the Trustee, without the written consent of the District.

In the event that (a) the Lease is terminated for any reason; and (b) the Site Lease is not terminated, the Corporation and the Trustee may sublease the Leased Property or any portion thereof, or sell an assignment of their interest in the Site Lease, pursuant to the terms of the Lease and the Indenture. Except as provided in the Site Lease, the District, the Corporation and the Trustee (or any assignee or lessee of the Trustee) agree that, except for Permitted Encumbrances (including purchase options under the Lease), none of the District, the Corporation, the Trustee or any sublessee or assignee of the Trustee will sell, mortgage or encumber the Leased Property or any portion thereof during the term of the Site Lease.

Right of Entry

The District reserves the right, so long as no Event of Nonappropriation or Event of Default shall have occurred under the Lease, for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to perform obligations of the Trustee or its sublessee or assignee under the Site Lease which the Trustee or its sublessee or assignee neglects to perform and the District elects to undertake.

Termination

The Corporation shall, upon the termination of the Site Lease, quit and surrender the Leased Property in the same order and condition as the same were in at the time of commencement of the term of the Site Lease, reasonable wear and tear excepted, and any permanent improvements and structures existing upon the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the District.

Default

In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Corporation and the Trustee, the District may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Lease shall be deemed to occur as a result thereof; provided, however, that so long as any of the Certificates are Outstanding and unpaid in accordance with the terms thereof, the Base Rentals assigned by the Corporation to the Trustee under the Indenture shall continue to be paid to the Trustee, except as provided in the Lease. In addition, so long as any of the Certificates are Outstanding, the Site Lease shall not be terminated, except as provided therein.

Quiet Enjoyment and Acknowledgment of Ownership

The Corporation at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property, subject to the provisions of the Lease and the Indenture, and the Corporation shall have a leasehold interest in all improvements or additions to be built on the Leased Property subject to the Lease.

Taxes; Maintenance; Insurance

During the Lease Term of the Lease and in accordance with the provisions of the Lease, the District shall pay any and all assessments of any kind or character and all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and all maintenance costs and utility charges in connection with the Leased Property. In the event that the Lease is terminated for any reason, and the Site Lease is not terminated, and the Trustee subleases all or any portion of the Leased Property or sells an assignment of its interest in the Site Lease, the Corporation, the Trustee or any sublessee or assignee of all or a portion of the Leased Property shall pay or cause to be paid when due, solely from the proceeds of such subleasing or sale, all taxes and assessments imposed thereon and maintain the Leased Property in good condition and in good working order.

The provisions of the Lease shall govern with respect to the maintenance of insurance under the Site Lease during the Lease Term of the Lease. In the event that the Lease is terminated for any reason, and the Site Lease is not terminated, and the Trustee subleases all or any portion of the Leased Property or sells an assignment of its interest in the Site Lease, the Corporation, the Trustee or any sublessee or assignee of all or a portion of the Leased Property shall obtain and keep in force, but in the case of the Corporation and the Trustee solely from the proceeds of such subleasing or sale, (a) comprehensive general public liability insurance against claims for personal injury, death or damage to property of others occurring on or in the Sites or the Buildings in an amount not less than $600,000; and (b) property insurance in an amount not less than the full replacement value of the Buildings. All such insurance shall name the Corporation, the Trustee, any sublessee or assignee and the District as insureds.

Damage, Destruction or Condemnation

The provisions of the Lease shall govern with respect to any damage, destruction or condemnation of the Leased Property during the Lease Term of the Lease. In the event that the Lease is terminated for any reason and the Site Lease is not terminated, and either (a) the Leased Property or any portion thereof are damaged or destroyed, in whole or in part, by fire or other casualty; or (b) title to or use of the Leased Property or any part thereof shall be taken under the exercise of the power of eminent domain, the District, the Corporation and the Trustee or any sublessee or assignee of the Trustee shall cause the Net Proceeds of any insurance claim or condemnation award to be applied to the prompt replacement, repair and restoration of the affected Leased Property or any portion thereof.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. Reference is hereby made to the actual Indenture for a complete recital of its terms.

Payment of Certificates

Pursuant to the Indenture, the Corporation has assigned certain of its rights under the Lease, including all rights to receive Revenues, to the Trustee, for the benefit of the Certificate Owners. The payment of the principal of, premium, if any, and interest on the Certificates are payable solely from the Revenues as provided in the Lease and the Indenture. The Revenues, when, as and if received by the Trustee, are to be held in trust for the payment of the principal of, premium, if any, and interest on the Certificates.

Funds and Accounts

The Indenture provides for the establishment of various funds and accounts, the principal ones of which are described in the following paragraphs. Except as otherwise provided in the Lease and the Indenture, the Trustee will hold all funds and accounts as trustee for the Certificate Owners. Any income from the investment of the funds will be applied as provided in the Indenture.

Certificate Fund. The Certificate Fund will consist of the Interest Account and the Principal Account. The Trustee will withdraw funds from the Certificate Fund to pay the principal of, premium, if any, and interest on the Certificates as the same become due and payable.

Proceeds Fund. The Trustee shall disburse moneys in the Proceeds Fund to the District in accordance with the Lease and the Indenture. Disbursements from the Proceeds Fund shall only be made by the Trustee upon the delivery to the Trustee of a requisition substantially in the form attached to the Lease signed by an Authorized Officer of the District.

Reserve Fund. The Indenture requires the deposit into the Reserve Fund of the amount of the Reserve Requirement on the date of the execution and delivery of the Certificates to the Underwriters. Any moneys held in the Reserve Fund are to be invested and reinvested by the Trustee in Permitted Investments. The income from these investments is to be deposited as follows: (a) to the Reserve Fund until the amount on deposit equals the Reserve Requirement; and (b) all remaining income is to be deposited in the Certificate Fund.

Moneys held in the Reserve Fund are to be applied to any of the following purposes:

(a) to the payment of the principal and interest on the Certificates, as the same become due, to the extent of any deficiency in the Certificate Fund;

(b) at the option of the Trustee, subsequent to an Event of Nonappropriation or an Event of Default, to the payment of any cost or expense necessary to preserve or protect the Leased Property or to make repairs or modifications to the Leased Property in preparation for the subleasing or sale thereof, as the Trustee may deem to be in the best interests of the Certificate Owners, but only to the extent that amounts in the Reserve Fund do not consist of the Reserve Policy;

(c) in the event that the Certificates are to be redeemed subsequent to an Event of Nonappropriation or an Event of Default, to the redemption of the Certificates then Outstanding and the payment of interest thereon;

(d) in the event the District exercises its option to purchase the Leased Property and terminate the Lease upon payment of the Purchase Option Price, to the District, or at the option of the District, as a reduction of the Purchase Option Price, but only to the extent that amounts in the Reserve Fund do not consist of the Reserve Policy; or

(e) at the option of the District, in reduction of the final payment of Base Rentals payable by the District under the Lease and, to the extent moneys in the Reserve Fund exceed the final payment of Base Rentals, to the next preceding payment or payments of Base Rentals, but only to the extent that amounts in the Reserve Fund do not consist of the Reserve Policy.

Whenever the amount on deposit in the Reserve Fund is less than the Reserve Requirement by reason of the application of moneys for a purpose set forth in clause (a) above, the District is required to deposit in the Reserve Fund, within 90 days following such withdrawal, an amount not less than the amount required to bring the total amount on deposit in the Reserve Fund to the Reserve Requirement or reimburse the Insurer so that the Reserve Policy is reinstated to the Reserve Requirement, unless the Lease has been terminated by the District prior to the application of moneys from the Reserve Fund.

Nonpresentment of Certificates

If any Certificate is not presented for payment when due and if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the registered owner thereof, it will be the duty of the Trustee to hold such funds for a period of five years, without liability for interest, for the benefit of the registered owner of such Certificate who shall be restricted exclusively to such funds for any claim of whatever nature on or with respect to such Certificate.

Amounts Remaining in Funds

Upon a discharge and a defeasance of the Indenture in accordance with the provisions thereof, any amounts remaining in the Certificate Fund, the Reserve Fund, or otherwise held by the Trustee pursuant to the Lease and not needed for the payment of the Certificates or the fees and expenses of the Trustee, are to be paid to the District.

Investment of Moneys

Any moneys held as part of any fund or account created under the Indenture will be invested or deposited by the Trustee, at the direction of the District, in Permitted Investments.

Events of Default and Remedies

Any of the following will be an "Event of Default" under the Indenture:

(a) default in the payment of the principal of, or premium, if any, on any Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon redemption;

(b) default in the payment of any installment of interest on any Certificate when the same shall become due and payable; or

(c) the occurrence of an Event of Nonappropriation or an Event of Default by the District under the Lease.

If any Event of Default occurs and is continuing, the Trustee may enforce for the benefit of the registered owners of the Certificates each and every right granted to it as the assignee or grantee of the Lease. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee is to take such action as directed solely by the Insurer, or in the event that payments under the Policy shall be insufficient to pay the principal of and interest on the Certificates when due, as in the judgment of the Trustee, would best serve the interests of the owners of the Certificates, including calling the Certificates for redemption prior to their maturity and exercising the Lease Remedies provided in the Lease.

If any Event of Default has occurred and is continuing, the Trustee shall, if directed by the Insurer, or, in the event that payments under the Policy shall be insufficient to pay the principal of and interest on the Certificates when due, in its discretion may, and upon the written request of the owners of a majority in aggregate principal amount of all Outstanding Certificates and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners of the Outstanding Certificates, including enforcing any rights under the Lease and to enforce the provisions of the Indenture and any collateral rights thereunder for the benefit of the owners of the Outstanding Certificates; or

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Outstanding Certificates.

If the Insurer is not meeting its payment obligations under the Policy when due, the owners of a majority in aggregate principal amount of the Outstanding Certificates shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction is not in conflict with any law or with the Indenture.

No owner of Certificates shall have any right to pursue any remedy unless:

(a) the Trustee shall have been given written notice, or is deemed to have notice, of an Event of Default which affects such owner;

(b) the owners of at least a majority in aggregate principal amount of all Outstanding Certificates, shall have requested the Trustee, in writing, to exercise the powers granted in the Indenture to pursue such remedy in its own name;

(c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities;

(d) the Trustee shall have failed to comply with such request; and

(e) the consent of the Insurer has been obtained (unless the Insurer is not meeting its payment obligations under the Policy).

Application of Moneys in Event of Default

Any moneys received by the Trustee as a result of action taken to remedy an Event of Default under the Indenture shall be applied in the following order:

(a) to the payment of the fees and expenses of the Trustee, including Counsel fees, and disbursements of the Trustee and to the payment of its reasonable compensation;

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

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

(d) to the payment of costs and expenses of the Corporation, including Counsel fees, incurred in connection with the Event of Default.

Obligations and Liabilities of Trustee

The Indenture contains provisions limiting the duties and liabilities of the Trustee. No provision of the Lease or the Indenture requires the Trustee to incur any financial liability in the performance of any of its duties under the Lease or the Indenture, or in the exercise of any of its rights or powers under the Lease or the Indenture, if it has reasonable grounds for believing that repayment of the funds or adequate indemnity against the risk or liability is not reasonably assured to it. The Trustee is not liable for any payments to be made under the Lease or the Indenture or with respect to any Certificate, except to the extent of Revenues actually held by the Trustee pursuant to the Indenture.

During the Lease Term, the District is required to cause the Trustee to be paid compensation as specified in the Lease, and to reimburse the Trustee for all of its reasonable expenses incurred in the performance of its duties under the Lease and the Indenture.

The Indenture provides that the Trustee may resign and become discharged from its duties under the Indenture, by notice in writing given to the District, to the Insurer and to the Corporation not less than 60 days before the resignation is to take effect. The resignation will take effect only upon the appointment of a successor qualified to act under the Indenture. Also, the Indenture provides for the removal of the Trustee from its duties under the Indenture by the registered owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding or by the Insurer for any breach of the trusts set forth in the Indenture.

**Supplemental Indentures
and Amendments of Lease**

The Trustee and the Corporation may, with the written consent of the District, but without the consent of or notice to the Certificate Owners, enter into supplemental indentures or agreements for any one or more or all of the following purposes:

(a) to grant additional powers or rights to the Trustee;

(b) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Certificate Owners;

(c) to subject to the Indenture additional revenues, properties or collateral;

(d) to amend or modify the description of the real property and improvements described in the Indenture; provided, however, that such amendment or modification shall not materially adversely affect the interests of the Certificate Owners;

(e) to set forth the terms and conditions and other matters in connection with the execution and delivery of Additional Certificates pursuant to the Indenture;

(f) to reflect the partial release and substitution of Leased Property as provided in the Lease, or the release and conveyance of portions of the Leased Property as provided in the Lease; or

(g) as may be required by the provisions of the Lease or the Indenture.

Except for the supplemental indentures described in the preceding paragraph, the Indenture requires that notice be given and that the consent of the District, the Insurer and the registered owners of a majority (or in certain cases 100%) in aggregate principal amount of the Certificates at the time Outstanding be obtained for any supplemental indenture.

The Corporation and the Trustee may, with the written consent of the District, but without the consent of or notice to the registered owners of the Certificates, consent to any amendment of the Lease as may be required: (a) by the provisions of the Lease or the Indenture; (b) for the purpose of curing any ambiguity, or curing, correcting or supplementing any defect or omission or inconsistent provision contained therein, or to make any provisions with respect to matters arising under the Lease or for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Certificate Owners; (c) in order to more precisely identify the Leased Property or to add additional improvements or properties acquired in accordance with the Lease and the Indenture; (d) to amend or modify the description of the real property and improvements constituting the Leased Property; provided, however, that such amendment or modification shall not materially adversely affect the interests of the Certificate Owners, (e) to add covenants of the District, (f) in order to reflect the partial release and substitution of Leased Property as provided in the Lease, or the release and conveyance of portions of the Leased Property as provided in the Lease, (g) in connection with the execution and delivery of Additional Certificates, or (h) in connection with any other change which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Certificate Owners.

Except for the amendments described in the preceding paragraph, neither the Corporation nor the Trustee is permitted to consent to any other amendment of the Lease without giving notice and obtaining the written approval or consent of the Insurer and the registered owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding.

Rights of the Insurer

(a) Notwithstanding any other provision of the Lease or the Indenture, so long as the Insurer is not in default under the Policy, (i) the Insurer, acting alone, shall have the right to direct all remedies upon the occurrence of an Event of Nonappropriation or an Event of Default, (ii) the Insurer shall be deemed to be the Owner of all the Certificates for purposes of exercising all rights and privileges available to Owners of the Certificates, (iii) the Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of the Certificates in accordance with the applicable provisions of the Lease and the Indenture and (iv) there shall be no acceleration of the payment of the Certificates without the consent of the Insurer.

(b) The rights granted to the Insurer under the Indenture or the Lease to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy of Insurance. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Certificate Owners nor does such action evidence any position of the Insurer, positive or negative, as to whether Certificate Owner consent is required in addition to consent of the Insurer.

(c) In the event that the Insurer is in default under the Policy or the Policy is no longer in effect, all references to the Insurer shall be of no effect.

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APPENDIX F

FORM OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019